AUDIT REPORT
Travel Expenses
Controller's Office
October 2020

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City and County of Denver

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October 15, 2020

AUDITOR'S LETTER

The objective of our audit of travel expenses in the City and County of Denver was to determine whether travel expenses contained errors or evidence of fraud, either intentional or unintentional, and to evaluate the efficiency and effectiveness of the Controller's Office's system for processing these transactions. I am pleased to present the results of this audit.

We found the Controller's Office needs to improve how it monitors city agencies' compliance with the Fiscal Accountability Rule that governs travel transactions. We also found the Controller's Office has not updated that fiscal rule or its related procedure in seven years; the office needs to update both and more effectively communicate the rule and procedure to all city employees. In addition, we noted the Controller's Office conducts random checks to see whether agencies comply with travel rules, but the office lacks systematic monitoring to track noncompliance. We also found the Controller's Office allowed the Denver Fire Department to deviate from the city's per diem policy and that the fire department inaccurately calculated some per diems. Lastly, our testing revealed some employees had access to city travel cards long after leaving their jobs with the city, although we found no evidence of misuse or fraud.

City travel dropped in 2020 due to the COVID-19 pandemic. However, by implementing recommendations for stronger monitoring and communication, for improving automated controls over per diem calculations, and for ensuring compliance with the Fiscal Accountability Rule, the Controller's Office will be better equipped going forward to record and monitor travel expenses for the city and to communicate travel policy and procedure to all city employees.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, "General Powers and Duties of Auditor." 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.

We extend our appreciation to the personnel in the Controller's Office who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor

Travel Expenses
October 2020

Objective

To determine whether travel expenses contained errors or evidence of fraud, either intentional or unintentional, and to evaluate the efficiency and effectiveness of the Controller's Office's system for processing these transactions

Background

The City and County of Denver has guidelines for all expending authorities, officers, employees, and contractors who travel for official business on behalf of the city. These guidelines are contained in Fiscal Accountability Rule 10.8 and a related procedure that accompanies the rule and governs travel for all city agencies.

The Controller's Office establishes the rules for fiscal activities by maintaining the city's Fiscal Accountability Rules.

REPORT HIGHLIGHTS

Highlights from Audit

The Controller's Office Should Improve Its Monitoring of City Agencies' Compliance with Travel Expense Rules

We uncovered missing supporting documentation and numerous instances when agencies did not comply with the city Fiscal Accountability Rule that governs travel.

We found the Controller's Office has not updated this fiscal rule or its related procedure since 2013, and therefore, the policy and procedure do not reflect current practices. We also found:

- The Denver Fire Department does not use the city's financial management system of record to calculate per diem amounts, and as a result, the department applies inconsistent per diems when compared to other city agencies.
- The city does not have a comprehensive communications strategy to keep employees informed of the city's policy on expensing official travel.
- Accounts payable services staff conduct random checks, but they do not systematically monitor for key indicators that would assess agencies' compliance with city travel rules.

Travel Cards Are Not Canceled in a Timely Manner after an Employee Leaves Their Job with the City

Some city employees are issued credit cards for traveling on behalf of the city, but we found accounts payable services staff did not always cancel these cards in a timely manner once some employees stopped working for the city.

Denver Auditor Timothy M. O'Brien, CPA

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BACKGROUND

The City and County of Denver has guidelines for all employees and contractors who travel for official business on behalf of the city. The Controller's Office establishes the rules for fiscal activities by maintaining the city's Fiscal Accountability Rules.

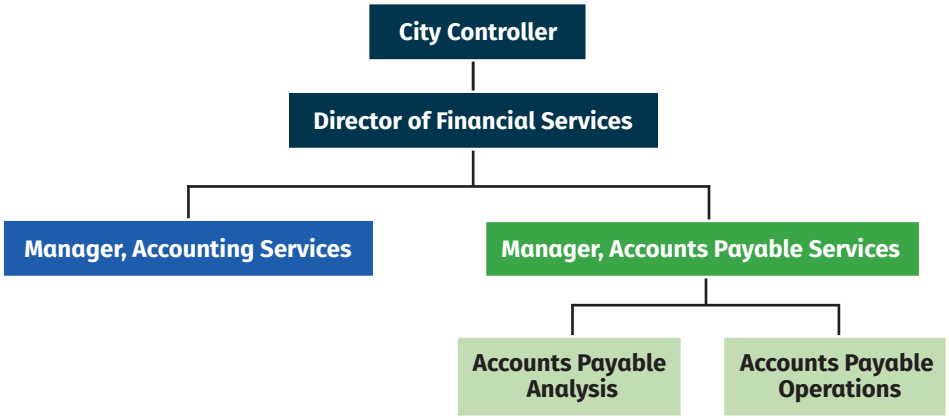
The Controller's Office

The Controller's Office was established to "ensure the City and County of Denver's financial integrity by promoting effective, efficient, and accountable government, utilizing best practices, and ensuring the highest quality of customer service."[1]

In addition to ensuring compliance with travel rules, the Controller's Office is responsible for citywide payroll, accounts payable, general accounting, financial reporting, and citywide fiscal rules and policies. The office also provides financial management services to 17 city agencies.

The Financial Services Division of the Controller's Office provides accounting services to city agencies, manages the city's accounts payable, maintains city financial records, and reports directly to the city controller. As shown in Figure 1, the director of Financial Services oversees the accounts payable services team. The team consists of 11 employees, who manage the city's travel requirements and review travel expenses.

FIGURE 1. Financial Services Division Organizational Chart



Source: Workday, the city's financial management system of record.

Note: This was the division's organizational structure as of March 2020.

[1] "Welcome to the Controller's Office," Department of Finance divisions webpage, City and County of Denver, accessed Feb. 20, 2020, https://www.denvergov.org/content/denvergov/en/denver-department-of-finance/our-divisions/controllers-office.html.

Official City Travel

One of the city's Fiscal Accountability Rules governs travel for all city agencies and employees. A detailed travel procedure accompanies that rule. According to the procedure, travel must be for official city business. This is defined as travel that is "required or useful" in helping a city employee or city agency carry out their responsibilities or enhance how well they perform city business.[2]

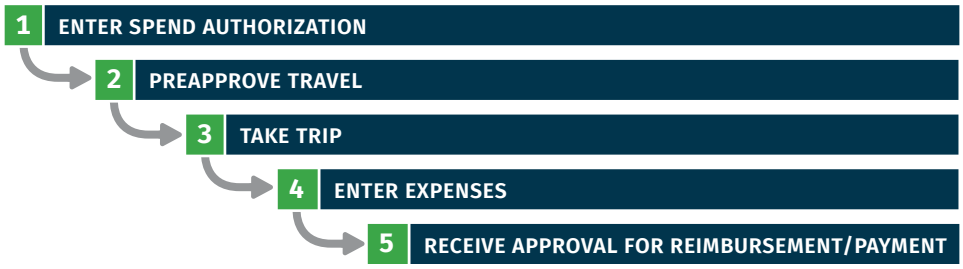
Employees must receive approval from their agency's expending authority — the employee appointed by an agency to make financial decisions — before traveling on city business. Once the employee's travel is preapproved, their agency determines how the employee should plan and book travel. Each agency must ensure the travel is in accordance with the city Fiscal Accountability Rule that governs travel, as well as the processes outlined in the rule's related procedure.

Some large city agencies have a designated agency travel coordinator to ensure compliance with the fiscal rule. This coordinator arranges preapprovals, budgets, and travel plans. They also book trips, review supporting documentation, and work with agencies to expense trip costs through Workday, the city's financial management system of record. Agency travel coordinators maintain the forms needed for preapproval and ensure trip expenses comply with the city's travel policy and procedure, as well as any agency-specific policy and procedure for travel.

In agencies that do not have a travel coordinator, employees manage their own travel plans and submit their own expenses through Workday. According to the Controller's Office, each agency governs its own process but must remain compliant with the city's fiscal rule.

Although agencies can determine some parts of the expensing process, Controller's Office staff told us that city employees and their managers generally follow specific steps when traveling on city business. Figure 2 illustrates each step of the process, which we will now discuss in detail.

FIGURE 2. Typical Travel Authorization, Preapproval, and Expensing Process in Workday



Source: Fiscal Accountability Rule 10.8 and auditors' interviews with Controller's Office staff.

[2] City and County of Denver, Fiscal Accountability Rules, "Rule 10.8 – Travel" (last revised 2013), accessed Aug. 3, 2020, https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/chapter_10_Empl_Associated/Rules/Rule_10_8_Travel.pdf.

1. **Enter Spend Authorization** – City agencies can use spend authorizations to estimate the budget for an official trip and to set aside that money in a city's account. According to the Controller's Office, "educated estimates" must be used to justify holding money in the budget.

   Although this is an automated process in Workday, not all agencies use spend authorizations. For example, Denver International Airport does not use spend authorizations. But Denver Human Services does use them for travel advances. Spend authorizations are not required unless an employee obtains a travel advance.

2. **Preapprove Travel** – As mentioned, before travel, a trip must first be approved and authorized by an agency's expending authority. The city's travel policy says, "it is of primary concern that the economy and necessity are taken into consideration when planning and paying for travel."[3] Expending authorities for each agency have the authority to determine the reasonableness of overnight travel expenses and the benefit of the travel to the city.

   Each agency may have its own method, and those methods may or may not be consistent across agencies. For example, Denver International Airport requires that a manual form be used for trip preapproval. The Mayor's Office requires mayoral appointees to seek preapproval of planned travel from the mayor's deputy chief of staff at least 30 days before traveling.

