



**Office of the City Auditor**

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**Report to the City Council  
City of San José**

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# **AUDIT OF EMPLOYEE TRAVEL EXPENDITURES**

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**Report 13-12  
December 2013**

December 11, 2013

Honorable Mayor and Members  
Of the City Council  
200 East Santa Clara Street  
San José, CA 95113

### **Audit of Employee Travel Expenditures**

City employees travel for a number of City business needs, including conferences, trainings for job-relevant knowledge and skills, and investigating crimes. Prior to 2009, requests and approval to travel went through the Finance Department, but now, individual departments review, approve, and track travel. Finance continues to have direct roles in employee travel, most notably by enforcing the Employee Travel Policy (Travel Policy) and handling the disbursement of travel-related payments.

### **The City Should Pursue Improvements To Ensure Employee Travel Is Necessary, Reasonable, and Consistent With Policy**

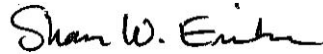
The Travel Policy, which guides travel for full-time and part-time employees, reflects a priority to keep travel ethical and economical, and authorizes reimbursements only “*for the most cost-effective and direct route of travel.*” From our review of approximately 300 trips, some appeared to be more costly than necessary or reasonable, and inconsistent with the Travel Policy. Often missing were supporting documents and explanations that could have demonstrated reasonableness and adherence to City policy. We recommend the Administration follow up on potential noncompliance, and revise the Travel Policy to improve guidance and clarify expectations.

The Travel Policy defines a critical role for departmental travel coordinators. Travel coordinators should review all proposed trips before they occur, coordinate group trips, and be empowered to challenge payment for activities and costs that appear inconsistent with City policy. The Administration should identify travel coordinators, provide them with training, and convene periodic meetings to surface travel-related issues and promote problem solving. We also recommend the Administration require notification and documentation to supervisors and approvers when travelers’ activity and expenses are potentially inconsistent with the Travel Policy. Furthermore, Finance could help departments review and account for all travel activity and expenses in accordance with the Travel Policy, maintain travel records in conformance with the City’s record retention policy, and follow-up on outstanding reconciliations and payments. We also recommend changes to the travel reconciliation form, and re-writing the Travel Policy in plain language.

Lastly, some travel activity suggests a need for the Travel Policy to refer to, or otherwise direct travelers to other City policies that provide ethical guidance for topics such as handling gifts of travel and “no-cost” travel.

We would like to thank the Finance Department, the Environmental Services Department, the San José Police Department, the Department of Public Works, and the City Manager's Office of Employee Relations, for their time and insight during the audit process. This report includes 13 recommendations intended to help improve employee travel. We will present this report at the December 19, 2013 meeting of the Public Safety, Finance, and Strategic Support Committee.

Respectfully submitted,



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# Introduction

In accordance with the City Auditor's 2012-2013 Audit Work Plan, we have completed an audit of employee travel expenditures. 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 limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

The City Auditor thanks the management and staff of the Finance Department, the Environmental Services Department, the San José Police Department, the Department of Public Works, and the City Manager's Office of Employee Relations for their time and cooperation during this audit.

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## Background

At times, City employees travel on City business. Types of City travel include:

- conferences for professional development and networking,
- trainings for job-relevant knowledge and skills,
- meetings as authorized City representatives, and
- criminal investigations and extraditions.

"City travel" includes: 1) the actual business, meeting, or training itself, 2) transportation to and from places where the business is conducted, and 3) other activities needed to support City business, including hotel stays and meals. It excludes short trips during regularly scheduled work hours made by employees in the course of their regularly assigned work duties.

### **The Employee Travel Policy Guides City Travel by City Employees**

As stated by the City of San José Code of Ethics, "*The citizens of San José expect and must receive the highest standard of ethics from all those in the public service. City officials and employees must be independent, impartial and responsible in the performance of their duties and accountable to the members of the public.*" To the extent it is a subset of their duties as City employees, travel can reflect on the overall ethical climate of the organization. Accordingly, the City and other government agencies have developed travel policies that reflect organizational values and ethical standards.

City Policy 1.8.2, “Employee Travel” (Travel Policy), provides “*guidelines for authorization of travel and payment of travel expenses.*”<sup>1</sup> Among other things, the policy limits travel to functions “*from which the City derives a specific benefit through attendance by the traveler*” and requires that expenses associated with travel “*are reasonable and necessary for the conduct of City business.*”<sup>2</sup>

The Travel Policy is prescriptive and outlines eligible travel activity and expenses. It provides guidelines for requesting authorization for travel, reconciling receipts, and accounting for travel activity. The Policy outlines different guidance for “local,” “in-state,” and “out-of-state” travel.

- Local travel is within California, does not require airfare, and does not require an overnight stay. In addition, to be considered “local,” travel expenses<sup>3</sup> must total \$500 or less.
- In-state travel is within California, but requires airfare or an overnight stay. However, even if travel does not require airfare or an overnight stay, it is considered “in-state” if costs exceed \$500.
- Out-of-state travel is travel outside of the State of California.

### **Departments Are Responsible for Approving and Administering Travel**

Direct supervisors, departmental travel coordinators (designated experts of the Travel Policy), and departmental approving officials (most often department directors), are tasked with reviewing and approving employee travel.

Employee travel is typically documented on a per-trip basis using a special form, called a Statement of Travel Activity (Travel Statement), which is shown in Appendix B. The one-page form includes basic information about the trip destination and dates, and includes three signature lines for pre-trip approvals. A middle section prompts documentation of travel expenses. The bottom of the form includes four signature lines for post-trip reconciliation.

This Travel Statement is used citywide and is the primary document for coordinating information by trip. Employees attach receipts and other supporting documentation to support trip expenses and facilitate calculation of reimbursements.

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<sup>1</sup> City Policy 1.8.2 “Employee Travel” is attached as Appendix A.

<sup>2</sup> At the City of San José, multiple policies guide City travel. The Mayor and members of the City Council follow Council Policy 9-5, “Travel by Elected and Appointed Officials.” Other City officials may follow other policies that apply to their travel. Most full-time and part-time City employees are subject to City Policy 1.8.2, “Employee Travel.”

<sup>3</sup> Throughout this report, references to travel expenses and costs exclude wages, salaries, and benefits paid to travelers.

### *Required Pre- and Post-Trip Approval*

Prior to embarking on trips for City business, traveling City employees are expected to use the following approval process:

- Complete relevant sections of the Travel Statement to provide information about the nature of proposed trips, the date ranges of the trips, and estimated expenses (e.g. airfare, lodging, ground transportation, meals, and other expenses).
- Print completed Travel Statements. Sign to acknowledge they have read and understood the Travel Policy, and agreed to adhere to its terms.
- Obtain signatures from their direct supervisors and departmental approving officials.

Then, upon returning from authorized trips, traveling City employees are expected to:

- List all of the travel expenses actually incurred by category (i.e., airfare, event registration, lodging, ground transportation, meals, and other expenses).
- Specify those expenses that were “pre-paid”.
- Calculate what the City owes the traveler, or the traveler owes the City.
- Attach supporting documentation as required in the Travel Policy.
- Obtain signatures from their direct supervisors, departmental travel coordinators, and departmental approving officials.

When travelers complete these steps, it means their Travel Statements can be forwarded to Finance for disbursement of payments.<sup>4</sup>

Since 2009, travel approval and record-keeping are the responsibilities of traveling employees’ departments. Prior to 2009, Finance Department’s “Travel Desk” (a team within Accounts Payable) reviewed requests for travel, and approved post-trip travel documents.

### **The Finance Department Still Plays an Important Role in Employee Travel**

Finance’s Travel Desk now plays a more limited role, but Accounts Payable staff continue to provide assistance to departments when they have questions about handling travel requests and post-trip approval. In addition:

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<sup>4</sup>Throughout this report, “travel packet” or “travel file” refers to a file submitted by a traveler that contains a Travel Statement and its accompanying supporting documentation.



- Finance is the keeper of original in-state and out-of-state travel records.
- Accounts Payable does not directly participate in pre-trip authorization and post-trip approval of all travel activity, but it does spot check travel records that have already been approved by the various departments.
- Finance, through Accounts Payable and Payroll, is responsible for disbursing travel-related payments to traveling employees, departments, or third parties. Finance staff is responsible for making these payments from the appropriate funds and departments.<sup>5</sup>

### Multiple Methods of Payment

The Travel Policy outlines the requirements for travel-related reimbursements that occur through the City's payroll system. Specifically, after a trip, employees request payroll reimbursements when they have personally covered the cost of all or portions of employee travel. The Policy also permits employees to request cash advances before traveling to minimize the impact on their personal finances. Payroll disbursements require multiple layers of approval from direct supervisors, department travel coordinators and approving officials, and Finance.

But we also found that travel-related expenses are processed through other means, including:

- City procurement card transactions approved by departmental procurement card approvers and Finance.
- Mileage reimbursements are approved by department timekeepers and directors. They are paid through the City's payroll system, but handled separately from the travel-related reimbursement requests outlined above.
- Departmental fiscal officers request "special payment demands" (SPDs) from Finance for payment of one-time expenses. We found that some travel-related expenses had been paid through SPDs.
- The San José Police Department (SJPD) and the Department of Public Works (PW) employ gas cards so that travelers can cover expenses while driving during City travel. At the time of our audit, SJPD also employed car rental credit cards.<sup>6</sup>

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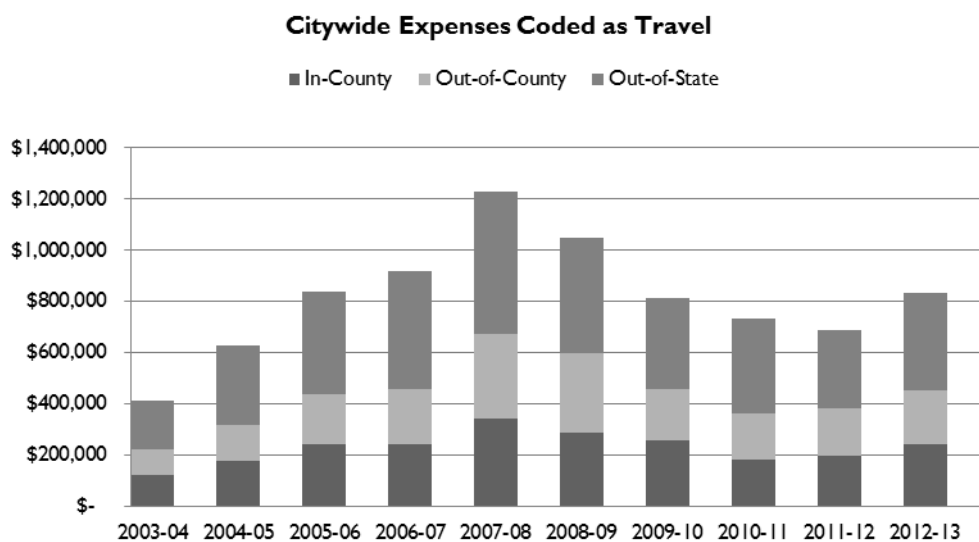
<sup>5</sup> Using "petty cash" for official employee travel is explicitly prohibited in the Employee Travel Policy.

<sup>6</sup> During our review, we expressed concern over rental vehicle credit cards at the Police Department. We were especially concerned that the Department was keeping numerous credit cards through two separate companies, without adequate formal controls. Specifically, the cards were being picked up by various departmental employees and distributed to other employees, resulting in a diminished ability to link specific card transactions to specific employees. We were also concerned that the cards allowed for broad, potentially costly rental car options by travelers. As a result of our communications about these control weaknesses, as well as those voiced by Finance, the department reports it has discontinued its use of these rental vehicle cards.

### Travel Expenses Appear in Various Categories in the City's Financial Management System

The City has designated different cost categories for entering financial data in the Financial Management System (FMS). In FMS, some expenses are coded as “in-county” travel, “out of county” travel, and “out-of-state” travel. According to FMS, in fiscal year 2012-13, these travel categories respectively accounted for \$240,000, \$213,000, and \$377,000. Most travel expenses were transacted from the Police Department (SJPD), Mayor and City Council Offices, Airport, and Environmental Services Department (ESD). Together, those departments and offices accounted for 58 percent of citywide travel expenses in FY 2012-13.<sup>7</sup>

#### Exhibit I: City Expenses Coded as Travel Between FY 2003-04 and FY 2012-13

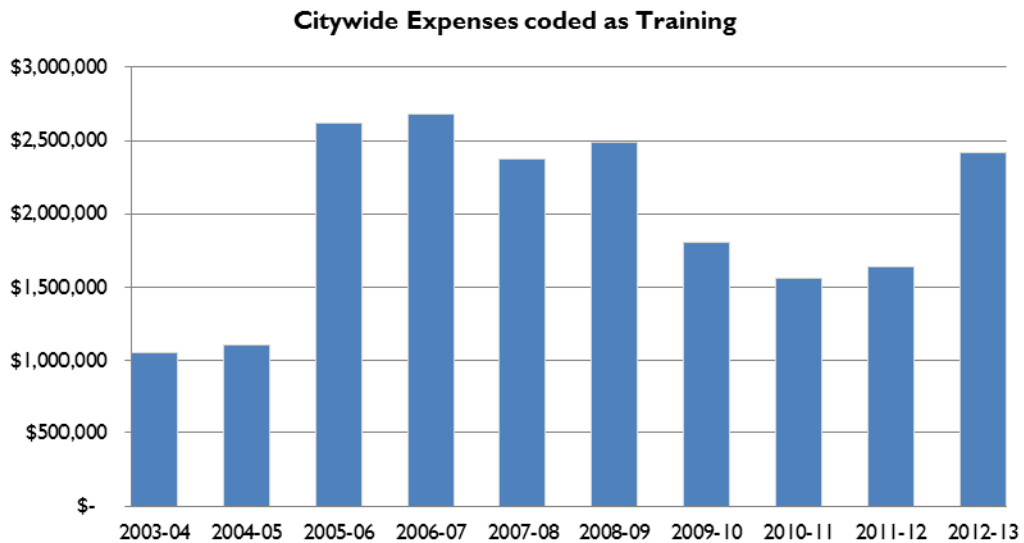


Source: Auditor query of the Financial Management System. October 2013.

The above amounts do not account for all travel expenses. For instance, significant expenses associated with City travel are coded in FMS as “training” expenses. Both training registrations and all of the expenses associated with travel to the training activities are frequently coded as “training.” In addition, certain City travel expenses paid through the City’s professional development program are coded as personnel costs.

<sup>7</sup> The records we reviewed, including those obtained through FMS and from Finance staff, indicate that the volume of Police Department travel was substantially greater than that of any other department.

**Exhibit 2: City Expenses Coded as Training Between FY 2003-04 and FY 2012-13**



Source: Auditor query of the Financial Management System. October 2013.

