



**OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY**



John A. Carey
Inspector General

Inspector General
Accredited

"Enhancing Public Trust in Government"

Audit Report

2019-A-0010

**City of West Palm Beach
Travel**

September 9, 2019



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AUDIT REPORT 2019-A-0010

DATE ISSUED: SEPTEMBER 9, 2019

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CITY OF WEST PALM BEACH – TRAVEL

SUMMARY

WHAT WE DID

We conducted a travel reimbursement and expenditures audit of the City of West Palm Beach (City). This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2019 Annual Audit Plan.

Our audit focused on travel processes that occurred during Fiscal Year (FY) 2016 through mid-FY 2019 (October 1, 2015 – April 19, 2019).

WHAT WE FOUND

We found control weaknesses for the City's travel processes and discretionary fund expenditures. Expenditures lacked adequate documentation, lacked proper approvals, and were non-compliant with policy or statutory requirements. Our audit identified **\$803,949.34** in questioned costs¹ with the majority of the exceptions

being for non-compliance with City policy, **\$6,503.81** in identified costs² which were mostly for Florida sales tax, and **\$21,222** in avoidable costs³ for unnecessary costs incurred that could be avoided.

Lack of Travel Policy Compliance and Insufficient Oversight

We found that 39 of 685 (6%) travel expenses we tested totaling \$855.22 did not comply with the City's Travel Policy in effect at the time of travel. The exceptions were from per diems being paid to travelers when meals were provided at the event, fuel purchases, food purchases when per diem paid to the traveler, tips and gratuities, extra days at hotel, and lack of adequate support for parking and tolls. We found that 12 of 685 (2%) travel expenditures tested erroneously included Florida sales tax totaling \$363.52.

We also found that 16 of 685 (2%) travel expenditures tested totaling \$179.34 were

¹ Questioned costs are costs or financial obligations that are questioned by the OIG because of: an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

² Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

³ Avoidable costs are costs an entity will not have to incur, lost funds, and/or an anticipated increase in revenue following the issuance of an OIG report. The maximum period for calculating Avoidable Costs shall typically be three years from the issuance of the OIG report, except in instances where it involves a contract with a specified contract period.

for expenses that could have been avoided and we consider unnecessary, such as, valet parking was used when self-parking was available.

We also found that 961 of 1,929 (50%) travel records requiring a Travel Expense Report (TER) were not submitted to Finance or approved, within ten (10) business days of the traveler's return, as required by the City's Travel Policy.

Of the exceptions noted above, **\$24,020.58⁴** were considered questioned costs, **\$735.12** were considered identified costs,⁵ and **\$661** were considered avoidable costs.

Former Employee Travel Expenditures

We found that the City purchased a conference registration fee and airfare that totaled \$1,132.20 for an employee that separated from the City three (3) days prior to the date of the travel. The City confirmed that the former employee did not attend the conference and no other City employees attended the conference in place of the former employee. The City did not attempt to obtain credits for the costs incurred or to transfer the travel or conference attendance to another employee. This travel expense was considered unnecessary; therefore, **\$1,132.20** was considered a questioned cost.

Mileage Reimbursements

We found that the City incorrectly reimbursed travelers that receive a car allowance for mileage in two (2) out of 66 (3%) travel records tested totaling \$168.01, in violation of the City's Motor Vehicle and Travel Policies. The City reimbursed **\$168.01** that the City can potentially recoup from the travelers to offset the taxpayers' burden; therefore, this it is an identified cost.

Purchasing Card Violations

We found that 1,741 of 2,394 (73%) purchasing card transactions that we tested were for City hotel rooms, airfare, fuel, and related travel expenditures on City purchasing cards and were in violation of the City's Purchasing Card Policy, which does not permit travel expenditures to be paid with a purchasing card. This resulted in a total of **\$777,396.56⁶** in questioned costs. The questioned costs were as follows: \$704,651.46 for travel expenditures that were not permitted under the City's Purchasing Card Policy,⁷ \$10,045.67 of unnecessary expenses (upgrades, discounts not used), and \$62,699.43 that lacked adequate documentation (travel trip records, registration). Additionally, there were costs paid that could be recouped totaling **\$5,844.77**, which are identified costs, for sales tax paid in error, potential improper charges, tips and gratuities (prior to 2018 policy), duplicate hotel payments, and fees.

⁴ \$570.34 was related to the travel expenditures that did not comply with the Travel Policy and \$23,450.24 was due to TERs from FY 2016 through FY 2018 that were not completed or submitted as of February 4, 2019. \$9.00 was already considered a questioned cost in Finding 1 for non-compliance with the Purchasing Card Policy

⁵ \$278.96 was already considered an identified cost in Finding 1 for payment of sales tax in error.

⁶ Exceptions were only counted once to calculate the questioned costs to avoid duplication.

⁷ These exceptions may have been authorized under the City's Travel Policy; however, they were not permissible under the City's Purchasing Card Policy.

If the City implements the OIG recommendation to utilize conference rates, economy travel pricing (self-park versus valet), not upgrade travel, and prevents late fees and booking fees, and sales tax expenses, the City could save approximately **\$20,561** over the next three (3) years.

City Commission District Accounts Funds

Two (2) out of 42 (5%) expenditures tested totaling \$1,400.00 paid from Commissioner discretionary fund lacked adequate documentation.

Expenditures totaling **\$1,400.00** for event ticket purchases are considered questioned costs because they lacked adequate documentation to show who attended the event.

WHAT WE RECOMMEND

Our report contains nine (9) findings and thirty-one (31) recommendations. Implementation of the recommendations will 1) assist the City in strengthening internal controls, 2) save approximately **\$21,222** in future avoidable costs, and 3) help ensure compliance with policy and statutory requirements.

The City is taking corrective actions to implement the recommendations.

We have included the City's management response as Attachment 1.

BACKGROUND



The City was first incorporated as a town under the General Law on November 5, 1894. By 1903, the town had grown large enough for the town council to ask the state legislature for permission to become a city. West Palm Beach changed from a town to a city, becoming the City of West Palm Beach on July 21, 1903. The first Charter granted by Laws of Florida of the legislature was in 1903, the Charter became effective September 18 of that year.

