

Office of the City Auditor

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

**EMPLOYEE
REIMBURSEMENTS:
STRENGTHENING AND
STREAMLINING THE
REIMBURSEMENT PROCESS**

**Report 19-05
June 2019**

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June 11, 2019

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

Employee Reimbursements: Strengthening and Streamlining the Reimbursement Process

Like other organizations, the City reimburses employees for expenses they incur while conducting City business. Common expenses include training, food and beverage, mileage, parking, professional memberships and licenses, uniforms, and supplies. In 2018, reimbursements for employees totaled \$717,000 for over 7,000 transactions.

The objective of this audit was to assess employee reimbursements for appropriateness and compliance with City policies. We audited employee reimbursements in response to a request from the City Administration.

Finding 1: Expense Reimbursements Were Generally Appropriate, But Some Processes Can Be Strengthened. While reimbursements generally appeared appropriate and in compliance with City policies, we noted some areas where City processes can be improved. We found that in 2018, some City employees received mileage reimbursements even though they may not have had a *City Driving Permit*, a requirement under City policy for such expenses. In some cases, employees had not completed a required defensive driving training to receive the permit; in other cases the City's tracking of employees who had completed the training was not accurate. Also, timekeepers did not always appropriately review mileage reimbursement requests prior to approval. We recommend that the City reconcile and better track *City Driving Permit* holders in the City's human resources management system (PeopleSoft), ensure all relevant employees obtain the *City Driving Permit*, and notify timekeepers and time-approving supervisors of their approval responsibilities in the mileage reimbursement process.

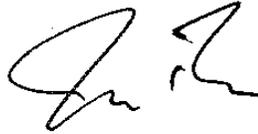
In addition, we found that the Finance Department's roster of designated approving officials was outdated, as it included individuals who were no longer employed by the City. Ensuring that this roster is current is important, because the City relies on these individuals to review and approve expenditures for appropriateness. We recommend that Finance's Accounts Payable Division develop an internal process to ensure that this roster is regularly reviewed and updated.

Finding 2: The City Can Streamline the Reimbursement Process. The authorization process for reimbursements differs across similar types of expenses and is heavily paper-based. In many instances we found that the time to approve and reimburse employees for small expenses far exceeded the reimbursement process for larger expenses. We also found that reimbursement

requests were not always submitted in a timely manner, as required under IRS guidelines. We recommend that Finance and the Office of Employee Relations review and streamline the authorization process for small dollar reimbursements. To further simplify the process, Finance should include commonly requested expense reimbursements, as well as timeliness requirements, either in the upcoming electronic travel reimbursement system or another electronic solution.

This report contains four recommendations. We will present this report at the June 20, 2019 meeting of the Public Safety, Finance, & Strategic Support Committee. We would like to thank the Finance Department, the Human Resources Department, the Office of Employee Relations, and the City Attorney's Office for their time and insight during the audit process.

Respectfully submitted,



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This report is also available online at www.sanjoseca.gov/audits

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Introduction

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2018-19 Work Plan, we have completed an audit of employee reimbursements as requested by the City Administration.

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 Office of the City Auditor thanks the Finance Department, the Human Resources Department, the City Attorney's Office, and the Office of Employee Relations for their time and insight during the audit process.