Furthermore, some expenses coded as in-county, out-of-county, and out-of-state travel, or training, may contain other expenses that are not travel-related. This is because department staff have some discretion about how they account for costs. For instance, much of the \$53,000 coded as “in-county” travel for the Mayor and City Council offices during FY 2012-13, is in fact councilmembers’ ticket purchases for nonprofit and charitable fundraising events. In short, we could not exactly determine total travel expenses citywide.

**Although Not a Lot of Money, Travel Draws a Lot of Attention**

Though not likely “significant” in terms of its share of the City’s funds, government travel is an area that taxpayers and the general public care about. This is especially true when publicly-borne travel costs appear excessive or of questionable public benefit. Travel has caught significant attention of national and local media including the New York Times, the San José Mercury News, and the local television networks, which have reported on travel among federal, state, and local government officials. Some of the news coverage has highlighted perceived travel abuses, some of which have involved criminal charges. Such coverage can call into question the legitimacy of travel among government entities, and even the ethical integrity of government officials.

**Prior Audits Related to City Travel**

The last time our office published a travel audit was the August 2008 “An Audit of Retirement Services Travel Expenses.” The objective of that audit was to evaluate the effectiveness of internal controls pertaining to travel of Retirement Services Department staff members and members of the retirement Boards. The

audit report highlighted problems with: 1) travelers' compliance with their respective travel policies; 2) the reasonableness of travel expenditures; 3) the adequacy of applicable travel policies; and 4) the controls in place to ensure compliance with relevant laws and regulations. Within two years of that report, the Administration and Retirement Services boards and staff had implemented all 23 of our recommendations. While some of those recommendations were specific to the pension boards of directors, the audit affected travel expense authorizations and controls citywide. Most notably, the audit led to amendments to the Employee Travel Policy, further restricted travel expenses, and required greater justification for certain expenses.

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### **Audit Objective, Scope, and Methodology**

The objective of this audit was to: 1) review a sample of employee travel expenditures for appropriateness and compliance with City policies and procedures, and 2) determine the extent to which select City departments provide an effective control environment for travel authorizations and expenses.

To review employee travel expenditures for appropriateness and compliance with City policies and procedures, we:

- Reviewed the policies and procedures pertaining to City travel, including section 1.8.2 of the City Policy Manual "Employee Travel."
- Interviewed staff at the City Manager's Office of Employee Relations to confirm our understanding of City policy.
- Chose and reviewed approximately 300 citywide travel files (by trip) from fiscal years 2011-12 and 2012-13, to test for reasonableness and compliance with the Employee Travel Policy. We chose these records using a risk-based, rather than statistical sampling model.
- Queried selected employees' earnings data to look for duplicate cash advances and travel reimbursements.
- Accessed and downloaded certain procurement card transactions, focusing on transactions that seemed travel-related (e.g. restaurant and hotel charges at distant locations). We compared procurement card transaction data against travel logs kept by the Finance Department, the Environmental Services Department, the Police Department, and the Department of Public Works to assess whether travel-related procurement card activity was accounted for in other travel files. In a few cases, we accessed the physical procurement card files to obtain more details about the transactions.
- Examined certain FMS records to assess whether payments to travel-related vendors were accounted for in City travel files.

## Employee Travel Expenditures

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In addition to the above, in order to determine the extent to which select City departments provide an effective control environment for travel authorizations and expenses, we:

- Reviewed policies, practices, and procedures in place at the Finance Department and three other departments – Environmental Services, the Police Department, and Public Works. We also reviewed travel logs, travel files, and related records kept within these departments, and interviewed staff involved in authorizing, approving, and administering travel at these departments.
- Reviewed policies and procedures governing travel in other government agencies. We also reviewed travel forms used by these agencies.

## **Finding I      The City Should Pursue Improvements To Ensure Employee Travel Is Necessary, Reasonable, and Consistent With Policy**

### **Summary**

The Employee Travel Policy (Travel Policy) establishes limitations on employee travel and a process to provide assurance that the City incurs only reasonable and necessary costs for employee travel. Our review revealed some trips that appeared to be more costly than necessary and/or may not be consistent with City policy. We also found that travel expenses (particularly those that are charged to procurement cards) are not always included on Statements of Travel Activity (Travel Statements). The City can improve its internal controls and monitoring of travel expenses by enhancing the role of the departmental travel coordinators, providing training, requiring completed and improved Travel Statements, and providing better guidance to travelers.

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### **To Preserve the Public’s Trust, Employees Should Ensure Travel Costs Are Necessary, Reasonable, and Consistent with Policy**

The Travel Policy reflects a priority to keep travel ethical and economical: *“The City will pay only the costs for the most direct route and least expensive travel necessary to accomplish the purpose of the City travel.”* The Policy requires pre-approval for vehicle rentals, requires travelers *“to only rent a compact or equivalent rental car and to reduce the total cost of the car rental by reducing optional costs,”* and limits spending in other ways.

In these and other clauses, the Travel Policy seeks to limit spending to provide assurance that the City incurs only reasonable and necessary expenses.

### **Some City Travel Expenses Appeared to Be More Costly Than Necessary**

Travel Statements, supporting documentation, and annotations make it possible for approving officials to differentiate reasonable from unnecessary travel spending. During our review of approximately 300 trips, we observed numerous instances of back-and-forth correspondence in travel packets, whereby travel coordinators would question specific activities and expenses, and travelers would explain. However, we also found many trips with activity that appeared to be more costly than necessary and reasonable. The following are examples of these expenses.

### *Transportation Choices*

As cited earlier, the Travel Policy authorizes payment for only the most direct route and least expensive form of travel. Nonetheless, we found numerous instances of travelers inexplicably driving for approved travel when it would have been cheaper to fly.

For instance, one department's records show 21 trips to trainings in Newport Beach reconciled in fiscal year 2012-13. Newport Beach is 380 miles from San José and five miles from John Wayne Airport. Some employees' trips were by plane with tickets as low as \$235; others were by City vehicle or personal vehicle. At the current mileage reimbursement rate of 56.5 cents per mile, driving to and from Newport Beach would cost \$429 round trip.<sup>8</sup> Although this exceeds airfare by almost \$200, the drivers in their travel packets offered no explanation for driving. When we inquired about one of the travelers, staff informed us that his drive home was to accommodate his spouse. This cost more than what was pre-approved.

Similarly, during a 2013 trip, a traveler from another department claimed and received \$515 in mileage reimbursement for driving to Palm Springs for a conference. The traveler had originally estimated transportation costs at \$120, and it was on this basis that the department approved the trip. A co-worker flew to the same event, which together with airport parking, cost the City a total of \$238. It should be noted that driving may present additional personnel costs. Some "hourly" employees may be eligible for compensation while traveling, and some travel may trigger overtime eligibility.

We found several examples of airfare that seemed out of line with similar employee travel, including cases of City employees flying into airports far away from their destinations for personal business. In one of these trips, a traveler flew into San Diego Airport at a cost of \$377, even though the purpose of the trip was to participate in a conference 125 miles north in Los Angeles. The flight to San Diego far exceeded the \$180 each that the City paid for the employee's co-workers to fly to Los Angeles International Airport. Documentation attached to the Travel Statement revealed that this traveler flew into San Diego to accommodate personal vacation plans.

### *Rental Vehicles*

The Travel Policy requires pre-approval of rental vehicles, and only allows for rental of a compact or equivalent vehicle. Nonetheless, we found instances of seemingly higher-than-necessary vehicle rental expenses. For example, without pre-approval, one employee rented a vehicle during a 2013 trip to Las Vegas for a two-day conference. First, the rental was not pre-approved. Second, it was not

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<sup>8</sup> Approving staff acknowledged they do not know the per-mile cost to the City of transportation by City vehicle, but use personal vehicle mileage reimbursements as an estimate of City vehicle costs.

clear why the traveler needed a rental vehicle since he was staying at the conference venue. Third, he upgraded to a luxury sedan, which, according to the rental car company, if rented today, would cost four times more than a compact vehicle.

Also in 2013, another employee from another department flew to San Diego for a training course. This employee stayed at the hotel where the course was held, which was about 2 miles from the airport. The traveler rented a vehicle, accruing 439 miles without explanation. These rental vehicle expenses totaled \$667 – \$393 in rental fees and \$274 in parking and fuel expenses.

In other cases, travelers accrued such low mileage it seemed unlikely rental vehicles were cost effective or justified at all. For one such instance in 2012, a traveling employee incurred over \$400 in rental vehicle expenses, even though he accrued only 52 miles on the vehicle (an average cost of \$8 per mile). This employee also opted for non-essential rental options (including refueling fees) that raised costs.

#### *Air Travel Options*

According to the Travel Policy, “Travelers shall fly coach class on the lowest cost flight/s available.” The Policy further prohibits optional expenses such as “excess baggage charges.” These provisions reflect a priority to minimize non-essential costs related to air travel.

Nonetheless, we found examples of optional expenses related to air travel that raised costs to the City. One employee, on two separate trips to Washington, D.C. and Las Vegas in 2013, accrued airline seat-change and priority boarding fees that cumulatively resulted in \$146 in excess expenses.

Similarly, another traveler, from another department, flew to a San Diego event for \$478 round trip on “Business Select” class; other travelers to the same event flew for \$176.

#### *Group Travel*

We found that trips involving multiple employees contained seemingly redundant or dissimilar costs. When multiple travelers attend the same event using ground transportation, the Travel Policy requires departments to coordinate the travel arrangements “to maximize the use of such ground transportation by the travelers involved in order to minimize the expense to the City.” But this did not always happen.

For instance, in September 2012, each of 24 employees who attended the same training near Modesto indicated in travel files their intention to seek mileage reimbursement, rather than carpool. A round trip drive to the training from San José was approximately 200 miles. Travel records did not disclose how many



of these 24 individuals drove individually, but the department confirmed separately that 22 received mileage reimbursements for the trip, at a combined cost of \$2,277. Several individuals received identical mileage reimbursements, suggesting similar trips without carpooling.

For another trip, several travelers made a one-day trip to an afternoon meeting in Seattle. Of three travelers who were on the same flights to and from the meeting, one charged no per diem, one charged \$71, and one charged \$53. The travel files did not explain the variance, nor why a noon departure from San José would qualify for a breakfast per diem allowance.

### *Lodging Costs*

Per the Travel Policy, *“Travelers attending a conference or seminar are encouraged to stay at conference hotels, which offer a negotiated conference rate. If rooms are not available at the conference negotiated rate, traveler shall stay at an alternate hotel with the most economical rate, which shall be capped at 150% of the applicable CONUS rate for lodging.”* The U.S. General Services Administration sets applicable “CONUS” rates for each geographic area in the continental United States.<sup>9</sup>

We found a few hotel stays that appeared inconsistent with the Travel Policy. For example, the City paid \$429 for a single night stay for an employee at a Washington, D.C. hotel (before taxes and fees) – \$93 over the City’s maximum allowed rate. In another instance, the City paid \$299 per night for six nights at a conference hotel, but not at the conference rate. The difference cost the City \$120 in total, plus taxes and fees. This exceeded what the Travel Policy permits, even for conference stays.<sup>10</sup>

### *Extended Stays*

The Travel Policy limits reimbursements to time spent on City business: *“The City shall not be responsible for or reimburse any additional costs related to the extension of stay beyond the time necessary to complete the approved conference, trainings, conventions, and other functions.”* Nevertheless, we found examples where employees incurred extra expenses for stays that appeared to extend beyond City business. For example:

- For a 2011 trip to an Orange County conference, one traveler sought and received an extra day’s worth of per diem allowance for meals and

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<sup>9</sup> To establish a “reasonable” cost for lodging, meals and incidentals, we looked to the United States General Services Administration (GSA), which defines maximum per diem rates for lodging, meals, and incidental expenses for cities, counties, and states within the Continental United States (CONUS). These rates vary by location, and occasionally, by season. According to GSA, CONUS rates are intended to balance the need to ensure that official travel is conducted in a responsible manner with the need to minimize administrative costs. For lodging and meal costs, the Travel Policy allows for travelers to exceed CONUS rates by 150 percent with itemized receipts.

<sup>10</sup> Although the conference rate was more than 150 percent of CONUS, the Travel Policy generally allows travelers to stay at conference hotels at the conference-negotiated rate (as discussed later in this report).

incidentals. The excess day of per diem (\$53) should not have been requested or approved.

- An extra day and night when an international traveler arrived on a Friday evening for a conference that began on a Sunday.

#### *Local Lodging*

The Travel Policy restricts hotel stays to destinations “...beyond 75 miles from the San José City Hall or the Traveler’s residence unless approved prior to departure by the Approving Official for travelers who have to attend early or late meetings at the destination.” We found a few instances of travelers incurring lodging expenses closer to San José than this, without pre-approvals or explanation. One employee traveling for two consecutive days of meetings incurred \$166 in lodging expenses in Monterey. We estimate the cost of driving (given the mileage reimbursement rate), would have been about \$96.

Similarly, an employee incurred \$822 in Daly City hotel expenses over the course of a four-day conference in San Francisco. This is over \$580 more than it would have cost for him to drive at the mileage reimbursement rate. Additional savings may have been available if he had traveled by public transit. Neither of these travelers explained in their travel packets why they needed hotel accommodations when the Travel Policy assumes they did not.

#### *Documentation Is Important to Rule Out Excessive, Unreasonable and Unnecessary Costs*

For some of the cases highlighted above, the Travel Policy requires the traveler to document the basis for expenses so that approvers and others can rule out the reasonable conclusion that expenses were excessive. However, their travel packets were missing this documentation. The issue of adequate documentation is addressed more fully later in this report.

#### **Some Travel May Not Have Been Consistent with the City’s Travel and Ethics Policies**

As part of their responsibility to uphold the utmost ethical standards while traveling on City business, employees are obliged to adhere to City policies, including the Travel Policy, the City’s gift policy and the gift ordinance. Our review revealed a lack of clarity about gifts of travel, a questionable registration in the name of an employee’s business, and potential violations of the prohibition on travel to Arizona.

### *Gifts of Travel and “No-Cost” Travel*

Although the Travel Policy is silent on the issue of gifts and the expectation that employees travel solely on behalf of the City, these topics are addressed in other sources of law and policy, including the City Policy Manual, Municipal Code, and state law. Specifically, City employees are obliged to comply with the City’s gift policy and gift ordinance. The gift policy states, “*Elected officials and City employees shall not accept... any gifts, gratuities, or favors of any kind which might be perceived or interpreted as an attempt to influence their actions with respect to City business.*”

During our review, we identified several examples of travelers who accepted free or significantly funded trips by third parties. These third parties included industry groups, professional organizations, nonprofit organizations, and community partners. Some of these travelers indicated event registration or travel expenses were “complimentary” or they had received a “scholarship.” Several of these travelers requested guidance for handling gifts of travel and no-cost travel, as evidenced by emails between travelers and the City Attorney’s Office outlining considerations for handling such travel. Others did not document such consideration.