The City is a municipal corporation with a mayor-commission form of government. The City Commission consists of five (5) City Commissioners and a Mayor, who are elected at-large on a nonpartisan basis. The City Commission is responsible for enacting the ordinances and resolutions that govern the City.

The City has operated under a strong Mayor form of government since 1991. The Mayor is the elected Chief Executive Officer of the City and appoints the City Administrator, Deputy and Assistant Administrators, City Attorney and Department Directors.

The City is located immediately to the west of the adjacent Palm Beach, which is situated on a barrier island across from the Lake Worth Lagoon in Palm Beach County. The City's estimated population as of 2018 was 111,398 residents.⁸ The City's land area is 58.1 square miles.

The OIG 2019 Annual Audit Plan had multiple entities selected for travel audits. The OIG selected the City for audit since it had not been audited by the OIG since FY 2013.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine if:

- Internal controls were adequate for travel programs and activities;
- Control procedures were adequate to ensure that expenditures were for appropriate activities, submissions were properly reviewed, and had proper approval;
- Travel expenditures were properly documented and approved to prevent and detect fraud, waste, and abuse;
- Travel rates (e.g. per diem, mileage, etc.) were submitted in compliance with policies and procedures; and
- The discretionary spending accounts were properly documented and approved and in compliance with policies and procedures.

⁸ <https://www.census.gov/quickfacts/fact/table/westpalmbeachcityflorida>

The scope of the audit included, but was not limited to, travel and discretionary spending accounts, transactions, and activities that occurred during the period of October 1, 2015 through April 19, 2019.

The audit methodology included, but was not limited to:

- Completion of data reliability and integrity assessment of related computer systems;
- Review of policies, procedures, and related requirements;
- Review of records and reports;
- Performance of process walk-throughs and review of internal controls;
- Interview of appropriate personnel;
- Data analysis of the population of transactions; and
- Detailed testing of selected travel transactions.

As part of the audit, we completed a data reliability and integrity assessment for the computer systems used by the City for travel activities. We determined that the computer-processed data contained in the Oracle computer system was sufficiently reliable for purposes of the audit. The IBM Notes system used for travel activity and transaction processing had exceptions⁹ (noted in applicable findings), but the data was sufficiently reliable for the purposes of the audit.

We conducted this 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.

⁹ For purposes of this audit report, we are defining the term “exception” as a computer system entry or transaction that does not follow the applicable written guidance (e.g. irregularities, deviation, anomaly).

FINDINGS AND RECOMMENDATIONS

Finding (1): City used purchasing cards for travel expenses in violation of the City's Purchasing Card Policy.

The City's Procurement Card Program Policy and Procedures effective March 2005 stated,

4. PROHIBITED USES OF PROCUREMENT CARDS

1. The following types of items may not be purchased with a procurement card, no matter the dollar amount.

...

 - a. Gasoline, fuel, or oil (except for Police Dept.); ...
 - c. Travel expenses such as hotels, food, and airline tickets;

There were 1,034 travel trip records selected for detailed testing. The travel trip records are made up of multiple transactions per trip. The 1,034 travel trip records consisted of 2,394 purchasing card transactions, which were tested as shown below.



We found that 940 out of 1,034 (91%) travel trip records had exceptions for the individual purchasing card transactions. We found that 1,741 out of 2,394 (73%) purchasing card transactions tested were for travel expenses that were not allowed by the City's Purchasing Card Policy, were for unnecessary expenditures (upgrades, discounts not used), and/or lacked adequate documentation.¹⁰ (See chart on next page for breakdown on the travel expenses by type) Additionally, there were costs for sales tax paid in error, potential improper charges, tips and gratuities, duplicate hotel payments, and fees (see Exhibit 1).

¹⁰ The travel trip records included registration, which is an allowed purchasing card expenditure. When there was a lack of documentation, the item may have been allowed without receipts or may have been an ineligible expenditure that could not be verified.

Purchasing Card Transaction Exceptions		
Travel Expense Type	Count	Amount
Food	22	\$928.62
Lodging	857	\$524,828.98
Transportation ¹¹	427	\$171,690.82
Fuel (Except for Police Dept.)	26	\$1,467.22
Travel Related ¹²	216	\$11,376.26
Discount available, but not used or late fees paid (e.g. hotel conference rate discounts, registration discounts, parking rate discounts, etc.)	42	\$4,140.75
Lack of Adequate Documentation	151	\$63,479.43
Total Purchasing Card Transaction Exceptions	1,741	\$ 787,912.08
Total Purchasing Card Transactions Tested	2,394	\$ 1,263,978.31
% of Exceptions	73%	62%

It appears the use of City purchasing cards for travel expenses was a standard practice that may have been authorized by the Finance Department. City staff stated a draft version of the Purchasing Card Program Policy and Procedures had been submitted for approval in July 2018 but had not been officially approved because it was not in the correct format; therefore, it was not implemented. The draft version of the Purchasing Card Program Policy and Procedures that the City provided us on April 23, 2019 did not include travel expenses as a prohibited use, which indicates the City may have intended to remove the purchasing card restriction on travel expenses; however, at the time of the audit and for the audited period the travel limitations on purchasing card transactions were still in effect.

The City did not have a sufficient review and oversight process to ensure that travel expenditures were sufficiently documented, necessary, complied with policy, and excluded Florida sales tax. City officials and employees may not have sufficient training on the Travel Policy. Additionally, the Travel Policy is maintained on the City's website and is available to all employees to read. However, the Travel Policy and Employee Handbook do not require training of newly hired employees regarding travel.

Travel purchased using a City purchasing card may have been for legitimate City business; however, the purchase of the items by purchasing card violated the Purchasing Card Program Policy and Procedures. The City purchased hotel rooms, airfare, fuel, and related travel expenditures on purchasing cards in violation of the City's Purchasing Card Policy, incurred expenditures that were unnecessary (upgrades, discounts not used), and lacked adequate documentation for travel expenditures. This resulted in **\$777,396.56** in questioned costs. The questioned costs were as follows: \$704,651.46 for travel expenditures that were not permitted under the City's Purchasing Card Policy, \$10,045.67

¹¹ The Travel Policy states there are four modes of transportation: City Vehicles; Planes, Trains, Buses, etc.; Rental Vehicles; and Privately Owned Vehicles.