Background

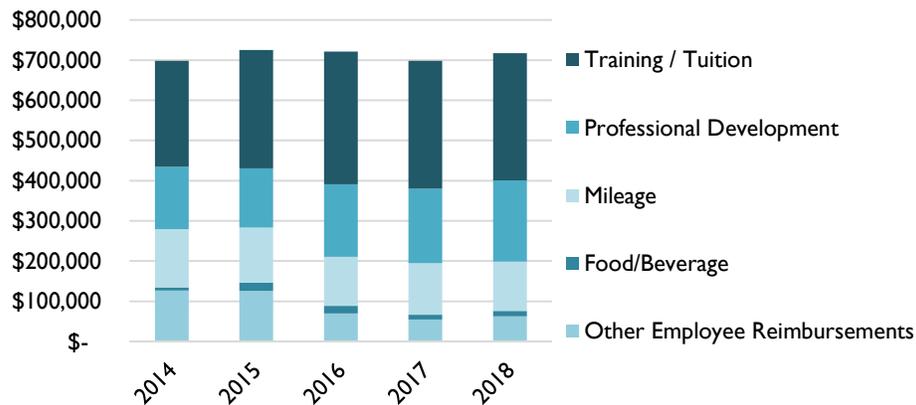
The City of San José (City) reimburses employees for expenses incurred while conducting City business. Some common expenses include: training, food and beverage, mileage, parking (e.g., for a conference or meeting), memberships, professional licenses, uniforms, and supplies.

Employees may pay for these items personally and seek reimbursement from the City. This audit looks at the type of reimbursements made to employees for such purchases.

Reimbursable Expenses Have Ranged From \$698,500 to \$725,100 Over the Past 5 Years

Total employee expense reimbursements have remained relatively steady over the past five years — from a low of \$698,500 in 2014, to a high of \$725,100 in 2015. In 2018, employee reimbursements totaled \$717,000 in about 7,000 transactions. Training, mileage, and professional development accounted for most of the expenses reimbursed.

Exhibit I: Reimbursements Have Remained Relatively Steady Over the Past 5 Years



Source: Auditor analysis of PeopleSoft data by calendar year.

There are different sets of guidance on when and how employees can be reimbursed. While there is no overarching City policy governing employee reimbursements, there are many relevant policies in the City Policy Manual (CPM) and Memoranda of Agreement (MOA) with the City’s bargaining units that guide employee reimbursements.¹ The following describes policies that guide some of the larger reimbursement categories.

- *Food and Beverage:* Purchases of food and beverages are governed by the *Food and Beverage Expenditure Policy* (CPM 5.1.5). Food and beverage purchases are allowed in limited circumstances, such as staff trainings or recognition events, with a dollar limit of \$25 per person.²
- *Training and Development:* Training and development related expenses are typically associated with various bargaining units. The *Education Reimbursement Policy* (CPM 4.3.1) allows for the City to provide non-management personnel with reimbursements for education and training related expenses, like registration, tuition, and books.

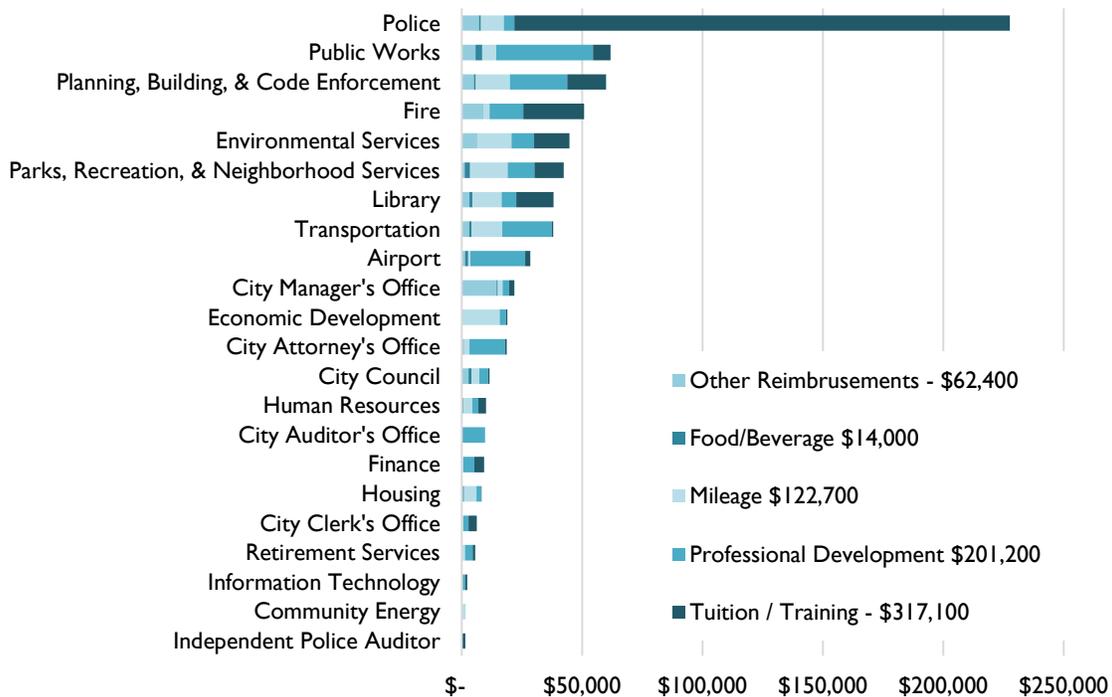
Management employees, including those in bargaining units such as the Association of Engineers and Architects (AEA) or Association of Legal Professionals of San José (ALP), have professional development programs that contain agreed-upon guidelines on allowable expenses.

