



Wicomico County, Maryland

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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 114-2014, the Office of the Internal Auditor (IA) has conducted an Audit of the Wicomico County Travel Expense management. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process managing business travel and related expenses in County Government.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current travel and expense management practices comply with applicable policies and procedures and whether those policies and procedures are adequate to obtain an acceptable level of control. The audit revealed a robust system of control with some department-level implementation inconsistencies. Additionally, the current rules for county travel contained in the Wicomico County Personnel Manual, Chapter 14 are somewhat antiquated and possibly in need of an update.

IA extends our appreciation to management and staff of numerous departments for their timely assistance, cooperation, and candid assessment of their travel expense management system.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

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Audit Report

Background

Most entities find it necessary for employees to travel from time to time for various reasons. Local government is no different. County personnel must travel for training, meetings with other jurisdictions, to attend Maryland State functions, and many other legitimate reasons. Travel and related expenses incurred by most companies and agencies provide a convenient opportunity for fraudsters and therefore must be monitored closely. Expenses and travel in Wicomico County include mileage, lodging, air, rail, car rental, tolls, parking, meals, registration fees, along with tips and other miscellaneous travel expenses. The audit discovered that, although the county has a robust control system in place, departments differ in methodology for processing travel expense.

Audit Objectives

The objectives of the audit were to:

1. Determine county policy for travel expense
2. Determine internal control over travel expense
3. Evaluate adherence to internal controls
4. Make recommendations (if appropriate)

Scope of the Audit

The audit period examined on a test basis was FY 2014. The Scope was open ended. Observations, interviews, and Inquiries with appropriate personnel were conducted. IA performed inspections of selected documentation including codified county rules concerning travel expense, travel card data, and selected travel expense reports. We performed this audit in conjunction with the external financial audit performed by PKS & Company, P.A.

General Highlights and Statistics

Wicomico County provides three forms for reporting travel advances, expenses, and reimbursement:

- HR19 – Local Travel Expense Report
- HR20 – Request for Travel/Cash Advance or Training/Education Assistance
- HR21 – Wicomico County Expense Report

All forms are available on the City/County intranet. The county reported \$108,911 in total travel expense of all types on the required forms for FY2014. IA estimates that an additional \$19,286 was charged to county travel credit cards for airlines, hotels, and auto rental that was not included on the forms. Additionally, IA reviewed Wicomico County expenditure accounts numbering 520080 through 520088 that contain expenditures for travel and related expenses. The county books most expenditures related to travel and expense in accounts 520080 (local travel) and 520081 (meetings/seminars/conference). The total expenditures booked to travel and expense accounts for FY 2014 was \$199,497.