¹² Travel related in this case is defined as airport parking, hotel parking, baggage fees, and related travel items.

of unnecessary expenses (upgrades, discounts not used, double payments), and \$62,699.43 that lacked adequate documentation (travel trip records, registration). Additionally, there were costs paid that could be recouped by the City totaling **\$5,844.77**, which are identified costs, for sales tax paid in error, potential improper charges, tips and gratuities (prior to the 2018 Travel Policy update), duplicate hotel payments, and fees.

If the City implements the OIG recommendation to utilize conference rates, economy travel pricing (self-park versus valet), not upgrade travel, and prevents late fees, booking fees, and sales tax expenses, the City could save approximately **\$20,561** over the next three (3) years.

The City is exposed to an increased risk for fraud, waste, and abuse if purchasing card spending does not comply with the policy and procedure and/or lacks adequate documentation to validate item(s) purchased.

Recommendations:

- (1) **The City consider recouping the \$135.59 incorrectly paid for tips and gratuity from the travelers.**
- (2) **The City review the \$242.52 in potentially improper charges and consider seeking reimbursement from the travelers or vendors, as applicable.**
- (3) **The City consider obtaining reimbursement for the \$5,113.21 incorrectly paid for Florida sales tax from the vendors.**
- (4) **The City consider obtaining reimbursement for the \$353.45 incorrectly paid for double-booked lodging, late fees, and booking fees from the vendors.**
- (5) **The City review the policy requirements related to purchasing card prohibited uses and determine whether the City wants to revise the policy to reflect actual operations processes.**
- (6) **The City provide training on the current or revised Purchasing Card Policy to all purchasing card holders and approvers.**
- (7) **The City enhance the review and oversight process to ensure that travel expenditures are sufficiently documented, necessary, comply with policy, and exclude Florida sales Tax.**
- (8) **The City revise the Travel Policy to prohibit unnecessary upgrades, such as, valet parking when self-parking is available and requiring that the conference training or event agenda and event detail for meals included in the registration be included in the supporting documentation for the travel expense report.**

Management Response Summary:

The City will consider the recommendations noted in Finding 1, Recommendations 1-4. For all other recommendations, the City will review the Travel and Procurement Card Policies, and to the extent the City determines that clarification is needed, the City will implement the changes deemed necessary and in the best interest of the City, to include appropriate training and oversight as needed.

Finding (2): Travel expenditures did not comply with the Travel Policy and the review and oversight process for travel expenditures was not adequate.

City's Travel Policy

The City's travel policy effective January 30, 2014 stated,

POLICY STATEMENT

Travel must be for a public purpose and authorized in advance.

...

STANDARDS AND PROCEDURES**I. AUTHORITY TO INCUR TRAVEL EXPENSES**

All travel, except by the Mayor, a City Commissioner or the City Administrator, must be authorized in advance by the appropriate department director or designee. All travel by department directors must be approved by the City Administrator or an Assistant City Administrator. All travel by City Administrators must be approved by the City Administrator or the Mayor.

II. MEAL ALLOWANCE

A. Allowances for meals will be based on the following schedule:

- **Breakfast** – When travel begins before 6 a.m. and extends beyond 8 a.m.
- **Lunch** – When travel begins before 12 noon and extends beyond 2 p.m.
- **Dinner** – When travel begins before 6 p.m. and extends beyond 8 p.m. or when travel occurs during nighttime hours due to special assignments.

B. No allowance will be made for meals when travel is confined within 40 miles of the employees [sic] official headquarters. No one, whether traveling in the state or out of the state, will be reimbursed for any meal or lodging included in a convention or conference registration fee that was paid by the City.

Continental breakfasts, receptions, and airline food are not considered meals.

.....

IV. LODGING

A. Overnight accommodations may be allowed when a traveler attends an event, such as a conference or training beyond 40 miles from their point of origin and the traveler is expected to return home after 10:00 p.m. Accommodations may be approved for the night before an event if the traveler needs to begin travel before 6:00a.m. in order to reach the destination at the required time.

B. The point of origin is as follows:

- a. On a workday, the point of origin is the traveler's residence or official headquarters, whichever is closer to the destination.
- b. On a non-work day, the point of origin is the traveler's residence.

.....

V. MISCELLANEOUS PROVISIONS AND REGULATIONS

The City allows reimbursement for some miscellaneous expenses but excludes others. The reimbursable expenses must be authorized, actually paid for by the traveler, and supported by receipts.

A. Reimbursable Expenses

1. Reasonable taxi or shuttle fare.
2. Ferry fares; and bridge, road, and tunnel tolls.
3. Parking fees or emergency car storage.
4. Communication expenses (Must be documented as official business).
5. Gasoline and oil while driving City owned vehicles or rental cars.
6. Convention, conference or training course registration fees.
7. Room taxes when documented on a hotel bill. All travelers should use the Tax-Exempt Certificate for accommodations in Florida.

B. Non-Reimbursable Expenses

1. Tips and gratuities.
2. Laundry and dry cleaning.
3. Personal and local telephone calls.

C. Incidental Expenses

For overnight travel, an allowance of \$2.00 per day may be claimed, without actual receipts, for incidental expenses that are not otherwise reimbursable by the City as actual expenses.

VI. TRAVEL FORMS

C. Form 118 - Travel Expense Report

1. FN118 "Travel Expense Report" is used to provide a mandatory detailed record of all expenses for travel that is financed through expenditure of City funds. All travelers must submit FN118 to the Director of Finance within ten business days after returning from their trip unless the only cost incurred is registration fee and there are no other reimbursable expenses.
...
3. All information about the travel and every allowable expense must be provided in the appropriate sections of the form.
4. If reimbursement is requested for personally paid expenses, receipts or other proof of payment must accompany the expense report.