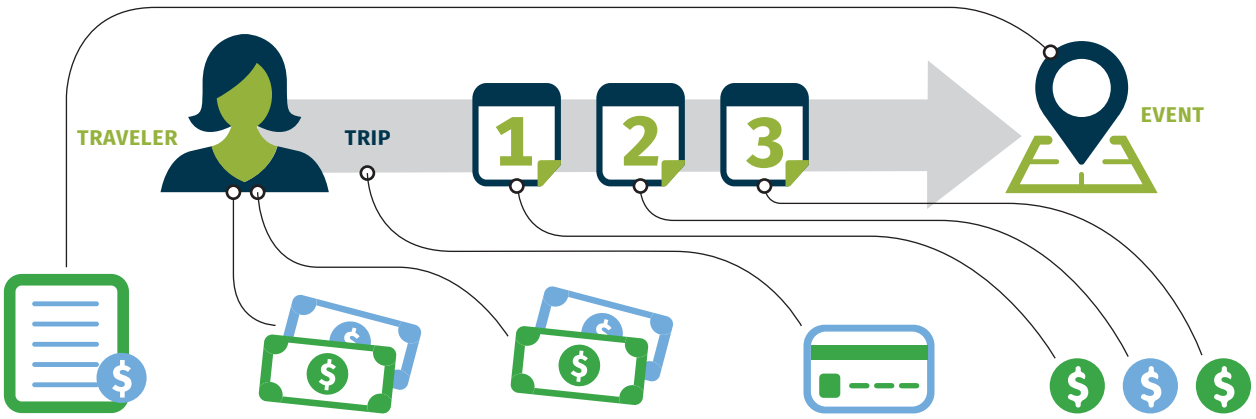
3. **Take Trip** – After receiving preapproval for a trip, an employee is authorized to travel on behalf of the city for that purpose. How the employee pays for the trip can vary based on the situation, the employee, and the agency authorizing the travel.

   According to the city's travel procedure, travel can be paid for using the methods listed below and as illustrated in Figure 3 on the following page.

   - Travel advance.
   - Reimbursement.
   - Per diem.
   - Travel card.
   - Purchase order.

[3] Ibid.

FIGURE 3. Methods to Pay for Travel Expenses



PURCHASE ORDER
An approved document to a vendor formalizing all the terms and conditions of a proposed transaction, such as a description of the requested items, price, delivery schedule, terms of payment, and transportation. Travel expenses submitted as purchase orders result in supplier invoices submitted to the city for payment.

TRAVEL ADVANCE
Money advanced to the traveler in an amount reasonably estimated to cover some or all of authorized travel expenses. Travel advances cannot exceed the per diem city allowance and actual cost for lodging. Travel advances must be repaid if they are not used for travel.

REIMBURSEMENT
A payment to the traveler for reconciled travel expenses they personally paid. Employees can be reimbursed for lodging, meals and incidental expenses, transportation, and other miscellaneous expenses.

TRAVEL CARD
A city-issued credit card that can be used for travel, instead of using personal cash or an employee's personal credit card. Travel cards can provide discounts to the city for airlines, as well as hotels and rental car companies.

PER DIEM
A daily payment for actual expenses for lodging, meals, and related incidentals. The per diem allowance is separate from transportation expenses and other miscellaneous expenses.

Source: City and County of Denver Fiscal Accountability Rules, the city's contract with Citibank, and Executive Order No. 8.

4. **Enter Expenses** – When employees return from a trip, they — or in some cases, their agency's travel coordinator — reconcile any expenses. Employees or travel coordinators must reconcile the expenses to original supporting documentation, such as a receipt, and submit the transactions using a Workday expense report. If a spend authorization was used, the employee or travel coordinator also must reconcile actual expenses to the spend authorization estimate.

5. **Receive Approval for Reimbursement or Payment** – After the employee or travel coordinator submits expenses in Workday, there are two primary steps before the expenses can be approved for reimbursement or payment.

   First, Workday automatically asks the employee's direct supervisor and the agency's approver to review the expenses for reasonableness and for original supporting documentation in accordance with policy. Then the system requests and documents their approval.

Once an expense report is approved for payment, the Controller's Office's accounts payable services team reviews all travel-related expense reports for supporting documentation and proper agency approval.[4]

[4] This final review applies only to expense reports; travel card transactions, supplier invoices, and journal entries route differently in Workday for approval.

FINDING 1

The Controller's Office Should Improve Its Monitoring of City Agencies' Compliance with Travel Expense Rules

In our testing of travel transactions, we uncovered instances when agencies did not comply with the city Fiscal Accountability Rule that governs travel, and we found supporting documentation was missing.

The Controller's Office has not updated the fiscal rule or its related procedure since 2013. Therefore, we found the policy and procedure do not reflect current and leading practices. The city also does not have a communications strategy for informing employees about the city's policy on expensing official travel, and it does not track performance metrics to see how well agencies follow the rules.

Additionally, we found the Denver Fire Department does not use the capabilities of the city's system of record, Workday, to calculate its employees' per diem amounts. This has resulted in incorrect calculations and inequity in employees' reimbursements when compared to other agencies.

The Controller's Office has not updated the travel fiscal rule or its related procedure since 2013.

Some Travel Transactions Have Compliance Issues

After determining the total amount of employee travel expense transactions and the types of those transactions, we tested samples of them and uncovered instances when agencies did not comply with the travel policy and procedure as well as instances when supporting documentation was missing.

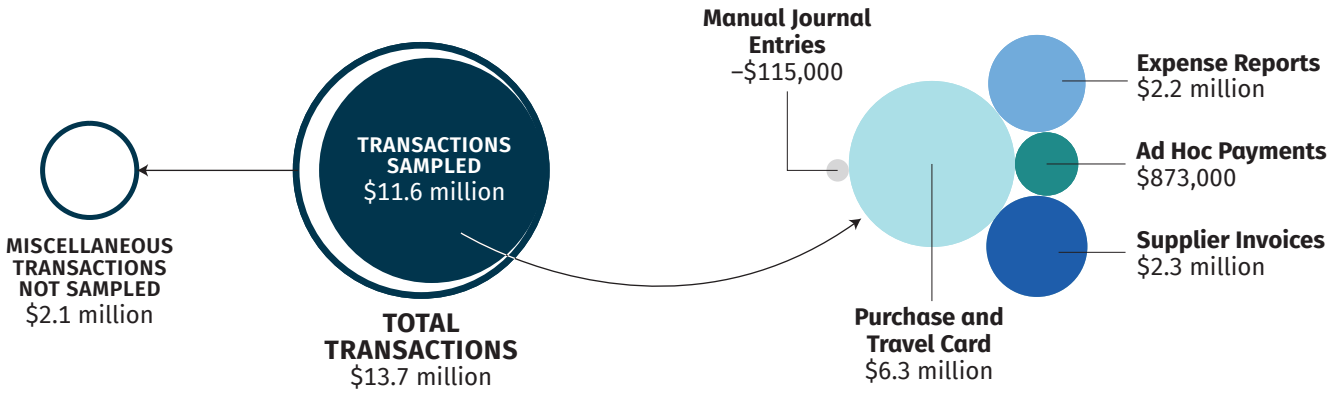
From January 2018 through March 2020, the City and County of Denver spent over $13.7 million on employee travel. As shown in Figure 4 on the following page, this included $6.3 million in travel card and purchase card transactions, over $2.3 million in supplier invoices, nearly $2.2 million in expense reports, and nearly $873,000 in ad hoc payments — minus almost $115,000 in manual journal entries to correct the accounting of travel transactions.

In addition, there were $2.1 million in miscellaneous transactions, which we did not analyze because many of the expenses submitted were transactions for local mileage reimbursement. This local mileage is not considered "travel-related" and is expensed in

SAMPLING METHODOLOGY AND TESTING RESULTS

Additional detail for our methodology and testing results can be found in the Appendix.

FIGURE 4. Value of Employee Travel and Transportation Transactions in Workday from Jan. 1, 2018, through March 31, 2020



Source: Workday, the city's system of record.

Kronos, a separate software system from Workday. To be eligible as a "travel-related" expense, mileage must be outside Denver, and the employee expensing the mileage must be traveling for at least 12 continuous hours. Travel-related mileage is expensed and reimbursed through Workday and was part of our testing for this audit.

IMPACT OF THE COVID-19 PANDEMIC ON CITY TRAVEL

All travel expenditures dropped beginning in March 2020 due to COVID-19 travel restrictions. For example, when comparing 2019 to 2020, the average dollar amount spent per month on travel card transactions dropped $225,590 — or 86% — from March through June. Depending on changes in travel restrictions and available city funds, travel could increase again.

The audit team sampled travel expenses and completed detailed testing of travel card expenses, expense reports, ad hoc transactions, supplier invoices, and manual journal entry line-items from Jan. 1, 2018, through March 31, 2020. From these groups, we tested the following sample populations:

- **Travel cards:** 162 transactions, totaling $114,743, out of 22,183 transactions totaling $6,299,995.66.
- **Expense reports:** 55 transactions, totaling $11,466, out of 20,381 transactions totaling $2,155,717.50.
- **Ad hoc transactions:** 14 transactions, totaling $2,794, out of 3,737 transactions totaling $872,461.52.
- **Supplier invoices:** 26 transactions, totaling $1,626,213, out of 1,292 transactions totaling $2,333,367.04.
- **Manual journal entry line-items:** 15 transactions, totaling $93,756, out of 4,850 transactions with a total credit balance of $114,657.44.

When we reviewed the sample transactions in Workday, we found issues involving missing supporting documentation and instances of noncompliance with the travel process — including:[5]

- **Missing evidence of preapproval** – One hundred thirty-six of 231 transactions, or 58.9%, did not contain evidence of preapproval. The city's Fiscal Accountability Rule governing travel says employees must obtain prior authorization for travel.[6]
- **Not expended within 30 days of trip completion** – Forty-four of 231 transactions, or 19%, were not expensed within 30 days of the trips' completion. The fiscal rule requires travel expenses to be "submitted to the Controller's Office within thirty days of completion of the trip."[7]
- **Missing supporting documentation** – Fourteen of 231 transactions, or 6.1%, lacked adequate supporting documentation. For example, the dollar amount was not shown, or it did not match the documentation provided. The fiscal rule requires original receipts to be submitted for all expenses except meals per diem. Photocopies of invoices, credit card statements, or records of charge slips or restaurant stubs are not acceptable.[8]
- **Missing conference brochure** – Fifty-three of 130 conference-related transactions, or 40.8%, did not include a conference brochure as part of supporting documentation. The travel procedure requires "a conference itinerary (or brochure) be submitted to substantiate the business purpose, the time period of the trip, and the amenities provided by the conference."[9]
- **Travel card charges before conference start** – Fifty-four of 56 conference-related registration fee transactions, or 96.4%, paid on a travel card were charged before the day of the conference. The fiscal rule does not allow travel cards to be used to pay for conference registrations before an event. Conference fees can be paid using a travel card only on the day of the conference.[10]
- **Invalid travel or transportation reasons** – Twenty of 26 supplier invoices, or 76.9%, were not for a valid employee travel and transportation expense. For example, there were invoices for employee transit passes in the employee travel and transportation

[5] As the team tested various travel expense transactions in Workday, some transactions were canceled, and others were not related to travel. Therefore, the number of transactions tested varied among the tests.

