



Employee Reimbursements Audit - #906

Executive Summary

Background

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the City's employee reimbursement program, which is mainly related to City travel. The City of Jacksonville's employee reimbursements are mainly governed by the Travel and Expense Reimbursement Manual and Municipal Code Sec. 106 Part 7 Travel Expense Reimbursement. Employee reimbursements are monitored through the City's financial system. Employees submit expense reports to request reimbursement for expenses that were paid out of pocket by the employee, but that have a business purpose, such as travel expenses, mileage, per diem, or training expenses.

At the time of our audit, the Accounting Division was responsible for administering the employee reimbursement program. Accounting staff working as Expense Auditors reviewed and approved expense reports submitted by departments, ensured compliance with policy requirements, and processed reimbursement payments. The Accounting Division was also responsible for developing, maintaining, and enforcing policies and procedures related to employee reimbursements. During Fiscal Year 2024/2025, the City processed 2,598 employee reimbursement items totaling \$403,865.

Employees could also request cash advances for per diem meal expenses when traveling for five or more consecutive days. These advances were administered in a manner similar to employee reimbursements and were considered within the scope of the audit. Cash advances are not that common, so much so that since February 29, 2020, (implementation of the new financial system) through September 30, 2025, the City only issued 36 cash advances totaling \$22,011.

What We Found

While it appears that employee reimbursements were overall appropriate, sufficiently documented, properly approved, and accurately recorded in accordance with laws, regulations, policies, and procedures, we did find significant timeliness issues and some issues and control weaknesses related to the other areas. Issues noted include:

- missing and incomplete policies and procedures.
- cash advances not properly and timely closed in the financial system, which creates problems in ensuring funds were utilized properly.
- timeliness issues with the processing of expense reports and some that had not been fully processed.
- incorrect system configuration for meal reimbursement calculations based on the time entered by the travelers.
- there were some limited inaccurate employee reimbursements and those that were not properly supported.
- employee reimbursement policy violations.
- User accounts for former employees not being timely deactivated.
- Expense Module system improvements that were needed.

What We Recommend

We recommend that the Accounting Division implement policy, procedures, processes, and take corrective action to address the items noted above as explained in detail in the report.



Council Auditor's Office

Employee Reimbursements Audit

May 15, 2026

Report #906

EXECUTIVE SUMMARY

AUDIT REPORT #906

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



May 15, 2026

Report #906

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

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At the time of our audit, the Accounting Division was responsible for administering the employee reimbursement program. Accounting staff working as Expense Auditors reviewed and approved expense reports submitted by departments, ensured compliance with policy requirements, and processed reimbursement payments. The Accounting Division was also responsible for developing, maintaining, and enforcing policies and procedures related to employee reimbursements. During Fiscal Year 2024/2025, the City processed 2,598 employee reimbursement items totaling \$403,865.

Employees could also request cash advances for per diem meal expenses when traveling for five or more consecutive days. These advances were administered in a manner similar to employee reimbursements and were considered within the scope of the audit. Cash advances are not that common, so much so that since February 29, 2020, (implementation of the new financial system) through September 30, 2025, the City only issued 36 cash advances totaling \$22,011.

STATEMENT OF OBJECTIVES

To determine whether employee reimbursements appear appropriate and that they were timely processed, sufficiently documented, properly approved, and accurately recorded in accordance with applicable laws, regulations, policies, and procedures.

STATEMENT OF SCOPE AND METHODOLOGY

Our audit focused on reviewing employee reimbursements paid from October 1, 2024 through September 30, 2025, and on cash advances issued from February 29, 2020 (implementation of

the City's new financial system) through September 30, 2025. We reviewed applicable policies, procedures, laws, and regulations. We examined transaction documentation obtained from the City's financial system. We also conducted interviews with key personnel responsible for administering, managing, and approving employee reimbursements and cash advances within various Departments and the Accounting Division to gain a comprehensive understanding of the program.

All employee reimbursement transactions within the audit period were extracted from the City's financial system. We obtained the population of expense reports from the Expenses Module and the related invoice population from the Accounts Payable Module. To ensure completeness and accuracy, we reconciled the expense reports recorded as paid to the corresponding invoices from the Accounts Payable Module where payments are made from. We investigated all discrepancies.

Following this reconciliation, we identified a final audit population for employee reimbursement of 2,598 items totaling \$403,865.