### *Representing the City*

The Travel Policy requires travel be limited to trips “*from which the City derives a specific benefit through attendance by the traveler.*” However, we found one case in which the City sent an employee on a trip, but he registered as a representative of his own business, rather than as a City employee. The \$495 event registration was paid by the City on behalf of the employee, but the employee’s affiliation at the event was identified not as “City of San José” on registration documents, but as the employee’s business name. We are concerned about this because it suggests the City might have paid expenses to the benefit of an outside entity rather than the City.

### *Prohibited Travel to Arizona*

In June 2010, in response to City Council action related to Arizona’s SB 1070, a memo to senior staff from the City Manager’s Office stated: “*Out of State Travel, is amended to state that Approving Officials shall not approve travel with a final destination in Arizona.*” Travel to Arizona was effectively banned unless approved by the City Manager. Despite the direction from the City Manager’s Office, we found several instances in which departments allowed travel to Arizona. For example:

- An employee attended a conference in Glendale, Arizona in April 2012.
- In September 2012, four travelers from a different department went to Phoenix for a conference. The department later documented the trips in a memo that acknowledged that in addition to prohibited travel to

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Arizona, the travelers also did not receive appropriate approvals for group travel out of state.

Travelers and approvers informed us they were not aware of the Arizona prohibition because it had not been incorporated into the Travel Policy.

### **Administrative Review and Follow-up**

As stated above, cost-saving requirements are incorporated into the Travel Policy. Some of the more than 300 trips that we reviewed included expenses that were higher than necessary. Other trips included expenses that did not appear to comply with City policy. And other trips lacked mandatory pre-approvals, including mandatory pre-approvals for vehicle rentals. We have referred some trips – those that may reflect individual policy noncompliance – to the City Administration for review and follow-up. The Administration has already taken action in some of these cases.

**Recommendation #1: The Administration should take reasonable steps to follow up on the instances of potential Travel Policy noncompliance identified during this audit.**

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### **Some Employee Travel Expenses Were Not Supported by Necessary Documentation**

The Travel Policy requires specific documentation to support that employee travel is approved, reasonable, and fully accounted for. The most important document – the Travel Statement – provides important information about the nature of proposed trips, the date ranges of the trips, and descriptions of aspects of the trips that will result in costs. In addition, for some types of expenses, the Travel Policy requires the traveler to document the justification for expenses, so that approvers can confirm they are reasonable and necessary. Specifically, the Travel Policy states “Travelers shall document all allowable and authorized travel-related expenditures with itemized receipts, invoices, or other acceptable documentation.” We found that Travel Statements and supporting documentation, including itemized receipts and conference brochures, were frequently missing.

#### **Bundled Trip Costs**

City employees sometimes participated in “all-expense-paid” trips, where the City paid third party organizations to arrange group trips. For some of these, we were concerned by what appeared to be higher-than-necessary expenses.

For instance, in 2012, the City sent at least ten individuals to attend a two-night tour in San Diego. Among five individuals whose travel packets we reviewed, the City paid on average \$2,070 each for the trip.<sup>11</sup> Per CONUS, a reasonable allowance in San Diego for lodging, meals, and incidentals would have been \$204 per day plus airfare, transportation, and registration costs. Because costs were not itemized, and were handled by a third party, we are unable to determine whether costs exceeded the reasonable allowance specified under the Travel Policy. Accommodations were in suites at an upscale hotel, where the lowest rate we recently priced was significantly higher than the CONUS allowance. The individuals also dined at fine dining establishments and attended a reception at an upscale cocktail lounge. Although meals were included in the bundled cost, some attendees requested per diem reimbursement for meals and incidentals. One person charged the City the maximum per diem, without explanation.

Another bundled trip attended by at least five individuals involved stays at an upscale hotel in Washington D.C. We recently priced the most affordable room at this hotel during a similar time of year at \$499 per night before taxes. Among three travel packets we obtained, one traveler reported \$2,079 in total trip costs for this two-day trip. The other two travel packets reflected \$3,000 in trip costs each, and included additional days of travel, including side trips to New York. The CONUS allowance for Washington D.C. was \$254 per day for lodging, meals, and incidentals. Again, because individual expenses were not disclosed, we cannot be sure of the actual room or meal costs for the travelers on the bundled trip to Washington.

In our opinion, documentation verifying that costs are consistent with the Travel Policy is required whether or not those trip costs are “bundled.”

### **Travelers Need to Provide Additional Explanations to Support Some Travel Expenses**

Beyond Travel Statements and supporting documentation, the Travel Policy requires additional explanation for certain expenses so that approving supervisors, travel coordinators, and approving officials can assess their necessity and reasonableness. Such is the case, for instance, when travelers incur expenses for alcoholic beverages while on City business,<sup>12</sup> exceed cost estimates, or make last-minute travel arrangements.

Additionally, the Travel Policy requires travelers to attach event brochures or agendas to Travel Statements so that meals included in event programs are not also reimbursed as per diems to employees. We found per diem travelers sought and received meal reimbursements in the absence of these materials.

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<sup>11</sup> A sixth individual reduced costs by staying with a relative.

<sup>12</sup> Purchases of alcoholic beverages may be expended or reimbursed for very limited economic development functions only with the prior approval of the City Manager.

### Justifications for Unusual Expenses

For some other expenses, an itemized receipt does not answer the question of why the traveler needed the expense in the first place. This is especially the case with limousine rentals, or when some travelers accrued significant mileage totals on rental vehicles without explaining what City business had them drive away from the events they were paid to attend. We think the Travel Policy needs to clarify that it is not always enough to explain *how much* a traveler spent; sometimes they also need to explain *why*.

### Some Travelers Provided Useful Explanations

Notably, we found other examples of proactive travelers taking it upon themselves to provide explanations, by using informal, handwritten notes. Exhibit 3 below shows an example of this.

#### Exhibit 3: Example of Handwritten Annotations

\* Same Service used 5/29/13 from the airport to the hotel and receipt (card) is missing.

5/29/13	<b>CAPRICE II</b>	718.460.3434
	PASS NAME:	718.460.3454
	FROM:	
	TO:	06-01-2013
	PRICE:	TIP: TOTAL: \$40 <sup>00</sup>
	DRIVER #	31. RZ.

Source: Auditor's snapshot of annotated itemized receipt found in Finance's travel files. The traveler explained the purpose of the receipt and what was missing.

For trip packets with multiple receipts, notations of such explanations can assist reviewers by facilitating faster and more complete understanding of trip details. Explanations such as these were included with travel packets and ultimately approved. In our opinion, providing simple explanations of the purpose and intended use of purchases helps inform approving parties. Moreover, annotations help explain unusual travel behavior.

**Exhibit 4: Example of Explanation for Local Lodging**

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**Memorandum**



**TO:** [REDACTED]  
Deputy Director

**FROM:** [REDACTED]  
Division Manager

**SUBJECT: TRAVEL FOR** [REDACTED]

**DATE:** January 23, 2012

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Approved

Date:

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[REDACTED] will be traveling to the West County Wastewater District Water Pollution Control Plant in Richmond, California for the Grade III Math Review Training on January 24-27, 2012.

Generally the City would not provide hotel accommodations, but in this case I think it is important the employee not travel back and forth each day. This training is very important, costly and requires additional study after the training has been completed each day.

I want to ensure we provide our employees with every opportunity to succeed and I think this is a reasonable step to help [REDACTED] move to the next level of training.

Source: Auditor's snapshot of explanatory memo found in an ESD travel packet in Finance's travel files.

**Many Travel Statements Were Not Timely**

The Travel Policy states that approved Travel Statements "shall be submitted to Finance" within 14 days from the end of a trip in the event of a cash advance.<sup>13</sup> "Expedited" processing and a twelve-business-day timeline are described elsewhere in the policy. However, many of the Travel Statements we encountered during our review were late, including a few that were months late. Processing delays can have consequences including, in the case of cash advance reconciliations, tax implications for employees. One reason offered for delays was the pendency of procurement card statements. While this may explain a delay of several weeks, it does not explain delays of months, or even over a year.

According to the Travel Policy, "...Statements that are not turned in within 30 days from the Return Date will be considered delinquent. A list of all delinquent Statements will be sent to the respective Travel Coordinator and escalated to the Approving Official, if needed."

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<sup>13</sup> The Travel Statement echoes this 14-day timeline in fine print under the first signature line, but also seems to assume that all travelers are seeking cash advances.

**Recommendation #2: The Administration should revise the Travel Policy to:**

- a) **Require travelers to break down the costs of “bundled” trips;**
- b) **Require travelers to provide explanations to confirm the necessity and reasonableness of travel activity and expenses;**
- c) **Require travel packets include this information before travel coordinators and approvers sign off on them; and**
- d) **Require travel coordinators to escalate late travel statements as needed.**

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**Departmental Travel Coordinators Can Help Ensure Employee Travel Is Economical, Reasonable, and in Compliance with City Policies**

According to the Travel Policy, each department’s travel coordinator: “... (1) serves as the primary department contact for travel coordination and processing, (2) ensures travelers have read and understood this policy, and (3) ensures appropriate internal review and approval and that Statements submitted are in compliance with this policy.”

In order to ensure travel complies with the Travel Policy, travel coordinators need to review all proposed departmental travel and advise travelers on whether their planned travel activities comply with provisions of the Travel Policy. They also need to coordinate travel among department employees, and payments for travel. Additionally, the Travel Policy describes periodic travel reporting to the City Manager’s Office; the travel coordinator is in the best position to provide this information to Finance.

Travel coordinators face significant challenges in fulfilling the role outlined in the Travel Policy. The Policy anticipates they “typically shall be the Fiscal or Administrative Officer overseeing the Department’s administrative staff.” In practice, they are sometimes placed much lower in the department organization. They sometimes end up reviewing Travel Statements of travelers who are higher than they are in the City’s organizational hierarchy, sometimes by several hierarchical layers.

This can put travel coordinators in an uncomfortable position. We observed numerous instances where departmental travel coordinators intervened on questionable travel activity and expense claims. But we also saw instances in



which travel coordinators deferred to line supervisors and department directors on matters where the travel coordinator should have had and exercised greater authority.

Travel coordinators need to be able to challenge travel activities and expenses that are inconsistent with the Travel Policy. They need to advise travelers that expense reimbursement is contingent on compliance with the Travel Policy. Regardless of their job titles, we believe travel coordinators need significant authority on travel matters.

### **Travel Coordinators Need to Be Involved Early**

Although there are seven separate signature lines on the Travel Statement, it is not until after the trip that the travel coordinator is required to sign. In our opinion, supervisors and department directors should be approving or denying travel requests based on business need, while the travel coordinators (the designated “experts” on the Travel Policy) should be reviewing proposed City travel in terms of cost reasonableness and policy compliance.

To avoid problems later, these reviews/approvals should be done up front – before the trip. However, we found that in many cases, travel occurred unbeknownst to the travel coordinator and Travel Statements were approved only after the fact. This is problematic because infrequent travelers may not be aware of Travel Policy requirements (e.g. the requirement for pre-approval of vehicle rentals).

#### *Identifying and Addressing Unrealistic Estimates*

Not only do they bring their knowledge of the Travel Policy, but by being involved early, travel coordinators can lend critical review during the pre-trip cost estimate process. As part of this process, prospective travelers estimate their anticipated travel expenses so that direct supervisors and approving officials can determine if the proposed travel lies within their work units’ budgetary limits.

Upon returning from their trips, travelers complete Travel Statements in order to account for trip expenses. We found that sometimes, actual travel expenses significantly exceeded the expenses estimated as part of the pre-trip authorization. As just a few examples, employees:

- underestimated a San Diego conference trip by \$459
- underestimated another San Diego conference trip by \$690
- underestimated a Palm Springs conference trip by \$426.

In none of these cases was a travel coordinator's pre-approval required. A travel coordinator who is involved throughout the travel approval process, from beginning to end, would be more likely to catch and question unrealistic estimates in advance.

Ongoing involvement of travel coordinators – before, during, and after trips – would also help prevent problems that arise when different approvers review pre-trip plans and post-trip expenses. For example, one traveler was approved to travel with a do-not-exceed amount of \$300, but after the trip, a different group of approvers approved \$470 in reimbursements.

### **Group and Recurring Travel Can Benefit from Early Travel Coordination**

Currently, travel coordinators do not play a consistent role with respect to group or recurring travel. This is certainly the case for the aforementioned trips where travelers embarked on trips without the travel coordinators' knowledge. The Travel Policy exhorts: *"If two or more travelers are authorized to attend the same event and ground transportation is to be utilized during any portion of travel, the department shall coordinate travel arrangements to maximize the use of such ground transportation by the travelers involved in order to minimize the expense to the City."*

We found instances where coordination of group trips with an eye toward cost-savings did not seem to occur by the travel coordinator or anyone else. For example, according to the travel coordinator's trip log, a department sent 20 employees to an annual conference in Santa Barbara in November 2012. Cash advances to employees ranged from \$231 to \$807, with some employees staying a night longer than they were approved to stay. So many employees attending the same event presents an excellent opportunity for ground transportation coordination, especially since they traveled by car (some of which may have been City vehicles). However, the nine travel statements we reviewed did not reflect such coordination. Nor could the travel coordinator identify how many City vehicles were driven to an Anaheim conference earlier in the same month by the 22 employees who attended it.

We also found instances of recurring trips that may have benefited from early travel coordination. A review of a department's travel log showed that over the course of about a year, the City spent over \$53,000 on 80 trips to a training offered in four California cities. According to departmental records, daily trip expenses ranged significantly, from \$115 to \$378 per day. On average, it cost \$70 more per day to send an employee to San Diego than it did to send him/her to Sacramento for the same training.

We do not recommend that travel coordinators take on the roles of de facto travel agents. Rather, by applying their insight gathered from comparable travel and their knowledge of who else in the department is traveling, they can help the City identify cost savings.

As mentioned above, the value of group travel coordination is especially evident whenever the City is paying for the use of ground transportation, because carpooling can promote savings, while solo vehicle trips can be significantly more costly than airfare. To minimize expense, especially with respect to group travel, staff need to be able to compare the relative costs of City vehicles, personal vehicles, airline travel, and public transit. Coordinating these trips early on may have resulted in more compliant, efficient, and cost-effective travel. But staff we asked did not know the cost to the City for the use of City vehicles, even though they approved road trips to southern California using both personal and City vehicles.

**Recommendation #3: The Administration should amend the Travel Policy to make travel and associated payments contingent on the travel coordinator confirming that expenses comply with the Travel Policy. The Policy should also put departmental travel coordinators in a position to review travel requests prior to actual trips, and identify similar trips to pursue possible cost savings.**

### Improving Reporting and Record Retention

Finance has instructed departments to keep travel logs with basic trip information. However, we found the logs are used differently in different departments. While one department posts trips to a log after they are approved by direct supervisors, but before the trips, another department sometimes does not post trips to their log until after the final post-trip reconciliation, which can take several months.