[6] City and County of Denver, Fiscal Accountability Rules, "Rule 10.8 – Travel" (last revised 2013), accessed Feb. 11, 2020, https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/chapter_10_Empl_Associated/Rules/Rule_10_8_Travel.pdf, 3.

[7] Ibid, 6.

[8] Ibid, 6.

[9] City and County of Denver, "Travel Procedure" (last revised 2013), 9.

[10] Ibid, 14.

expense account.[11] Because transit passes are provided to city employees as a benefit, they are benefits expenses. In addition, there were expenses for table sponsorships at events, which are not travel and transportation expenses. Transactions should be accounted for in the proper Workday account.

- **Invalid expenses for noncity employees** – Five of 26 supplier invoices, or 19.2%, were an expense for someone who was not a City and County of Denver employee. For example, an invoice paying for a charter bus for Denver Public Schools students was included as an employee travel and transportation expense. An invoice paying for an external facilitator for an internal meeting was in the account as well. The fiscal rule says "only travelers who are an officer, employee, or contractor of the City" can incur travel expenses on official city business. The Workday employee travel and transportation account should not be used for travel for nonemployees.[12]
- **Insufficient explanation of travel reason** – Six of 15 journal entry line-items, or 40%, did not comply with the travel rule, because the documentation was insufficient in explaining the reason for the entry into or out of the employee travel and transportation account in Workday. There was also insufficient documentation of the underlying expenditures.[13]

Further detail on these testing results can be found in the Appendix.

There are several causes for this noncompliance. First and foremost, the Controller's Office has not updated the fiscal rule or its related procedure in seven years, and as a result, the rule does not reflect current practices. Additionally, the city does not have a communications strategy for informing employees about the city's policy on expensing official travel, and it does not track performance metrics to see how well agencies follow the rules.

Travel Policy and Procedure Does Not Reflect Current Practices

As discussed, official city travel is governed and authorized by a city Fiscal Accountability Rule and its associated travel procedure.[14] This fiscal rule applies to all to "all officers, employees, and contractors who travel and conduct business on behalf of the City and County of Denver."

[11] A "transit pass" is a card that allows the assigned individual to ride the bus or light rail in the Denver region. The pass is a city employee benefit and is provided to employees at a discount.

[12] City and County of Denver, Fiscal Accountability Rules, "Rule 10.8 – Travel" (last revised 2013), accessed Aug. 3, 2020, https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/chapter_10_Empl_Associated/Rules/Rule_10_8_Travel.pdf, 3.

[13] Ibid, 3 and 6.

[14] Ibid.

However, because the fiscal rule has not been updated, the city's current practices do not align with the fiscal rule. For example, outdated forms referenced in the fiscal rule are still available via the city website.

The lack of updates from the Controller's Office causes agencies to develop and rely on their own travel procedures rather than use the city fiscal rule and procedure — which may lead to less accountability and less consistency in practices, as well as confusion across city agencies. This lack of accountability and inconsistency could be reduced by the Controller's Office updating the fiscal rule to reflect current practices. According to the Government Finance Officers Association: "A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency."[15]

Lastly, we found the outdated rule lacked guidance in some areas when compared to government best practices.

System of Record – The city's outdated fiscal rule references forms and methods of expense reimbursement that are no longer in use. The city moved to Workday from PeopleSoft in 2017 as the city's system of record, and in 2018, the accounts payable services team in the Controller's Office added automated modules in Workday for travel spend authorizations and expense reports, including approval workflows. Yet the fiscal rule still lists PeopleSoft account codes and contains no Workday accounts. Due to the change in system and because of the automation of the travel expense process, account codes and methods have substantially changed.

While the Controller's Office did make job aids for Workday available, those are not referenced in the fiscal rule or the associated travel procedure. A job aid walks an employee through how to do a task; the document includes pictures and other information to assist the employee. The Controller's Office added these job aids to the city's intranet, which can help employees who know about the aids with completing the tasks — such as submitting a spend authorization or an expense report in Workday. But because neither the fiscal rule nor the procedure references the job aids, not all city employees may know the job aids exist.

Outdated Forms – In addition, the city website contains a form for an annual summary for travel expenses both inside and outside the United States. Although the Department of Finance wrote in an October 2017 email to some city employees that the form was no longer required or being accepted by the Mayor's Office, the form was still available on the city's website as of June 2020.

Meanwhile, the Controller's Office requires employees to expense travel costs through Workday using a Workday expense report form. Even though that form is required, some agencies still use a paper-based travel

[15] Government Finance Officers Association, "Best Practice: Policies and Procedures Documentation" (2020), accessed Feb. 19, 2020, https://www.gfoa.org/materials/policies-and-procedures-documentation.

authorization and expense form to receive approval before the employee submits their expense report to Workday. According to the Controller's Office, the manual travel expense forms are no longer needed because of Workday and they are likely "inefficient."[16] However, the manual forms were also still available on the city's website as of June 2020.

Agency-Specific Travel Procedures – Agencies can develop their own travel policies so long as their policy is more prescriptive and not more generous than the city's fiscal rule and its related procedure.[17] While it is not a problem for agencies to have their own policies and procedures, agencies are basing their policies and procedures on the city's Fiscal Accountability Rule and related travel procedure that still have outdated and inefficient forms and procedures.

We surveyed three city agencies that have a lot of travel expenses — Denver International Airport, Denver Human Services, and Denver Economic Development & Opportunity — to determine the methods they use to document travel expense requirements. Each of these agencies has its own travel policy and procedure. Their policies also contain information specific to agency processes, including the methods used to preapprove travel as well as methods required to book travel and to expense costs at the end of a trip.

We found city agencies use Workday to varying degrees when expensing travel.

In talking with the Controller's Office and these other city agencies, we found city agencies use Workday to varying degrees when expensing travel. For instance, Denver International Airport's and Denver Human Services' travel policies do not reference Workday as the system of record used to submit expense reports. However, Denver Economic Development & Opportunity's policy does include this reference.

Although the Controller's Office wants all employees to use Workday to expense travel costs, the Fiscal Accountability Rule and procedure do not currently reflect that. The Controller's Office is responsible for the travel fiscal rule and procedure, which includes the use of Workday; however, the Controller's Office does not specify in that procedure whether agencies are required to use Workday.

Most agency-specific policies we reviewed also do not mention Workday's functionality. The Controller's Office told us that even though Workday is intended to be used for all travel expense reimbursements and payments, there are still employees who submit manual paper forms to their agency, which the agency inputs into Workday. This is because the outdated forms are still available on the website and are still mentioned in the fiscal rule and travel procedure.

The fiscal rule says the Controller's Office has responsibility for the procedures and forms for official city travel. Because the Controller's Office

[16] Ibid, 3.

[17] Ibid, 2.

has not communicated Workday functionality to agencies, there are several deficiencies in the travel expense process, including:

- **Reliance on Paper-Based Forms** – Each of the three agencies we spoke with said they use their own paper-based forms to preapprove trips, which must be emailed or handed out person to person. Workday could be used to automate this process.

- **Inconsistent Use of Automated Workday Functions** – We found the airport does not use Workday's automated spend authorization form, but Denver Human Services and Denver Economic Development & Opportunity have used it.

  Meanwhile, Denver Human Services is considering Salesforce to automate its manual travel forms, even though Workday is the city's system of record and should be used for that. Denver Human Services' use of Salesforce for this purpose would be redundant and waste taxpayer money.

- **Use of Manual Spreadsheets to Track Employee Travel** – Denver International Airport, Denver Human Services, and Denver Economic Development & Opportunity all maintain spreadsheets to track trip estimates, budgets, and approvals. Workday can do this through spend authorizations.

The U.S. Government Accountability Office says, "automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient." The federal guidance also says if an organization relies on information technology, management should design controls "so that the information technology continues to operate properly."[18]

While the Controller's Office wants city agencies to efficiently use Workday for travel expenses, the office has not updated its policies or detailed procedure to formally require them to. Nor has it told agencies Workday should be used for the entire travel expense process — including spend authorizations, preapprovals, expense recording, and approvals for reimbursement or payment.

Comparison to Best Practices Reveals Good Policy But Some Gaps

The audit team compared the travel fiscal rule and related procedure to government finance best practices. Although the city's rule is outdated, we found the city policy does contain most of the best practices recommended by the Government Finance Officers Association.[19] However, we did find

[18] U.S. Government Accountability Office, GAO-14-704G, "Standards for Internal Control in the Federal Government" (2014), accessed March 5, 2020, https://www.gao.gov/assets/670/665712.pdf, para. 10.06.

[19] Government Finance Officers Association, "Best Practice: Policies and Procedures Documentation" (2020), accessed Feb. 19, 2020, https://www.gfoa.org/materials/policies-and-procedures-documentation.

several areas of city policy that are lacking but that can be improved by adopting more of the association's best practices — gaps that are represented in Figure 5.

FIGURE 5. Gaps Between the City's Travel Policy and Procedure and Leading Practices

No detailed requirements for submitting trip cost estimates to agencies' expending authorities

Insufficient supporting documentation requirements for an agency approver

No designation for who is responsible for tracking travel advance reconciliations and return of excess funds

No guidance on separating receipts of multiple employees on a trip

Limited guidance on calculating travel-related mileage reimbursements

No guidance on where to start tracking mileage on a trip

Source: Auditor's Office analysis of City and County of Denver policy and procedure and Government Finance Officers Association leading practices.