From this refined population, we selected a random sample of 183 employee reimbursements totaling \$28,077 for detailed testing. For each sampled transaction, we performed the following procedures:

- Verified proper supporting documentation was on file.
- Confirmed that each reimbursement amount was calculated and paid accurately.
- Evaluated whether the reimbursement served a valid business purpose for the City and complied with applicable policies (e.g., travel pre-approval requirements).
- Verified whether the employee, manager, and Expense Auditor in the Accounting Division completed submissions and approvals in a timely manner.
- Determined whether the reimbursement was accurately and timely recorded in the financial system.

In addition, we performed analytical procedures designed to identify anomalies and potential control weaknesses, including:

- Employee reimbursements processed outside the Expenses Module,
- Inaccurate payments for meal allowance or mileage claims,
- Potential duplicate employee reimbursements, and
- Timeliness of employee reimbursement report processing

Due to the limited number of instances, all cash advances issued from February 29, 2020 (implementation of current financial system) through September 30, 2025 were included in our population. Within the period, there were 36 cash advances requested totaling \$22,011 paid to employees as of September 30, 2025. We performed certain detail testing on 10 of the 36 cash advances. For each sampled transaction, we performed the following procedures:

- Confirmed there was proper documentation to support the requested amount.
- Confirmed the cash advance was accurately paid based on the supporting documentation.
- Confirmed the cash advances were properly authorized.
- Reviewed documentation to ensure the advance was in accordance with City polices.
- Verified expense reports were submitted within 5 days of returning from travel consistent with Section 106.711 of the Municipal Code.

- Verified unused funds were properly returned to the City.
- Verified that funds were properly paid based on the supporting documentation provided by the employee.
- Confirmed the expense reports to close out the cash advances were properly closed to ensure proper payment to employee and avoid duplicate payments.
- Verify that the cash advances were accurately and properly recorded in the general ledger.

In analytical testing of all 36 cash advances, the following procedures were performed:

- Verified that each cash advance was linked to a corresponding expense report.
- Confirmed that no cash advance had an open or unapplied balance.
- Verified that each cash advance and related expense report was recorded in the general ledger at the correct amount.
- Evaluated whether each cash advance was closed out within the required timeframe.

Unless specifically stated otherwise, based on our selection methods and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective(s). Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

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.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received responses from Marcia Saulo, City Comptroller, on May 2, 2026.

AUDIT CONCLUSIONS

While it appears that employee reimbursements were overall appropriate, sufficiently documented, properly approved, and accurately recorded in accordance with laws, regulations, policies, and procedures, we did find significant timeliness issues and some issues and control weaknesses related to the other areas.

AUDIT OBJECTIVE

To determine whether employee reimbursements appear appropriate and that they were timely processed, sufficiently documented, properly approved, and accurately recorded in accordance with applicable laws, regulations, policies, and procedures.

Internal Control Weakness 1 – Missing or Incomplete SOPs

Our review of the Accounting Division’s written policies and procedures found that several critical areas were missing, incomplete, or insufficiently covered. Additionally, the primary policy document was formatted as presentation slides, which was not easy to follow as a formal Standard Operating Procedure (SOP) manual and limited its effectiveness as a comprehensive policy resource.

We identified the following gaps in the City’s existing reimbursement and cash advance policies:

- 1) No written policy listing allowable and prohibited employee reimbursement transactions.
- 2) Existing policy did not clearly define the required supporting documentation for each type of employee reimbursement. Items were described as “common attachments”, which did not communicate mandatory documentation requirements.
- 3) No written policy establishing dollar amount or frequency limits for reimbursement requests submitted without proper documentation (e.g., lost receipts).
- 4) No written definition of “unreasonable” extensions of travel (early departures or delayed returns) or guidance on how such extensions affect reimbursement eligibility.
- 5) No written policy governing per diem eligibility for same-day travel outside Duval County.
- 6) The main policy provided no guidance for Local Mileage or Non-Travel reimbursements.
- 7) Existing policy did not include a standard naming convention for the Purpose Field of all expense types (naming convention used to look-up and track expense reports).