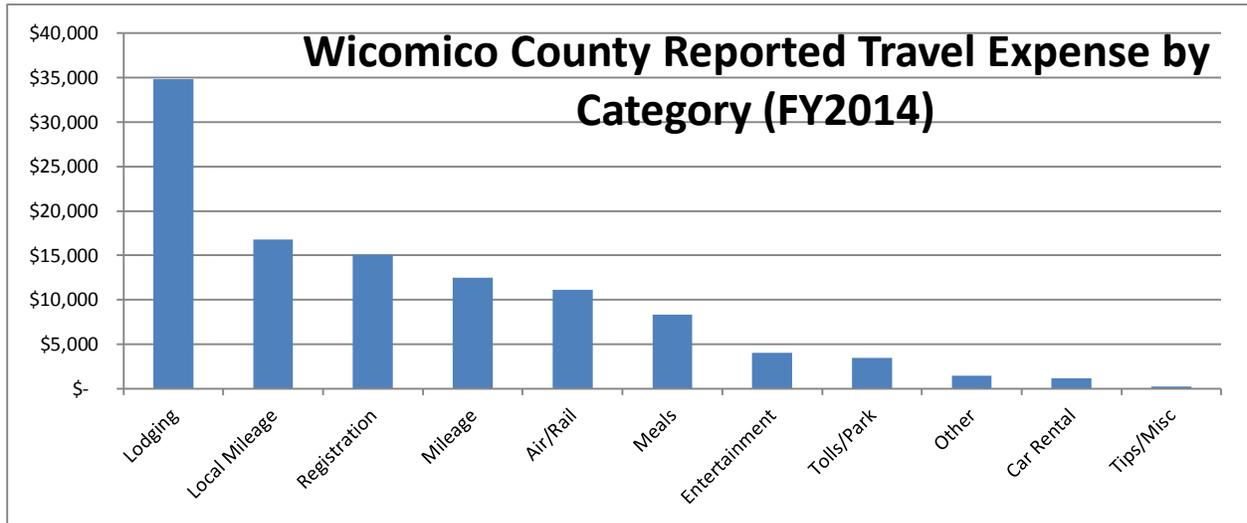
Personnel Manual

Personnel Manual Wicomico County, Maryland (revised August 4, 2010) in Chapter 14 “Travel, Meals and Lodging”, contains seventeen sections of rules and procedures for travel in Wicomico County. Portions of these rules pertain to hourly and wage payments to county employees for travel and fall outside the scope of the audit. Please see

Appendix I for some highlights of IA review of Chapter 14. Additionally, we address some of the specifics in the Selected Findings section of this report.

Travel Expense Categories

We define expense categories for this section based upon categories found in the various forms mentioned above. A graphical representation of travel expense reported by category follows:



The chart shows that lodging, by far, is the greatest expense followed by local mileage. Registration includes payments to attend training and seminars. Please note that these numbers do not include amounts not recounted

on expense reports (\$90,586) which may materially change the graphical representation. We offer this analysis merely as a possible baseline trend for future evaluation.

Travel Expense by Department

The chart below represents booked travel and related expenses by County Department for FY2014:

DEPARTMENT		DEPARTMENT	
TOURISM	\$ 45,557	STATES ATTORNEY	\$ 5,377
SHERIFF'S DEPARTMENT	\$ 18,269	YOUTH & CIVIC CENTER	\$ 5,129
ELECTIONS	\$ 14,577	SOLID WASTE	\$ 5,106
EXECUTIVE/ADMINISTRATION	\$ 14,092	AIRPORT	\$ 3,495
PUBLIC HEALTH	\$ 13,948	EMERGENCY SERVICES	\$ 2,705
PLANNING & ZONING	\$ 11,601	HUMAN RESOURCES	\$ 2,188
FINANCE	\$ 11,041	LAW	\$ 1,890
CORRECTIONS	\$ 7,888	LIQUOR/LICENSE BOARD	\$ 1,825
PARKS AND RECREATION	\$ 7,278	ORPHANS COURT	\$ 1,469
CIRCUIT COURT	\$ 6,604	PURCHASING	\$ 959
LOCAL MANAGEMENT BOARD	\$ 6,482	ELECTRICAL BOARD	\$ 378
COUNTY COUNCIL ADMINISTRATION	\$ 5,854	IT	\$ 349
ROADS	\$ 5,435	Total	\$ 199,497

Conclusion

Based on evidence gathered, and interviews performed pursuant to the County Travel Expense Management Audit, IA is of the opinion that travel expense management is presently at a satisfactory¹ level for implemented internal control and an adequate² level of adherence to internal control.

Schedule of Findings and Recommendations/Management Response

The findings listed below represent some key issues that warrant discussion as an added feature to the audit process. The audit revealed no evidence of material weakness in the areas tested. IA believes that the lack of reporting of some travel expenses purchased with county credit cards, and matters concerning the personnel manual may rise

¹ For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the IPPF Practice Guide issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

² According to IPPF Practice Guide issued March 2009: "Adequate system of internal control means that findings are subject to reservations. A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions may be at too early a stage to allow a satisfactory audit opinion to be given."

to the level of significant deficiency. These findings are both positive and negative and do not rise to the level of concern that material weakness would garner.

Local Travel

Department Heads can approve local travel mileage at prescribed rates for employees using personal vehicles for county business. Section 1403 of the Personnel Manual defines local travel as all travel within a 30-mile radius of Salisbury. Employees may accumulate local travel mileage for 30 days on a single report.³ Most departments have \$1,500 or less in local travel for FY 2014. Recreation, Parks, and Tourism (in aggregate) along with Elections had the largest reimbursements for local mileage. Numerous reports reviewed contained small amounts. Some requests for reimbursement were less than \$10. The county expressly prohibits reimbursement for commuting mileage in several subsections of the Personnel Manual within Chapter 14.