Controller's Office officials said they have plans to update the fiscal rule, but they have no definitive timetable. Based on our discussions with them, other priorities delayed the update. In the meantime, agencies still have the authority to create their own agency-specific travel policy as long as their policy is more prescriptive and not more generous.

In addition, there is no schedule to regularly update the fiscal rule, even though the city requires that "a Fiscal Accountability Rule should be reviewed and updated at a minimum of every four (4) years."[20] Changes to processes, systems, and resources should be documented consistently to help ensure business continuity.

The Government Finance Officers Association says changes in policy and procedure should be updated promptly as the changes occur.[21] When processes are not documented or regularly updated, management cannot ensure institutional knowledge will be transferred to current and new employees. The city's Workforce Readiness Action Plan also says, "the use of process documentation, such as flowcharts and policies and procedures, as well as the use of best practices are critical for preventing knowledge loss."[22]

[20] City and County of Denver, "Fiscal Accountability Rule Overview" (revised 2014), accessed July 22, 2020, https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/Fiscal_Accountability_Rule_Overview.pdf.

[21] Government Finance Officers Association, "Best Practice: Policies and Procedures Documentation" (2020), accessed Feb. 19, 2020, https://www.gfoa.org/materials/policies-and-procedures-documentation.

[22] City and County of Denver Office of Human Resources, "Workforce Readiness Action Plan" (2018). This document is a step-by-step guide that Human Resources uses to incentivize agency participation in workforce readiness and succession planning. While not binding, the information in this guide contains some leading practices for agencies.

Outdated policies that lack the details of current practices and that are not regularly reviewed may lead to inconsistent practices by city agencies, incomplete and inconsistent supporting documentation that make it more difficult to detect fraud, and a loss of institutional knowledge.

This may also lead to imprecise accounting. Management could then make incorrect assumptions when budgeting and analyzing operational expenditures. Therefore, it is important for the Controller's Office to update the city's travel policy and procedure, require the use of Workday for travel expense processing, and remove old and outdated forms.

RECOMMENDATION 1.1

Update and Regularly Review Travel Policy – The city controller should update, revise, and regularly review Fiscal Accountability Rule 10.8 and its associated travel procedure to ensure they reflect current practices and Workday functionality. The Controller's Office should also ensure the rule is regularly reviewed and updated in compliance with the city's Fiscal Accountability Rule Overview. At a minimum, the following policy best practices should be added to the updated fiscal rule and procedure in detail:

- More specific requirements for submitting trip cost-estimates to agencies' expending authorities as part of the preapproval process.
- Requirements for submitting supporting documentation to an agency approver.
- Specific designation that the agency is responsible for tracking the reconciliation and return of excess travel advances.
- Guidance on separating receipts of multiple travelers.
- Guidance for calculating travel-related mileage reimbursements.
- Guidance on where to start tracking mileage on a trip.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

RECOMMENDATION 1.2

Require Workday for Travel Expensing – The city controller should require all city agencies to use the city's system of record, Workday, instead of manual or other electronic forms for the entire travel expense cycle — including:

- Spend authorizations if used for budget or preapprovals.
- Expense recording.
- Approvals for expense reimbursement or payment.

Agency Response: Agree, Implementation Date – July 16, 2018

RECOMMENDATION 1.3

Remove All Discontinued and Inactive Forms – The director of the Financial Services Division in the Controller's Office should, upon regular review of Fiscal Accountability Rule 10.8 and on an ongoing basis, remove all discontinued and inactive forms related to official travel from the city website.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

The Denver Fire Department Applies Inconsistent Per Diem Amounts for Its Employees

During the audit, we reviewed expense reports from trips taken by Denver firefighters who participate in wildland firefighting operations in an agreement with the Colorado Division of Fire Prevention and Control. These trips sometimes take firefighters out of state to fight wildfires. The Denver Fire Department is then reimbursed for some costs through its agreement with the state.

In one example we looked at, a firefighter on a wildland firefighting operation was reimbursed $342.50 less than another city employee would have been for staying in the Phoenix area. When reviewing these reports and talking with fire department staff to assess the discrepancy, we learned the department uses its own policy for per diem reimbursements.

When city employees enter expenses for meals and incidentals into Workday, they are reimbursed at per diem rates established by the U.S. General Services Administration. Workday automatically calculates the amounts based on the trip details entered by the user. The General Services Administration rates allow for higher rates of per diem reimbursements when traveling to more expensive cities, such as Denver or Dallas. There is also a standard rate for locations without a specified rate, and this rate applies to all locations in the continental United States that do not have a specified higher rate. The standard rate for per diem reimbursements will always be lower than the rate for a city that has its own rate.

In one example we looked at, a firefighter was reimbursed $342.50 less than another city employee would have been for staying in the Phoenix area.

However, the Denver Fire Department's policy is to use the standard rate for firefighters participating in wildland firefighting operations, not the rate specific to the destination. This means that, when traveling to a more expensive city, Denver firefighters are reimbursed at a lower rate than city employees in other agencies would be.

Because Workday automatically calculates per diem amounts, the fire department had to circumvent the city's controls in Workday to use its own, lower, per diem rate. The department did this by entering meals and per diems as actual expenses, which requires a receipt according to the city's travel procedure.

Department officials said that, although the wildland firefighting program predates Workday, they opted to follow their same guidelines and procedures they used before because:

- They believe that adjusting the per diem rates for each day is not practical or cost effective based on the time it would take staff to review and reconcile the information.
- Firefighters are often deployed to rural locations, which may not be a specific city.
- Their location often changes based on the nature of how a fire spreads, which could be hundreds of miles in various directions.
- They are not provided with specific information to verify where a firefighter camped for a night, if the firefighter camped.

However, in our testing, we noted all these concerns could be eliminated if the fire department worked with the Controller's Office to better understand and use Workday's functionality for automated per diem calculations. Specifically:

- Adjusting rates for every travel day is practical and cost effective when the Workday functionality is used. Fire department staff would not need to review and reconcile the information as the amounts are calculated and controlled for automatically.
- Even though firefighters are often in rural areas not specific to a city, a county can often be used to determine the per diem rate in Workday.
- Even when the location changes during a trip, this can be accounted for by entering the location into Workday where a firefighter stayed the night. The guidance attached to the state's agreement for the wildland firefighting services allows per diem rates based on the overnight location to be reimbursed at the General Services Administration's maximum rates. We noticed when reviewing expense reports that the fire department already has employees provide the locations of where they stayed every day of a trip. This requires little or no additional work to input into Workday.

Additionally, we found that because the fire department calculated its own per diems, some amounts were miscalculated according to General Services Administration guidance — specifically on the first and last days of travel. For these days the rate for total meals and incidentals must be reduced to 75%. The calculation then requires that the full amount of meals and incidentals not claimed be subtracted from this amount. However, the fire department calculated all meals and incidentals on the first and last day of travel at the 75% rate.

As a result of this policy differing from normal city practice, the fire department is not consistent with how firefighters are reimbursed for per

diem amounts compared to another city employee when they travel to a location with a higher per diem rate. Not only does the fire department's policy create inequities in how firefighters are reimbursed for per diem, but it required a circumvention of automated calculation controls for employee per diem reimbursement. The U.S. Government Accountability Office says, "automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient."[23] For these reasons, no city agency should circumvent automatic controls.

To test Workday's ability to calculate per diems, we entered a wildland firefighting trip expense report from 2019 that included per diems for multiple locations. We wanted to see whether the Workday calculation adequately addressed the Denver Fire Department's needs when a firefighter travels to multiple locations. We found Workday calculated the per diem correctly when factoring for different cities with different rates all in the same expense report.

However, when looking at this functionality, we discovered that the city's job aids, policies, procedures, and available trainings do not inform employees how to fill out an expense report in Workday when multiple destinations are traveled to. We found that entering multiple locations in an expense report was not the default option in Workday and navigating to the appropriate link for this task was not intuitive. The Controller's Office told us there is no specific training for this task, and employees are not told how to do it nor is it included in a job aid because trips with multiple destinations are infrequent.

Because the Denver Fire Department uses its own policy for per diems by circumventing controls in Workday, firefighters participating in the wildland firefighting operations are reimbursed at a rate lower than other city employees. Our audit work also found that the city's job aids, policies, procedures, and training do not inform employees about how to fill out an expense report when traveling to multiple destinations. The city should ensure all employees are reimbursed at the same per diem rates, specify that Workday should be used for per diem payments, and improve employees' awareness of Workday's capabilities for calculating per diem amounts.

[23] U.S. Government Accountability Office, GAO-14-704G, "Standards for Internal Control in the Federal Government" (2014), accessed March 5, 2020, https://www.gao.gov/assets/670/665712.pdf, para. 10.06.

RECOMMENDATION 1.4

Ensure Consistent Calculations for Per Diems – The accounts payable services team in the Controller's Office should work with the Denver Fire Department to bring the department's wildland firefighting per diem calculation into Workday. The team should also ensure per diem rates are calculated consistently across all city agencies.

Agency Response: Agree, Implementation Date – Jan. 1, 2021

RECOMMENDATION 1.5

Specify Workday Use and Appropriate Per Diem Rate – The accounts payable services team in the Controller's Office should clearly state in Fiscal Accountability Rule 10.8 and its associated procedure that Workday is to be used to enter per diem amounts and that location-specific U.S. General Services Administration rates — which include the higher rate when traveling to a specific city or county that has a higher rate — must be used for all employees.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

RECOMMENDATION 1.6

Improve Employees' Awareness of Workday Functionality – The accounts payable services team in the Controller's Office should improve job aids and other trainings available to city employees about how to enter per diem amounts in Workday. Specifically, there should be more detail about how to enter per diem amounts when traveling to multiple destinations during the same trip and how to remove specific meals from daily per diem amounts.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

The City Lacks a Comprehensive Strategy to Thoroughly and Regularly Inform Employees about City Rules for Expensing Official Travel

Although the City and County of Denver's Fiscal Accountability Rule regarding travel is outdated, the city does use other methods to let employees know about travel requirements. However, we found those methods are limited and are not consistently communicated to all city officers, employees, and contractors.