One department kept multiple logs with overlapping and sometimes conflicting information, including a trip log and a cash advance/reimbursement log. Several trips described on one log were not reflected on another other. Similarly, while some cash advances were reflected on the trip log, others were not, were documented only on the cash advance log instead, and omitted trip information included on the trip log. The cash advance log is organized by pay periods, but several pay periods were missing. For one traveler, the trip log reflected four trips and the cash advance log reflected eight; in fact, the traveler went on five.

Another department also shared with us a travel log that did not match its travel files nor travel reimbursements processed through Finance. Travelers do not always prepare Travel Statements for their trips. The only Travel Statements the Travel Desk is certain to see are those by travelers who request cash advances or reimbursements.

Errors and omissions may arise from not keeping logs up to date or having multiple logs. In one case, a duplicate per diem reimbursement was paid when the log was not up to date nor used as a tracking tool.

Complete and current travel logs are also important in supporting the City's travel reporting goals. Specifically, the Travel Policy directs Finance to provide annual travel reports to the City Manager. Toward this, Finance has provided departments with guidance on how to log trips and related expenses, but it is not collecting the information from the departments.

In addition, we learned some departments are uncertain whether they should use the logs to report travel that is "local" or unreimbursed. We found that departments may be inconsistent in their categorization of "local," "in-state," and "out-of-state" travel. Clarifying these definitions is important to ensure consistent travel reporting. It is also important because the Travel Policy does not require all local travel to be forwarded to Finance.

When travel records are forwarded to Finance, there is reasonable assurance that they will be stored and filed in a way that allows accessibility in the future, in accordance with the City's retention policy. During our review, we found that Finance's travel files were generally well-kept and complete, although a Finance log that appeared to track cash advances was not being used to that end. We found other departments had uneven file maintenance. In fact, one department reported it does not retain local travel records internally.

**Recommendation #4: To help in coordinating group travel, realizing available cost savings, and improving the reporting of City travel, Finance should instruct departmental travel coordinators to maintain complete and current trip logs.**

**Recommendation #5: To help ensure the ongoing availability of travel records, the Administration should clarify which travel records need to be forwarded to Finance, and disseminate record-retention procedures for travel records.**

### **Documenting and Tracking Noncompliant Travel Activity**

During the course of our review, we saw many instances of travel coordinators and/or the Travel Desk catching or inquiring about unusual or prohibited travel activities. In some cases, employees were refused reimbursement or their reimbursements were docked to recover disallowed expenses. However, it was not clear to us that the unusual or noncompliant nature of the trips was always communicated back to the travelers, their supervisors, the departmental approving officials who approved the trips, or to the departments' procurement card coordinators (in cases where expenses were charged on procurement cards). We believe this communication needs to happen to promote a better

understanding of permitted and unpermitted travel activities, to deter inappropriate conduct, and to alert approvers of travelers who have had compliance issues.

The City's procurement card policy provides an example of such a process. When procurement card coordinators discover violations to the procurement card policy, violating cardholders must write memoranda addressed to the chain-of-command, and the departments must forward the memos to Finance. While formal memos may not be necessary in the case of all Travel Policy violations (and clearly not for simple mistakes), we recommend the City's travel coordinators implement a system to flag non-compliant travel activities.

**Recommendation #6: The Administration should amend the Travel Policy to require travel coordinators and the Travel Desk to report noncompliant travel activity.**

### **Training and Support for Travel Coordinators**

The City has not trained its travel coordinators since 2009. While a training video from that year is available on the intranet, it needs improvement.

The role of the Finance Department's Travel Desk is significantly less than it once was. Finance's roster of travel coordinators is out of date and includes the names of individuals who have left City employment. In some departments we saw inconsistent or multiple approving officials, some of whom may not have been authorized. For instance, we saw instances of people signing as travel coordinators who were not officially designated as such.

We recommend the Finance Travel Desk re-engage travel coordinators. Of particular value would be a periodic convening of travel coordinators to promote problem-solving of travel-related issues, including those raised in this audit, across all of the City's departments. To this end, the Travel Desk should keep a current roster of travel coordinators Citywide.

**Recommendation #7: The Administration should:**

- a) Update the roster of travel coordinators;**
- b) Update online training materials; and**
- c) Convene regular meetings of travel coordinators, perhaps quarterly, to confirm travel coordinator assignments, surface travel-related issues, and promote problem-solving.**

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**Overlapping Payment Methods Make it Difficult to Adequately Review, Account for, and Reconcile Travel**

Departmental travel coordinators are responsible for approving travel reimbursements and cash advances. However, mileage reimbursements, special payment demands (SPDs), gas cards, and procurement cards are not necessarily initiated or approved by departmental travel coordinators. In fact, departmental staff can make these transactions for travel expenses without ever informing travel coordinators. This affects departments' ability to: 1) fully review travel activity and expenses in accordance with the Travel Policy, 2) fully account for and track travel costs, 3) maintain travel records in conformance with the City's record retention policy so that they are available for future reference, and 4) monitor and follow-up on outstanding reconciliations and payments.<sup>14</sup>

**Some Travel-Related Procurement Card Transactions Have Been Problematic**

Procurement cards (City-issued credit cards) are an increasingly common means of expediently making purchases for City business. However, if not tightly controlled, they can be used to bypass the City's travel processes, resulting in City travel that is not properly accounted for, reviewed, and/or reconciled.

*Travel-Related Expenses Are Not Always Disclosed to Travel Coordinators*

Travel coordinators – who are responsible for assessing the reasonableness of travel activity and expenses – are not always involved in reviewing trips paid with procurement cards. As a result, we found several procurement card-transacted trips that were missing from departmental travel logs.

In one case, a procurement cardholder transacted \$4,444 in in-state travel expenses that were not included in the department's travel logs. Because these expenses were paid through a City procurement card (which has a separate set of approval parties), the travel coordinator was not even aware of that travel activity. This employee also made several excessive and noncompliant procurement card transactions (including numerous missing itemized receipts for meals, excess rental car charges, and potential personal expenses). In this and

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<sup>14</sup> In addition, multiple payment methods may undermine the City's desired procurement practices. For instance, we found departments issued special payment demand (SPDs) to training vendors. To one vendor, a single department has made 16 payments to the vendor totaling \$22,880 since 2008, all without using an open purchase order. An SPD is generally intended to be a one-time payment method for smaller purchases; they do not promote the tracking of ongoing vendor relationships. The City uses open purchase orders instead of SPDs to help track ongoing vendor relationships. In another example, Finance staff informed us that multiple SPDs had been used for many years to pay rental car companies for Police Department trips, producing duplicate vendor information in FMS. The Police Department has since informed us that it has learned that Public Works has an open purchase order with a different car rental company; the Police Department states it intends to save costs by combining the two departments' purchasing power with that vendor.

other cases in other departments, procurement card approvers approved travel expenses that would have been disallowed under the Travel Policy, including room service and personal expenses unrelated to City business.

In another department, two frequent travelers accrued approximately \$26,000 in travel-related charges on their procurement cards during fiscal year 2012-13. About \$4,100 of these charges were not disclosed on any of their Travel Statements, nor elsewhere in their travel files, and thus were not approved by travel approvers. These included charges to limousine services, taxis, hundreds of dollars in parking at San Francisco International Airport, and a double payment (discussed below). They also made side trips to New York during travel approved only for Washington, D.C., charged expenses to their procurement cards there, and did not disclose some of the side-trip expenses on Travel Statements. Departmental travel staff has clarified that although the nature of these employees' work may complicate their trip approvals, itineraries or expenses, it does not explain the lack of accounting for procurement card travel expenses in their travel packets, nor does it explain the lack of receipts and after-the-fact documentation.

### *Double Payments Through Procurement Cards*

When travel coordinators do not see all expenses related to employee travel, it opens the door for double payments of travel expenses. During our review, we found a few instances of double payments as a result of using City procurement cards. Here are three of them:

- Two travelers (mentioned above) apparently double paid for their hotel rooms in Washington D.C. They used their procurement cards to pay both the hotel and the trip organizer for the same room nights, according to staff. The department is trying to recoup the \$1,800 overpayment.
- While in Los Angeles for a conference, a cardholder charged \$97 in food and beverage charges to his room which had been procured on a City procurement card. The employee then sought and received personal reimbursement for the per diem meal reimbursements.
- Another cardholder charged \$17 at a New York City restaurant to his City procurement card. The employee later sought and received personal reimbursement for that same expense.

In some cases, travelers did not complete a Travel Statement. In other cases, the traveler filed a Travel Statement but did not include all expenses, or disclose that some expenses were covered through procurement cards. No matter the payment method, all travel activity should be specified on a Travel Statement so that travel coordinators and others can hold travelers accountable.

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*Diminished Scrutiny of Travel Expenses Paid by Procurement Cards*

When employees are paying for travel expenses from their own resources, and any reimbursements are subject to close review, they have a natural incentive to make sure that the charges are accurate, that they are charged only for services and goods they received, and that they are repaid in full. They are motivated to make sure purchases are within reasonable limits, well-documented, and within City policy, in order to ensure timely and effortless reimbursement.

The City expects the same vigilance when employees are paying with a procurement card. However, we found instances of questionable charges, like excess hotel charges, that were not challenged and for which the City may have paid too much.

*Procurement Card Approvers Need to Be On Alert*

The cooperation of procurement card approvers is key to ensuring that travel coordinators identify, log, and review travel-related procurement card transactions. Specifically, we recommend that procurement card approvers require pre-approved Travel Statements as supporting documentation to justify travel-related procurement card expenses, such as event registrations, airfare, or lodging. Such Travel Statements should first be reviewed and signed by travel coordinators.

**Recommendation #8: The Administration should require, through the City Procurement Card Policy, that procurement card approvers attach travel coordinator-approved Travel Statements as supporting documentation for travel-related procurement card expenditures.**

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**Departments Are Responsible for Tracking and Reconciling Travel Advances**

The City advances money to travelers with the understanding that the advances will be reconciled against travelers' actual trip expenses. When advanced amounts exceed amounts incurred, the Travel Policy requires the travelers to clearly and promptly report the overage through a Travel Statement. Then after progressing through the approval chain, Finance deducts the difference from employees' future paychecks. Likewise, if advances were less than actual travel expenses, employees are supposed to promptly notify the approval chain, so the City can reimburse the difference.



### *Late Reconciliation of Cash Advances Present Inherent Risks*

As part of our review, we reviewed cash advance requests against post-trip reconciliations. These are managed by individual departments. However, we found that there is no system that methodically logs cash advances up front and triggers their post-trip reconciliation. Absent such a system, departments may risk not recouping cash advance overpayments to travelers. And because cash advances mean a traveler is compensated before accruing costs, the traveler is not incentivized to promptly provide an accounting for trip expenses after the fact.

The Travel Policy specifies: “For travel involving cash advances, in accordance with Internal Revenue Service guidelines, failure to comply with the submission deadlines for processing may result in a taxable reimbursement or the cash advance being deducted from employee’s payroll check and the travel reimbursement being denied.” The deadline for beginning the reconciliation process is 14 days after returning from trips. Despite this, a July 2012 cash advance of \$3,900 to one employee had still not been reconciled in October 2013, over a year after the trip concluded. Another employee did not reconcile a \$5,000 cash advance until 48 days after returning, but still sought and received \$492 in travel expenses.

Given turnover in the organization over the years, including among travel coordinators, logs become even more important. As mentioned above, in spite of its use of a cash advance/reimbursement log, one department missed a duplicate reimbursement payment. Months’ long reconciliation delays, which we occasionally saw in several departments, increase the risk that Travel Statement reconciliations are not happening appropriately.

### *Cash Advances Should Be Limited Where Possible*

Cash advances are not as common as they once were – at least in part because of the rise in procurement card usage. An exception is SJP, which seeks and receives many cash advances. SJP’s travel coordinator logged over 200 travel-related advances in the last fiscal year, ranging up to over \$6,000. Cash advances we observed often seemed to be used quite sensibly, such as for eligible per diem costs in advance of a trip. But on other occasions, the purpose of using advances was not clear.

For instance, the City advanced one SJP employee a total of \$12,803 over 8 payments and six months. According to travel records, these advances were to cover the cost of hotel rooms, which the employee used for herself and for co-workers during in-state trainings. The employee paid for the rooms with her personal credit card and covered the expense with the cash advances. Because each of these advances exceeded the amounts she needed, the City began deducting unused amounts (ranging from \$62 to \$289) from her paycheck during the second month of transactions. However, the employee continued to draw down cash advances ranging from \$1,402 to \$2,046. Additionally, the employee

did not disclose in each of her travel packets which co-workers were staying in each of the rooms that she booked with this money. Her trips overlapped in whole or in part with those of seven other travelers across 50 individual trips; tracking these overlapping trip expenses requires considerable effort.

Cash advances are intended to cover “out-of-pocket” expenses like meals and incidentals for individual employees, and should not be used to cover expenses that could be more easily and securely processed on procurement cards. In our opinion, SJPD could have been pre-paying for hotel rooms in advance on one of its many procurement cards. SJPD staff have since acknowledged that this booking of group hotel rooms on a personal credit card, paid with a series of cash advances and payroll deductions, did not reflect best practice.

**Recommendation #9: Departments should:**

- a) Limit cash advances to estimated out-of-pocket expenses only, unless no other payment method is available; and**
- b) Track all advances on the trip log.**

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**Completed Travel Statements Should Include Explanations of All Travel Expenses and Payment Methods**

The Travel Statement (see Appendix B) is a means of communicating important information between the traveler and the persons tasked with reviewing, approving, and disbursing payments. It also serves as a record of all important information about specific trips. We think the Travel Statement could better promote disclosure of trips, including all travel expenses. This would improve travel transparency, review, and accountability.

*Payment Method and Prepaid Expenses*

The Travel Statement does not clearly require employees to disclose all expenses related to the trip and the method used to pay for them. For example, the form does not prompt travelers to disclose the use of City vehicles, mileage reimbursements (which they request using a separate form), or City gas cards. As discussed above, this presents problems, including potentially understating the cost of trips, and making it difficult to conduct complete reviews.

The “Prepaid Expenses” section of the form is unevenly used. Some travelers use this section to list payments made before the trip. Other travelers use it to note that an expense was paid by a City procurement card during a trip. As noted earlier, overlapping payment methods have led to apparent double payment of some expenses. The form should clearly specify the means of payment.