- 8) No written policy specifying acceptable methods for calculating mileage, approved online mapping tools, or criteria to evaluate the reasonableness of mileage claimed.
- 9) No written policy to define and enforce Municipal Code requirements related to selecting the “most economical” travel option, including:
 - a. No formal process or guidelines for determining the most economical travel option.
 - b. No defined mileage distance limits for reimbursement.
- 10) Existing policy did not adequately explain how carpooling, receiving a car allowance, or the use of private vehicle rentals affects eligibility for mileage or other associated travel reimbursements.
- 11) Existing policy contained an incorrect certification period for the Driver’s Certification administered by Risk Management.
- 12) No written policy establishing mandatory deadlines for expense report submission, manager approval, or Expense Auditor review.
- 13) No written procedures that described the critical responsibilities of the Expense Auditors in the Accounting Division, including:
 - a. Reviewing support documentation for each expense type,
 - b. Communicating issues and tracking pending requests in the City’s financial system,
 - c. Resolving, escalating, or rejecting reimbursement expense reports, and
 - d. Tracking and reporting policy violations to the appropriate department managers.
- 14) No clear guidance on whether Florida sales tax must be excluded from reimbursements, when Florida sales tax is reimbursable, or how to properly use the City’s tax-exempt status. There needs to be at least some rules to avoid the City reimbursing for any large sales tax amounts. Note – Since employee is paying directly, Florida sales tax cannot be avoided.
- 15) No written policy describing consequences for policy violations or procedures for monitoring and enforcing employee reimbursement compliance across departments.
- 16) Incomplete policies related to cash advances, including lack of procedures for:
 - a. Employee repayment of excess advance funds.
 - b. Required closing period to align with Municipal Code 106.711.
 - c. Monitoring overdue reconciliations.
 - d. Initiating collection actions for overdue funds.
- 17) No written policy governing expense report processing during fiscal year-end closing, including deadlines and additional responsibilities for Expense Auditors to ensure accurate cutoff.

Recommendation to Internal Control Weakness 1

We recommend that the Accounting Division develop a centralized, comprehensive, and formally structured policies and procedure manual that addresses all employee reimbursement and cash advance processes. At a minimum, the SOP manual should address all policy gaps identified above and provide clear, detailed guidance for employees, managers, and the Expense Auditors in the Accounting Division.

The completed policies and procedures manual should be formally published and made easily accessible to all City departments. Additionally, the Accounting Division should establish a periodic review process to ensure that policies and procedures remain current, reflect actual business practices, and address risks.

Auditee Response to Internal Control Weakness 1

Agree Disagree Partially Agree

Accounting will develop a centralized, comprehensive formally structured policy and procedure manual that addresses all employee reimbursement and cash advance processes. This manual will be formally published and easily available for all City employees. The manual will address all the identified policy gaps and provide clear, detailed guidance for employees, managers and Expense Auditors in the Accounting Division.

Finding 1 – Cash Advance Management Issues

City policy permits employees to request a cash advance to cover per diem meal expenses for business trips lasting five or more days and requires employees to submit an expense report upon returning so the advance can be reconciled. Section 106.711 of the Municipal Code states that “... A traveler who is provided with a cash advance to cover anticipated costs of travel shall be personally liable for the amount thereof and shall account to the approving authority for the expenditure thereof within five working days after completing the authorized travel; failure to account for the total amount of the cash advance within this time shall be prima facie evidence that the traveler owes the entire sum so advanced to the City or agency that made the advance, which may be recovered by a civil action.”

The use of cash advances is not common as evidenced by the last one, as of our testing, being issued on November 14, 2024. We identified 36 cash advance requests totaling \$22,011 that were paid between the implementation of the City’s current financial system on February 29, 2020 through September 30, 2025. We performed analytical testing on all of them in the system due to the limited number.

- 1) **Timeliness Issues:** We found that 35 out of 36 (or 97.2%) cash advances tested, which totaled \$21,761, had timeliness issues. More specifically:
 - a) *Cash Advances Still Open as of Testing Date:* 21 out of 36 (or 58.3%) cash advances tested were never closed, meaning that an expense report to document and support the use of advanced funds after travel was completed by the employee was not fully processed or recorded in the financial system. These advances totaled \$5,108 and they have been open (i.e., not closed) for an average of 1,213 days (or 3.32 years) as of the date of testing on October 20, 2025.
 - i) For 8 of these cash advances, it appears that the employee did not create an expense report to close out the cash advance. We were unable to verify whether these City funds, which totaled \$3,088, had an authorized business purpose or if any portion of the advanced funds should have been returned to the City.
 - ii) The other 13 cash advances, which totaled \$2,020, did have an expense report created in the financial system to close out the cash advance. However, the expense reports were not fully processed, as evidenced by statuses like “Pending individual approval”, “Saved”, “Withdrawn”, or “Rejected”. These pending expense reports do not close out a cash advance and have not been recorded in the financial system.

b) *Closed Cash Advances*: 14 out of 36 (or 38.9%) cash advances, which totaled \$16,653, were closed with an associated expense report but this was not done in a timely manner. These cash advances did have an associated expense report to close the advance (i.e., document and support the use of the advanced funds), but the expense report was not submitted within 5 working days of the traveler's return as required by City policy and Municipal Code Section 106.711.