For example, the Controller's Office occasionally emails employees about the travel policy, and it created an online training course through Workday that is required for the small number of employees who hold individual purchase cards and travel cards. While these communication methods are a

good start, they are not comprehensive enough or frequent enough to fully inform employees about travel requirements and procedures.

Emails Are Irregular and Reach an Insufficient Audience

The Controller's Office communicates changes to policy through emails to the city's "Financial Network" email list, which consists of employees who process and oversee financial transactions for the city. Depending on the message, only a subset of the overall list might receive an email. For example, if the message is specific to payroll, Workday sends the email only to payroll personnel on the email list.

Without a comprehensive communications strategy, the city cannot ensure employees are aware of travel rules and requirements.

The Financial Network list includes 3,300 of the city's over 13,000 employees, or only about a quarter of all city employees.[24] In order to thoroughly inform all employees who might travel, the emails should be more widely distributed to the general employee list, not just Financial Network members.

Best practices say organizations should ensure and increase compliance with their travel policy through continual and consistent communication of the policy, as well as use tools that assure compliance with the travel policy.[25]

The Global Business Travel Association also says it is critical to disseminate information from an organization's travel policy through employees' preferred methods of communication.[26] Therefore, when the Controller's Office selects communication methods, it should first solicit feedback from city employees about the methods they prefer to use. The city should then ensure messages about travel policy and procedure reach all employees. Without a comprehensive communications strategy, the city cannot ensure employees are aware of travel rules and requirements.

Employee Training for Travel Is Outdated, Insufficient, and Only Reaches A Few Employees

The only training available for city employees in regard to travel is a credit card training course. There is no specific training for city employees who travel. The credit card training course is provided only to new, individual travel card or purchase card holders. As a result, this training reaches only about 1% of all city employees.

[24] City and County of Denver, Mayor's 2020 Budget (2020), accessed May 28, 2020, https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Budget/2020/2020BudgetVolume1.pdf.

[25] Krista Maurer, "Best Practices in Business Travel," Colorado Biz Magazine, August 10, 2015, accessed April 20, 2020, https://www.cobizmag.com/Articles/Best-practices-in-business-travel/ (site modified).

[26] Global Business Travel Association, "Travel Policy Communication: Understanding Disconnects and Increasing Compliance" (2016), accessed May 28, 2020, https://corporate.hrs.com/sites/default/files/gbta_hrs_whitepaper_travel_policy_communication.pdf.

The U.S. Government Accountability Office says employee training should be "aimed at developing and retaining employee knowledge, skills, and abilities to meet changing organizational needs" and management should provide "qualified and continuous supervision" to achieve the objectives.[27] Without a training specific to official travel that is available to all employees, the Controller's Office cannot ensure employees are aware of the city's travel rules and requirements. This lack of awareness means the city risks wasting taxpayer dollars on travel that is not in compliance with travel rules and requirements.

Furthermore, the travel section of the credit card course is based on the outdated Fiscal Accountability Rule, so the training is also not up to date. Employees who do not have a credit card individually assigned to them and who instead use a department travel card do not have to take the credit card training course. Some employees who use department cards review and sign a user agreement that includes some travel policy requirements. However, the training course and the user agreement do not reach all employees and do not adequately explain travel requirements.

To provide employees the best information they need, city agencies have created their own travel policies and procedures. These could be unnecessary if the Controller's Office effectively communicated the city's rules on travel. Agencies creating their own documents, processes, and related procedures is duplicative and wastes taxpayer-funded resources.

While it is good practice to email and train employees, the Controller's Office does not have a comprehensive, coherent, and up-to-date strategy for informing all city employees about the city's travel policies and how to use Workday to report travel expenses. Best practice from the Government Finance Officers Association says that, communication is an important part of good internal controls.[28] This best practice also says an up-to-date and properly documented policy and procedure can enhance the accountability of employees and the consistency of their work.

Therefore, the Controller's Office should develop a communications strategy for the city's travel rules as well as an employee training specific to traveling on official city business.

[27] U.S. Government Accountability Office, GAO-14-704G, "Standards for Internal Control in the Federal Government" (2014), accessed March 5, 2020, https://www.gao.gov/assets/670/665712.pdf, para. 10.03.

[28] Government Finance Officers Association, "Best Practice: Policies and Procedures Documentation" (2020), accessed Feb. 19, 2020, https://www.gfoa.org/materials/policies-and-procedures-documentation.

RECOMMENDATION 1.7

Develop Communications Strategy – The Controller's Office should work with the Department of Finance to develop a comprehensive communications strategy and use multiple communications channels to inform all city employees who could be subject to travel about the details of Fiscal Accountability Rule 10.8 and its related procedure. The strategy should include regular communications to employees that update and remind them of travel rules and also inform them of issues that Controller's Office staff identify as problems when analyzing travel performance measures throughout the year.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

RECOMMENDATION 1.8

Develop Travel Training – The Controller's Office should develop a travel training that every city employee is required by policy to take when planning to travel on official business for the city. This training should be completed as part of onboard training or before an employee takes their first trip.

Agency Response: Agree, Implementation Date – Jan. 31, 2021

The Accounts Payable Services Team Conducts Random Checks but Does Not Systematically Monitor Key Indicators to Verify Agencies' Compliance with Travel Rules

The Controller's Office's accounts payable services team continuously does random checks to ensure agencies comply with the Fiscal Accountability Rule governing travel and its related procedure. However, we found they have not developed a systematic approach to collect, analyze, and report on indicators to track this compliance — limiting their ability to determine corrective action and direct agencies to take it.

During interviews with three selected agencies, we found that one of them — Denver Human Services — uses an internal performance measure tracker to monitor its own compliance with travel rules.

The Government Finance Officers Association's guidance on performance measures says government organizations should collect and use information from existing systems to measure the performance of the organization, to evaluate the effectiveness and efficiency of the organization's internal controls, and to help make informed decisions.[29]

In addition, the U.S. Government Accountability Office also addresses how organizations should evaluate results. The office says management should

[29] Government Finance Officers Association, "Best Practice: Performance Measures," accessed June 20, 2020, https://www.gfoa.org/performance-measures.

evaluate and document "the results of ongoing monitoring and separate evaluations to identify internal control issues." Management should then use that evaluation "to determine the effectiveness of the internal control system. Differences between the results of monitoring activities and the previously established baseline may indicate internal control issues, including undocumented changes in the internal control system or potential internal control deficiencies."[30]

LACK OF SYSTEMATIC MONITORING

During our detailed testing of travel card transactions and expense reports, we found that almost 20% of transactions were not submitted within 30 days of trip completion as required by the travel procedure. Details regarding this testing and the results are included in the Appendix.

If accounts payable services staff in the Controller's Office accumulated statistics on these errors, the team could focus feedback on the lack of preapproval for specific agencies and address their individual noncompliance.

The Controller's Office is the process owner of the Fiscal Accountability Rule and is responsible for the procedures associated with that rule. Therefore, the Controller's Office should establish and monitor performance indicators in order to evaluate the effectiveness of the procedure.

Without key performance metrics to gauge compliance, the accounts payable services team in the Controller's Office cannot analyze agencies' compliance with the fiscal rule and related travel procedure, and the Controller's Office will find it more difficult to evaluate trends in noncompliance and to target its communications to agencies that are not compliant.

Consequently, agencies face several risks if the Controller's Office does not properly monitor compliance citywide. For example, agencies may:

- Fail to preapprove travel as required by the fiscal rule.
- Process improper travel expenditures and reimburse employees for them.
- Misclassify expenses in financial accounts.
- Fail to submit and reimburse expenditures in a timely manner.

Misclassification can also result in inaccurate accounting — which can lead to management making potentially incorrect assumptions when budgeting and analyzing operational expenditures. Furthermore, not submitting and

[30] U.S. Government Accountability Office, GAO-14-704G, "Standards for Internal Control in the Federal Government" (2014), accessed March 5, 2020, https://www.gao.gov/assets/670/665712.pdf, para. 16.09.

reconciling travel expenses in a timely manner can also result in incorrect budgeting assumptions and employees not being reimbursed for travel expenses on time. Therefore, the Controller's Office should periodically review agencies' compliance with the fiscal rule and related procedure and address cases of noncompliance.

RECOMMENDATION 1.9

Use Key Performance Metrics to Measure Agencies' Compliance – The accounts payable services team in the Controller's Office should develop, collect, monitor, and analyze key performance metrics to measure city agencies' and employees' compliance with Fiscal Accountability Rule 10.8 and its associated procedure. At a minimum, metrics should include performance measures such as:

- Obtaining documented preapproval or spend authorization for travel.
- Submitting expenditures for reimbursement within 30 days.
- Providing sufficient supporting documentation.

Agency Response: Agree, Implementation Date – Jan. 31, 2021

RECOMMENDATION 1.10

Communicate Noncompliance Quarterly – Using the Financial Network email list or other targeted emails, the Controller's Office should communicate at least quarterly any trends in noncompliance and provide guidance on the corrective action needed for agencies to comply with Fiscal Accountability Rule 10.8 and its associated procedure.

Agency Response: Agree, Implementation Date – Jan. 31, 2021

FINDING 2

Travel Cards Are Not Canceled in a Timely Manner after an Employee Leaves Their Job with the City

During the audit, we also looked at whether employees' travel cards were canceled in a reasonable amount of time after an employee left their job with the city.

We found 15 out of 552 travel cards issued to city employees were canceled more than 60 days after the employees no longer worked for the city. Of these cards, two were canceled more than two years after the employee left, three were canceled between one to two years after an employee left, and the rest were canceled between 60 days and one year after the employee no longer worked for the city. One of the cards was still open at the time we did our testing when the employee had no longer worked for the city in over two years.

The delays in the 15 instances we identified happened because the Controller's Office lacked a process to ensure travel cards were canceled in a timely manner after those employees left the city. Controller's Office staff told our team they implemented a process in late 2019 to reconcile the travel card cancellations on a monthly basis, but they said some cards were not detected for cancellation because the process has not been perfected.

