City of Austin
Office of the City Auditor

Audit Report

Employee Travel Reimbursements Audit

November 2024



Earlier this year, the City of Austin replaced its 2001 travel policy with a new policy. The new policy brought City practices more in line with best practice travel policies. For example, the 2001 policy included only 66% of identified best practices. The City's 2024 policy includes 90% of best practices.

When authorized, City employees may travel on behalf of the City and claim reimbursement for allowed travel expenses. We looked at a sample of past travel claims to identify areas that may need more focus to ensure compliance with City travel rules. Almost all employee travel advance requests were processed according to policy. However, employees did not consistently file travel reimbursement requests timely. Also, late requests were more likely to experience processing delays. This indicates requests filed late may include other compliance issues that can delay final approval. Staff noted travel rules can be hard to understand. Also, some departments cited turnover in staff familiar with the City's travel rules as a reason for some of these delays.

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Cover: Aerial view of downtown Austin, iStock.com/RoschetzkyIstockPhoto

Objective

Does the City's employee expense reimbursement process operate in a timely and effective way and limit financial impacts to individual employees and the City?

Background

When authorized, City of Austin employees may travel on behalf of the City. Some travel expenses are paid directly by the City while others are paid by the employee and reimbursed. Employees can be reimbursed for lodging, transportation, meals, gratuities, and other work-related expenses. All expenses must comply with the City's travel policy. The travel policy exists to ensure employees receive reasonable reimbursement for official travel while balancing the City's responsibility to protect public funds.

Official travel is travel that is reasonable and necessary for the conduct of City business.

In early 2024, the Financial Services Department (FSD) launched the City of Austin Travel Policy Manual as a replacement for the 2001 Travel Policy and Procedure. All employees who travel must complete required forms. This includes the Travel Authorization Form, which documents that travel has been approved, and a Travel Expense Claim Form, which documents the appropriateness of a travel payment or reimbursement according to City policy. The City of Austin has three types of travel payments:

- Travel Advance (TA): payment to the employee before travel to cover anticipated expenses
- Travel Payment to Employee: reimbursement to the employee for travel expenses that exceed the TA amount or for travel without a TA
- Travel Reimbursement to City: reimbursement to the City from the employee if the TA amount was more than actual expenses

Austin Energy has an employee who handles employee travel claims for their department. For those claims, FSD is only involved in the pre-approval and final review process.

From a process perspective, employees and departments are responsible for completing the appropriate forms and submitting them to FSD. Two groups in FSD are responsible for reviewing this information. The Internal Control group reviews the travel costs and ensures policy compliance before forwarding the request to Central Accounts Payable (CAP). CAP reviews the invoice details and amounts before approving the reimbursement.

What We Found

Summary

Earlier this year, the City of Austin replaced its 2001 travel policy with a new policy. The new policy brought City practices more in line with best practice travel policies. For example, the 2001 policy included only 66% of identified best practices. The City's 2024 policy includes 90% of best practices.

When authorized, City employees may travel on behalf of the City and claim reimbursement for allowed travel expenses. We looked at a sample of past travel claims to identify areas that may need more focus to ensure compliance with City travel rules. Almost all employee travel advance requests were processed according to policy.

However, employees did not consistently file travel reimbursement requests timely. Also, late requests were more likely to experience processing delays. For requests filed on time, City staff processed 67% within policy timeframes. For requests filed late, City staff processed only 37% within policy timeframes.

This indicates requests filed late may include other compliance issues that can delay final approval. Staff noted travel rules can be hard to understand. Also, some departments cited turnover in staff familiar with the City's travel rules as a reason for some of these delays.

Finding 1

The City of Austin updated its travel policy to be in line with best practices, including those for employee reimbursement.

Prior to 2024, the City had processed employee travel reimbursement requests under a travel policy from 2001. Two additional guidance documents from 2006 and 2007 helped establish what the City could reimburse. The City approved a new travel policy with more defined guidelines for processing employee travel reimbursements earlier this year.