### *Co-Travelers*

The Travel Policy requires a breakdown of expenses by individual travelers in the event their expenses are paid together. However, the Travel Statement form does not prompt travelers to record shared transportation or shared restaurant tabs. This makes it difficult for travel coordinators to assess the reasonableness of expenses. Furthermore, the Travel Statement is the ideal place for travelers to disclose whether or not, to the best of their knowledge, other City employees attended the same event. This would help travel coordinators ensure that Travel Statements are submitted for all trips.

### *Daily Expenses*

The lack of space provided on the Travel Statement to document daily expenses occasionally resulted in supplemental emails and attachments that broke down daily costs, especially meal-related per diem expenses. These often created extra work on the part of the travel coordinator or the Travel Desk. The form is not organized by trip day and does not provide enough information to verify per diem calculations without scrutiny of accompanying documentation or co-travelers' trips.

Furthermore, the form should prompt up-front disclosure of meals included in event registration. This would make it easier to avoid and/or explain uneven per diem disbursements such as for the bundled San Diego trip described earlier (three City attendees claimed no per diem, two claimed per diem for some meals and not for others, and a sixth claimed per diem for the entire two days he attended the event, without explanation).

### *Insufficient Explanations*

Shortage of space also undermines the full disclosure of information necessary to inform approvers of trip activities and costs. For example, as discussed earlier, we found instances of travelers not explaining actual trip costs exceeding estimates. In part, this may be because there is little room to explain much on the form.

### *Travel-related Overtime*

Per the Travel Policy, “*travel-related overtime in connection with travel on City business requires authorization from the Supervisor for local travel and the Approving Official as part of the approval for the request for travel for in-state and out-of-state travel.*” However, the Travel Statement – the sole official document for outlining proposed travel plans – only hints at potential compensation implications by providing a small space for employees to designate whether they are salaried or hourly employees. The form does not prompt a description of whether travel will be on regular time, overtime, or personal time.

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### *Corrections, Scratch-outs, and Handwritten Entries*

Approvals are less meaningful when they are not fully informed. We saw many instances where ink correction had been used; in these cases we generally could not tell who had used it, or whether it occurred before or after approvers had signed off. The use of ink correction after a signature may substantively change the document, and thus what a signatory is approving, without the signatory's knowledge or consent, thus undermining the purpose for having signatures at all. Travel Statements reflected similar problems with handwritten edits and redactions. Many of these marks could be avoided if the City used different forms before and after trips.

### *Chain of Approvers*

The Travel Statement outlines several layers of pre-trip and post-trip approval, which is verified by physical signatures. Some departments informed us they face considerable challenges to route Travel Statements through all the necessary signatories in a timely fashion. In part, this is because the form currently requires seven "wet" signatures. During our review, we found that occasionally, approvals were accepted outside of the Travel Statement, through emails, which seemed satisfactory to the approving parties, travel coordinators, and Finance. The broader use of email or another shared electronic system could greatly expedite this process. Finance staff have expressed a desire to obtain and implement such an electronic system.

### *Pre- and Post-Trip Approvals*

The current Travel Statement form includes both pre-trip estimates and approvals, and post-trip actual expenses and approvals. In practice, some travelers use two Travel Statements for the same trip: one for the pre-trip estimates and approvals, and the other for the post-trip actual expenses and approvals.

This approach could facilitate earlier review of the proposed trip by travel coordinators – the departments' experts on the Travel Policy. As discussed above, the current configuration of the Travel Statement does not require departmental travel coordinator involvement until after the traveler has returned from the trip, disclosed trip expenses, and obtained a supervisor's signature. The travel coordinator is then left with the unenviable task of jumping in after the fact in an effort to ensure compliance with the Travel Policy, sometimes without satisfactory resolution. We think the Travel Statement should prompt the traveler's involvement of the travel coordinator prior to embarking on a trip. An ounce of prevention is worth a pound of cure.

**Recommendation #10: Revise the Statement of Travel Activity to prompt:**

- a) involvement (that is, review, coordination and, approval), of departmental travel coordinators prior to each trip;
- b) disclosure of all travel expenses, especially meals, on a per-day basis, where possible;
- c) disclosure of the method of payment for each travel expense;
- d) disclosure of whether any travel expense will be/was shared with someone else, including through a gift or scholarship, in whole or in part, and if so, who shared and who paid;
- e) disclosure of the reason(s) post-trip costs differed substantially from pre-trip estimates; and
- f) disclosure of whether the traveler will seek overtime pay.

**Recommendation #11: To minimize work effort and facilitate timely approvals, the Administration should implement an electronic travel authorization system, and until then should encourage departments to use electronic pre-trip and post-trip approval.**

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### **The City Could Provide Better Guidance to Travelers**

According to the City Policy Manual, the City's policies "*reflect not only the City's values as an employer, but also convey the standards that the City has for its employees.*" Given this charge, policy guidance should be current and clear to City employees. However, we found that travelers, travel coordinators, and other approving parties deem the 14-page Policy a challenging document for an occasional traveler to interpret.

#### **Guidance Regarding Competing Requirements**

With specific exceptions outlined in the Travel Policy, employees who fly on City business are required to use Norman Y. Mineta San José International Airport as the point of departure. In addition, travelers are to choose the "most cost-effective and direct route of travel," and "reduce the environmental impact of their travel." Occasionally, these are conflicting expectations. In trying to comply with all of these mandates, travelers could be placed in the potentially uncomfortable position of choosing to be noncompliant in one area, in order to be compliant in another. For instance, we found instances in which it was not possible for travelers to simultaneously use Norman Y. Mineta San José

International Airport, choose the most direct travel, and choose the most environmentally preferable travel arrangements. Such policy terms are simultaneously prescriptive and ambiguous, which may present challenges in understanding the intent of the Policy. Furthermore, it increases confusion among travelers and approvers as to whether travel activity is compliant or not.

### **Clarify Expectations Around Boarding Passes, Resort Fees, and Local Tax Exemption/Government Rates**

According to the Travel Policy, travelers must submit “*a boarding pass, duplicate boarding pass or receipt obtained at checkin as proof of payment for airfare.*” Despite this, many of the travel packets we reviewed that involved air travel did not include any of these supporting documents. City staff reported that boarding passes are often retained by airline staff, and are becoming less common as paperless check-ins become more broadly available. In those cases, we would have expected to see a notation to file that the boarding pass was not returned. We also found that some staff believed airfare purchased through procurement cards was exempt from the boarding pass requirement. In our opinion, the method of payment should not affect the documentation requirement.

Similarly, the Travel Policy states “non-mandatory hotel related fees for bundled services (Resort Fees)” are generally not reimbursable unless essential for City business and itemized on a receipt. However, it is not easy to tell from receipts whether resort fees are mandatory or not. Staff informed us they assume resort fees are mandatory at certain hotels. In practice, we saw multiple instances of the City paying for resort fees without explanation.

Finally, the Travel Policy states “*In general, travelers shall request the government rate, if available for local governments, as well as exemption from the destination’s Transient Occupancy Tax or Tourism Tax, if applicable.*” We saw many instances of the City paying these taxes and observed none that indicated they were waived. Additional guidance to travelers may be useful.

### **Establish Upper Limits for Conference Lodging**

The Policy defines CONUS on its first page as the “*schedule to determine rates and limits on Meals, Incidentals, and Lodging expenses,*” and states on its second that “*The City shall follow [...] CONUS for calculation of appropriate travel expenses for lodging, meals, and incidentals.*”

However, the Policy further states that “*Travelers attending a conference or seminar are encouraged to stay at conference hotels, which offer a negotiated conference rate.*” This permits conference organizers to effectively set City travelers’ lodging prices, with no upper limit to what the City will pay. This is the exception that effectively swallows the rule.

Conference travel occurs frequently. We saw multiple instances of travelers staying in conference hotel rooms well in excess of both the CONUS rate and 150 percent of the CONUS rate. The City would benefit from clarifying that there is an upper limit to what it will pay for a hotel stay, even at conferences. Alternatively, the City should reconsider its assumption that whatever the price and regardless of the alternatives, hotel prices are ‘reasonable and necessary’ when attending a conference.

### **Clarify “Local Travel”**

We found there is an uneven understanding across City departments about the definition of “local travel” and “in-state travel.” The current Travel Policy definition could use clarification when, for example, it states local travel “*does not require airfare and/or an overnight stay*”. This can most reasonably be interpreted to mean that either airfare OR an overnight stay are enough to disqualify a trip from being considered “local travel”. However, the “and/or” has been interpreted to mean that BOTH airfare AND an overnight stay are necessary to disqualify a trip from being considered “local travel”. Under this second interpretation, a day trip to Los Angeles that requires airfare but does not require an overnight stay would be considered local travel, and would not be subject to review outside the department.

The current definition of “local travel” causes undesirable results. For example, paying \$600 to attend a conference in San José elevates the trip from “local travel” to “in-state travel” even though it is still within the city limits. In-state travel designation allows attendees to be eligible for per diem meal allowances. But the same traveler at the same event cannot receive a per diem if the event falls under the \$500 threshold for “in-state” travel.

### *Local Per Diem Meal Reimbursements and Mileage Reimbursements*

Per diem reimbursements for meals and incidentals are intended to compensate traveling employees for the cost of meals and incidentals when official business requires being far from home. However, we found that several employees sought and received per diem meal reimbursements for attending trainings within San José.

Similarly, the City has provided guidelines for mileage reimbursement for when employees use their personal vehicles to conduct City business. The mileage reimbursements are intended to compensate City employees for fuel and wear-and-tear when City business warrants additional use of their personal vehicles. We found employees sought and received reimbursements for mileage for driving

to trainings in San José, even when it appeared to shorten their commutes. These local reimbursements occurred even though employees were near their regularly assigned work places, during their regularly scheduled shifts.<sup>15</sup>

### **Reorganize and Clarify the City Travel Policy Itself**

We noted widespread confusion about provisions of the travel policy that may be due to unclear organization of the Travel Policy. Important issues are not discussed in a single place and the Policy is not organized topically. For instance, the prohibition of lodging within 75 miles of City Hall is in paragraph 6.2.1, in the subsection called “Approval of Travel,” and is not at all discussed in 6.3.3, which outlines cost restrictions to lodging.

Similarly, guidance specific to rental vehicles is outlined in paragraph 6.3.1.3, in the subsection called “Reimbursable Travel Expenses,” with direction that travelers must choose compact vehicles, and that vehicles must be pre-approved. Yet the prohibition of optional rental car features is not outlined until 4 pages later, in paragraph 6.4.6, within the subsection called “Generally non-reimbursable Travel Expenses.”

In our opinion, the Travel Policy needs to state up front, in plain language, what a traveler must generally do and when s/he must generally do it. For example, that a timely Travel Statement is required for all trips (including emergency travel).<sup>16</sup>

The Policy also should be clear about any travel prohibitions in effect (the Arizona ban was passed after the current Travel Policy was adopted), and reference City and state policies on the acceptance of gifts of travel. As described earlier, several travelers requested guidance for handling gifts of travel and no-cost travel. The Travel Policy should at least refer to other sources of law and policy where they exist, including the City Policy Manual, Municipal Code, and state law.

Some departments have created their own digests of the Policy, “cheat sheets,” and other supplemental documents to address confusion expressed by their travelers.

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<sup>15</sup> Additionally, we have referred to the Administration an instance where an employee who receives a vehicle allowance also received mileage reimbursements.

<sup>16</sup> The requirement to submit a Travel Statement is buried in paragraph 6.5.2 on the eleventh page of the Policy, within the subsection titled “6.5 Reimbursement for Travel Expenses”, leading to potential confusion about whether the statement is only required if the traveler is seeking reimbursement.



**Recommendation #12: Revise the Travel Policy to:**

- a) Clarify the definition and practical significance of “local travel” and “in-state” travel;
- b) Clarify expectations around boarding passes, resort fees, local taxes, and Arizona approval;
- c) Establish allowable upper bounds of conference lodging costs; and
- d) Incorporate, by reference or otherwise, City policy and other ethical guidance with respect to gifts and “no-cost” travel.

**Recommendation #13: To make its Travel Policy more accessible, the Administration should:**

- a) Rewrite the Policy in plain language;
- b) Prepare supplemental reference documents as needed; and
- c) Designate a source of expert advice (e.g. the Finance Department’s Travel Desk).

# Conclusion

When employees travel on City business, their actions reflect on the values of the organization. The taxpayer expects and deserves that City travel expenses be reasonable in cost, and necessary to the City's business. Both public perception and the accomplishment of the City's goals (as formalized in City policy) are best served when employees make every effort to contain costs and fully justify any cost that could appear to be higher than necessary or inconsistent with policy. Improved review procedures, and administrative processes, including tracking and coordinating travel within departments and Citywide, will promote accountability, transparency, and prudence in employee travel.

## RECOMMENDATIONS

Recommendation #1: The Administration should take reasonable steps to follow up on the instances of potential Travel Policy noncompliance identified during this audit.

Recommendation #2: The Administration should revise the Travel Policy to:

- a) Require travelers to break down the costs of "bundled" trips;
- b) Require travelers to provide explanations to confirm the necessity and reasonableness of travel activity and expenses;
- c) Require travel packets include this information before travel coordinators and approvers sign off on them; and
- d) Require travel coordinators to escalate late travel statements as needed.

Recommendation #3: The Administration should amend the Travel Policy to make travel and associated payments contingent on the travel coordinator confirming that expenses comply with the Travel Policy. The Policy should also put departmental travel coordinators in a position to review travel requests prior to actual trips, and identify similar trips to pursue possible cost savings.

Recommendation #4: To help in coordinating group travel, realizing available cost savings, and improving the reporting of City travel, Finance should instruct departmental travel coordinators to maintain complete and current trip logs.

Recommendation #5: To help ensure the ongoing availability of travel records, the Administration should clarify which travel records need to be forwarded to Finance, and disseminate record-retention procedures for travel records.

## Employee Travel Expenditures

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Recommendation #6: The Administration should amend the Travel Policy to require travel coordinators and the Travel Desk to report noncompliant travel activity.

Recommendation #7: The Administration should:

- a) Update the roster of travel coordinators;
- b) Update online training materials; and
- c) Convene regular meetings of travel coordinators, perhaps quarterly, to confirm travel coordinator assignments, surface travel-related issues, and promote problem-solving.

Recommendation #8: The Administration should require, through the City Procurement Card Policy, that procurement card approvers attach travel coordinator-approved Travel Statements as supporting documentation for travel-related procurement card expenditures.

Recommendation #9: Departments should:

- a) Limit cash advances to estimated out-of-pocket expenses only, unless no other payment method is available; and
- b) Track all advances on the trip log.

Recommendation #10: Revise the Statement of Travel Activity to prompt:

- a) involvement (that is, review, coordination, and approval), of departmental travel coordinators prior to each trip;
- b) disclosure of all travel expenses, especially meals, on a per-day basis, where possible;
- c) disclosure of the method of payment for each travel expense;
- d) disclosure of whether any travel expense will be/was shared with someone else, including through a gift or scholarship, in whole or in part, and if so, who shared and who paid;
- e) disclosure of the reason(s) post-trip costs differed substantially from pre-trip estimates; and
- f) disclosure of whether the traveler will seek overtime pay.