We asked Controller's Office staff if they had any supporting documentation to show these monthly reconciliations were being performed, but they were unable to provide them.

The U.S. Government Accountability Office says management should ensure access to resources is limited to authorized individuals and management should periodically compare this access to what is appropriate. This will help to reduce the risk of errors, fraud, and misuse.[31]

In examining transactions on the travel cards of all former employees whose cards were not terminated in a timely manner, we did not find evidence of inappropriate transactions. However, travel cards not being canceled in a timely manner increases the risk that the person could make unauthorized or fraudulent purchases on the card after they leave their job.

We observed the Controller's Office does have other controls that could mitigate the risk of this type of fraud, but they would not prevent it.

[31] U.S. Government Accountability Office, GAO-14-704G, "Standards for Internal Control in the Federal Government" (2014), accessed March 5, 2020, https://www.gao.gov/assets/670/665712.pdf, para. 10.03.

As mentioned, the city holds a contract with Citibank, which provides the travel credit cards and manages the program with the city. The travel card information in Citibank's system is imported into Workday, including all transactional data. These transactions are then reconciled to the statement the city receives monthly from Citibank. These transactions must all be approved by the agency and by accounts payable services staff. If a former employee made fraudulent purchases, these purchases would be detected in the Workday approval process — but this would not prevent the charge. Therefore, this reconciliation process does not eliminate the risk of fraudulent transactions by former employees of the city.

To mitigate this risk, we make the following recommendation to ensure only city employees have access to travel cards.

RECOMMENDATION 2.1

Review Controls for Travel Card Reconciliation – The accounts payable services team in the Controller's Office should evaluate and improve their monthly process for ensuring travel cards are canceled in a timely manner after an employee ceases to work for the city. Supporting documentation for this reconciliation should be retained. The team should also ensure all travel cards listed in Workday are accounted for in Citibank's system and that all cards listed in the Citibank system are accounted for in Workday.

Agency Response: Agree, Implementation Date – Nov. 30, 2020

RECOMMENDATIONS

The agency narratives below are reprinted verbatim from the agency's response letter, shown in the next section of this report.

1.1 **Update and Regularly Review Travel Policy** – The city controller should update, revise, and regularly review Fiscal Accountability Rule 10.8 and its associated travel procedure to ensure they reflect current practices and Workday functionality. The Controller's Office should also ensure the rule is regularly reviewed and updated in compliance with the city's Fiscal Accountability Rule Overview. At a minimum, the following policy best practices should be added to the updated fiscal rule and procedure in detail:

- More specific requirements for submitting trip cost-estimates to agencies' expending authorities as part of the preapproval process.
- Requirements for submitting supporting documentation to an agency approver.
- Specific designation that the agency is responsible for tracking the reconciliation and return of excess travel advances.
- Guidance on separating receipts of multiple travelers.
- Guidance for calculating travel-related mileage reimbursements.
- Guidance on where to start tracking mileage on a trip.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

Agency Narrative: The Controller's Office will update Fiscal Accountability Rule (FAR) 10.8 and its associated travel procedures. The rule will be regularly reviewed and updated as necessary and will align with current Workday terminology. The updated FAR will include the designation that the traveler's agency is responsible for tracking the reconciliation and return of excess travel advances, guidance on separating receipts of multiple travelers, guidance for calculating travel-related mileage reimbursements, and guidance on where to start tracking mileage on a trip.

1.2 **Require Workday for Travel Expensing** – The city controller should require all city agencies to use the city's system of record, Workday, instead of manual or other electronic forms for the entire travel expense cycle — including:

- Spend authorizations if used for budget or preapprovals.
- Expense recording.
- Approvals for expense reimbursement or payment.

Agency Response: Agree, Implementation Date – July 16, 2018

Agency Narrative: The Controller's Office agrees. Workday is and has been required to be used for recording and approving travel expenses via spend authorizations, expense reports, and travel cards.

1.3 **Remove All Discontinued and Inactive Forms** – The director of the Financial Services Division in the Controller's Office should, upon regular review of Fiscal Accountability Rule 10.8 and on an ongoing basis, remove all discontinued and inactive forms related to official travel from the city website.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

Agency Narrative: In conjunction with the update of FAR 10.8 and the related procedure, the Controller's Office will remove all discontinued and inactivated forms. In addition, we will perform a regular review of fiscal accountability rule 10.8 to ensure there are no outdated forms.

1.4 **Ensure Consistent Calculations for Per Diems** – The accounts payable services team in the Controller's Office should work with the Denver Fire Department to bring the department's wildland firefighting per diem calculation into Workday. The team should also ensure per diem rates are calculated consistently across all city agencies.

Agency Response: Agree, Implementation Date – Jan. 1, 2021

Agency Narrative: The Controller's Office Accounts Payable team has started working with Denver Fire to bring the department's wildland firefighting per diem calculation into Workday and in alignment with the GSA per diem rates, as required by FAR 10.8. Denver Fire has agreed to start using GSA per diem rates through Workday beginning in 2021.

1.5 **Specify Workday Use and Appropriate Per Diem Rate** – The accounts payable services team in the Controller's Office should clearly state in Fiscal Accountability Rule 10.8 and its associated procedure that Workday is to be used to enter per diem amounts and that location-specific U.S. General Services Administration rates — which include the higher rate when traveling to a specific city or county that has a higher rate — must be used for all employees.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

Agency Narrative: The Accounts Payable team in the Controller's Office will state in the updated FAR 10.8 and associated procedure that Workday is to be used to enter per diem amounts. Accounts payable will also include in the fiscal rule the requirement that location specific GSA rates shall be used.

1.6 **Improve Employees' Awareness of Workday Functionality** – The accounts payable services team in the Controller's Office should improve job aids and other trainings available to city employees about how to enter per diem amounts in Workday. Specifically, there should be more detail about how to enter per diem amounts when traveling to multiple destinations during the same trip and how to remove specific meals from daily per diem amounts.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

Agency Narrative: The Accounts Payable team in the Controller's Office will review and update travel related Workday job aids and other trainings to better instruct employees on how to enter per diem amounts in Workday. The updated job aids will include instructions for ensuring appropriate per diem amounts when employees travel to multiple destinations during the same trip and instructions for removing meals provided from daily per diem amounts.

1.7 **Develop Communications Strategy** – The Controller's Office should work with the Department of Finance to develop a comprehensive communications strategy and use multiple communications channels to inform all city employees who could be subject to travel about the details of Fiscal Accountability Rule 10.8 and its related procedure. The strategy should include regular communications to employees that update and remind them of travel rules and also inform them of issues that Controller's Office staff identify as problems when analyzing travel performance measures throughout the year.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

Agency Narrative: The Accounts Payable team in the Controller's Office will develop a communications strategy to inform City employees about FAR 10.8 along with the requirements and process for City travel. The strategy will include communicating rule and process updates in a timely manner. The strategy will use multiple communications channels, including the Financial Network, the Denver Employee Bulletin (DEB), and agency travel coordinators.

1.8 **Develop Travel Training** – The Controller's Office should develop a travel training that every city employee is required by policy to take when planning to travel on official business for the city. This training should be completed as part of onboard training or before an employee takes their first trip.

Agency Response: Agree, Implementation Date – Jan. 31, 2021

Agency Narrative: The Accounts Payable group in the Controller's Office will develop a travel training to be given to every City employee who travels on City business. The updated FAR 10.8 will include the requirement that employees take the training prior to travelling on City business. It will be the responsibility of the agency to ensure employees take the training prior to traveling.

1.9 **Use Key Performance Metrics to Measure Agencies' Compliance** – The accounts payable services team in the Controller's Office should develop, collect, monitor, and analyze key performance metrics to measure city agencies' and employees' compliance with Fiscal Accountability Rule 10.8 and its associated procedure. At a minimum, metrics should include performance measures such as:

- Obtaining documented preapproval or spend authorization for travel.
- Submitting expenditures for reimbursement within 30 days.
- Providing sufficient supporting documentation.

Agency Response: Agree, Implementation Date – Jan. 31, 2021

Agency Narrative: The Accounts Payable team in the Controller's Office will develop, collect, and monitor performance metrics to measure compliance with FAR 10.8. This will include the submission of expenditures in 30 days and sufficient supporting documentation. Documentation on compliance with the required preapproval is the responsibility of the agency and is not available to Accounts Payable.

1.10 **Communicate Noncompliance Quarterly** – Using the Financial Network email list or other targeted emails, the Controller's Office should communicate at least quarterly any trends in noncompliance and provide guidance on the corrective action needed for agencies to comply with Fiscal Accountability Rule 10.8 and its associated procedure.

Agency Response: Agree, Implementation Date – Jan. 31, 2021

Agency Narrative: The Controller's Office agrees that there should be an increased effort in communicating trends in non-compliance with FAR 10.8. The timing, audience, and method of this communication will be driven by the types and frequency of non-compliance as shown by the KPI's in Recommendation 1.9.

2.1 **Review Controls for Travel Card Reconciliation** – The accounts payable services team in the Controller's Office should evaluate and improve their monthly process for ensuring travel cards are canceled in a timely manner after an employee ceases to work for the city. Supporting documentation for this reconciliation should be retained. The team should also ensure all travel cards listed in Workday are accounted for in Citibank's system and that all cards listed in the Citibank system are accounted for in Workday.

Agency Response: Agree, Implementation Date – Nov. 30, 2020

Agency Narrative: This recommendation is partially implemented. The Accounts Payable team in the Controller's Office has been regularly monitoring recently separated City employees with credit cards and ensuring their cards are deactivated. This process has been in place since January of 2020. Accounts Payable will ensure this monthly process is documented and supporting documentation of the reconciliation is maintained. Accounts Payable will also reconcile all active cards in the Citibank system to Workday.

AGENCY RESPONSE TO AUDIT RECOMMENDATIONS

CONTROLLER'S OFFICE
DENVER DEPARTMENT OF FINANCE

September 28, 2020

Auditor Timothy M. O'Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O'Brien,

The Office of the Auditor has conducted a performance audit of Travel Expenses.

