



Out-of-State Travelers

Statewide Audit

Audit and Internal Investigations

Report Released June 2017

Audit Performed by
JoRay McCoy, Audit Director
Luciana Perez, Senior Auditor
Emily Harris, Auditor



Table of Contents

AUDIT HIGHLIGHTS.....	3
Why We Conducted This Audit.....	3
Data Mining.....	3
Sampling	4
What We Found	4
DETAILED FINDINGS AND MANAGEMENT RESPONSES.....	7

This publication is issued by the Office of Management and Enterprise Services as authorized by Title 62, Section 34. Copies have not been printed but are available through the agency website. This work is licensed under a Creative Attribution-Noncommercial-NoDerivs 3.0 Unported License.

This audit was performed pursuant to 74 O.S. § 85.5.e.

AUDIT HIGHLIGHTS

Out-of-State Travelers – Statewide Audit

(Completed Jan. 2017)

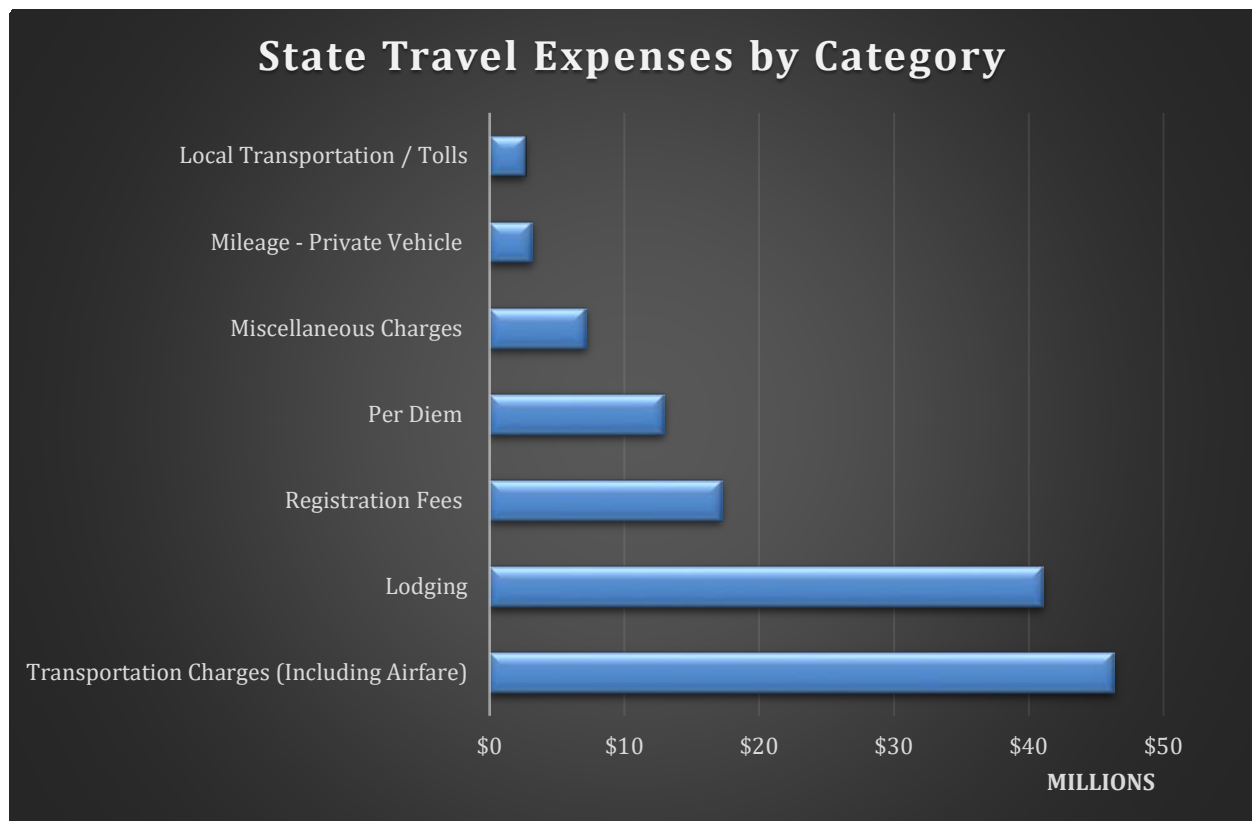
Why We Conducted This Audit

The objective of our audit is to determine if adequate controls are in place to prevent exploitation of out-of-state travel payment procedures through travel claims and the purchase card and to determine the efficiency and effectiveness of out-of-state travel policies and procedures as they relate to adherence statewide. This audit was performed pursuant to the Oklahoma Central Purchasing Act and the State Travel Reimbursement Act.