¹ The City Council offices are subject to slightly different policies for their expenditures. The primary policy guiding reimbursement for expenditures of City Council funds is the *City Council Expenditure and Reimbursement Policy* (Council Policy 0-38).

² For business meals, the U.S. General Services Administration sets per diem rates for lodging and food within the continental United States. Employees can receive up to 150 percent of this rate for the meal exclusive of tax and tip. For San José, the per diem rate for 2018 is \$64 per day (\$15 – Breakfast; \$16 – Lunch; \$28 – Dinner; \$5 – Incidentals).

- **Mileage:** Employees can be reimbursed for miles driven in their personal vehicles for City purposes. The *Private Vehicle Mileage Reimbursement Policy* (CPM 1.8.3) and the *Use of City and Personal Vehicle Policy* (CPM 1.8.1) provide guidelines on when an employee would be eligible for this type of reimbursement. Further guidelines and rates are set by the Internal Revenue Service (IRS).
- **Clothing and Equipment:** The *Replacement of Clothing and Equipment Policy* (CPM 1.6.3) covers reimbursements when an employee's clothing or equipment is damaged while on the job. For instance, if a police officer were to damage their watch while apprehending a suspect, the City would reimburse the officer for the watch. Employees may also be reimbursed for special safety glasses or shoes that are necessary for their jobs. These items are usually a part of the MOAs with bargaining units and approved by the Safety Officer in the Human Resource Department (HR).
- **Other Reimbursements:** At times, employees may also be reimbursed for expenses that do not fit into any specific City policy. This category also includes some common expenses such as parking, local transportation, and tolls.

Exhibit 2: In 2018, Employees Received \$717,000 in Reimbursements for a Variety of Reasons



Source: Auditor analysis of reimbursements from PeopleSoft in 2018.