Entertainment Expense

According to the Personnel Manual section 1415(d) entertainment is not eligible for reimbursement. Column 13 on form HR21 lists "Entertainment" and another section of the report allows for itemization of entertainment for reimbursement. We assume that the problem may lie in the definition of "entertainment". Business and IRS rules allow for the deduction of entertainment as long as it meets certain parameters. For example, as long as a meal with clients or employees has a business purpose, it becomes a deductible business expense (and therefore reimbursable). On the other hand, management may disallow reimbursement for the price of tickets to shows and sporting events. IA suggests that clarification of the issue may be in order.

Per Diem and Limit Determinations

According to the County Personnel Manual section 1410(g), the County Council approves the maximum rate for meals per diem each January. This section does not reflect current practice. Currently, county management sets the limits. Wicomico County per diem limit according to the current version of form HR21 is \$72.50. The U.S. General Services Administration, along with the IRS, sets limits for those under its jurisdictions. The Federal government currently posts per diem rates ranging from \$46 to \$71 depending upon location. The County requires receipts for meals within the posted limits for reimbursement and reimburses actual expenses to travelers within the limits.

Purchase Cards

Some county purchase cards may be used for travel expense. The county grants eligible cardholders travel charging privileges on a case-by-case basis.⁴ County purchasing cards program contains a system of controls for all transactions separate from the rules for reporting travel contained in the Personnel Manual, Chapter 14. Section 1418(b)(1) of the Employee Manual requires the submission of properly signed forms HR20 and HR21 within ten working days of the completion of travel. Confusion exists in some county departments concerning a requirement to fill out travel forms when a transaction goes through the purchasing card system. There is no mention of purchasing cards in the County Personnel Manual, Chapter 14.

Although it may seem redundant, IA is of the opinion that it becomes difficult to monitor travel expense (in effort to mitigate risk) when travel expense receipts become part of a much larger population of credit card expense documentation. Additionally, form HR21, Wicomico County Expense Report, contains a line (and associated calculation) "Amount Paid by Purchase Card" in the reconciliation section of the report.

³ County Personnel Manual §1418(a)(4)

⁴ Please see Purchasing and Travel Card Program Audit Report (released April 2011) for more information

Recommendations

We offer the following recommendations for management consideration:

Personnel Manual

IA recommends an immediate update of the County Personnel Manual Chapter 14. Gaps in adherence to internal controls cannot be properly addressed unless the rules reflect current practice. We understand that a new Personnel Manual is in production and may be awaiting release for various legitimate reasons. However, we would urge an immediate update and release of Chapter 14 and department-level training to gain better adherence to travel reporting rules.

MUNIS⁵ Travel Module

Finance department interviews revealed that a module within MUNIS might be available to automate travel expense reporting. We suggest a cost-benefit analysis for the implementation of electronic travel reporting in order to increase efficiency, effectiveness, and internal control. As mentioned in the Background portion of this report, expense for travel provides a convenient opportunity for fraudsters and therefore must be monitored closely. Please note that we discovered no evidence of fraud requiring further investigation during our testing. Nevertheless, due to its nature, risk for fraud in this area remains high.

Management Response

The Executive agrees that the Personnel Manual needs to be brought up to date for many reasons, including travel management policy. A complete revision has been prepared and will be submitted to Council soon. With regards to travel claims and the use of purchase cards; the Executive agrees that all travel should be reported on a travel claim form to include travel paid for exclusively on a county purchase card. Having said that, it is important to note that all purchases made on a purchase card are reviewed at least twice at the department level, first when the charge is processed for transfer into the MUNIS accounting system and then at the end of each month when all purchases are approved by the department head. Department heads may not approve their own charges, these are approved by the Executive's Office. All travel expenses whether recorded on a travel claim form or via a purchase card are ultimately reported in the MUNIS general ledger records by appropriate expense category and are then available for public view through the transparency reports on the county web site.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from participating County Departments for their timely cooperation and assistance during the audit. With Council permission, IA plans a subsequent follow-up to the Travel Expense Management Audit after 180 days.