The City's travel policy effective October 1, 2018 mirrored much of the language in the 2014 version, with some renumbering and modifications, to include removal of the subsection entitled "Non-reimbursable Expenses," change the limit for incidental expenses that are reimbursable without a receipt, and remove the provision that allowed "other documentation" to be included with expense reports in lieu of receipts. The 2018 Policy states as follows:

POLICY STATEMENT

Travel must be for a public purpose and authorized in advance.
...

STANDARDS AND PROCEDURES

A. AUTHORITY TO INCUR TRAVEL EXPENSES

All travel, except by the Mayor, a City Commissioner or the City Administrator, must be authorized in advance by the appropriate supervisor.

B. MEAL ALLOWANCE

1. Allowances for meals will be based on the following schedule:

Breakfast – When travel begins before 6 a.m. and extends beyond 8 a.m.

Lunch – When travel begins before 12 noon and extends beyond 2 p.m.

Dinner – When travel begins before 6 p.m. and extends beyond 8 p.m. or when travel occurs during nighttime hours due to special assignments.

2. No allowance will be made for meals when travel is confined within 40 miles of the employee's official headquarters. No one will be reimbursed for any meal or lodging if the reimbursable registration fee for the event includes meals and lodging. Continental breakfasts, receptions, and airline food are not considered meals.

.....

D. LODGING

1. Overnight accommodations may be allowed when a traveler attends an event, such as a conference or training beyond 40 miles from their point of origin and the traveler is expected to return home after 10:00 p.m. Accommodations may be approved for the night before an event if the traveler needs to begin travel before 6:00 a.m. in order to reach the destination at the required time.
2. The point of origin is as follows:
 - a. On a workday, reimbursable travel begins at the traveler's official headquarters, unless the designation is closer to the traveler's residence.
 - b. On a non-work day, reimbursable travel begins at the traveler's residence.

.....

E. MISCELLANEOUS PROVISIONS AND REGULATIONS

The City allows reimbursement for some miscellaneous expenses. The reimbursable expenses must be authorized, actually paid for by the traveler, and supported by receipts.

1. Reimbursable Expenses

- a. Taxi or shuttle fare.
- b. Ferry fares; and bridge, road, and tunnel tolls.
- c. Parking fees or emergency car storage.
- d. Communication expenses.
- e. Gasoline and oil while driving City owned vehicles or rental vehicles.

- f. Convention, conference or training course registration fees.
- g. Room taxes when documented on a hotel bill. All travelers should use the Tax-Exempt Certificate for hotel accommodations when payment is in the form of a City check or procurement card.¹³ [footnote added]

2. Incidental Expenses

For overnight travel, an allowance of \$5.00 per day may be claimed, without actual receipts, for incidental expenses that are not otherwise reimbursable.

F. TRAVEL FORMS

...

2. Form 118 - Travel Expense Report

The Travel Expense Report (Form 118) is used to provide a mandatory detailed record of all expenses for travel that is paid by City funds. All travelers must submit Form 118 to the Finance department within ten business days after date of return travel.

...

- b. All information about the travel and every allowable expense must be provided in the appropriate sections of the form.
- c. If reimbursement is requested for personally paid expenses, must accompany the expense report.

Florida Revenue Act

Additionally, section 212.08, Florida Statutes, states,

- (6) Exemptions; Political Subdivisions –
 - (a) There are also exempt from the tax imposed by this chapter sales made to the United States Government, a state, or any county, municipality, or political subdivision of a state when payment is made directly to the dealer by the government entity...

We found a total of 67 out of 685 (10%) travel expenditures tested had the following exceptions:

1. Thirty-nine (39) of 685 (6%) travel expenditures tested totaling \$855.22 in travel expenses did not comply with the City's Travel Policy. The exceptions include the City paying travelers per diem when meals were provided as part of a convention

¹³ The Purchasing Card policy does not allow travel expenditures.

or conference registration, for per diem/incidental during personal travel time, for food purchases in lieu of per diem, reimbursement for both fuel and mileage for the same travel, for lodging for personal travel time, for tips/gratuities, and for tolls and parking expenses without proper support.

2. Twelve (12) of 685 (2%) travel expenditures tested included Florida sales tax totaling \$363.52.
3. Sixteen (16) of 685 (2.3%) travel expenditures tested totaling \$179.34 were for expenses that were unnecessary, such as, valet parking used when self-parking was available.

In a separate test, we also found that 961 of 1,929 (50%) travel records seeking reimbursements totaling \$946,353.93 did not have a Travel Expense Report (TER) (Form 118) completed and submitted to Finance within ten business days of the traveler's return as required by the Travel Policy. Out of the 961 exceptions, 852 were for the period between FY 2016 through FY 2018 (October 1, 2015 through September 31, 2018) and 109 were for FY 2019 (October 1, 2018 to February 22, 2019).¹⁴

Out of the 852¹⁵ records for the period between FY 2016 through FY 2018 (October 1, 2015 through September 31, 2018), 50 travel records totaling \$32,574.00 had no TER completed and submitted to Finance as of February 2019.

Of the travel expenditure exceptions noted above, **\$570.34** were considered questioned costs,¹⁶ **\$491.03** were considered identified costs¹⁷ (\$406.47 incorrect reimbursements to travelers + \$84.56 incorrectly paid Florida sales tax), and **\$661** were considered avoidable costs.

We considered the travel records for FY 2016 through FY 2018 totaling **\$23,450.24**,¹⁸ which had no TER completed or submitted as of February 2019, questioned costs because the travel was not performed in compliance with the Travel Policy.

It appears the City did not have a sufficient review and oversight process to ensure that travel expenditures complied with policy, excluded Florida sales tax, and were submitted to Finance within ten (10) business days of returning from travel.

¹⁴ The travel records were separated into the periods FY 2016 through FY 2018 and FY 2019 for testing due to variations in the TER requirements of the Travel Policy.

¹⁵ The FY 2019 travel records with no TER submitted were not quantified for questioned costs because the travel records report was obtained prior to February 4, 2019 when the City was notified of the audit.

¹⁶ \$57.75 was already accounted for in the Policy Non-compliance purchasing card travel expenditures Finding 1; therefore, \$57.75 was subtracted from the full amount resulting in questioned costs of \$570.34 to avoid duplication.