Data Mining

In order to arrive at our testwork population, we started with two years of expenditure data for the state. We extracted all out-of-state travel account codes according to the Statewide Accounting Manual, *Object of Expenditure Code (OEC) Listing and Definitions* and summarized the resulting table by traveler and then by business unit (agency). Our population does not include Higher Education. State agencies expended \$130 million for out-of-state travel related purchases during the period of March 4, 2014, to March 6, 2016.

The graph below depicts the state's spending for out-of-state travel expenses by category:



Sampling

Of the two years of out-of-state travel expenditures obtained, we selected the most current year to begin our audit sampling. The sampling methodology is based on claims submitted by state employees for per diem reimbursement. We selected the top 25 travelers with the highest per diem total within the current year to be sampled for testing. The 25 travelers per diem totaled \$112,488.87.

The table below is a summary by travelers for each agency.

TOP 25 OUT-OF-STATE TRAVELERS			
BUSINESS UNIT	AGENCY	# OF TRAVELERS	PER DIEM AMOUNT (\$) SPENT
635	Department of Consumer Credit (OKDOCC)	8	\$25,982.30
805	Department of Rehabilitation Services (OKDRS)	5	\$15,111.39
160	Department of Commerce	3	\$20,390.22
040	Department of Agriculture, Food and Forestry (ODAFF)	3	\$17,792.27
566	Department of Tourism and Recreation	2	\$10,229.26
185	Corporation Commission	2	\$8,100.96
307	Office of Secretary of Energy & Environment	1	\$11,300.71
320	Wildlife Conservation	1	\$3,581.76
TOTAL:		25	\$112,488.87

What We Found

We performed analytical testwork during our planning phase, completed internal control interviews and tested all 329 claims against 12 compliance requirements for each claim. Other than the following exceptions, all claims reviewed appeared appropriate. The testwork resulted in one policy clarification for the Oklahoma Department of Consumer Credit, two statewide policy recommendations and two formal findings, one for the Oklahoma De-



partment of Agriculture, Food and Forestry (ODAFF) and one for the Oklahoma Department of Rehabilitation Services (OKDRS).

POLICY CLARIFICATION

Oklahoma Department of Consumer Credit (OKDOCC)

When we began testing claims for the Oklahoma Department of Consumer Credit, we noted possible overpayments related to lodging expenditures. The agency sends out examiners to conduct audits on mortgage companies out of state and travelers choose their hotel. Agency travelers were exceeding the maximum limitations for lodging set by the State Travel Reimbursement Act (STRA). Upon notifying the Department of Consumer Credit of our finding we received a response referencing state law Title 59 § 2095.23.C that allows the agency to be reimbursed for travel costs while conducting examinations or investigations outside of the State of Oklahoma. We requested an OMES legal opinion regarding this statute conflict.

The Oklahoma Secure and Fair Enforcement for Mortgage Licensing Act for administrative investigations and examinations Title 59 § 2095.23.C states:

The Administrator may require payment of an examination fee either at the time of initial application, renewal of the license or after an examination has been conducted. The examination fee shall be prescribed by rule of the Commission on Consumer Credit. The Administrator shall require a licensee or an entity or individual subject to the requirements of this act to pay travel costs for conducting examinations or investigations outside of the State of Oklahoma.

The OMES legal opinion states, “This statute exempts the agency from complying with the State Travel Reimbursement Act for this particular service ...”

POLICY RECOMMENDATIONS

Out-of-state Travel (Non-designated Lodging)

During the substantive testwork phase of the statewide out-of-state travelers audit, we reviewed travel claims to verify object of travel dates and examine claim documentation to support the travel was for official business.