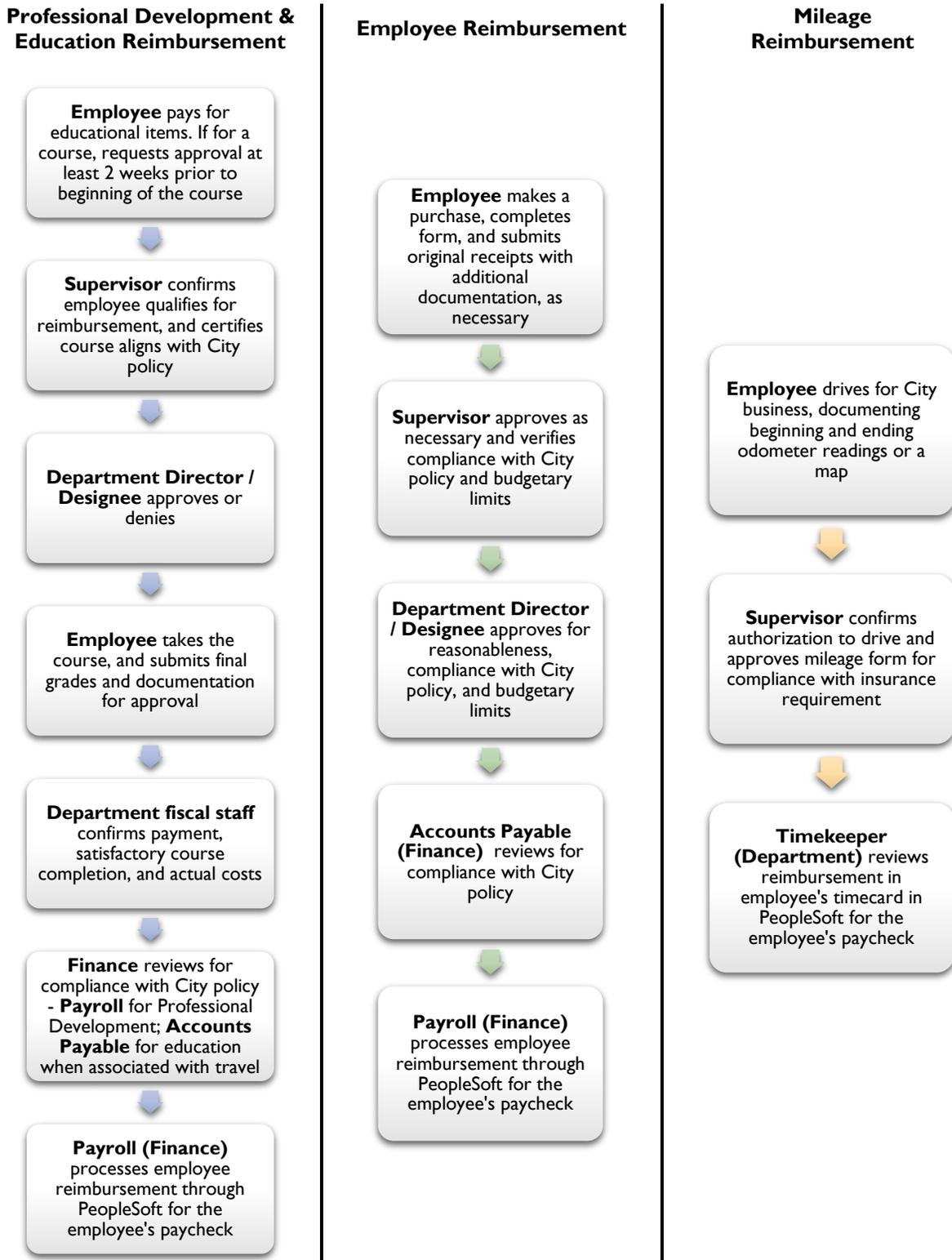
The Authorization Process Differs Between Types of Reimbursements

The Finance Department (Finance) primarily administers the City's reimbursement process, but relies on decentralized reviews of purchases by approving officials in City departments. Depending on the type of item being reimbursed, different levels of approval are necessary. There are generally three primary processes for authorizations of reimbursements:

1. **Education reimbursements** cover expenses related to education or professional development. Commonly requested items are registration fees and books.
2. **Mileage reimbursements** are solely used for reimbursement of mileage when an employee drives for City business (i.e., driving to a meeting, or to a local conference).
3. **Employee expense reimbursements** cover most other types of employee reimbursements, such as food and parking costs.

See Appendix A, B, and C for examples of forms used for these expenses.

Exhibit 3: Reimbursement Authorization Varies by Type of Reimbursement



Source: Auditor summary based on review of forms, relevant City policies, and interviews with City staff.