¹⁷ \$278.96 was already considered an identified cost in Finding 1 for the Policy Non-compliance purchasing card travel expenditures; therefore, \$278.96 was subtracted from the full amount resulting in questioned costs of \$491.03 to avoid duplication.

¹⁸ \$9,123.76 was already accounted for in the Policy Non-compliance – purchasing card travel expenditures Finding 1; therefore, \$9,123.76 was subtracted from the full amount resulting in questioned cost of \$23,450.24 to avoid duplication.

We noted that the City's travel policy did not prohibit upgrades, such as, valet parking when self-parking was available and did not require that the conference or event agenda be included in the supporting documentation for the travel expense report.

Additionally, City officials and employees may not have sufficient training on the Travel Policy. The Travel Policy is maintained on the City's website and is available to all employees to read. However, the Travel Policy and Employee Handbook do not require training of newly hired employees regarding travel.

If the Travel Policy does not require the supporting documentation including the conference or event agenda, the individuals responsible for overseeing the process may not be able to verify whether the traveler is eligible for per diem reimbursement. The responsibility is on the traveler to only submit for those meals that were not included in the registration fee for the conference, training, or event.

A lack of adequate review and oversight increases the risk for non-compliance with policy and procedure. This exposes the City to an increased risk for fraud, waste, and abuse.

Recommendations:

- (9) **The City consider recouping \$406.47 of incorrectly reimbursed per diems / incidental expenses to the travelers.**
- (10) **The City consider obtaining reimbursement for the \$84.56 incorrectly paid for Florida sales tax to vendors.**
- (11) **The City enhance the review and oversight process to ensure that travel expenditures comply with policy, exclude Florida sales Tax, and Form 118s are submitted to Finance within ten (10) business days of returning from travel.**
- (12) **The City provide training to City officials and employees (travelers) on the Travel Policy requirements including any revisions to the Travel Policy.**
- (13) **The City provide training to reviewers on the Travel Policy requirements including review and oversight responsibilities and any revisions to the Travel Policy.**

Management Response Summary:

The City will consider the recommendations. Additionally, the City will review the Travel and Procurement Card Policies and implement changes as deemed necessary to include training and oversight.

Finding (3): City Commission District Accounts expenditures lacked adequate documentation.

The City's Ordinance No. 3253-99 amends and restates Ordinance No. 3172-98, which establishes the policy and authority for expenditure of public funds for donations, contributions, and fundraising events. The following section was added in Ordinance No. 3253-99 and states,

SECTION 3: SMALL EXPENDITURES FOR EVENTS

The City Commission hereby finds and determines that a contribution by the City which is requested by the Mayor or the City Commission from City Commission District Accounts or the Mayor's donation account for the following events which are not in excess of \$500.00 per event are declared to be a public purpose:

- (a) fundraising events by Palm Beach County- based community service organizations qualified under Section 501(c)(3), (c)(4), or (c)(5) of the Internal Revenue Code or schools, when the fundraising event is in support of a project or activity benefiting residents of the City of West Palm Beach; or
- (b) events other than political functions where the presence of the Mayor or City Commissioner is necessary or prudent to represent the City's interest.

The Ordinance does not require approvals over \$500.00 when City Commissioners spend taxpayer dollars for donations, events, fundraising, etc.

Two (2) out of 42 (5%) expenditures tested totaling \$1,400.00 paid from City Commission District Accounts lacked adequate documentation.

These two (2) expenditures included purchases by City commissioners for the following:

1. A Business Development Board's 2017 Annual Dinner Gala ticket for \$400.00 that lacked adequate documentation.
2. Four (4) tickets to attend the Mayor's Ball with proceeds benefiting the Homeless Coalition of PBC totaling \$1,000.00 lacked adequate documentation.

Expenditures totaling **\$1,400.00** are considered questioned costs because there was a lack of adequate documentation for the City Commissioner's expenditures.

The City is exposed to an increased risk for fraud, waste, and abuse if discretionary City Commission District Accounts spending lacks adequate documentation to validate item(s) purchased.

Recommendation:

-
- (14) The City develop and implement a review and oversight process to ensure that expenditures from the City Commission District Accounts have adequate documentation to support the expenditure.

Management Response Summary:

The City will consider the recommendations and clarify the Ordinance, as needed.

Finding (4): Mileage reimbursement expenditures did not comply with the Travel Policy.

The City's Motor Vehicle Policy 9-1, effective February 11, 2019, states,

K. Reimbursement For Use of Personal Vehicles

...

2. An Employee may be awarded a car allowance as approved by the City Commission. Employees who receive an allowance may not receive reimbursement for in-town travel but, may be reimbursed for out-of-town travel in accordance with Travel Policy 5-1.

The City's Travel Policy 5-1, effective October 1, 2018, states,

STANDARDS AND PROCEDURES

.....

C. TRANSPORTATION

...

5. Individuals receiving a monthly car allowance will not be compensated for mileage within 100 miles of their official headquarters.



We found that the City incorrectly reimbursed travelers that receive a car allowance for mileage in two (2) out of 66 (3%) travel records we tested, which totaled \$168.01. The City reimbursed **\$168.01** that the City can potentially recoup from the travelers to offset the taxpayers' burden; therefore, this is an identified cost.

We learned that the individuals responsible for review and approval of mileage reimbursement requests were not aware of the ten (10) individuals that received a car allowance. Thus, they were unable to determine whether the requests were appropriate.

Additionally, the City's Finance Department interprets Section C.5 (see above) as "...mileage within 100 miles of their official headquarters" to allow reimbursement for any

round trip mileage when the mileage is over 100 miles each way. The Travel Policy may not provide sufficient information for travelers and Finance staff to determine whether the statement “within 100 miles of their official headquarters” refers to the round trip mileage or the distance from official headquarters to the travel destination.

If there is no established process for determining whether a person requesting mileage reimbursement receives a car allowance, the City is at risk of paying costs that are not eligible for reimbursement.