For 2 out of the 9 agencies tested, we were unable to verify timing and purpose of travel in the area of non-designated lodging related travel. We reported a 95 percent error rate (92 out of 97 travel claims) for the Oklahoma Department of Consumer Credit and an 89 percent error rate (68 out of 76 travel claims) for the Oklahoma Department of Agriculture, Food and Forestry.

We were not able to verify the object of travel notated on the claims and no support was provided to verify the travelers met the 24/48/72 hour rule.

In addition, we were not able to verify the travelers were on official state business. The agencies did comply with current travel claim policy by having the traveler and approver's signature on the claim attesting to the adherence of these requirements. The current policy states:

Statewide Accounting Manual: 50.30.02 Official Business Travel
General Rules C. Guidelines for Filling of the Travel Voucher
2. Travel Voucher Preparation

g. Indication of Purpose of Travel. The employee must clearly state the purpose of travel or "Nature of Official Business" on the travel voucher. The statement of purpose of travel should be concise, but clear enough that a person apart from the agency may understand the precise nature or purpose of the trip. For example, indication of "Meeting" for "Nature of Official Business" is too vague to convey the clear purpose of travel. A notation or statement, such as "Attend Office of Management and Enterprise Services Meeting on Travel Voucher Preparation, May 3 - 5, 2007" provides a better and more useful description of the purpose of travel.

h. Inclusion of Object of Travel Dates for Verification of 24/48/72-Hour Travel Rule. For expense allowance verification purpose, the inclusive dates during which the object of travel was held or conducted must be indicated in the travel voucher package. If the object of travel (e.g., meeting, seminar, etc.) is without a formal announcement or brochure showing the program dates, the dates must be shown on the face of the travel voucher form, such as in the "Nature of Official Business" section of the voucher form. (Also see Section [50.30.03.A.\(2\)](#), "Travel Criteria - Meals and Lodging Expenses.")

Currently the timing and purpose of travel for non-designated lodging out-of-state travel does not require supporting documentation but only the signature of the traveler and the approver on the claim.

Recommendation # 1: We recommend this policy to be reviewed to determine if it should be updated to increase accountability within the reimbursement process and make requirements clear for all travelers and agencies filing out-of-state travel claims in the future. Accountability for the non-designated lodging out-of-state travel reimbursement process should be improved by including requirements for supporting documentation. State travelers should retain documentation and all related support to provide transparency to management and all parties involved.

Multiple Travel Payment Processes

Recommendation # 2: Based on Finding 14-805-01: Prohibited Purchase (see below), we recommend a policy change to eliminate multiple travel payment processes. We recommend the state travel office consider creating and implementing a purchase card payment process for travel per diem; for example, a pre-loaded per diem card. This amount can be determined during the travel pre-approval process. Employee per diem payment is the only travel expenditure that requires a reimbursement claim to be completed. The reimbursement claim process is timely and separated from the primary travel process used through the purchase card. This change would allow for all travel documentation to be maintained in one location and consolidate travel processes into one. Consolidation would reduce duplication caused by completing multiple processes.

DETAILED FINDINGS AND MANAGEMENT RESPONSES

Finding 14-040-02: Supporting Documentation: Lodging Folios

Condition: During the substantive testwork phase of the statewide out-of-state travelers audit we reviewed travel claims for the Oklahoma Department of Agriculture, Food and Forestry along with lodging documents. We requested all lodging documentation with the travel claims from the agency. While reviewing lodging folios for reimbursement, we noted 19 out of 76 (25 percent error rate) unsupported lodging reimbursements. There were no lodging folios provided for the 19 reimbursements. The total amount for the lodging claims is \$2,586.52.

Effect or Potential Effect: Lack of maintaining lodging receipts creates an opportunity for unauthorized transactions to occur and go undetected. In addition, verification that proper lodging rates were applied may not be possible.

Cause: The agency believes some of the documents were submitted to the Office of Management and Enterprise Services (OMES) along with the travel claim for reimbursement. The agency also believes some of the lodging folios may have been misplaced due to change in personnel.