This memorandum provides a written response for each reportable condition noted in the Auditor's Report final draft that was sent to us on September 21, 2020. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
The Controller's Office Should Improve Its Monitoring of City Agencies' Compliance with Travel Expense Rules

RECOMMENDATION 1.1

Update and Regularly Review Travel Policy – The city controller should update, revise, and regularly review Fiscal Accountability Rule 10.8 and its associated travel procedure to ensure they reflect current practices and Workday functionality. The Controller's Office should also ensure the rule is regularly reviewed and updated in compliance with the city's Fiscal Accountability Rule Overview. At a minimum, the following policy best practices should be added to the updated fiscal rule and procedure in detail:

- More specific requirements for submitting trip cost-estimates to agencies' expending authorities as part of the preapproval process.
- Requirements for submitting supporting documentation to an agency approver.
- Specific designation that the agency is responsible for tracking the reconciliation and return of excess travel advances.
- Guidance on separating receipts of multiple travelers.
- Guidance for calculating travel-related mileage reimbursements.
- Guidance on where to start tracking mileage on a trip.

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Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/2020	Bill Riedell 720.913.4854

Narrative for Recommendation 1.1
The Controller's Office will update Fiscal Accountability Rule (FAR) 10.8 and its associated travel procedures. The rule will be regularly reviewed and updated as necessary and will align with current Workday terminology. The updated FAR will include the designation that the traveler's agency is responsible for tracking the reconciliation and return of excess travel advances, guidance on separating receipts of multiple travelers, guidance for calculating travel-related mileage reimbursements, and guidance on where to start tracking mileage on a trip.

RECOMMENDATION 1.2

Require Workday for Travel Expensing – The city controller should require all city agencies to use the city's system of record, Workday, instead of manual or other electronic forms for the entire travel expense cycle — including:

- Spend authorizations if used for budget or preapprovals.
- Expense recording.
- Approvals for expense reimbursement or payment.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	Complete 7/16/2018	Bill Riedell 720.913.4854

Narrative for Recommendation 1.2
The Controller's Office agrees. Workday is and has been required to be used for recording and approving travel expenses via spend authorizations, expense reports, and travel cards.

RECOMMENDATION 1.3

Remove All Discontinued and Inactive Forms – The director of the Financial Services Division in the Controller's Office should, upon regular review of Fiscal Accountability Rule 10.8 and on an ongoing basis, remove all discontinued and inactive forms related to official travel from the city website.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/2020	Bill Riedell 720.913.4854

Narrative for Recommendation 1.3

In conjunction with the update of FAR 10.8 and the related procedure, the Controller's Office will remove all discontinued and inactivated forms. In addition, we will perform a regular review of fiscal accountability rule 10.8 to ensure there are no outdated forms.

RECOMMENDATION 1.4

Ensure Consistent Calculations for Per Diems – The accounts payable services team in the Controller's Office should work with the Denver Fire Department to bring the department's wildland firefighting per diem calculation into Workday. The team should also ensure per diem rates are calculated consistently across all city agencies.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	1/1/2021	Bill Riedell 720.913.4854

Narrative for Recommendation 1.4

The Controller's Office Accounts Payable team has started working with Denver Fire to bring the department's wildland firefighting per diem calculation into Workday and in alignment with the GSA per diem rates, as required by FAR 10.8. Denver Fire has agreed to start using GSA per diem rates through Workday beginning in 2021.

RECOMMENDATION 1.5

Specify Workday Use and Appropriate Per Diem Rate – The accounts payable services team in the Controller's Office should clearly state in Fiscal Accountability Rule 10.8 and its associated procedure that Workday is to be used to enter per diem amounts and that location-specific U.S. General Services Administration rates — which include the higher rate when traveling to a specific city or county that has a higher rate — must be used for all employees.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/2020	Bill Riedell 720.913.4854

Narrative for Recommendation 1.5
The Accounts Payable team in the Controller's Office will state in the updated FAR 10.8 and associated procedure that Workday is to be used to enter per diem amounts. Accounts payable will also include in the fiscal rule the requirement that location specific GSA rates shall be used.

RECOMMENDATION 1.6

Improve Employees' Awareness of Workday Functionality – The accounts payable services team in the Controller's Office should improve job aids and other trainings available to city employees about how to enter per diem amounts in Workday. Specifically, there should be more detail about how to enter per diem amounts when traveling to multiple destinations during the same trip and how to remove specific meals from daily per diem amounts.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/2020	Bill Riedell 720.913.4854

Narrative for Recommendation 1.6
The Accounts Payable team in the Controller's Office will review and update travel related Workday job aids and other trainings to better instruct employees on how to enter per diem amounts in Workday. The updated job aids will include instructions for ensuring appropriate per diem amounts when employees travel to multiple destinations during the same trip and instructions for removing meals provided from daily per diem amounts.

RECOMMENDATION 1.7

Develop Communications Strategy –The Controller's Office should work with the Department of Finance to develop a comprehensive communications strategy and use multiple communications channels to inform all city employees who could be subject to travel about the details of Fiscal Accountability Rule 10.8 and its related procedure. The strategy should include regular communications to employees that update and remind them of travel rules and also inform them of

issues that Controller's Office staff identify as problems when analyzing travel performance measures throughout the year.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/2020	Bill Riedell 720.913.4854

Narrative for Recommendation 1.7
The Accounts Payable team in the Controller's Office will develop a communications strategy to inform City employees about FAR 10.8 along with the requirements and process for City travel. The strategy will include communicating rule and process updates in a timely manner. The strategy will use multiple communications channels, including the Financial Network, the Denver Employee Bulletin (DEB), and agency travel coordinators.

RECOMMENDATION 1.8 **Develop Travel Training** – The Controller's Office should develop a travel training that every city employee is required by policy to take when planning to travel on official business for the city. This training should be completed as part of onboard training or before an employee takes their first trip.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	01/31/2021	Bill Riedell 720.913.4854

Narrative for Recommendation 1.8
The Accounts Payable group in the Controller's Office will develop a travel training to be given to every City employee who travels on City business. The updated FAR 10.8 will include the requirement that employees take the training prior to travelling on City business. It will be the responsibility of the agency to ensure employees take the training prior to traveling.

RECOMMENDATION 1.9 **Use Key Performance Metrics to Measure Agencies' Compliance** – The accounts payable services team in the Controller's Office should develop, collect, monitor, and analyze key performance metrics to measure city agencies' and

employees' compliance with Fiscal Accountability Rule 10.8 and its associated procedure. At a minimum, metrics should include performance measures such as: • Obtaining documented preapproval or spend authorization for travel. • Submitting expenditures for reimbursement within 30 days. • Providing sufficient supporting documentation.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	01/31/2021	Bill Riedell 720.913.4854

Narrative for Recommendation 1.9
The Accounts Payable team in the Controller's Office will develop, collect, and monitor performance metrics to measure compliance with FAR 10.8. This will include the submission of expenditures in 30 days and sufficient supporting documentation. Documentation on compliance with the required preapproval is the responsibility of the agency and is not available to Accounts Payable.

RECOMMENDATION 1.10
Communicate Noncompliance Quarterly – Using the Financial Network email list or other targeted emails, the Controller's Office should communicate at least quarterly any trends in noncompliance and provide guidance on the corrective action needed for agencies to comply with Fiscal Accountability Rule 10.8 and its associated procedure.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	1/31/2021	Bill Riedell 720.913.4854

Narrative for Recommendation 1.10
The Controller's Office agrees that there should be an increased effort in communicating trends in non-compliance with FAR 10.8. The timing, audience, and method of this communication will be driven by the types and frequency of non-compliance as shown by the KPI's in Recommendation 1.9.

AUDIT FINDING 2
Travel Cards Are Not Canceled in a Timely Manner after an Employee Leaves Their Job with the City

RECOMMENDATION 2.1

Review Controls for Travel Card Reconciliation – The accounts payable services team in the Controller's Office should evaluate and improve their monthly process for ensuring travel cards are canceled in a timely manner after an employee ceases to work for the city. Supporting documentation for this reconciliation should be retained. The team should also ensure all travel cards listed in Workday are accounted for in Citibank's system and that all cards listed in the Citibank system are accounted for in Workday.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	11/30/2020	Bill Riedell 720.913.4854

Narrative for Recommendation 2.1
This recommendation is partially implemented. The Accounts Payable team in the Controller's Office has been regularly monitoring recently separated City employees with credit cards and ensuring their cards are deactivated. This process has been in place since January of 2020. Accounts Payable will ensure this monthly process is documented and supporting documentation of the reconciliation is maintained. Accounts Payable will also reconcile all active cards in the Citibank system to Workday.

Please contact Bill Riedell at 720.913.4854 with any questions.

Sincerely,

Bill Riedell

Bill Riedell
Director of Financial Services

cc: Valerie Walling, CPA, Deputy Auditor
Katja E. V. Freeman, MA, MELP, Audit Director
Cody Schulte, CPA, CIA, Audit Supervisor
Todd Green, CPA, CIA, CFE, Audit Lead
Brendan Hanlon, Chief Financial Officer

OBJECTIVE

To determine whether travel expenses contained errors or evidence of fraud, either intentional or unintentional, and to evaluate the efficiency and effectiveness of the Controller's Office's system for processing these transactions

SCOPE

We reviewed the travel expense payment and reimbursement process, including detailed testing of transactions compared with city rules and procedures and federal IRS guidance for calendar years 2018 and 2019 and the first quarter of 2020. We tested transactions for travel credit cards, expense reports, ad hoc payments, supplier invoices, and accounting journal entries.