Recommendations:

- (15) **The City consider recouping \$168.01 that was incorrectly reimbursed to travelers that received a car allowance.**
- (16) **The City develop and implement a process to ensure travelers that receive a car allowance are not reimbursed for mileage within 100 miles of their official headquarters in accordance with the Travel Policy.**
- (17) **The City revise the Travel Policy to clarify how reimbursement for mileage should be calculated when car allowances are received by travelers to be clear on how the requirement should be applied.**
- (18) **The City provide staff training on the Travel Policy, amended effective October 1, 2018.**

Management Response Summary:

The City will consider the recommendations. Additionally, the City will review the Travel and Procurement Card Policies and implement changes as deemed necessary to include training and oversight.

Finding (5): The City paid for travel expenses of a former employee.

The City’s Travel Policy 5-1, effective October 1, 2018, states,

POLICY STATEMENT

Travel must be for a public purpose and authorized in advance.



We found that the City purchased a conference registration fee and airfare that totaled \$1,132.20 for an employee that separated from the City three (3) days prior to the date of the travel. The City confirmed that the former employee did not attend the conference and no other City employee attended the conference in place of the former employee. The City did not attempt to obtain credits for the costs incurred or to transfer the travel or conference attendance to another employee. This travel expense was considered unnecessary; therefore, **\$1,132.20** was considered a questioned cost.

The City's Travel Policy and Employee Handbook do not require former employees to reimburse the City for prepaid travel if the employee separates from the City prior to scheduled travel.

The City should consider revising its Travel Policy or Employee Handbook to address prepaid travel for employees who separate before the scheduled travel date. Such options could consider cancellation of the trip, the purchase of travel insurance where appropriate, substituting the traveler, or seeking reimbursement from the former employee.

The risk of fraud and waste is increased when there is no established process to review prepaid travel expenses for former employees at the time of separation.

Recommendation:

- (19) The City develop and implement a process to ensure that prepaid travel expenses for former employees are cancelled and refunded or transferred to another City employee upon employment separation.**

Management Response:

The City will consider the recommendations. Additionally, the City will review the Travel and Procurement Card Policies and implement changes as deemed necessary to include training and oversight.

Finding (6): Lack of documentation to support two Commissioner's completion of required ethics training.

Ethics Code

The Palm Beach County Ethics Code, Sec. 2-446, provides,

- (a) Officials and employees shall be informed of their ethical responsibilities at the start of their public service, and shall receive updates and training materials on ethics issues throughout the span of their public service. The county administrator or municipal administrator as applicable shall establish by policy a mandatory training schedule for all officials and employees which shall include mandatory periodic follow-up sessions. This policy may also address ethics training for entities that receive county or municipal funds as applicable.

The City's Ethics Training Policy, Personnel Policy 4-22 states,

PROCEDURE

...All City elected officials must receive initial training within thirty (30) days of taking office. This training may consist of live training with Palm Beach County Commission on Ethics (COE) staff or approved trainers, on-line training through the use of the training video available from COE, or DVD presentations by COE staff.

...

2. After completing training and having read the Code of Ethics, all City employees, and elected and appointed officials shall complete an approved acknowledgement form available on the COE's website, <http://www.palmbeachcountyethics.com/forms.htm>. indicating that they attended a live COE training session or viewed the appropriate web-video or approved DVD provided by the COE. The training acknowledgement form must be signed by the City employee or official and submitted to Human Resources for inclusion in their personnel file.

The City did not provide this office with the signed Code of Ethics training acknowledgement for the two City Commissioners. It appears the City did not have a process in place to ensure that City officials submitted the required ethics training acknowledgement form as required by the City's Ethics Training Policy.

Two Commissioners may not have complied with the City's Ethics Training Policy if they did not complete the required ethics training.

Recommendations:

-
- (20) The City locate the ethics training acknowledgement forms for the two Commissioners or ensure the City receives copies of the forms for training completed and include the forms in the Human Resource files.**
 - (21) The City develop and implement a process to ensure that City officials submit the required ethics training acknowledgement form, as required by the City's Ethics Training Policy.**

Management Response Summary:

The City will consider the recommendations.

Finding (7): There were duplicate travel records in the travel computer system.



Management should design the entity's information system and related control activities to achieve objectives and respond to risks. Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes. For information systems, there are two main types of control activities: general and application control activities. Application controls, sometimes referred to as business process controls, are those controls that are incorporated directly into computer applications to achieve validity, completeness, accuracy, and confidentiality of transactions and data during application processing.

sometimes referred to as business process controls, are those controls that are incorporated directly into computer applications to achieve validity, completeness, accuracy, and confidentiality of transactions and data during application processing.

Application controls include controls over input, processing, output, master file, interface, and data management system controls.¹⁹

Of the 174 potential duplicate²⁰ travel records, the City confirmed that 85 (49%) were duplicate records. A total of 85 travel records out of the 4,516 travel records (2%) were duplicate travel records. The 85 duplicate travel records were identified in the following City departments:

Department	Duplicate Travel Records
Development Services	2
Fire Department	2
Human Resources Department	2
Mayor's Office	3
Public Utilities Department	4
Police Department	72
Total	85

We reviewed the 85 duplicate transactions to determine if the Finance department approved the duplicate travel record expenses for payment by the City. We found that three (3) out of the 85 duplicate travel transactions were approved by the Finance Department. We verified that zero (0) out of the three (3) duplicate records approved for payment were paid by the City, which is appropriate. None of the travel records with duplicate transactions were reimbursed twice.

It appears the City did not have a process in place to identify and resolve duplicate travel records in the travel computer system prior to submitting the transactions for review. Additionally, City officials and employees may not have sufficient training on how to properly enter and edit travel records in the travel computer system. The travel computer system provides user friendly step-by-step instructions for how to complete travel transactions; however, the Travel Policy does not require training of newly hired employees on the use of the travel computer system prior to travel or completion of travel transactions in the computer system. The City last provided formal training (that was documented) for the travel computer system in FY 2014.

There were no questioned or identified costs identified because the City did not incur costs for the duplicate records identified. The City is exposed to an increased risk for fraud, waste, and abuse if travel records can be duplicated in the system and not detected.