Criteria: The State of Oklahoma Statewide Accounting Manual § **Chapter 50.30.04: Lodging** states in part:

Lodging expense reimbursement includes the actual cost for overnight sleeping accommodations based on paid receipts and subject to limitations of the State Travel Reimbursement Act (STRA). (74 O.S. § 500.9) Besides traditional public lodging facilities, such as motels or hotels, expense reimbursement may include rent of an apartment or other type dwelling, as well as charges or fees associated with the use of a motor home or recreational vehicle used in travel. Reimbursement, however, shall not cover accommodations ordinarily provided on a common carrier, such as AMTRAK sleeper car, since such accommodations would be included in the transportation cost.



The Oklahoma Statutes **Title 51, §51-24A.4. Record of receipts and expenditures** states:

In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

Recommendation: The agency should ensure that an itemized and detailed receipt supports all lodging purchases made. We further recommend the approving officials review the supporting documentation for completeness prior to approving the travel claim.

Management's Response

Date: Nov. 3, 2016

Respondent: Comptroller

Response: Concur - We have reviewed record retention procedures.

Corrective Action Plan

Contact Person: Comptroller

Anticipated Completion Date: Nov. 1, 2016

Corrective Action Planned: Travel claims are reviewed in the finance department for accuracy and completeness prior to being submitted for payment. We are confident that the original claim of record at OMES is accurate and complete. For a brief period of time, the agency copy of the support documentation was sent to OMES with the original claim. We have addressed the fact that copies of all supporting documents will be kept with the agency copy of claims. The payables technician will review documentation retained with the claim copy.

Department of Rehabilitation Services

Finding 14-805-01: Prohibited Purchase

Condition: During the substantive testwork phase of the out-of-state travelers audit, we noted 1 claim out of 26 tested (4 percent error rate) for the Oklahoma Department of Rehabilitation Services that indicated a prohibited amount was paid using the state purchase card. The claim stated that some personal time was taken while out of state after the traveler's conference ended on Aug. 28. The travel claim states the day personal time was taken as Aug. 29, 2015. The lodging folio showed one payment (with agency purchase card) for the total days stayed from Aug. 25, 2015, to Aug. 30, 2015, which includes the personal time noted. See the following table for details:

SUMMARY OF OVERPAYMENT					
CARD LAST 4	CARDHOLDER (Title & Employee ID)	TRAVELER (Title & Employee ID)	VENDOR	DATE	AMOUNT (\$) OVER-PAID
7960	Administrative Programs Officer: 115588	Director: 274484	Hyatt Regency	8/29/15	\$172.95

Effect or Potential Effect: A non-business expenditure may have occurred that was not detected by the agency's review process.

Cause: Purchase card lodging records and travel reimbursement claim support are typically not reviewed together or reconciled by agencies. These transactions go through different departments within the agency, use separate internal processes and are processed at different times during the procurement cycle. This hinders the approver's ability to detect overpayments, duplicate payments and unauthorized payments.

Criteria: The State of Oklahoma Purchase Card Procedures § 5.3, **Prohibited Purchases**, states in part:

5.3 Prohibited Purchases:

... 5.3.5 Goods or services for personal use

5.3.6 Items not for official state business ...

Recommendation: We recommend the agency require the traveler to reimburse \$172.95 to the state.

We also recommend the agency develops a review process that includes the travel claim, lodging and airfare purchasing documentation. The approver should review the travel reimbursement claim and trip in its entirety with all components to ensure accuracy.

Also, the Policy Recommendations section above includes a recommendation to eliminate multiple travel payment processes which contributed to the non-discovery of this error before payment. This change will also reduce duplication of work.

Management's Response

Date: Oct. 3, 2016

Respondent: APO, CPO

Response: Partially Concur - The traveler is an ex DRS Director. He is no longer employed by the State of Oklahoma. When the traveler submitted his travel form he asked we book lodging for August 29, 2015 and he would pay the hotel. The credit card authorization form sent to the Hyatt Regency did not have the extra day of August 29, 2015.

Corrective Action Plan

Contact Person: APO, CPO

Anticipated Completion Date: Oct. 14, 2016

Corrective Action Planned: DRS will send a letter requesting reimbursement from the traveler.