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Finding I Expense Reimbursements Were Generally Appropriate, But Some Processes Can Be Strengthened

Summary

While reimbursements generally appeared appropriate and in compliance with City policies, we noted some areas where City processes can be improved. We found that in 2018, some City employees received mileage reimbursements even though they may not have had a *City Driving Permit*, a requirement under City policy for such expenses. In some cases, employees had not completed a required defensive driving training to receive the permit; in other cases the City's tracking of employees that had completed the training was not accurate. Also, timekeepers did not always appropriately review mileage reimbursement requests prior to approval. We recommend that the City reconcile and better track *City Driving Permit* holders in the City's human resources management system (PeopleSoft), ensure all relevant employees obtain the *City Driving Permit*, and notify timekeepers and time-approving supervisors of their approval responsibilities in the mileage reimbursement process.

In addition, we found that the Finance Department's roster of designated approving officials was outdated, and included individuals who were no longer employed by the City. Ensuring that this roster is current is important, because the City relies on these individuals to review and approve expenditures for appropriateness. We recommend that Finance's Accounts Payable Division develop an internal process to ensure that this roster is regularly reviewed and updated.

Most Reimbursements Were in Accordance With Policy – However, Some Exceptions Were Found

We found that employee reimbursements generally appeared appropriate and were processed in accordance with relevant City policies. Specifically, we found that Finance staff appropriately reviewed the requests for reimbursement and maintained required documentation. We also saw evidence of Finance staff frequently questioning and requesting missing documentation from departments as required by City policies.

Mileage Was Reimbursed for Some Employees That Did Not Conform With Policy Requirements

Mileage is the most commonly reimbursed expense. In 2018, there were over 600 employees that received reimbursement for mileage. Expenses totaled \$122,700 from over 5,200 transactions.

To be eligible for mileage reimbursement, employees must receive a *City Driving Permit*. Specifically, the *Use of City and Personal Vehicles Policy* (CPM 1.8.1) requires employees to possess a valid driver's license, and obtain a *City Driving Permit* before driving for City business.³ Employees must complete a defensive driver's course (offered by the City)⁴ to receive this permit. This course aims to provide employees with the knowledge, skills, and techniques to prevent collisions and reduce future traffic and moving violations. Employees driving for City business are required to take this course once during their City career.

We found that 150 individuals from 20 different departments and offices across the City did not appear to possess the required *City Driving Permit* prior to receiving mileage reimbursements. This equated to \$24,000 in mileage reimbursements in 2018.

City Driving Permit Requirements Should Be Clarified for Sworn Staff

Of the 150 individuals, 14 were sworn employees from the Police Department and two were sworn employees from the Fire Department. Sworn employees receive driver trainings separately from the City's defensive driving course. For example, to be a peace officer, the California Commission on Peace Officer Standards and Training (POST) requires officers to be trained in *High Speed Vehicle Pursuits*, and *Driver Training Awareness/Driver Simulator*. Sworn police personnel also attend a 3-day driving module as part of the police academy. Similarly, sworn Fire Department personnel also receive extensive driver training in the fire academy.

Even though these sworn employees have received extensive driving instruction, the City's policy on *Use of City and Personal Vehicles* does not explicitly exempt them. Nevertheless, there is an understanding among City staff that police and fire sworn personnel are exempt from the policy.

City Driving Permit Roster May Not Be Accurate

Individuals with a *City Driving Permit* are tracked by HR in the City's human resources management system (PeopleSoft). Timekeepers and time-approving supervisors can access this information to verify that staff possess the permit prior to approving mileage requests. Some department timekeepers maintain internal records of employees who have received the *City Driving Permit*. Because department timekeepers and time-approving supervisors rely on this data to approve staff for mileage reimbursement, the accuracy of this information is important.

We found that the City's records of staff that possess the *City Driving Permit* was not up-to-date. For example, four individuals in one department who received

³ See Appendix D for the *City Driving Permit* application.

⁴ In June 2019, HR began offering an online, self-paced version of the defensive driving course.

mileage reimbursements were not listed in PeopleSoft as having a permit. Three of four employees had in fact completed the City's defensive driving course, which should have been identified in PeopleSoft as such. Once we brought this to the department's attention, the fourth individual was instructed to sign up for the defensive driving course.

