

April 5, 2019

2019 Employee Expenses Audit Report

Background

Employee expenses cover various City-related expenditures including travel, training, business meals, mileage, professional dues, and other miscellaneous items.

The total amount of employee expenses, for staff in all City departments, excluding the Vancouver Police Department, has steadily increased over the past three years. The City's Statements of Financial Information report the annual amount of employee expenses as follows:

- 2018 SOFI: \$1,722,736
- 2017 SOFI: \$1,511,558
- 2016 SOFI: \$1,126,395

Relevant City Policies

The City policies that provide guidance to staff regarding employee expenses are:

- ADMIN-013 Business Meeting and Discretionary Expenses;
- AE-017-01 Training - External;
- AF-004-01 Travel; and
- AF-010-01 Corporate Purchasing Cards.

The Vancouver Public Library, Vancouver Police Department, and Board of Parks and Recreation have their own respective departmental policies that cover employee expenses.

Employee Expense Channels

There are multiple channels through which employees charge expenses and obtain any necessary reimbursement:

- 1) City P-Card purchase (no reimbursement needed);
- 2) Travel claim form;
- 3) Training claim form (for cases where no travel required);
- 4) Cash reimbursement via Revenue Services (up to \$100);
- 5) EFT reimbursement via Accounts Payable (greater than \$100); and
- 6) Payroll direct deposit of professional dues.

In general, employees fill out the relevant form, which is then authorized by a manager before it is submitted to the appropriate area in Finance for processing. The form requires authorization from the reporting manager or the department's General Manager, depending on the type and amount of expense involved. For P-Card purchases, the transactions are approved online by the department manager through the BMO MasterCard system.

Scope

The audit objectives were to assess whether the City's employee expenses are in compliance with established policies and procedures and are valid, reasonable expenses.

The scope of the audit included a review of the processes and transactions for the period of January to December, 2018. Travel and training claims, purchase card transactions, and cash and EFT reimbursements for all City, Parks, and VPL staff were included. VPD staff expenses are covered under the VPD Financial Statement Review.

Our work included:

- Review of relevant policy and procedure documentation;
- Interviews with management and staff in Financial Services;
- Use of data analytics to identify potential exceptions, outliers, trends, and follow-up with staff and management as required; and
- Review of supporting documentation for a sample of reimbursements, P-card transactions, and travel claims.

The following were out of scope for the audit:

- Petty cash expenses and associated reimbursements; and
- Payroll direct deposit reimbursements for professional dues.

The audit is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

A small number of items were noted, which while not material, did not comply with the City's policy for business meetings and discretionary expenses. This policy was changed in 2018, with additional restrictions included, which may have accounted for some lack of awareness on the part of staff. The process will be strengthened by improvements in monitoring employee P-Card purchases and reimbursements, and communicating reminders regarding requirements for travel claims to increase staff awareness.

The more significant findings and recommendations are:

E.1 Formalize monitoring of employee expenses to enhance oversight

Management has agreed to formalize a process for Accounting Operation's review of employee expenses, including establishing an escalation process whereby identified exceptions are followed-up with the respective departments.

E.2 Enhance compliance to Travel Policy for authorization levels and supporting documentation

Reminders will be issued to increase awareness of Travel Policy requirements, including the requirement to gain the appropriate level of authorization, depending on the type of travel involved, and the requirement for detailed receipts.

Findings and recommendations have been discussed with appropriate management and work is underway to address them.