We researched best practice guidance for travel policies and identified 67 best practices across six policy component areas (see Appendix A). According to our analysis, the City's 2024 travel policy includes 90% of identified best practices. This is an improvement from the 2001 travel policy which included only 66% of identified best practices. Most deficiencies of the old policy were in the methods of payment, meals and lodging, and transportation component areas. Key improvements of the 2024 policy include:

- Establishing definitions for key travel policy terms
- Proactively defining employee, department, and FSD roles and responsibilities
- Requiring more supporting documentation to verify and justify travel expenses
- Incorporating modern expense considerations for gratuities, rideshare services, and non-hotel lodging services
- Limiting departmental use of internal policies that do not align with the City's travel policy
- Citing federal IRS regulations relating to travel reimbursement

The new travel policy should improve the City's ability to process employee reimbursement requests and protect public funds. However, the City's old travel policy was not aligned with industry practice for an extended time, or with City operational changes in the last few years.

For example, due to the COVID-19 pandemic, several reimbursement processes transitioned from paper to electronic. Also, reimbursement checks used to be mailed straight to an employee's on-site office. Now, they are mailed directly to an employee's home address.

One of the identified best practices is for an organization to assess and update their policy on a regular basis. Staff indicated the process to revise and update City policies is lengthy and difficult. However, City policy should reflect current practices.

Finding 2

Almost all employee travel advance requests were processed according to policy. However, employees did not consistently file travel reimbursement requests timely, and those late requests were more likely to experience processing delays.

It is important that employees and departments understand travel rules and comply with timelines and requirements. This helps make sure employees are reimbursed timely and lessens extra time spent by employees, departments, and FSD working through compliance issues. To identify areas of the process that may need attention, we tested a sample of travel payment requests from fiscal year 2022 for compliance with City rules.

According to our analysis, the travel advance process appears to be efficient and compliant with City rules. Travel advances were submitted in advance, approved quickly, and paid to employees on time. We only saw minor issues related to missing dates.

For reimbursement requests, our analysis showed some delays, mainly because staff did not submit requests to FSD on time. These late requests were more likely to take longer to process than requests submitted on time. This indicates the late requests may include other compliance issues that delayed final approval. For example, 60% of the sampled requests were not submitted to FSD within 20 days as noted in City rules. On average, requests took over 36 days to submit. For the requests initially submitted late, only 37% were approved by FSD in a timely manner. By comparison, 67% of requests submitted on time were approved by FSD in a timely manner.

Most requests were compliant with City rules. However, 38% of requests were missing one or more requirements. The most common issue involved missing "wet" signatures or dates. In late 2023, the City began accepting digital signatures in addition to "wet" signatures. Another common issue area was late travel authorizations. This is where the authorization form to travel was completed during or after travel had occurred. Corrections for these issues lie mainly with travelers and departments.

FSD staff provides training on travel rules and updates to department travel liaisons. Liaisons are responsible for training employees within their department. However, some departments noted their employees are not aware of all travel requirements. One department noted travel updates are

We selected a statistically significant sample of 67 requests from a total population of 6,654 travel entries. This gave us a confidence level of 90% with a 10% margin of error and allowed us to project our findings to the population.

A "wet" signature means a signature physically signed in ink.

not always posted to their intranet site in a timely manner. This can lead to incomplete reimbursement requests which can delay the approval process. To help address this issue, FSD provides guidance via a Teams channel where all departments have access to the same information at the same time.

Departments noted increased travel and staff turnover contributed to some of the identified travel request issues. In response to a specific issue in our sample, one department said they could not answer because almost all their travel staff had turned over since 2022. Another department said their travel liaison retired and it took a long time to train someone else to take over those duties. Also, a few departments noted having limited staff available to help with travel requests. They said staff had a hard time keeping up with increased travel requests.