HR should work with departments to reconcile and update its data in PeopleSoft for all employees that possess a *City Driving Permit*. Finally, staff who have received mileage reimbursement without a *City Driving Permit* should take the training.

Inappropriate Reimbursement for Gas Purchase

In one instance, an employee was granted reimbursement for purchasing gasoline, even though the City's *Employee Travel Policy (CPM 1.8.2)* explicitly disallows reimbursement for gas purchases for private vehicles. Per the policy:

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. Gas purchases are not reimbursable.

Even though the individual appeared to have been driving their personal vehicle on City business, they should have received reimbursement for mileage rather than gas. We have forwarded this transaction for review and appropriate follow-up to the Office of Employee Relations (OER) and Finance.

Recommendation #1: To ensure mileage is reimbursed appropriately, the Human Resources Department, in coordination with the Office of Employee Relations, should:

- a) **Develop a process to update and regularly track employees with *City Driving Permits*.**
- b) **Notify and require all identified employees without a *City Driving Permit*, who received mileage reimbursements in 2018, to complete the City's defensive driving course.**
- c) **Clarify *City Driving Permit* requirements for sworn personnel.**

Training for Timekeepers and Time-Approving Supervisors Is Important

Timekeepers and time-approving supervisors play a key role in the mileage reimbursement process. Employees are required to submit mileage reimbursement forms to timekeepers that identify the purpose of their travel and the miles traveled.

The *Private Vehicle Mileage Reimbursement Policy* (CMP 1.8.3) states:

Employees requesting mileage reimbursement shall complete the Mileage Reimbursement Claim Form [see Appendix B] and record the mileage on their electronic timecard. Claims must be submitted to the employee's supervisor and timekeeper for approval within thirty (30) calendar days of when the travel occurred.

Timekeepers are expected to verify that employees have a *City Driving Permit* and the information entered by the employee requesting reimbursement is accurate. However, some department timekeepers check for compliance, while others do not.

In one department, timekeepers did not always verify reimbursement forms against mileage reported on the employees' timecards. Often, employees would not turn in their mileage reimbursement forms to timekeepers prior to receiving mileage reimbursement. This made it difficult for timekeepers to verify that mileage was both accurate and appropriate. We understand that the City does not currently offer training on these requirements.⁵

As we will discuss in Finding 2, in May 2019, Finance released a Request for Proposal (RFP) for an electronic travel and expenses management system, which Finance intends to include a process for requesting mileage reimbursements. This could automate the mileage reimbursement workflow. However, full implementation of this system is not anticipated until at least 2020.

We should note that once the electronic travel/reimbursement system is implemented some approval and review processes may be automated. However, in the interim, Finance should notify timekeepers and time-approving supervisors of their responsibilities to ensure that staff understand the expectations and procedures in reviewing mileage requests.

Recommendation #2: The Finance Department should notify timekeepers and time-approving supervisors of their responsibilities and provide instructions on the mileage reimbursement verification process.

⁵ The City Auditor's 2009 *Audit of Pensionable Earnings and Time Reporting* highlighted the need for timekeepers and time-approving supervisors to receive training and assistance on timekeeping/earning codes. Finance is in the process of developing procedures to assist timekeepers in understanding their role and timesheet earning codes. Finance anticipates having this in place by June 2019.

Roster of Designated Approving Officials Was Outdated

Department directors are required to approve many types of reimbursements. In many instances, directors have designated an individual, or multiple individuals (designees), with the authority to approve reimbursements in their place. These designees included an Assistant Director, Deputy Director, Administrative Officer and fiscal staff. Finance reviews and approves reimbursement requests based on these approvals.

While Finance maintains a roster of designees, this roster is not regularly updated. At the time of the audit, it included individuals who do not currently work for the City, including a former Department Director who had retired over a year prior. The roster also did not reflect other organizational changes such as employees transferring across departments.