⁵ MUNIS is an acronym for the accounting software employed by the county

Appendix I – Outline Narrative (*based upon IA review of County Personnel Manual, Chapter 14*)

Numbers refer to Personnel Manual section numbers

1402 – Sets the tone...travel must be planned to achieve maximum benefit, efficiency, and effectiveness

1403 – Defines local/non-local...local = 30 mile radius as per map no longer in use...per HR mileage now determined via Google Maps

1404 – Describes the preapproval process and submission of form HR-20 (request for travel and cash advance)...p-card eliminated most of the need for cash advances

1405 – County Owned Vehicles...county vehicles should be used to the maximum extent possible...audit revealed extensive reimbursement for personal vehicle use

1405(2) – County Council establishes mileage rates for reimbursement...no evidence of council rate establishment

1406(a)(1) – Commuting mileage defined and disallowed...callback exception

1408(d) – Describes miscellaneous...reasonable tips cannot exceed 15%

1410(a) – Local meals for meetings defined (receipts required)...may want to require “itemized” in the language for accountability (no alcohol, etc.)

1410(g) – Council establishes maximum meals...currently not in practice

1413 – Registration fees...may want to require proof of attendance

1415(d) – No reimbursement for entertainment...may want to define specifically ...entertainment column provided on form HR-21 for meetings, etc.

1418(a)(4) – Monthly could be required for habitual local reimbursement requests to avoid processing repeated small requests (efficiency)

1418 (c) – HR-20 must be submitted with HR-19 to provide complete record for local travel reimbursement

Appendix II – Travel Expense Process⁶

Travel Process

Department head approves travel or directs travel in advance

Employee fills out HR 19 or HR 20

Department Head Approves

Once the employee returns from travel, they have 10 business days to get the County Expense Report processed.

All travel reports must go through the Executive Office to be reviewed for accuracy, approved, and signed.

If money is due back to the County, the County Expense Report will have a check. The Revenue Specialist will process the payment to the GL account assigned on the Expense Report.

Once complete, the Revenue Specialist will give the Accounting Specialist a copy of the County Expense Report, check, & receipt.

If money is owed to the employee, the Disbursement Coordinator will cut the check and give the Accounting Specialist a copy of the County Expense Report.

Once the process is completed the Accounting Specialist creates a journal entry to clear the account and gives to Assistant Director of Finance - Accounting for approval and posting.

Travel with Cash Advance Process

The Request for Travel/Cash Advance is completed by the Requester, approved by the Department Head, and then submitted to the Director of Administration for approval. (Form located on Wicomico County Intranet under Forms, Finance)

The Request for Travel/Cash Advance is sent to Finance/Accounting for processing.

The cash advance invoice is coded to GL account 01C05-103030.

Once the check is cut, the Disbursement Coordinator will fill out the bottom of the Request for Travel / Cash Advance form and submit 2 copies to the Accounting Specialist.

The Accounting Specialist enters the information on the Travel Advance worksheet.

Once the employee returns from travel, they have 10 business days to get the County Expense Report processed.

If it is not processed in a timely manner, the Accounting Specialist sends a reminder to the Department Head. If a 2nd reminder is sent, the Director of Finance is copied on the email.

All travel advances must go through the Executive Office to be reviewed for accuracy, approved, and signed.

If money is due back to the County, the County Expense Report will have a check. The Revenue Specialist will process the payment to the GL account assigned on the Expense Report.

Once complete, the Revenue Specialist will give the Accounting Specialist a copy of the County Expense Report, check, & receipt.

If money is owed to the employee, the Disbursement Coordinator will cut the check and give the Accounting Specialist a copy of the County Expense Report.

Once the process is completed the Accounting Specialist creates a journal entry to clear the account and gives to Assistant Director of Finance - Accounting for approval and posting.

The Travel Advance spreadsheet is then updated and the process is complete.



⁶ Developed by Finance (slightly modified)