2) **Processing Issues**: We found 1 out 36 (or 2.8%) cash advances tested had various processing issues. Specifically, one cash advance for \$320 was not accurately closed out due to input error on the expense report. This has resulted in the employee not being fully reimbursed and the related amount not being booked as an expense.

On the associated expense report after the travel, the employee incorrectly input \$0 in per diem meal expense instead of the actual per diem (probably due to thinking they should not include the detail since they had been advanced the amount). The expense report included a total of \$93.36 in other reimbursable expenses besides the per diem. This meant when they applied the cash advance to the expense report, there was not enough expenses shown to cover the advance amount and resulted in the employee not being paid the \$93.36 and there being a portion of the cash advance not being closed out (\$226.64).

Recommendation to Finding 1

We recommend that the Accounting Division review and resolve all outstanding cash advances identified during this audit. This includes ensuring that a complete and properly linked expense report is submitted for each advance, recovering any unapplied or unsupported amounts from employees, paying the employees for amounts owed, and updating the financial system to close out all residual balances.

In addition, in coordination with the Technology Solutions Department, the City should consider implementing automated alerts to identify overdue or unclosed cash advances and escalate cases that remain unresolved. Strengthening these controls will help ensure timely reconciliation, proper accountability, and accurate financial reporting.

Auditee Response to Finding 1

Agree Disagree Partially Agree

Accounting will review and resolve all outstanding cash advances identified during this audit, to ensure that complete and properly linked expense reports are submitted for each advance, any unapplied or unsupported amounts have been recovered from employees, employees are fully paid for amounts owed and the financial system is updated to close out all residual balances.

Accounting will consult with Technology Solutions to see if automated alerts can be implemented to identify overdue or unclosed cash advances and escalate unresolved cases.

Finding 2 – Incorrect System Configuration for Meal Reimbursement Calculation

The City’s financial system was not properly configured for calculating meal allowance reimbursements (per diem) consistent with Section 106.708 of the Municipal Code, which resulted in overstated and overpaid reimbursements to employees. Section 106.708. of the Municipal Code states that “(a) *Reimbursement is authorized for meals ...only when travel begins before and extends beyond the times specified:*

- 1) *Breakfast: \$20, when travel begins before 6:00 a.m. and extends beyond 8:00 a.m.*
- 2) *Lunch: \$25, when travel begins before 12:00 noon and extends beyond 2:00 p.m.*
- 3) *Dinner: \$35, when travel begins before 6:00 p.m. and extends beyond 8:00 p.m., or when travel occurs during nighttime hours due to special assignments.”*

System Testing

During system documentation testing of meal reimbursement scenarios, we identified the following windows of time where the system configuration produced incorrect results:

- 1) First Day of Travel:
 - a. When travel starts between 6:00 AM – 8:01 AM, the system incorrectly includes \$20 for breakfast.
 - b. When travel starts between 12:00 PM – 2:01 PM, the system incorrectly includes \$25 for lunch.
 - c. When the travel start time on the first day is at or between 6:00 PM – 8:01 PM, the system incorrectly includes a per diem reimbursement of \$35 for dinner.
- 2) Last Day of Travel:
 - a. When travel ends between 5:59 AM – 8:00 AM, the system incorrectly includes \$20 for breakfast.
 - b. When travel ends time between 11:59 AM – 2:00 PM, the system incorrectly includes \$25 for lunch.
 - c. When travel ends between 5:59 PM – 8:00 PM, the system incorrectly includes \$35 for dinner.
- 3) System Default Issue:
 - a. When travel end time is left at the default 12:00 AM, the system incorrectly awards a full day per diem of \$80.

Detail Testing

During detailed testing, we found that 16 out of 183 (or 8.7%) reimbursements tested included incorrect per diem amounts due to the incorrect system configuration, resulting in total overpayments of \$505 to employees.

Analytical Testing

During analytical testing of all meal reimbursements within the audit scope, we found that 13 additional issues out of the 942 (or 1.4%) per diem reimbursements appeared to be overpaid by \$410 out of \$209,667 in total per diems.

Recommendation to Finding 2

We recommend that the Accounting Division, in coordination with Technology Solutions Department, immediately update the meal reimbursement calculation logic in the financial

system to fully align with the Municipal Code requirements or remove the functionality of the system to calculate due to the issues.

Expense Auditors in the Accounting Division and approving managers in the Departments should thoroughly review per diem details before approval, including:

- Verifying travel start and end times against per diem eligibility criteria.
- Ensuring no meals are reimbursed on non-travel days or outside allowable time windows.
- Using supporting documentation (e.g., travel itinerary) to validate accuracy.