Recommendation #11: To minimize work effort and facilitate timely approvals, the Administration should implement an electronic travel authorization system, and until then should encourage departments to use electronic pre-trip and post-trip approval.

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Recommendation #13: To make its Travel Policy more accessible, the Administration should:

- a) Rewrite the Policy in plain language;
- b) Prepare supplemental reference documents as needed; and
- c) Designate a source of expert advice (e.g. the Finance Department’s Travel Desk).

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**Employee Travel**

**Section 1.8.2**

**1. PURPOSE**

The purpose of this policy is to provide guidelines for authorization of travel and payment of travel expenses. This policy is not intended to cover short trips during work hours made by employees in the course of their regularly assigned work duties.

**2. DEFINITION**

The following terms apply consistently throughout this policy as defined below:

Approving Official: Council Appointees, and Directors of City Departments and Offices or designees.

CONUS: Per Diem rates are established by the U.S. General Services Administration (GSA) for federal travel conducted in the Continental United States ([CONUS](#)) and internationally. The City uses this schedule to determine rates and limits on Meals, Incidentals, and Lodging expenses. The CONUS rate schedule can be found at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem) under the link entitled "FY Downloadable File".

1. Non-standard CONUS rates are the rates specified in the schedule by city and county. If the destination is in this list, the corresponding rates will be used.
2. Standard - the standard CONUS rate is used if the city of destination is not specifically referenced in the schedule.

Traveler:

1. Full-time or part-time active employees except for the Mayor and Councilmembers and their respective unclassified staff, Council Appointees, and members of the City's Planning Commission, Civil Service Commission, and Elections Commission (see Council Policy 9-5, Travel by Elected and Appointed City Officials).
2. Any members of an agency which exists as an official City entity and which is administered by the City as a result of Council action.
3. Representative of any other agency which is duly authorized to act for or on behalf of the City for specified periods of time, but only for or during such specified time periods.

In-State Travel: Travel within the State of California that requires airfare and/or an overnight stay or when total travel expenses exceed \$500.

Local Travel: Travel within the State of California that does not require airfare and/or an overnight stay and total travel expenses are \$500 or less as identified in Section 5 of this Policy.

Out-of-State Travel: Any travel outside the State of California or international travel.

Statement Form to document all travel expenses submitted prior to and after travel.

Travel Coordinator: Appointed by the Council Appointee or Directors of City Departments or Offices

**Employee Travel****Section 1.8.2**

and typically shall be the Fiscal or Administrative Officer overseeing the Department's administrative staff. This position, (1) serves as the primary department contact for travel coordination and processing, (2) ensures travelers have read and understood this policy, and (3) ensures appropriate internal review and approval and that Statements submitted are in compliance with this policy.

**3. POLICY**

- 3.1 Approving Officials shall exercise due diligence to ensure that all expenses associated with travel are reasonable and necessary for the conduct of City business and are within budgetary limits and in compliance with this policy.
- 3.2 Any expenses with Statements may be reviewed and rejected by the Finance Director for noncompliance of this policy.
- 3.3 Failure to follow this policy may result in disciplinary action.
- 3.4 Traveler is required to attend approved conference, trainings, conventions, and other functions.
- 3.5 Authorization for travel is limited to and shall only be approved for conferences, trainings, conventions, and other functions from which the City derives a specific benefit through attendance by the traveler. As reasonably and operationally practicable, travelers and Approving Officials shall consider other means of participation for training-related and other functions like use of webinars and conference calls in lieu of travelling.
- 3.6 Travelers shall not commit City funds until travel is approved in accordance with this policy.
- 3.7 Any additional costs resulting from a traveler taking a companion on City travel shall not be reimbursed or paid by the City.
- 3.8 The City shall not be responsible for or reimburse any additional costs related to the extension of stay beyond the time necessary to complete the approved conference, trainings, conventions, and other functions.
- 3.9 All Statements must be submitted for approval with an official event brochure and/or agenda of the event that describes the schedule of sessions, provided meals, and other amenities of the event.
- 3.10 Travelers shall sign their Statement and cannot delegate the signature authority.
- 3.11 Travelers shall be reimbursed for the most cost-effective and direct route of travel including reasonably scheduled layovers of 1 and 1/2 hours before reaching the final destination among all the modes of transportation available or the lowest cost of transportation (regardless of mode or route).
- 3.12 The City shall follow the U.S. General Services Administration guidelines referred to as CONUS for calculation of appropriate travel expenses for lodging, meals, and incidentals.

**Employee Travel****Section 1.8.2**

- 3.13 Travelers shall document all allowable and authorized travel-related expenditures with itemized receipts, invoices, or other acceptable documentation. The City will not reimburse travelers for unauthorized travel expenditures. For missing documentation, the traveler shall attach a written explanation detailing the expenditure and reasons for the missing receipt to the Statement.
- 3.14 For Group expenditures incurred by one traveler, the affected traveler shall submit with the respective receipts an itemized breakdown of each traveler's expenses.
- 3.15 Unless authorized by the Department Director, fees to travel agents and travel agencies will not be reimbursed for local, in-state, and out-of-state travel.
- 3.16 The Finance Department will provide a travel report for in-state and out-of-state travel to the City Manager's Office at least annually during the month of August or as requested.

**4. GENERAL CONDITIONS****4.1 Travel Time**

For non-exempt (hourly) travelers, required travel time to the event on workdays during normal working hours will be counted as time worked. Generally, travel time to the event on City business is limited to the actual dates of a function plus reasonable travel time not to exceed a maximum of twenty-four (24) hours before and/or after the function.

No overtime will be provided for travel time to the event, other than that mandated by the Federal Fair Labor Standards Act ("FLSA") requirements and/or approved Memorandums of Agreement (MOA). Departments must be aware of the FLSA and MOA requirements when arranging for travel for all non-exempt (hourly) travelers. Travel-related overtime in connection with travel on City business requires authorization from the Supervisor for local travel and the Approving Official as part of the approval for the request for travel for in-state and out-of-state travel. Please contact the Office of Employee Relations for further information regarding these requirements.

For in-state and out-of-state travel, upon prior approval by the Approving Official, the employee may stay beyond the time required for business purposes. Such time must be charged to an available leave balance such as vacation, executive leave, personal leave, or compensatory time for the individual traveler. If the extended stay requires the use of the traveler's leave balances, the usage of these leave balances must be pre-approved by the traveler's supervisor.

**4.2 Environmentally Preferable Travel Requirements**

Travelers shall attempt to reduce the environmental impact of their travel through the following actions:

- Transportation shall be by common carrier or public transit whenever appropriate.
- Use of the most fuel efficient and lowest emission vehicle available that is suitable for the purpose.
- When travelling by automobile, travelers shall confirm that their tires are properly inflated to the recommended pressure and observe the posted speed limits to conserve gasoline.
- Whenever practicable, Travelers shall carpool with others attending the same event and shall consider the use of public transit or taxis.



**Employee Travel****Section 1.8.2**

- Lodging shall be evaluated to minimize unnecessary travel at the destination and to reduce the impacts of the lodging itself. Before completing a Statement, travelers should visit the City's Environmentally Preferable Procurement site at <http://www.sanjoseca.gov/esd/natural-energy-resources/epp-citywide.htm> to review updated travel recommendations and requirements.
- At the hotel or any conference site, travelers shall comply with any voluntary conservation practices.

#### 4.3 Cash Advances

Petty Cash may not be used to advance funds for travel.

In general, cash advances are granted for meals and lodging expenses only. Cash advances are only processed if no other payment method is available within the department such as utilization of a Procurement Card or the traveler requests an advance.

If a cash advance is requested, the cash advance section of the Statement must be completed and submitted to the Finance Department at minimum within 30 to 15 days prior to departure. Cash advances will not be issued more than 30 days prior to departure. Cash advances will be included in the traveler's paycheck prior to the travel departure date if the Travel Statement is submitted within the required timeline. Cash advances will not be provided if the Travel Statement is submitted in fewer than 15 days of departure.

By requesting and receiving a cash advance for an event, the traveler authorizes the City to deduct the amount of the advance from the traveler's wages if a Statement is not received within the required timeline (see Section 6.5.1 of this policy). If the advance is less than actual expenses, reimbursement will be included in the traveler's next paycheck after processing by the Finance Department. If the advance exceeds actual expenses, the amount owed to the City will be deducted from the traveler's next paycheck after the Statement is processed by the Finance Department.

#### 4.4 Reasonableness of Travel Costs

Given operational constraints, travelers shall use every effort to contain costs for travel expenditures by booking travel well in advance to take advantage of lower rates and available discounts, as well as appropriately estimate all anticipated costs. Travelers shall attach an explanation to the Statement to document any excessive costs, last minute travel arrangements, as well as significant variances between estimated and actual expenditures of travel expenditures.

#### 4.5 Mandatory Use of Norman Y. Mineta San Jose International Airport

Travelers traveling on City business by scheduled air carrier are required to use Norman Y. Mineta San José International Airport as the point of departure and return unless:

- 4.5.1 Scheduled air carrier service to or from the destination is not available from Norman Y. Mineta San José International Airport.
- 4.5.2 There is more than a 1 and 1/2 hour scheduled layover at any intermediate airport before reaching the final destination from flights arriving or departing from Norman Y. Mineta San José International Airport compared to flights arriving or departing from other Bay Area airports.

**Employee Travel****Section 1.8.2**

4.5.3 The total cost of travel to or from Norman Y. Mineta San José International Airport exceeds the cost of travel to or from an alternative airport. In determining whether to approve the use of an alternate airport, consideration should be given to all costs associated with travel to and from such airport.

4.5.4 If for City business reasons, a traveler does not reside in San Jose and is closer to an alternate airport.

Should a traveler not use Norman Y. Mineta San José International Airport for one of the exemptions stated above, they shall attach a written explanation to their Statement for approval by the Approving Official, indicating the specific exemption for using an alternate airport.

**5. Local Travel****5.1 Approval**

Local Travel shall be approved by the Approving Official prior to the traveler's departure.

**5.2 Transportation**

Travelers shall use public transportation, a City vehicle or their private vehicle for transportation to local travel events. (See City Policy Manual Section 1.8.1, Use of City and Personal Vehicles or [City Policy Manual Section 1.8.3, Private Vehicle Mileage Reimbursement Policy](#))

**5.3 Reimbursement for Travel Expenses**

Typical reimbursable expenses for local travel include mileage, public transportation, parking, meeting or conference registration fees, and meal expenses. The City does not allow per diem reimbursement for meals and incidentals for local travel. Only expenditures supported by itemized receipts will be reimbursed. The maximum reimbursement for meals and incidentals supported by itemized receipts will be up to 150% of the applicable CONUS rate for the destination.

Travelers are not required to file any forms with the Finance Department unless travelers request a cash advance (use Travel Statement) and/or reimbursement of travel expenses (use Employee Reimbursement form). To request a cash advance, travelers must follow with the procedures outlined in Sections 4.3.

**6. In-State and Out-of-State Travel****6.1 Travel Statement**

For In-State and Out-of-State travel as defined in the Definition section of this policy, the Statement shall be used to request approval for travel and to document travel expenses. The Statement is available on the [Finance Department's intranet website](#).

**6.2 Approval of Travel****6.2.1 In-State Travel**

**Employee Travel****Section 1.8.2**

Approving Officials are responsible for approving In-State travel including approval of the travel request portion of the Statement and reimbursement for travel expenditures after completion of travel. The use of hotels is generally restricted to cities located beyond 75 miles from the San Jose City Hall or the Traveler's residence unless approved prior to departure by the Approving Official for travelers who have to attend early or late meetings at the destination.

### 6.2.2 Out-of-State Travel

Out of State Travel, has been amended as of June 8, 2010 per Council Resolution #75401. The Resolution states that Approving Officials shall not approve travel with a final destination in the state of Arizona.

Approving Officials are responsible for approving Out-of-State travel including approval of the travel request portion of the Statement and reimbursement for travel expenditures after completion of travel.

For international travel or for Out-of-State travel where more than three travelers from the same department are attending the same event, the respective Council Appointee is responsible for approving the travel request.

### 6.2.3 Emergency Travel

The Chief of Police, Fire Chief, and Director responsible for Animal Care Services or their duly authorized representative may authorize emergency travel for their respective personnel in the following cases:

6.2.3.1 For lawful extradition of felons wanted by the City of San Jose where immediate departure by authorized City personnel is required.

6.2.3.2 For investigative travel, where such travel requires immediate departure by authorized Police Department personnel.

6.2.3.3 In response to mutual aid requests.

## 6.3 Reimbursable Travel Expenses

### 6.3.1 Ground Transportation

Travelers shall choose the lowest cost for ground transportation taking into consideration reasonable travel time and other related cost factors such as parking.

If two or more travelers are authorized to attend the same event and ground transportation is to be utilized during any portion of travel, the department shall coordinate travel arrangements to maximize the use of such ground transportation by the travelers involved in order to minimize the expense to the City. Unless approved by the Approving Official, refusal by travelers traveling to the same event to coordinate travel arrangements may be the basis for non-payment of transportation reimbursement. Payment for the use of any particular mode of transportation is determined by the Approving Official based on the least total cost to the City.

#### 6.3.1.1 City Vehicle

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When an employee uses a City Vehicle for transportation to and from a point of destination, [City Policy Manual Section 1.8.1, Use of City and Personal Vehicles](#) applies.

#### 6.3.1.2 Private Vehicle

6.3.1.2.1 When a traveler uses a private vehicle for transportation to and from a point of destination, City Policy Manual Section 1.8.1, Use of City and Personal Vehicles applies and payment is at the City's mileage reimbursement rate. (See [City Policy Manual Section 1.8.3, Private Vehicle Mileage Reimbursement Policy](#))

6.3.1.2.2 When a traveler uses a private vehicle for transportation to and from scheduled carrier services (airport, etc.) or for intra-City transportation, payment is at the City mileage reimbursement rate. (See [City Policy Manual Section 1.8.3, Private Vehicle Mileage Reimbursement Policy](#))

6.3.1.2.3 When, for personal reasons, a traveler elects to travel by private vehicle to and from a point of destination rather than flying, the traveler will be reimbursed for the least expensive mode of transportation. Travelers shall provide documentation for the lowest cost of public transportation along with the Statement. In addition, parking fees and taxis will only be reimbursed if these expenses would have been qualified reimbursements had the traveler used public transportation.