¹⁹ This is a best practice from the Standards for Internal Control in the Federal Government, GAO-14-704G, by the Comptroller General of the United States.

²⁰ A potential duplicate travel record was when the record was for the same employee, on the same dates, and in the same location.

During the audit, the City implemented a process to identify and resolve duplicate travel records in the travel computer system. The City implemented the process for 79 of the 85 (93%) duplicate transactions that we identified in the travel system. This process was implemented with partial resolution after discussion of this finding.

Recommendations:

-
- (22) **The City review and resolve the duplicate transactions identified in the system.**
 - (23) **The City develop and implement a process to prevent or identify and resolve duplicate travel records in the travel computer system.**
 - (24) **The City provide training to City officials and employees on the use of the travel computer system prior to travel and use of the computer system.**

Management Response Summary:

The City will consider the recommendations. Additionally, the City will review the Travel and Procurement Card Policies and implement changes as deemed necessary to include training and oversight.

Finding (8): The City violated records retention requirements.

Chapter 119.021(2), Florida Statutes, states,

- (a) The Division of Library and Information Services of the Department of State shall adopt rules to establish retention schedules and a disposal process for public records.
- (b) Each agency shall comply with the rules establishing retention schedules and disposal processes for public records which are adopted by the records and information management program of the division.

The State of Florida General Records Schedule GS1-SL for State and Local Government Agencies, effective August 2017, established by the Florida Department of State Division of Library and Information Services states,

DIRECTIVES/POLICIES/PROCEDURES**Item #186**

This record series consists of the official management statements of policy for the organization, supporting documents, and the operating procedures that outline the methods for accomplishing the functions and activities assigned to the agency. The series may include, but is not limited to, such materials as employee handbooks, standard operating procedures, management approval documentation, and correspondence and memoranda stating the policies and procedures to be followed by employees...

RETENTION: 2 anniversary years after superseded or becoming obsolete...

The City did not provide our office the Motor Vehicle Policy effective for periods prior to December 31, 2018. The City stated a copy of the policy was not available to meet our request.

If the City had a Motor Vehicle Policy in effect prior to December 31, 2018, the City is out of compliance with section 119.021(2)(b), Florida Statutes. According to the Florida Statute and Schedule GS1-SL, the Policy should be retained until at least December 31, 2020.

Thus, it cannot be determined what policy requirements applied or whether the City was in compliance with their policies and procedures prior to December 31, 2018.

Recommendations:

-
- (25) **The City locate the Motor Vehicle Policy effective prior to December 31, 2018 or seek advice and assistance from its legal department on how to resolve.**
 - (26) **The City implement a process for retention of policies and procedures documents to comply with statutory requirements.**
 - (27) **The City retain all directives, policies, and procedures that are superseded for at least two years to comply with statutory requirements.**

Management Response:

The City will consider the recommendations.

Finding (9): The City did not ensure Motor Pool drivers had a valid Florida driver's license maintained in the personnel files prior to using City vehicles, as required by the City's Motor Vehicle Policy.

The City's Motor Vehicle Policy 9-1, effective December 31, 2018, and as amended on February 11, 2019, states,

E. Driver's License Requirements

...

- 5. An employee authorized to operate a Vehicle on Official Business shall provide a photocopy of their current Florida driver's license to the City's Safety Officer for inclusion in their personnel file.

We noted that the employees' personnel files did not contain a copy of a valid Florida's driver's license for four (4) out of 20 (20%) motor pool transactions tested. Therefore, the City did not have records showing that these four employees who used a City's motor vehicle possessed a valid Florida driver's license at the time of use of the City vehicle. In

one (1) of the four (4) instances, the driver's license was verified prior to allowing the use of a City's motor vehicle, but a copy of the Florida driver's license was not in the employee's personnel file.

The City did not comply with the Motor Vehicle Policy to ensure that the employee's personnel file contained a copy of a valid Florida driver's license prior to allowing the employee to operate a City's motor pool vehicle.

It appears that the City did not have a process in place to update the personnel files for City employees when their driver's licenses expired or prior to the employee using a City vehicle.

The City risks allowing employees with an expired, suspended, or revoked driver's license to use a City vehicle which could result in unexpected and unnecessary expenses if the driver is involved in an accident or pulled over while driving the City owned vehicle.

Recommendations:

- (28) **The City obtain valid Florida driver's licenses for the four (4) employees that used vehicles without a current Florida driver's license in their personnel file and update those personnel files.**
- (29) **The City review all personnel files for employees that use City vehicles and ensure that a copy of the valid Florida driver's license is in the personnel file.**
- (30) **The City develop a process including policies and procedures to ensure that employees authorized to operate a motor vehicle have a current Florida driver's license maintained in their personnel file.**
- (31) **The City provide staff who are authorized to operate a City vehicle training on the Motor Vehicle Policy requirements.**

Management Response:

The City will consider the recommendations. Additionally, the City will review the Travel and Procurement Card Policies and implement changes as deemed necessary to include training and oversight.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs

Finding	Description	Questioned Costs
1	Purchasing Card Violations	\$ 777,396.56
2	Travel Policy Non-compliance	\$ 570.34
2	Lack of Travel Expense Report	\$ 23,450.24
3	Lack of Documentation for Discretionary Fund Expenditures	\$ 1,400.00
5	Former Employee Travel Expenditures	\$ 1,132.20
	TOTAL QUESTIONED COSTS	\$ 803,949.34

Identified Costs

Finding	Description	Identified Costs
2	Travel policy non-compliance	\$ 491.03
4	Non-compliant mileage reimbursements	\$ 168.01
1	Expenses paid for ineligible expenses (tips and gratuities)	\$ 135.59
1	Expenses paid for potential improper charges	\$ 242.52
1	Booking fee, late fee, double payment for hotel room	\$ 353.45
1	Sales tax paid in error	\$ 5,113.21
	TOTAL IDENTIFIED COSTS	\$ 6,503.81

Avoidable Costs

Finding	Description	Avoidable Costs
1	Lost discounts, upgrades, taxes, fees, tips and gratuities, and potential improper charges	\$ 20,561
2	Potential travel cost savings	\$ 661
	TOTAL AVOIDABLE COSTS	\$ 21,222