The City needs to determine whether to/how to address the noted issues.

Auditee Response to Finding 2

Agree Disagree Partially Agree

Accounting has coordinated with Technology Solutions and worked with Oracle on the system configuration issue. Unfortunately, per Oracle, it is not possible to configure the system exactly as we need it to be. Therefore, we will continue to work to determine whether and how to address the noted issues.

Expense Auditors in Accounting and approving Department managers will be instructed to thoroughly review per diem details before approving, including: verifying travel start and end times against per diem eligibility criteria, ensuring no meals are reimbursed on non-travel days or outside allowable time windows and using supporting documentation to validate accuracy.

Finding 3 – Issues with Expense Report Timeliness

Our review found that employee reimbursement transactions were not always processed in a timely manner. Delays occurred at multiple stages of the reimbursement process, including employee submission, managerial approval, and Expense Auditor review in the Accounting Division.

Detail Testing

Detailed testing identified that 106 out of 183 (57.9%) reimbursements, totaling \$17,414 out of \$28,077 tested, were submitted or processed late in the financial system.

- Employee Submission: 101 out of 183 (55.2%) reimbursements were not submitted within 7 working days.
- Manager Review and Approval: 4 out of 183 (2.2%) reimbursements were not reviewed and approved by the employee’s manager within 7 working days.
- Expense Auditor Review and Approval: 12 out of 183 (6.6%) reimbursements were not reviewed and approved by the Expense Auditors within 10 working days.

Analytical Testing

We performed analytical testing of reimbursements that were fully processed in the Expenses Module of the financial system and found additional timeliness issues:

- 1,481 of 2,598 (57%) reimbursements, totaling \$265,043 out of \$403,865, were not fully processed or paid within 30 days of the Expense Report Date (date expense incurred and/or travel ended).
- 604 out of 2,598 (23.2%) reimbursements, totaling \$108,279 out of \$403,865, were not even fully processed or paid within 30 days of the Expense Report Creation Date (date created in system).

We performed analytical testing of reimbursements that were not yet fully processed in the Expenses Module of the financial system as of February 5, 2026 but were created on or before September 30, 2025.

- We found 21 expense reports, totaling \$5,380 had been outstanding an average of 848 days (over 2 years).
 - 19 reports remained in “Pending manager approval” status and were stuck at the department level waiting for further processing.
 - 2 reports were in “Ready for payment” status. The associated invoices for these expense reports were cancelled in the Accounts Payable Module and no new expense reports have been resubmitted by the employee/department for these reimbursements.
- We found 2 additional expense reports in “Pending manager approval” status should be cancelled because the employees resubmitted the same reimbursement items on newer expense reports that were fully processed. Leaving these reports open creates a risk of duplicate payment if processed.

Recommendation to Finding 3

We recommend the Accounting Division update its written policies and procedures to clearly define timeliness expectations for each stage of the reimbursement process, including employee submission, manager approval, Expense Auditor review, and final posting. Policies should also outline consequences for noncompliance and be communicated to all employees and managers.

We further recommend developing automated tools within the financial system to track processing times and generate exception reports to identify delays. The Accounting Division should also investigate and resolve reimbursement reports that have not been fully processed to ensure employees are paid and immediately cancel reports containing items already reimbursed to prevent duplicate payments.

Auditee Response to Finding 3

Agree Disagree Partially Agree

Accounting will update its written policies and procedures to clearly define timeliness expectations for each stage of the reimbursement process, including employee submission, manager approval, Expense Auditor review and final posting. Consequences for noncompliance will be outlined and communicated to all employees and managers.

Accounting will explore how to automate tools and reports within the financial system to track and process times and generate exception reports to identify delays. We will also investigate and

resolve any reimbursement reports that have not been fully process to ensure employees are paid. We will also cancel reports which contain items already reimbursed.

Finding 4 – Reimbursement Invoices not Fully Processed

Our review of the interface between the Expenses and Accounts Payables Modules in the City’s financial system identified instances where employee reimbursement invoices were not properly processed. Specifically, 10 out of 1,864 (0.54%) expense reports were converted into invoices but failed budgetary validation checks in the Accounts Payables Module and remained stuck in the system. These invoices totaled \$2,550 and were all created before the end of Fiscal Year 2024/2025. As of November 14, 2025, the invoices had been pending revalidation for an average of 57 days. This indicates that neither the Accounting Division nor the responsible City departments resolved the validation errors in a timely manner to promptly reimburse the employees.