#### 6.3.1.3 Rental Cars

Rental cars are only allowed for business reasons (i.e., travel to and from a hotel and a conference and it is not included in the event/conference registration) and with prior approval by the Approving Official. Rental Cars shall only be approved, if other Ground Transportation, such as shuttles or taxis, is more expensive during the stay at the destination. If a rental car is approved, it is the traveler's responsibility to only rent a Compact or equivalent rental car and to reduce the total cost of the car rental by reducing optional costs such as vehicle options and refueling charges. Traveler shall refuel the rental car prior to returning the rental car, if additional charges apply for refueling. A rental car level above Compact requires prior approval by the Approving Official and is only authorized for group travel.

Car insurance for rental cars is not necessary while the rental car is being used for City business. The City, as the employer, bears responsibility for damage or injury arising from a traveler's use of the rented vehicle, provided that the use is within the scope and course of their employment. Presently the City covers this responsibility through self-insurance.

When travelers on City business are renting vehicles and use the rental car for personal transportation, any liability arising from personal use will be the responsibility of the traveler. Because of this liability, the traveler may purchase additional insurance coverage, but it will be at the traveler's sole expense (i.e., non-reimbursable).

Please refer to Section 6.4.6 regarding non-reimbursable expenditures for rental car options.

#### 6.3.2 Scheduled Carrier Service

**Employee Travel****Section 1.8.2**

Travelers shall fly coach class on the lowest cost flight/s available for the most direct route to the final destination, which could include reasonably scheduled layovers of 1 and 1/2 hour along the way to reaching the final destination. The City will pay only the costs for the most direct route and least expensive travel necessary to accomplish the purpose of the City travel.

Any additional cost resulting from deviation from the most direct route will not be reimbursed unless incurred for the benefit of the City, as determined by the Approving Official. Travelers that choose to use their personal frequent flyer miles for City business shall not be reimbursed for the value of the tickets.

### 6.3.3 Lodging

In general, travelers shall request the government rate, if available for local governments, as well as exemption from the destination's Transient Occupancy Tax or Tourism Tax, if applicable.

Travelers attending a conference or seminar are encouraged to stay at conference hotels, which offer a negotiated conference rate. If rooms are not available at the conference negotiated rate, traveler shall stay at an alternate hotel with the most economical rate, which shall be capped at 150% of the applicable CONUS rate for lodging. All other lodging expenses shall be capped at 150% of the applicable CONUS rate for lodging. Lodging expenses exceeding this limit will be borne by the traveler and will not be the City's responsibility. Exceptions to this limit must be approved in advance of travel by the respective Council Appointee as part of the approval process. Lodging expenses shall be documented through itemized receipts as proof of payment.

Travelers shall be reimbursed for the single-room lodging rate unless lodging is shared by another traveler traveling on official City business. If the room is shared by another traveler traveling on official City business, the City's reimbursement rate shall be based on the rate charged for the number of travelers traveling on official City business occupying the room. Travelers traveling on official City business sharing a room shall submit their Statements at the same time to the Approving Official for approval and Finance for processing.

### 6.3.4 Meals

Per diem meal expenses are determined by the applicable CONUS rates. Travelers may be reimbursed for meals and incidentals on a per diem basis using the applicable CONUS rate or by submitting itemized receipts. A traveler must choose to be reimbursed by per diem or for actual expenses by submitting itemized receipts and that choice will apply to the entire trip, all per diem expenditure categories, and cannot vary from day-to-day. Any reimbursement of itemized receipts will be up to 150% of the applicable CONUS rate. Itemized receipts are not required to be submitted when using the applicable per diem rate for reimbursement of meal expenses.

For the first and last day of travel, a traveler is limited to 75% of the applicable per diem rate for meals and incidental expenses unless the traveler departs substantially earlier on the first day of travel or arrives substantially later on the last day of travel than standard business hours.

Event brochures/agendas are a required documentation to accompany the travel Statement. They will be used to determine what meals are provided as part of the event (included in the registration fee). When meals are provided as part of the cost of an event, travelers will not be provided per diem or reimbursed for actual expenses of these meals. When the traveler can justify a legitimate business or personal reason, such as dietary restrictions, to not participate in the provided meal, the traveler must submit written justification to request reimbursement for a separately purchased meal.

**Employee Travel****Section 1.8.2**

Please refer to Section 6.4.1 regarding non-reimbursable expenses for alcoholic beverages.

#### 6.3.5 Incidental Expenses

Incidental expenses include reasonable fees such as tips given to porters, baggage carriers, bellhops, housekeepers, flight attendants, hotel personnel in foreign countries and transportation providers between places of lodging or business and places where meals are taken if suitable meals cannot be obtained at the temporary duty site. A traveler must choose to be reimbursed by per diem or for actual expenses by submitting itemized receipts and that choice will apply to the entire trip, all per diem expenditure categories, and cannot vary from day-to-day. Itemized receipts are not required to be submitted when using the applicable per diem rate for reimbursement of incidental expenses.

Reimbursement requests for actual incidental expenses require an itemized list of the incidental expenses. The request for reimbursement of incidental expenses must include a listing of the date, type of expense, and expense amount. The maximum amount of reimbursement shall be 150% of the applicable CONUS rate for Incidentals.

#### 6.3.6 Mandatory Fees

Mandatory Fees, which are not covered by Section 6.3.5, such as gratuity which is charged as part of a group meal expenditure or at a hotel are reimbursable expenses with submission of itemized receipt.

#### 6.3.7 Personal Phone Calls

The City will reimburse travelers for personal phone calls up to \$10 per day with proper documentation (i.e. hotel statement showing phone usage). For business related cell phone calls, refer to [City Policy Manual Section 1.7.4, Cellular Telephone Policy](#).

#### 6.3.8 Internet Connection Services

Internet Connection Services purchased to conduct City business until reaching the travel destination or at the lodging destination are reimbursable expenses with submission of itemized receipt.

#### 6.3.9 Parking

Actual costs for parking will be reimbursed when supported by itemized receipts and approval to use a personal vehicle or rental car is obtained in advance. Staff should use lowest cost alternative for parking within a reasonable area from the destination.

### 6.4 Generally non-reimbursable Travel Expenses

#### 6.4.1 Alcoholic Beverages

Under no circumstances will expenses for alcoholic beverages be reimbursed by the City except as specified below.

Purchases of alcoholic beverages may be expended or reimbursed for very limited economic development functions only with the prior approval of the City Manager. The Department Director

**Employee Travel****Section 1.8.2**

requesting an expenditure or reimbursement for the purchase of alcoholic beverages for a City sponsored economic development event, shall send a memorandum to the City Manager prior to the purchase of any alcoholic beverages explaining the reasons that the purchase of said beverages is appropriate and necessary for a specific event. Payment for expenditures or reimbursement for the purchase of alcoholic beverages will not be made without prior written approval from the City Manager.

Notwithstanding these exceptions, all City employees must comply with the Substance Abuse Program & Policy (City Policy Manual Section 1.4.2 or as included in the applicable MOA) and the Alcohol Use at City Facilities Policy (City Policy Manual Section 1.4.4).

#### 6.4.2 Personal Expenses

Personal expenses for entertainment costs such as in-room movies or games are not eligible for reimbursement.

#### 6.4.3 Excess Baggage Charges

Excess baggage charges are generally not eligible for reimbursement. If the airline charges for all checked baggage, the City will cover the cost for one checked baggage only. A valid business related justification must be provided for these charges with a valid airline receipt for the excess baggage charge.

#### 6.4.4 Laundry and Dry Cleaning

Laundry services and dry cleaning are generally not eligible for reimbursement. In rare circumstances of an extended business trip over seven calendar days and where the traveler is required to conduct City business in excess of five of the seven days, reasonable laundry expenses may be reimbursed for necessary business wear. If the business trip extends over seven days, due to non-City business related purpose (see Section 4.1 of this policy), no laundry services or dry cleaning expenses will be reimbursed.

#### 6.4.5 Hotel Related Fees

In general, non-mandatory hotel related fees for bundled services (Resort Fees) are not reimbursable unless at least one of the bundled services related to the fee are essential for conducting City business. Mandatory hotel related fees will be reimbursed with submission of itemized receipt.

#### 6.4.6 Rental Car Options

Rental Car Options such as GPS Devices are not a reimbursable expenditure unless pre-approved by the Approving Official.

### 6.5 Reimbursement for Travel Expenses

#### 6.5.1 Submission Deadline

##### 6.5.1.1 Travel with Issued Cash Advance

Within 14 days after completion of travel, an approved Statement shall be submitted to Finance for processing. Statements that are not turned in within 30 days from the Return Date will be

**Employee Travel****Section 1.8.2**

considered delinquent. A list of all delinquent Statements will be sent to the respective Travel Coordinator and escalated to the Approving Official, if needed.

#### 6.5.1.2 Other Travel

Finance encourages an expedited submission, approval, and processing of travel reimbursements.

#### 6.5.2 Documentation

A completed Statement must accompany claims for travel expenses whether or not an amount is owed to the traveler. The Statement must account for all expenses, including City paid, traveler paid, prepaid amounts and procurement card transactions (e.g., airfare, registration). All City Procurement Card transactions must follow the Procurement Card Policy (City Policy Manual Section 5.1.2).

All expenses, other than those covered by per diem, must be supported by itemized receipts regardless of payment method.

Travelers who pay for travel expenditures with a City Procurement Card and have complied with City Policy Manual Section 5.1.2, City Procurement Cards, shall submit the appropriate documentation for the purchase with the Procurement Card Statement and note such payment method on the Travel Statement as well as the month of the Procurement Card Statement.

Travelers who pay with a Traveler owned Credit Card, cash, or check must submit itemized receipts with the Statement including a boarding pass, duplicate boarding pass or receipt obtained at check-in as proof of payment for airfare. This proof of payment can only be obtained upon check-in and will be required before flight expenses will be reimbursed. For missing receipts, the traveler shall attach a written explanation detailing the expenditure and reasons for the missing receipt to the Statement.

#### 6.5.3 Statements with Outstanding Balances

For travel involving cash advances, in accordance with Internal Revenue Service guidelines, failure to comply with the submission deadlines for processing may result in a taxable reimbursement or the cash advance being deducted from employee's payroll check and the travel reimbursement being denied.

If an amount is owed to the City, the amount must be noted on the Statement. Upon verification and processing by the Finance Department, the amount owed will be automatically deducted from the employee's next paycheck. If an amount is owed to the traveler, the amount must be noted on the Statement. Upon verification and processing by the Finance Department, any amount owed to the traveler will be reimbursed no later than the second paycheck following the date of submission to the Finance Travel Desk.

Reimbursements can be delayed due to incomplete documentation.



**Employee Travel****Section 1.8.2****7. PROCEDURES**I. Approval for Local Travel

<b>RESPONSIBILITY</b>	<b>ACTION</b>
Traveler	1. Discusses planned travel and expenses with immediate supervisor.
Direct Supervisor	2. Reviews Local Travel plans for compliance with this policy. 3. Approves or denies request to travel.
Traveler	4. Attends event as discussed with direct supervisor. 5. Obtains and retains receipts for all expenses incurred regardless of payment method. 6. Requests reimbursement of any expenses paid with personal funds, when applicable, using the Employee Reimbursement form.
Finance	7. Processes reimbursements.

II. Approval for In-State and Out-of- State Travel

<b>RESPONSIBILITY</b>	<b>ACTION</b>
Traveler	1. Discusses planned travel and expenses with immediate supervisor. 2. Completes Statement in accordance with Travel Procedures found on <a href="#">Finance Department's intranet website</a> . 3. Submits Statement for approval to direct supervisor more than four weeks prior to travel day. 4. Attaches an explanation outlining the reasons for late submission of Statement, if applicable.
Direct Supervisor	5. Reviews Statement for compliance with this policy. 6. Approves or denies request to travel. 7. Signs approved Statement in the Approval to Travel and Issue Cash Advance section of the form. 8. Submits approved Statement for Approving Official approval within three business days of receipt of Statement.
Approving Official	9. Reviews Statement for appropriate purpose of travel, availability of budget, and compliance with this policy.

**Employee Travel**

**Section 1.8.2**

<b>RESPONSIBILITY</b>	<b>ACTION</b>
	10. Approves or denies request to travel and informs Traveler.
	11. Signs approved Statement in the Approval to Travel and Issue Cash Advance section of the Statement.
Travel Coordinator	12. Reviews Statement for completeness in accordance with Travel Procedures found on <a href="#">Finance Department's intranet website</a> .
	13. If a cash advance is requested, submits completed original Statement to Finance Travel Desk within three business days of receipt.
	14. Retains complete submission in department files.
Finance	15. If applicable, issues Cash Advance via Employee's Paycheck for the next possible payday.
Traveler	16. Attends event as discussed with direct supervisor.
	17. Obtains and retains receipts for all expenses incurred, regardless of payment method.

III. Reimbursement for In-State and Out-of-State Travel

<b>RESPONSIBILITY</b>	<b>ACTION</b>
Traveler	1. Completes remaining sections of the Statement in accordance with Travel Procedures found on <a href="#">Finance Department's intranet website</a> and attaches required documentation such as event brochure, itemized receipts, etc. in accordance with this policy.
	2. Submits to direct supervisor within three business days of last date of travel.
Direct Supervisor	3. Reviews Statement for compliance with this policy.
	4. Resolves all issues of inadequate documentation or inappropriate expenditures with traveler.
	5. Submits for department Approving Official approval within three business days of receipt.
Approving Official	6. Reviews and approves, modifies or denies Statement.
	7. If approved, signs Statement in the Approval section of the form.
	8. Submits to department Travel Coordinator within three business days of receipt.

# Employee Travel

# Section 1.8.2

**RESPONSIBILITY**

**ACTION**

Travel Coordinator

- 9. Reviews Statement for completeness in accordance with Travel Procedures found on [Finance Department's intranet website](#) and for compliance with this Policy.
- 10. Submits completed Statement to Finance Travel Desk within three business days of receipt.
- 11. Serves as department liaison for all issues regarding incomplete documentation or questionable travel estimates with the Finance Travel Desk.

Finance Travel Desk

- 12. Processes traveler reimbursements and deductions in accordance with Section 6.3 of this policy.

Approved:

          /s/ Ed Shikada            
Assistant City Manager

          November 12, 2013            
Date



## APPENDIX B Statement of Travel Activity

### Employee Information

Employee		Dept.	==> Select Your Department <span style="float: right;">▼</span>		
Job Title		Dept/Div No.		Phone No.:	
Employee ID		Visible Code			
Hourly / Salaried	<input checked="" type="radio"/> Hourly <input type="radio"/> Salaried	Select Purpose	<input type="radio"/> In-State <input type="radio"/> Out-of-State <input checked="" type="radio"/> Local Travel with Cash Advance		

### Travel Itinerary

Event Name:				
Event Location:	City:	State/Country:		
Departure Date:	Event Start Date:	Event End Date:	Return Date:	

### Approval to Travel and/or Issue Cash Advance

Cash advance requested?  Yes     No

Employee \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

I am requesting a cash advance in accordance with the City Policy Manual, Section 1.8.2, and acknowledge my responsibility to file a Statement of Travel Activity within 14 days after the Return Date entered above. Should I not fulfill my obligation to provide a Statement within this timeline, I hereby authorize the City to deduct the amount of this advance from my wages. My signature above also indicates that I have read and understand the City's Travel Policy and that this Statement complies with the policy and its intent.

