



Office of Inspector General

City of New Orleans

Follow-Up Report: Travel and Business Expense Reimbursement and Credit Card Issuance and Use (Policies 9(R) & 116(R))

AR11FOL003

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Executive Summary..... 2

I. Objectives, Scope and Methodology..... 3

II. Policy Memorandum 9(R) Travel and Business Expense Follow-up..... 4

III. Policy Memorandum 116(R) Credit Card Issuance and Use Follow-up..... 8

EXECUTIVE SUMMARY

The Office of Inspector General evaluated and reviewed Policy Memoranda No. 9(R) and 116(R) and issued a report titled “Travel and Business Expense Reimbursement and Credit Card Issuance and Use (Policies 9(R) & 116(R)) on August 24, 2010 (the “August 2010 Report”).

The review of Policy Memoranda No. 9(R) and No. 116(R) resulted in ninety-three (93) recommendations intended to improve and clarify the City’s travel and business expense policies.

The City revised Policies 9(R) and 116(R) in response to the August 2010 Report.¹ The auditors obtained documentation of the distribution of Policy 9(R) on October 13, 2010, and noted the policy was distributed City-wide. The City also provided the auditors with documentation of City-wide distribution of Policy 116(R) on January 10, 2012.

Of the 93 recommendations suggested in the August 2010 report, the City adopted 86 recommendations, and 5 were partially adopted. The City did not adopt 1 recommendation; one recommendation did not require a response. Refer to Table 1 below for a summary of the City’s responses.

Table 1: Status of Recommendations

| Recommendation # | Total Recommendations | Status of Recommendation |
|---|------------------------------|-----------------------------------|
| 1-12, 14-21, 23, 26-61, 63-76, 78-83, 85-93 | 86 | Adopted |
| 13, 22, 24-25, 77 | 5 | Partially Adopted |
| 62 | 1 | Not Adopted |
| 84 | 1 | No Response Required ² |
| Total Recommendations | 93 | |

¹ Policy Memoranda 9(R) and 116(R) were revised on July 27, 2010 and were adopted on October 13, 2010 and January 10, 2012, respectively.

² The OIG agreed with the City’s response, and the City was neither required to follow-up nor to provide the OIG with an update.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the follow-up report was to determine if the City's responses from the August 2010 Report were adopted.

The scope of this follow-up was limited to the City's responses to the ninety-three (93) recommendations in the August 2010 Report as of January 31, 2012.

The methodology was developed in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book)³. The auditor's Methodology included the following:

- Planned the follow-up in accordance with OIG policies;
- Conducted fraud interviews with personnel;
- Obtained revised policy memoranda to determine if the new memoranda included the City's comments to the 2010 Report;
- Inquired of personnel to determine if any comments not adopted were in the process of being adopted; and
- Reported on the results of the follow-up.

³ Published by the Association of Inspectors General, May 2004.

II. POLICY MEMORANDUM NO. 9(R) TRAVEL AND BUSINESS EXPENSE FOLLOW-UP

The auditors summarized the eighty-nine (89)⁴ recommendations below that pertained to Policy Memorandum 9(R) and determined the status of each of the City's comments that were given in response to the 2010 Report. For a detailed description on each recommendation, refer to the original August 2010 Report at nolaoig.org.

Recommendations # 1 - 4: "The City should expand its existing Policy 9(R) relating to lodging to include guidance on how to determine the "best rate" and to determine what expenses are allowable and what are prohibited."

Follow-up: The City adopted all recommendations.

Recommendations # 5 - 7: "The City should expand its existing policy regarding conference lodging and conference registration fees."

Follow-up: The City adopted all recommendations.

Recommendations # 8 - 16: "The City should supplement its existing Policy 9(R) relating to air fare to include what expenses are allowable, prohibited, and how to determine the best rate."

Follow-up: The City adopted recommendations #8-12 and #14-16.

The City partially adopted recommendation #13. The City did not include "education leave" in the revised policy.

Recommendations # 17 – 27: "The City should expand its policy relating to per diem meals to include how to calculate the per diem rate, what expenses are allowable and what are prohibited."

Follow-up: The City adopted recommendations #17-21, 23 and #26-27. The City partially adopted recommendations #22-25.