Recommendation to Finding 4

The Accounting Division should promptly process the identified pending invoices through the Accounts Payables Module to ensure employees are properly paid.

The Accounting Division should develop comprehensive written procedures for managing invoices that fail budget validation checks. These procedures should include:

- How frequently invoice validation must be reviewed.
- Responsibilities for monitoring, investigating, and resolving issues.
- Required corrective actions, such as reprocessing the transaction or initiating necessary budget transfers.

If feasible, the financial system should be configured to generate automated alerts or exception reports identifying invoices stuck in validation status, enabling timely follow-up by the Accounting Division and City departments.

Auditee Response to Finding 4

Agree Disagree Partially Agree

Accounting will promptly process the identified pending invoices through the AP module to ensure employees are properly paid. We will develop comprehensive written policies for managing invoices that fail budget validation checks. These procedures will detail how frequently invoice validation must be reviewed, who is responsible for monitoring, investigating and resolving issues and what corrective actions are required.

Accounting will explore whether the system can be configured to generate automated alerts or exception reports identifying invoices stuck in validation status.

Finding 5 – Inaccurate Employee Reimbursements Led to Overpayments

Our review identified multiple instances where employee reimbursements were calculated inaccurately, resulting in overpayments.

Detail Testing

During detailed testing of employee reimbursements, we found 3 out of 183 (1.6%) reimbursements were overpaid by a total of \$80.56 out of \$28,077 due to user-related errors:

- Unreasonable Travel: 1 reimbursement was overpaid by \$64 due to what appeared to be an unreasonably early departure time and travel hours that did not align with supporting documentation.
- Overstated Mileage: 2 reimbursements were overpaid by a total of \$16.56 due to employees overstating their miles on the submitted forms.

Analytical Testing

During analytical testing of mileage reimbursements, we identified 15 out of 919 (1.6%) mileage reimbursements were overstated, resulting in \$440.84 in overpayments out of \$94,406. Specifically:

- 3 local mileage reimbursements were overpaid by a total of \$106.19 due to incorrect amounts entered by employees when submitting the expense reports.
- 12 auto/vicinity mileage reimbursements were overpaid by a total of \$334.65, due to excessive mileage claimed by the employees and/or a lack of support for the mileage driven at the destination related to work (e.g., going between conference venue and hotel).

Recommendation to Finding 5

The Accounting Division should strengthen review controls over expense reports to detect inaccuracies before approval. These controls should include the verification of mileage calculations, confirmation of the reasonableness of travel times, and the validation of per diem eligibility. This would be enhanced by implementing policies and procedures recommended in Internal Control Weakness 1 to address these types of issues.

The City also needs to determine whether to/how to address the noted issues.

Auditee Response to Finding 5

Agree Disagree Partially Agree

Accounting will strengthen review controls over expense reports to detect inaccuracies before approval. These controls will include verification of mileage calculation, confirmation of reasonableness of travel times and validation of per diem eligibility. This effort will be enhanced by the implementation of policies and procedures recommended for Internal Control Weakness. We will also determine whether and how to address the noted issues.

Finding 6 – Issues with Employee Reimbursement Support

Our review found that some employee reimbursements were processed without adequate supporting documentation, which limited our ability to verify the legitimacy, accuracy, and appropriateness of the expenses.

- 1) During detailed testing, we identified 6 out of 183 (3.3%) employee reimbursements, totaling \$349.38 out of \$28,077 tested, were missing required documentation or included insufficient supporting information.
- 2) Analytical testing of mileage reimbursements identified 7 out of 919 (0.8%) mileage reimbursements with missing or incomplete support totaling \$198.35 out of \$94,406. Specifically:
 - a. 1 mileage reimbursement included \$30.35 in parking fees without any documentation to substantiate this expense.
 - b. 6 auto and vicinity mileage reimbursements that totaled \$168 lacked documentation showing the departure and/or arrival addresses, preventing us from recalculating and validating the mileage claimed.

The City’s Manual for Travel & Expense Reimbursement states that *“employees must submit pre-approved travel verification, any supporting documentation, and required receipts to be reimbursed.”*

Recommendation to Finding 6

The Accounting Division should review the reimbursements identified in this finding to verify they were legitimate and served a valid public purpose, and take action as needed. City policies regarding documentation requirements should be clearly communicated and consistently enforced for employees, managers, and Expense Auditors in the Accounting Division.

We also recommend that managers be reminded of their responsibility to thoroughly review supporting documentation before approving reimbursements to ensure compliance with City policy.