Direct Supervisor \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

My signature above indicates that I have evaluated the requested travel activity and confirm that the request is complete and prepared in accordance with the City's Travel Policy and that the estimated expenses will be incurred for the purpose of City business.

Approving Official \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

My signature above indicates that I have evaluated the requested travel activity and confirm that the estimated expenses will be incurred for purposes of City business, are in compliance with the City's Travel Policy and are within budgetary limits.

### Travel Expenses

Category	Description	Estimated Expenses	Advance Request	Actual Expense	Prepaid Expense Amount	Method & Reference
Airfare						
Ground Transportation						
Lodging						
Registration						
Per Diem or Itemized Meals and Incidentals						
Other						
<b>Totals</b>		-	-			
<b>Unforeseen Travel Expenses (expense items that were not pre-approved must be entered in this section)</b>						
<b>Final Total Travel Expenses</b>				-	If Final Total Travel Expenses exceed Total Estimated Expenses, refer to Section 4.4 of Employee Travel Policy for further instructions.	
<b>Prepaid Expenses</b>				-		
<b>Cash Advance</b>				-		
<b>Total Due Employee/(Due City)</b>						

### Approval of Statement

Employee Signature \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

My signature above indicates that I have read and understand the City's Travel Policy and that this Statement complies with the policy and its intent. I also verify that all expenses reported on this form were incurred by me for City business purposes only.

Direct Supervisor \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

My signature above indicates that I have reviewed the expenditures and related documentation associated with this Statement and confirm that they are in compliance with the City's Travel Policy.

Travel Coordinator \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

My signature above indicates that I have reviewed this Statement and confirm that it is complete and prepared in accordance with the City's Travel Policy.

Approving Official \_\_\_\_\_  
 Emp ID # \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

My signature above indicates that I agree with the expenditures contained in this Statement and confirm that they are in compliance with the City's Travel Policy, were incurred for City business and are within budgetary limits.

Finance Travel Desk	Date Rec'd	Date Processed	Finance Payroll	Date Rec'd	Date Processed	Pay Period of Pymt. or Deduction
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# Memorandum

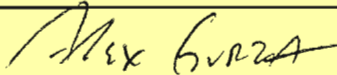
**TO:** Sharon W. Erickson  
City Auditor

**FROM:** Julia H. Cooper

**SUBJECT: RESPONSE TO THE AUDIT  
“AUDIT OF EMPLOYEE TRAVEL  
EXPENDITURES”**

**DATE:** December 9, 2013

Approved



Date 12-10-13

The Administration has reviewed the “*Audit of Employee Travel Expenditures*” and is in general agreement with the recommendations identified in the report. The following are the Administration's response to each recommendation.

## **BACKGROUND**

The Administration agrees with many of the recommendations contained in the “*Audit of Employee Travel Expenditures*” (the “Travel Audit” or “Audit”) report prepared by the Internal Auditor (“Auditor”).

The Travel Audit along with several other recently released audit reports from the Auditor illustrates the challenges resulting from 10 years of staffing reductions, including the loss of institutional knowledge. In addition, the resource reductions in the City’s strategic support services, including Finance, Human Resources, and Information Technology have created challenges in providing basic administrative support to the organization on a centralized or decentralized basis.

The theme in the Administration’s response to the Travel Audit, coupled with the Administration’s responses to the “*Regional Wastewater Facility Master Agreements: New Procedures and Better Contract Management Needed*,” the “*Consulting Agreements: Better Enforcement of Procurement Rules, Monitoring, and Transparency is Needed*,” and the “*Indirect Cost Allocation: Improved Procedures and Better Communications Needed*” audits is a need to return to basics.

In 2008-2009, the Finance Department Accounts Payable unit implemented procedural changes resulting from major revisions to both the Employee Travel and City Procurement Card policies. The policies were revised to streamline processes and decentralize accountability for travel and procurement card expenditures to City Departments. As a result of these changes, the 2009-2010 budget reductions included the elimination of one Principal Account Clerk position previously dedicated to monitoring citywide travel activity. The Travel Audit is a review of the City’s

travel activity in a decentralized model, where the Finance Department’s responsibility is limited to processing reimbursements to travelers and undertaking periodic spot audits.

## **RECOMMENDATIONS AND ADMINISTRATION’S RESPONSE**

### **Overall Comment**

The Administration agrees with the thirteen recommendations made in the Travel Audit. The Finance Department will lead the effort in coordination with City departments to undertake the following efforts to implement the recommendations in the Audit:

- **Travel Policy** – The Administration will review the City’s policies and procedures related to travel and will consider the recommendations on how to improve the Employee Travel Policy (“Travel Policy”).
- **Statement of Travel Activity** – The form will be revised to reflect changes to the Travel Policy and to incorporate specific Audit recommendations regarding the design of the form. The goal of any changes will be to clarify ambiguities and ensure the appropriate review and approval sequencing.
- **Administrative Officer Forum** – The Administration is establishing a working group of the Administrative Officers from all departments to establish a forum for discussion of issues impacting all departments. This group will serve as a place to discuss citywide policies and procedures on a regular basis, including the Travel Policy along with proposed amendments to the Travel Policy.
- **Technology** – The Administration will explore electronic tools that will support the implementation of the Travel Policy in a more effective manner.

The following is the Administration’s response to the thirteen recommendations in the Travel Audit.

<p><b><u>Recommendation #1:</u></b> The Administration should take reasonable steps to follow up on the instances of potential Travel Policy noncompliance identified during this audit.</p>
--

**Administration Response:** The Administration agrees with this recommendation and has begun taking steps to follow up with specific instances of noncompliance with the Travel Policy. The Finance Department and the City Manager’s Office of Employee Relations are taking the lead on looking into the specific instances and will ensure that appropriate action is taken.

**Recommendation #2:** The Administration should revise the Travel Policy to:

- a) Require travelers to break down the costs of "bundled" trips;
- b) Require travelers to provide explanations to confirm the necessity and reasonableness of travel activity and expenses;
- c) Require travel packets include this information before travel coordinators and approvers sign off on them; and
- d) Require travel coordinators to escalate late travel statements as needed.

**Administration Response:** The Administration agrees with this recommendation and will review and revise the Travel Policy accordingly. It is expected that this effort will begin in January 2014, and the Administration will work to complete an update of the Travel Policy.

**Recommendation #3:** The Administration should amend the Travel Policy to make travel and associated payments contingent on the travel coordinator confirming that expenses comply with the Travel Policy. The Policy should also put departmental travel coordinators in a position to review travel requests prior to actual trips, and identify similar trips to pursue possible cost savings.

**Administration Response:** The Administration agrees with this recommendation. The existing form used for travel reimbursements includes a signature line for the travel coordinator, indicating the travel coordinator's review of the activity and compliance with the Travel Policy. The Travel Policy will be reviewed and revised to further clarify the role of the travel coordinator. The travel reimbursement form will also be revised to document the travel coordinator's review prior to the travel taking place.

**Recommendation #4:** To help in coordinating group travel, realizing available cost savings, and improving the reporting of City travel, Finance should instruct departmental travel coordinators to maintain complete and current trip logs.

**Administration Response:** The Administration agrees with this recommendation, and the Finance Department will request that departments maintain travel logs. As stated in the current Travel Policy, the Finance Department is required to provide a travel report for in-state and out-of-state travel to the City Manager's Office at least annually. To provide the required information to the City Manager's Office, the Finance Department will request that all departments complete and submit their respective travel logs to the Finance Department on a quarterly basis.



**Recommendation #5:** To help ensure the ongoing availability of travel records, the City Administration should clarify which travel records need to be forwarded to Finance, and disseminate record-retention procedures for travel records.

**Administration Response:** The Administration agrees with this recommendation. The Finance Department will coordinate with the City Attorney's Office to develop a records retention schedule for all city travel documents. The schedule will be completed and disseminated to all departments.

**Recommendation #6:** The Administration should amend the Travel Policy to require travel coordinators and the Travel Desk to report noncompliant travel activity.

**Administration Response:** The Administration agrees with this recommendation and as stated in the response to Recommendation #3, the Administration agrees the Travel Policy should be revised to clarify the role of travel coordinators and make it mandatory that department travel coordinators are at the level of Administrative Officer or equivalent. These changes will allow the travel coordinators to help ensure compliance with the Travel Policy. All non-compliant travel activity will be escalated to Department Directors, and/or the Office of Employee Relations, as needed.

**Recommendation #7:** The City Administration should:

- a) Update the roster of travel coordinators;
- b) Update online training materials; and
- c) Convene regular meetings of travel coordinators, perhaps quarterly, to confirm travel coordinator assignments, surface travel-related issues, and promote problem-solving.

**Administration Response:** The Administration agrees with this recommendation and has already taken steps to implement parts of this recommendation. The Finance Department Accounts Payable team has reviewed and updated the list of travel coordinators. An updated list was posted on October 10, 2013. Development of updated online training materials will take place after changes to the Travel Policy and applicable forms have been completed. Finally, as discussed above, the Administration is creating a group of Administrative Officers from all Departments to establish a forum for discussion of administrative issues impacting all departments. This group will serve as a place to discuss citywide policies and procedures on a regular basis, which will include the Travel Policy, including proposed amendments to the Policy.



**Recommendation #8:** The Administration should require, through the City Procurement Card Policy, that procurement card approvers attach travel coordinator-approved Travel Statements as supporting documentation for travel-related procurement card expenditures.

**Administration Response:** The Administration agrees that the City Procurement Card Policy can require the attachment of *preapproved* travel statements as supporting documentation to the procurement card expenditures. With the increase of acceptance of procurement card payments for travel related costs, the cost of many trips is paid via procurement card. The City encourages travelers to make reservations well in advance of travel in order to take advantage of discounts and lower air fares. In cases when the travel is booked two or three months prior to the travel, procurement card holders should have a copy of the pre-approved travel statement prior to making the reservation with the procurement card. When the procurement card is paid, the preapproved or final statement of travel is used as back up documentation for the expense. The Procurement Card Policy will be clarified regarding this requirement.

**Recommendation #9:** Departments should:

- a) Limit cash advances to estimated out-of-pocket expenses only, unless no other payment method is available; and
- b) Track all advances on the trip log.

**Administration Response:** The Administration agrees with this recommendation and the Travel Policy will be revised to require that Departments limit cash advances to per diem meal and incidental expenses and will encourage the use of procurement cards for the prepayment of travel costs such as air fare, hotels and conference registrations. The Policy will allow for exceptions to this limitation due to unavailability of prepayment options. Departments will track all advances on their respective department trip log.

**Recommendation #10:** Revise the Statement of Travel Activity to prompt:

- a) involvement (that is, review, coordination, and approval), of departmental travel coordinators prior to each trip;
  - b) disclosure of all travel expenses, especially meals, on a per-day basis, where possible;
  - c) disclosure of the method of payment for each travel expense;
  - d) disclosure of whether any travel expense will be/was shared with someone else, including through a gift or scholarship, in whole or in part, and if so, who shared and who paid;
  - e) disclosure of the reason(s) post-trip costs differed substantially from pre-trip estimates;
- and

**Administration Response:** The Administration agrees with the recommendation to revise the Statement of Travel Activity form. The form will be revised to require review and approval by the travel coordinator prior to the travel taking place, which will result in a change to the overall process of approving travel by department staff. Additional changes will be made to the form as

noted in the response to Recommendation #3, as well as any additional revisions that will be made in efforts to streamline the travel review process.

**Recommendation #11:** To minimize work effort and facilitate timely approvals, the Administration should implement an electronic travel authorization system, and until then should encourage departments to use electronic pre-trip and post-trip approval.

**Administration Response:** The Administration agrees with this recommendation and will initiate a business analysis to determine the scope and cost, if any, of an electronic tool that would be appropriate for initiating travel requests, employee submission of travel expenses, and tracking travel throughout the City. As a part of the Travel Policy review, electronic approvals will also be considered.

**Recommendation #12:** Revise the Travel Policy to:

- a) Clarify the definition and practical significance of "local travel" and "in-state" travel;
- b) Clarify expectations around boarding passes, resort fees, local taxes, and Arizona approval;
- c) Establish allowable upper bounds of conference lodging costs; and
- d) Incorporate, by reference or otherwise, City policy and other ethical guidance with respect to gifts and "no-cost" travel.

**Administration Response:** The Administration agrees with this recommendation and will include this recommendation in its review and amendments to the Travel Policy. As stated in the response to Recommendation #2, it is expected that this effort will begin in January 2014, and the Administration will work to complete an update of the Travel Policy. An update to the Travel Policy was made on November 12, 2013, to reflect the existing restriction related to travel to Arizona. The following language was added to Section 6.2.2 "Out of State Travel has been amended as of June 8, 2010 per Council Resolution #75401. The Resolution states that Approving Officials shall not approve travel with final destination in the state of Arizona."

**Recommendation #13:** To make its Travel Policy more accessible, the Administration should:

- a) Rewrite the Policy in plain language;
- b) Prepare supplemental reference documents as needed; and
- c) Designate a source of expert advice (e.g. the Finance Department's Travel Desk).

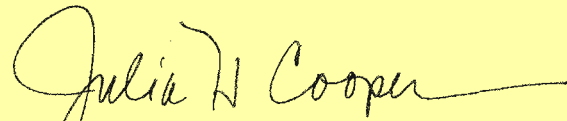
**Administration Response:** The Administration agrees with this recommendation and will review and revise the Travel Policy as appropriate. As stated in the responses to Recommendation #2 and #12, it is expected that this effort will begin in January 2014, and the Administration will

work to complete an update of the Travel Policy. The Finance Department Accounts Payable Manager will be designated as the resource for travel related inquiries. This position can quickly escalate issues to the Finance Director if questions of non-compliance arise.

**CONCLUSION**

The Audit has surfaced issues regarding the Travel Policy and Statement of Travel Activity. The thirteen recommendations speak to the need for clarification of the City's policies and procedures related to travel activity. The Administration will work to address these recommendations by updating the Travel Policy, revising the Statement of Travel Activity, and including discussion of travel policy as part of the newly established Administrative Officer Forum, and seeking electronic tools to streamline the travel approval and reimbursement process.

The Administration would like to thank the City Auditor's Office for conducting this audit.

  
JULIA H. COOPER  
Director of Finance

For more information please contact, Julia H. Cooper, Director of Finance at (408) 535-7011.