METHODOLOGY

We applied several methodologies during the audit process to gather and analyze pertinent information related to our audit objectives. The methodologies included but were not limited to:

- Performing interviews with Controller's Office staff — as well as personnel at Denver International Airport, Denver Economic Development & Opportunity, and Denver Human Services — to inquire about policy and procedure updates and to assess communication of Fiscal Accountability Rule 10.8 and its related procedure, as well as methods of training.
- Sampling and testing travel expense attributes for preapproval, whether an expense was proper, completeness of documentation, on-time submission, and approvals for reimbursement.
- Reviewing manual journal entry transactions for unusual items and adjustments and testing a judgmental sample.
- Reviewing supplier invoice expenses for suspicious activity and testing a judgmental sample.
- Assessing training programs provided by the city against the city's travel policy and procedure.
- Reviewing a sample of reconciliations to Citibank monthly statements for travel credit card transactions.
- Reviewing journal line-items for potential duplicate employee reimbursements, which might indicate unintentional or intentional errors.
- Reviewing all merchant category codes allowed on city travel cards to determine whether codes that would permit potential fraud were allowed.
- Comparing all travel card closing dates to when the employee assigned to the card left their job with the city.
- Reviewing and analyzing Fiscal Accountability Rule 10.8 and its related procedure.

Further details on our sampling methodologies are included in the Appendix.

APPENDIX

Sampling Methodology and Testing Results

Sampling Methodology

Expense Reports – The Workday expense reporting module went live on July 1, 2018. Therefore, we pulled all expense reports that were entered into Workday from July 1, 2018, through Dec. 31, 2019. We pulled out all line-items that were not a travel expense, making for a population of 20,752 travel expense line-items. We developed a high-risk pool of these items using the following criteria:

- The expense report line-item was from an employee who was a top spender for travel.
- The expense report line-item was in a group that did not conform with Benford's Law.[32]
- The expense report contained even-dollar amounts at $10 intervals.

We pulled out transactions that met any one of those criteria, leading to a new high-risk pool consisting of 13,189 expense report line-items out of the original 20,752.

We then chose a high-risk sample from this pool based on rate of occurrence using the EZ-Quant statistical sampling tool. We based this on the following criteria:

- A presumed error rate of 2%.
- A desired maximum precision range of 10%.
- A desired confidence level of 90%.

This resulted in a sample size of 44 items.

Later, we expanded our scope to include the first quarter of 2020 — Jan. 1, 2020, through March 31, 2020 — which contained 1,726 expense report line-items. A high-risk analysis was not performed; our team judgmentally selected 12 items from these three months. We focused on expense reports that were higher in dollar value and that had travel dates after Denver employees started working from home in mid-March because of the COVID-19 pandemic, as there should have been little to no city-related travel after that date.

Ad Hoc Payments – Before July 1, 2018, most expense reports were submitted in Workday as ad hoc payments. The total population for Jan. 1, 2018, through June 30, 2018, was 3,489. To capture these within our expense report testing, we used a random number generator to select an additional 14 transactions to be proportional with the 44 expense report transactions described above for the original two-year period of the audit: Jan. 1, 2018, through Dec. 31, 2019. The same attributes tested for expense reports were also tested for ad hoc payments.

[32] Benford's Law is known as "the law of first digits." It is used to detect the over or under use of certain digits. The law says the number 1 is expected to appear more frequently as the first digit of a number than the number 9 in a set of naturally occurring numbers. Number sets that do not follow this distribution are flagged as having not occurred naturally. The identification of a set of numbers that violate Benford's Law does not by itself indicate a transaction is fraudulent. Mark J. Nigrini, "Benford's Law: Applications for Forensic Accounting, Auditing, and Fraud Detection" (Wiley, 2012).

Travel Card Payments – We pulled from Workday all travel card transactions from Jan. 1, 2018, through Dec. 31, 2019 — making for a population of 20,658 individual travel card transactions. We selected two sample sets using the rate-of-occurrence method.

The first set was chosen randomly from the entire population of transactions for this two-year period using the EZ-Quant statistical sampling tool. We based this on the following criteria:

- A presumed error rate of 3%.
- A desired maximum precision range of 10%.
- A desired confidence level of 90%.

This resulted in a sample size of 56 items.

The second sample set for 2018-2019 was a high-risk sample based on whether the merchant category code for the transaction was considered high risk. Examples include:

- 5813-Bars, Cocktail Lounges, Discotheques, Nightclubs and Taverns–Drinking Places (Alcoholic Beverages).
- 5964-Direct Marketing–Catalog Merchants.
- 7996-Amusement Parks, Carnivals, Circuses, Carnivals, Fortune Tellers.

Applying this criterion created a pool of 500 from the entire population of 20,658 travel card transactions. We then chose a high-risk sample from this pool using the EZ-Quant statistical sampling tool. We based this on the following criteria:

- A presumed error rate of 6%.
- A desired maximum precision range of 10%.
- A desired confidence level of 90%.

This resulted in a sample size of 71 items for the second set.

We then expanded our scope to include the first quarter of 2020 — Jan. 1, 2020, through March 31, 2020 — which contained 2,037 travel card transactions. A high-risk analysis was not performed; we judgmentally selected 35 items from these three months. We focused on travel card transactions that were higher in dollar value and that had travel dates after Denver employees started working from home in mid-March because of the COVID-19 pandemic, as there should have been little to no city-related travel after that date.

Supplier Invoices – We scanned the entire population of 1,292 employee travel and transportation expense supplier invoice line-items in Workday from Jan. 1, 2018, through March 31, 2020, looking for suspicious or unusual activity. We found 26 transactions that had high dollar value, low dollar value, and financial impact. We also looked for suspicious, unusual, or nontravel descriptions in the details for these transactions.

Journal Entries – We scanned the entire population of the employee travel and transportation journal entries category in Workday from Jan. 1, 2018, through March 31, 2020, judgmentally looking for suspicious or unusual activity. We found 15 items that were potentially suspicious or unusual because they were large dollar values, manual journal entries, reimbursements of personal travel card use, mileage allocations, travel advances, the accrual of low dollar expenditures, etc.

Travel Card Transaction Interface Reconciliations – From our 27-month audit period, we randomly sampled nine monthly reconciliations. These reconciliations reconciled only the Citibank-to-Workday integration to ensure all data made it into Workday. The Controller's Office has a separate process to verify whether all transactions in Workday that came from Citibank are approved by the expending authority.

Potential Duplicate Employee Reimbursements – To establish a population of potential duplicate employee reimbursements (i.e., a situation where an employee was reimbursed more than once for the same expense), we considered all journal line-items from Jan. 1, 2018, through March 31, 2020, as potential duplicates if they had the same values in the accounting date field, the "employee_as_worktag" field, and the amount field. Each group of duplicates was assigned a number, and each group was considered one sampling unit.

There were 8,468 groups. We removed groups from this population if every transaction in the group was a travel card transaction. Employees cannot be reimbursed on a travel card, and it would be impossible for such transactions to be a duplicate reimbursement.

After removing these groups, there were 5,961 groups remaining. From this new population, we chose a sample of 30 duplicate groups. We judgmentally selected the sample based on several factors:

- Amounts over $100.
- Credit entries.
- Unusual descriptions in the "line_memo" field of at least one of the transactions (e.g., "Please expedite ASAP").
- Employees with the most amount of travel expenses during the scope period based on the "employee_as_worktag" field.

Testing Results

The following are additional details of our testing results not documented in the body of the report.

Expense Reports, Ad Hoc Payments, and Travel Card Testing – Table 1 on the following page details the error rates for the following attributes in our sample testing of expense reports, ad hoc payments, and travel card transactions. Our attributes were:

- **Documentation Amount Equals Workday Amount** – The invoice, receipt, or other documentation amount matched what was recorded in Workday.
- **Nature of Expense** – The attached documentation allowed auditors to determine what specifically was purchased.
- **Compliance with Fiscal Rule** – The nature of the expenditure and the documentation attached adhered to requirements in Fiscal Accountability Rule 10.8 and its related procedure.
- **Travel Preapproved** – The agency documented preapproval of the employee's trip.
- **On-Time Submission** – The expenditure was submitted within 30 days of the completion of the trip.
- **Workday Approval** – The expenditure was properly approved in the Workday expense reporting and reimbursement workflow.

TABLE 1. Errors in Sample, by Attribute

Attribute	Pass	Fail	Not Applicable*	Total	Total Error Rate
Documentation Amount Equals Workday Amount	217	14	**0**	**231**	6.1%
Nature of Expense	217	14	**0**	**231**	6.1%
Compliance with Fiscal Rule	144	86	**1**	**231**	37.2%
Travel Preapproved	89	136	**6**	**231**	58.9%
On-Time Submission	178	44	**9**	**231**	19%
Workday Approval	227	0	**4**	**231**	0%

Source: Auditor's Office analysis of testing.

Note: These analyses reflect data for expense reports, ad hoc payments, and travel card transactions from Jan. 1, 2018, through March 31, 2020, downloaded from Workday, the city's system of record.

* "Not applicable" represents cancelled transactions in Workday or trips that did not occur.

Merchant Category Codes Review – We reviewed a list of merchant category codes allowed on city travel cards. We looked to see whether any codes are allowed that likely should not be allowed. These codes are, by their nature, general and can include a wide variety of transactions. However, we did not find any codes that appeared to be inappropriate.

Travel Card Transaction Interface Reconciliations – As mentioned, we randomly sampled nine out of 27 months of travel card transaction reconciliations between Citibank and Workday. The Controller's Office was able to provide only two of the reconciliations requested. These two reconciliations both agreed to the amount of travel card transactions on the Citibank statement for their respective months.

All the reconciliations from before November 2019 could not be located by the Controller's Office. However, there is a report in Workday called "Find Settlement Run" that can show all travel card transactions that were applied against a Citibank statement. For the seven months we sampled that were missing the reconciliations, our team downloaded the settlement run reports for those months. We found these months' reports all agreed to the Citibank statement for those respective months. We verbally recommended the Controller's Office continue to retain all reconciliations in the future as they have done since November 2019.

The reconciliations we reviewed reconcile the Citibank data in Workday only to the information on the monthly statement from Citibank to help ensure the communication between the two systems is working. As mentioned, the Controller's Office uses a separate process to review all these transactions and assure they are approved by the cost centers. We noted that for all the months we sampled, all transactions in the reconciled data in Workday were approved.

Potential Duplicate Employee Reimbursements – Of the 30 groups of potential duplicate employee reimbursements tested, we found no duplicate reimbursements to the same employee.

Office of the Auditor

The **Auditor** of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver's government.

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City's finances and operations, including the reliability of the City's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

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Our Mission

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public's investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.