Finally, consistent with Internal Control Weakness 1, the City should revise and clearly define in its reimbursement policy the specific supporting documentation required for each category of expense including mileage, lodging, meals, and incidental costs. Establishing clear, standardized documentation requirements will improve consistency, compliance, and verification during the approval process.

Auditee Response to Finding 6

Agree Disagree Partially Agree

Accounting will review the reimbursements identified in this finding to verify they were legitimate and served a valid public purpose. Any action needed will be taken. City policies regarding documentation requirements will be clearly communicated to and consistently

enforced for employees, managers and Expense Auditors. Managers will be reminded of their responsibility to thoroughly review supporting documentation before approving reimbursements.

Finding 7 – Issues with Reimbursements Processed Outside the Expenses Module

Our analytical testing of invoices identified instances in which employee reimbursements were processed outside the designated Expenses Module of the financial system. We reviewed 95,209 invoices totaling over \$2.9 billion paid during the audit period. After filtering out payments unrelated to employee reimbursements, we identified 9 potential reimbursement transactions processed outside the designated Expenses Module of the financial system. Further review revealed issues with 4 payments, totaling \$3,763, were issued to employees within Court Administration (paid by City). Each payment was supported only by an internally created invoice, with no receipts, travel forms, or other documentation. Due to the lack of support, we could not verify the legitimacy, accuracy, or business purpose of these reimbursements.

The City’s Manual for Travel & Expense Reimbursement requires employees to submit pre-approved travel verification, supporting documentation, and required receipts before reimbursement. Using internally created invoices without documentation bypasses these requirements and weakens internal controls over public funds.

Recommendation to Finding 7

The Accounting Division should enforce a policy prohibiting the use of internally created invoices as the sole support for employee reimbursements. All reimbursement requests must include valid supporting documentation, such as receipts, pre-approved travel forms, mileage reimbursement forms, approved expense reports, etc., as applicable, before a payment is processed.

All City employee reimbursements should be processed through the Expenses Module of the financial system to ensure appropriate documentation, approval workflow, and audit trail. This policy should be clearly communicated to all departments.

Auditee Response to Finding 7

Agree Disagree Partially Agree

Accounting will enforce a policy prohibiting the use of internally created invoices as the sole support for employee reimbursements. All reimbursement requests must include valid supporting documents such as receipts, pre-approved travel forms, mileage reimbursement forms, approved expense reports, etc, as applicable, before a payment is processed. All reimbursements will be processed through the Expense Module of the financial system. This policy will be clearly communicated to all departments.

Finding 8 – Reimbursements that Violated City Policy

During detailed testing of 183 employee reimbursements totaling \$28,077, we identified 5 out of 183 (2.7%) reimbursements, totaling \$178, were paid to employees who did not have a valid Driver’s Certification from Risk Management on the date of travel. Two employees had no certification on file, and the other three employees completed the course after the reimbursement date. Executive Order 2024-04 prohibits employees from using privately owned vehicles for City business without a current and valid Driver’s Certification.

Recommendation to Finding 8

We recommend that the Accounting Division, in coordination with City departments, strengthen oversight of employee reimbursements by requiring supervisors and approvers to conduct thorough reviews of reimbursement requests to verify compliance with all City policies, specially related to the driver certifications.

Auditee Response to Finding 8

Agree Disagree Partially Agree

Accounting will coordinate with departments to ensure that no travel mileage reimbursement is paid to employees who do not have a valid Driver's Certification from Risk Management in place on the date(s) of travel.

Finding 9 – Employee Reimbursements with Missing or Inaccurate Categorization

Employees are required to select an expense category and type when submitting expense reports. These selections determine the expense template presented (e.g., per diem template prompts for travel times; mileage template prompts for odometer readings). This also determines the default accounting string used for posting expenses in the City’s financial records. Incorrect or missing categorization may lead to incomplete documentation, inaccurate accounting entries, and potential misclassification of expenses.

During our completeness testing of employee reimbursements paid in Fiscal Year 2024/2025, we identified questions surrounding the expense type utilized (impacts forms and support provided) for 49 out of 2,598 (or 1.89%) reimbursements, totaling \$5,550 of the total \$403,865. Further review revealed that 28 transactions totaling \$4,324 had missing or inaccurate categorizations as described below:

- 1) **Missing Category:** 1 reimbursement, totaling \$123, was missing both the expense category and type in the Expenses Module.
- 2) **Inaccurate Category:** 27 reimbursements, totaling \$4,201, were incorrectly categorized within the Expenses Module, which impacted the type of form and support provided.

Recommendation to Finding 9

Employees, the approving manager, and the Expense Auditor should ensure that the correct employee reimbursement template and expense type are selected in the financial system when processing an expense report.