EXHIBIT LIST

Exhibit 1 – Purchasing Card Transactions for Travel Expenses

Exhibit 2 - Travel Compliance Exceptions

ATTACHMENT

Attachment 1 – City of West Palm Beach’s Management Response, page 29

ACKNOWLEDGEMENT

The Inspector General’s audit staff would like to extend our appreciation to the City of West Palm Beach’s staff for their assistance and support in the completion of this audit.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

EXHIBIT 1 – PURCHASING CARD TRANSACTIONS FOR TRAVEL EXPENSES

Travel Expense Type	Policy Violation - Purchasing Card Used	Policy Violation - Tips/Gratuity Paid	Exception Type				OG Cost Type Identified Costs
			FS 218.08 Violation (Sales Tax Paid)	Potential Improper Charge	Unnecessary Costs - Upgrades	Unnecessary Costs - Discount Not Used	
Food	\$ 878.29	\$ -	\$ 0.33	\$ 50.00	\$ -	\$ -	\$ 878.29 \$ 50.33
Lodging	\$ 521,990.43	\$ -	\$ 4,875.92	\$ 147.52	\$ 2,484.23	\$ 4,977.43	\$ 529,452.09 \$ 5,376.89
Transportation	\$ 169,451.95	\$ 135.59	\$ 141.27	\$ -	\$ 1,890.59	\$ 61.42	\$ 171,413.96 \$ 276.86
Fuel (excludes Police Department purchases)	\$ 1,467.22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,467.22 \$ -
Travel Related Items	\$ 10,863.57	\$ -	\$ 95.69	\$ 45.00	\$ 308.00	\$ 64.00	\$ 11,235.57 \$ 140.69
Lack of Adequate Documentation	\$ 62,699.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,699.43 \$ -
Discount available, but not used or late fees paid (e.g. hotel conference rate discounts, registration discounts, parking rate discounts, etc.) [*]	\$ -	\$ -	\$ -	\$ 200.00	\$ 4,670.75	\$ 50.00	\$ 250.00 \$ -
Total	\$ 767,350.89	\$ 135.59	\$ 5,113.21	\$ 242.52	\$ 4,882.82	\$ 9,773.60	\$ 413.45 \$ 777,396.56 \$ 5,844.77

EXHIBIT 2 – TRAVEL COMPLIANCE EXCEPTIONS

Travel Compliance Exceptions						
Type	Exceptions Count	Total Amount	Policy Violation	Exception Type F \$ 218.08 Violation	Unnecessary costs	OIG Cost Type Questioned costs Identified costs
Per Diem Received When Meals Provided at Event	10	\$ 87.00				\$ - \$ 87.00
Per Diem/Incidental Received for Days Not Included in Conference Agenda	7	\$ 66.00				\$ - \$ 66.00
Food Purchases Reimbursed to Traveler	1	\$ 15.00				\$ - \$ 15.00
Food Purchases Paid by Check/Purchasing Card	1	\$ 36.00				\$ 36.00 \$ -
Fuel Purchases Purchasing Card (excludes Police Department) *	2	\$ 48.75				\$ - \$ -
City Paid for Lodging for Days Not Included in Conference Agenda	1	\$ 364.00				\$ 364.00 \$ -
Tips/Gratuity	4	\$ 10.86				\$ - \$ 10.86
Tolls - Lacked Required Support for Reimbursement	11	\$ 144.01				\$ - \$ 144.01
Parking - Lacked Required Support for Reimbursement	2	\$ 83.60				\$ - \$ 83.60
Sales Tax Paid **	12	\$ 363.52				\$ - \$ 84.56
Unnecessary Upgrades (valet when self-park available) *	18	\$ 179.34				\$ 170.34 \$ -
Total	67	\$ 1,398.08				\$ 570.34 \$ 491.03

* \$57.75 was already considered a questioned cost in Finding 1 for non-compliance with the Procurement Card Program Policy and Procedures. Therefore, \$57.75 was subtracted from the full amount being questioned to avoid duplication and the total questioned in the report is \$628.09 - \$57.75 = \$670.34.

** \$278.96 was already considered an identified cost in Finding 1 for non-compliance with the Procurement Card Program Policy and Procedures. Therefore, \$278.96 was subtracted from the full amount being questioned as identified costs to avoid duplication and the total identified cost in the report is \$681.52 - \$278.96 = \$84.56.

ATTACHMENT 1 – CITY OF WEST PALM BEACH’S MANAGEMENT RESPONSE

August 30, 2019

John Carey, Inspector General
Megan Gaillard, Director of Audit
Palm Beach County Office of the Inspector General
P.O. Box 16568
West Palm Beach, FL 33416

RE: City of West Palm Beach Travel Audit Report

Mr. Carey and Ms. Gaillard:

The City of West Palm Beach thanks the Inspector General's Office for the work performed related to the Travel Audit. We have reviewed the report's findings and recommendations and we will take them under advisement. While we understand that you may have questioned costs, the vast majority of those costs (about \$700,000) were for valid travel expenses such as lodging and transportation which are permitted travel expenses and were charged to Purchasing Cards. It was the City's practice to use Purchasing Cards as that is the most common form of acceptable payment for lodging and transportation and the City does not have separate cards for travel expenses.

The City will consider the recommendations notated in Finding 1, Recommendations 1-4; Finding 2, Recommendations 9 and 10; and Finding 4, Recommendation 15 and determine the appropriate corrective action as deemed to be in the best interest of the City.

As for Finding 3 related to Commission District Accounts, it states that two expenditures lacked adequate documentation. However, the City Ordinance (Ord. No. 3253-99) cited does not specify what, if any, documents are required. The City will look to clarify this.

For all other findings (5 - 9) and recommendations, the City will review the Travel and Procurement Card Policies, and to the extent we determine that clarification is needed, we will implement the changes we deem necessary and in the best interest of the City, to include appropriate training and oversight as needed.

We appreciate the opportunity to continuously improve the City's operations.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Jeffrey Green'.

s/Jeffrey Green
City Administrator

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