We also noted a few unique situations that contributed to some of the issues and delays. For example, Austin firefighters sometimes travel under mutual aid emergency deployments. Due to the urgency of the situation, travel request documentation is submitted after the travel occurs. This type of situation can apply to other departments that deploy in emergencies, as well

Recommendations and Management Response

1 The City Controller should establish a regular review process to assess the City's Travel Policy and update it, as needed. This process should be done at least every three years and evaluate if the Travel Policy is:

- effective in meeting the City's current needs, including the needs of employees, and being followed consistently
- aligned with requirements, industry benchmarks, and best practices to identify areas for improvement
- understandable with clear and concise rules and guidelines

Management Response: Agree

Proposed Implementation Plan: In January 2024, the Financial Services Department updated the City of Austin's Travel Policy. This update involved a comprehensive review and comparison of travel policies from nine other cities, focusing on key elements to enhance our own policy. Best practices identified during this comparison have been incorporated into the City's Travel Policy. Moving forward, the Financial Services Department will continue to evaluate industry benchmarks and federal government guidelines to ensure that our travel policy remains current and aligned with best practices. Additionally, we will continue to assess all travel-related expenses to ensure they adhere to the travel policy. To maintain relevance and effectiveness, the Financial Services Department will review and update the City's Travel Policy every three years.

Proposed Implementation Date: Implemented

2 To improve compliance with Travel Policy requirements, the City Controller should implement a process to proactively identify departments experiencing compliance issues and target training or guidance resources to address needed areas for improvement.

Management Response: Agree

Proposed Implementation Plan: As part of the adoption of the new travel policy in 2024, the Financial Services Department launched a training program to educate staff on the new policy and the travel process. This training included instructor-led training for travel SPOCs, on-demand training for travelers and SPOCs, as well as job aids to assist with better understanding and consistency across the travel process. FSD will continue to add new modules as we identify needs across the organization. This will include monitoring of travel issues in specific departments and requesting travelers and SPOCs alike to complete the training if FSD sees a number of recurring compliance issues.

Proposed Implementation Date: May 2025

Appendix A: Identified best practice policy areas and examples of key considerations to address in a travel policy

Policy Area	Key Considerations
Authorized Individuals	• Clearly state who is and is not covered by policy • May need different considerations for elected officials
Authorized Expenses	• Clearly define reimbursable expenses and outline any exceptions • Expenses must be reasonable and serve a public purpose • Examples of expenses can help prevent subjective judgment calls
Methods of Payment	• Various payment methods, including reimbursement and official government credit cards, may be used for business expenses • Specify authorized payment methods for different expense types • A travel pre-approval process can help clarify payment methods • Government credit cards should not be used for personal expenses
Documentation & Controls	• Employees must follow established approval processes and timelines when seeking reimbursement • Timely reimbursement requests are needed to avoid disputes • Establish a clear time limit for submitting reimbursement claims
Transporation	• Employees should choose the most cost-effective and time-efficient mode of transportation for their work-related travel • Incidental transportation expenses may be covered, but normal commuting miles should not be reimbursed • Employees should consider carpooling when attending the same event
Meals & Lodging	• Employees may be reimbursed for meals and hotels using either a per diem allowance or actual expenses • Per diems eliminate the need for receipts and disputes, while actual expenses allow for reimbursement of specific costs

NOTE: The first four areas are considered a higher priority to address in a travel policy
Source: Office of the City Auditor analysis of travel reimbursement policies from best practice organizations, December 2023

Scope

The audit scope was Citywide, with a focus on the Financial Services Department. We tested a sample of travel requests for fiscal year 2022.

Methodology

To complete this audit, we performed the following steps:

- researched best practices related to travel policies
- reviewed City of Austin travel policies and compared with best practices
- interviewed staff responsible for travel reimbursement in the Financial Services Department and other City departments
- selected a random sample of 67 travel claims to test compliance with policy requirements. We designed the sample to be statistically significant based on an identified population of 6,654 travel entries, a confidence level of 90%, and a 10% margin of error. This methodology allowed us to project our findings to the population.
- analyzed selected travel claims and documented alignment with policy requirements
- evaluated internal controls related to the City's travel reimbursement process
- evaluated the risk of fraud, waste, and abuse related to the City's travel reimbursement process

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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