Auditee Response to Finding 9

Agree Disagree Partially Agree

Accounting's Expense Auditors will work with employees and approving managers to ensure that the correct employee reimbursement template and expense type are selected in the financial system when processing an expense report.

Finding 10 – User Accounts of Terminated Employees Not Deactivated

We performed access rights testing as of October 9, 2025. At that time, there were 9,532 active user accounts within the financial system. As documented in Report 856B – Follow-Up on Electronic Funds Transfers In, we found potential issues with 469 user accounts not being properly terminated. Of the 469 user accounts, 388 accounts were locked accounts (prevents use) with read-only access. Based on these user accounts being locked with only read-only access, we cleared these items. We did find issue with the remaining 81 user accounts as noted below:

- 59 active “unlocked” user accounts were associated with terminated employees or contractors. Furthermore, we found that 17 of these 59 users accounts appear to have access rights that enable them to make changes in the system. In other words, these 17 users have more than read-only access to the City’s financial system.
- 22 user accounts were locked accounts with more than read-only access. Since their access was more than read-only, if they returned to employment and the accounts were unlocked, there is an increased risk they could have inappropriate access.

Recommendation to Finding 10

While there may be some improvements from what we have noted in the past, we continue to recommend that user access be deactivated at the system level for all terminated employees. This additional layer of defense will prevent unauthorized access to a specific system when the single sign on of a terminated employee is restored or compromised. We additionally recommend that Technology Solutions Department work with the applicable system owners (e.g., Procurement for the Procurement Module) to facilitate quarterly access rights verification by using departments to confirm that access rights are appropriate for personnel in the area and the separated and transferred employees have had access appropriately removed.

Auditee Response to Finding 10

Agree Disagree Partially Agree

Accounting will continue to work with Technology Systems to ensure access rights are reviewed quarterly and are appropriate for current employees and that access for separated and transferred employees are appropriately updated and/or removed.

Opportunity for Improvement 1– Expenses Module System Improvements

Our review of the expense report workflow in the City’s financial system identified several configuration issues that reduced efficiency and control effectiveness:

- 1) **Broken Link to City Policies:** Employees must acknowledge the City’s travel and expense policies by checking a box when submitting expense reports. However, the hyperlink labeled “I have read and accept the corporate travel and expense policies” was broken and did not direct users to the required policy documents.
- 2) **Limited Manager Visibility for Mileage Review:** When employees use the Oracle Map feature in the Expenses Module to calculate reimbursable mileage, managers were unable to open the Oracle Map in the expense report or view the departure and destination addresses during the review process. This limitation restricts the manager’s ability to validate mileage claims effectively.
- 3) **Oracle Map Configuration Issues:** We tested 15 driving scenarios to compare the mileage calculation results between Oracle Map and Google Maps. We found that 4 scenarios (26.7%) in Oracle Map produced route mileage calculations that were more than 5% shorter than the route mileage from Google Maps. Oracle Map appeared to be configured to select the shortest route (by miles) rather than the most practical (i.e., efficient) or commonly used route, which may not reflect the actual distance traveled.
- 4) **Incorrect Time Zone:** System audit logs display timestamps that are off by 5 hours (due to an incorrect time zone), reducing the reliability and usefulness of audit trail information.
- 5) **Unnecessary Odometer Fields:** The Auto Mileage template requires employees to enter odometer readings for travel mileage claims. However, employees typically use online mapping tools (e.g., Google Maps) for distance calculations, making these fields unnecessary and burdensome.

Recommendation to Opportunity for Improvement 1

We recommend that the Technology Solutions Department, in coordination with the Accounting Division, implement the following improvements:

- 1) Repair the policy hyperlink in the expense report submission screen to ensure employees can access the current City travel and expense policy.
- 2) Enhance manager review capabilities by enabling access to Oracle Map mileage details, including departure and destination addresses, during the approval process.

- 3) Review and adjust Oracle Map configuration settings to calculate mileage based on the fastest travel time or most practical route rather than the shortest distance route.
- 4) Find a way to update system time zone settings to ensure audit logs display accurate timestamps.
- 5) Streamline the Auto Mileage template by removing or making the odometer fields optional to better align with actual reimbursement practices.

Auditee Response to Opportunity for Improvement 1

Agree Disagree Partially Agree

Accounting will work with Technology Solutions to determine if the suggested improvements can and should be implemented in the financial system.

We appreciate the assistance and cooperation we received from the Accounting Division throughout the course of this audit.

Respectfully submitted,

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