The City did not adopt the proposed time table to determine when an employee receives per diem (Recommendation #22).

⁴ The remaining 4 recommendations relate to Policy 116(R). Those recommendations were discussed in Section III of this report.

The revised Policy 9 (R) did not indicate how much to allocate to each meal. The new policy did not provide guidance on how much to deduct for conference meals from the per diem. (Recommendation #24).

The City did not clarify how to determine the maximum per diem rate as provided by the U.S. Department of State. (Recommendation #25).

Recommendations # 28 – 36: “The City should reconsider its policies related to rental vehicles and insurance for rental vehicles.”

Follow-up: The City adopted all recommendations.

Recommendations # 37 – 41: “The City should expand its policy relating to travel in City-owned vehicles to include policies on who may operate a vehicle and what are allowable/prohibited expenses relating to City vehicles.”

Follow-up: The City adopted all recommendations.

Recommendations # 42 – 52: “The City should include reimbursement policies relating to public ground transportation, luggage allowances, laundry services, communication expenses, internet access charges, and parking/tolls.”

Follow-up: The City adopted all recommendations.

Recommendations # 53 – 63: “The City should explicitly state responsibilities of the City and employees as it relates to expense reimbursement.”

Follow-up: The City adopted recommendations #53-61 and #63.

The auditors inquired whether any progress was made to update the City’s payables disbursement system and human resource systems. The City responded that it has not updated its payables disbursement system. As such, recommendation #62 is not adopted by the City.

Recommendation # 64: “The City should explicitly outline disallowed expenses.”

Follow-up: This recommendation was adopted by the City.

Recommendation # 65: “The City should revise its policy to make clear that the employee is required to sign the Travel Authorization Form (TAF) prior to submission.”

Follow-up: This recommendation was adopted by the City.

Recommendations # 66 – 72: “The City should expand its policy relating to Travel Advances.”

Follow-up: The City adopted all recommendations.

Recommendation # 73: “The City should clarify that “No reimbursement should be made by the City to any employee who purchases *a separate* flight insurance *policy*.”

Follow-up: This recommendation was adopted by the City.

Recommendations # 74 – 78: “The City should establish and shorten deadlines for the employee to submit their Travel Expense Account Form and the City should expedite reimbursements to employees.”

Follow-up: The City adopted recommendations #74-76, and #78.

The City partially adopted recommendation #77. The City did not clarify how an employee should return excess funds to the City.

Recommendation # 79: “The City should revise its policy to disallow entertainment expenses.”

Follow-up: The City adopted this recommendation, but did not define “Official Entertainment” in the revised policy.

Recommendations # 80 – 88: “The City should expand its policies related to mileage for travel in privately-owned vehicles to include what expenses are allowed or prohibited, and how to calculate mileage. Additionally, the reimbursable mileage rates should be based on the Internal Revenue Service (IRS) allowable rates.”

Follow-up: The City adopted recommendations #80-83 and #85-88. Although the City adopted recommendation #80, it specified a mileage rate of \$.55/mile.

The policy will require amendments to this policy each time the IRS changes its approved rate. The OIG agreed with the City’s response to recommendation #84 and no current response was required.

Recommendation # 89: “The City should include a policy that clearly states that all expenses should be properly supported by documentation and all supporting documentation should be attached to the Travel Expense Account Form.”

Follow-up: This recommendation was adopted by the City.

III. POLICY MEMORANDUM NO. 116(R) CREDIT CARD ISSUANCE AND USE

The four (4) recommendations that pertained to Policy Memorandum 116(R) are summarized below. The auditor's determined the status of each of the City's responses given in response to the 2010 Report. For a detailed description on each recommendation, refer to the original August 2010 Report at nolaoig.org.

Recommendations # 90 – 93: “The City should expand its credit card policy to include procedures related to proper return, allowed expenses, and include a provision for a department-wide card with a negotiated interest rate.”

Follow-up: The City updated Policy 116(R) to include recommendations #90 and #91 and issued the Policy on January 10, 2012. Therefore, the City adopted these recommendations.

The City provided supporting documentation that demonstrated that recommendations #92 and #93 were adopted.