Finance's roster of designees also showed some individuals who had been designated under a previous Director. For example, in 2015 the Planning, Building, Code Enforcement Director designated a staff member as a signing authority. The Director has since retired and under the new Director, the designee of the previous director continued to be the approving official.

Finance should develop procedures to regularly update their roster of designees, and seek review from the appropriate staff as necessary.

Recommendation #3: The Finance Department's Accounts Payable Division should develop internal procedures to review and update authorized director designees, at least annually and as-needed when department directors change.

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Finding 2 The City Can Streamline the Reimbursement Process

Summary

The authorization process for reimbursements differs across similar types of expenses and is heavily paper-based. In many instances we found that the time to approve and reimburse employees for small expenses far exceeded the reimbursement process for larger expenses. We also found that reimbursement requests were not always submitted in a timely manner, as required under IRS guidelines. We recommend that Finance and the Office of Employee Relations review and streamline the authorization process for small dollar reimbursements. To further simplify the process, Finance should include commonly requested expense reimbursements, as well as timeliness requirements, either in the upcoming electronic travel reimbursement system or another electronic solution.

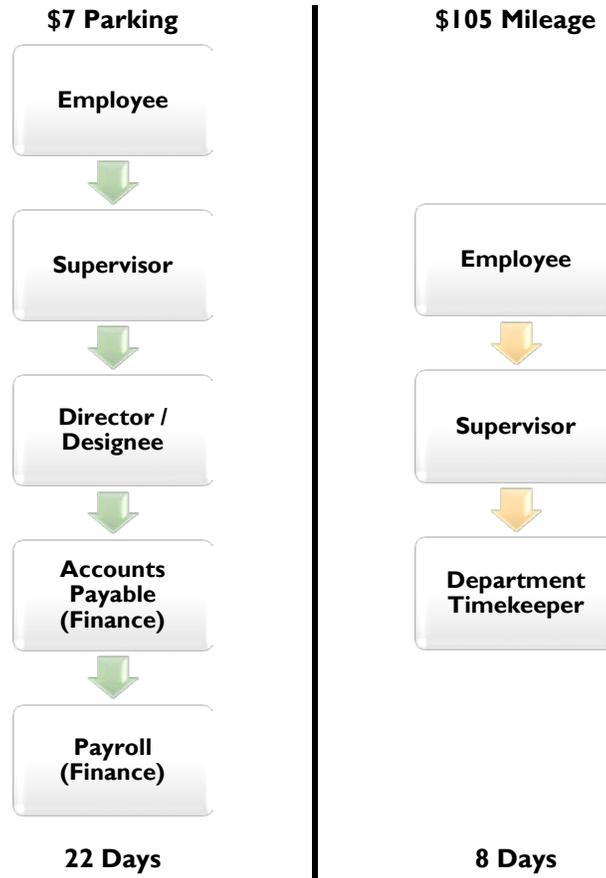
Smaller Reimbursements Take Longer to Process Than Some Larger Reimbursements

The authorization process for reimbursements differs across similar types of expenses. For example, mileage reimbursements have a simpler approval and reimbursement process than other travel-related expenses (e.g., parking, tolls, etc.).

In one example, an employee drove to a conference in Sacramento and requested mileage reimbursement for the travel (\$105). The mileage reimbursement request only required approval by the employee's supervisor. It was processed through the employee's timecard with final approval from the department timekeeper. The employee was reimbursed in the employee's next paycheck – 8 days after submitting the request.

At the same time, the employee requested reimbursement for a \$7 parking fee incurred during that travel. This request had to be approved by their supervisor and the department director/designee. It then had to go through an additional layer of approval by Finance staff. After submitting the request, it took 22 days to reimburse this \$7 expense – two weeks more than the mileage reimbursement.

Exhibit 4: Parking Reimbursement Requires More Levels of Authorization Than Mileage Reimbursement for the Same Trip



Source: Auditor analysis of reimbursement forms and staff interviews.

Other smaller dollar value reimbursements, such as tolls and local transportation (e.g., trains and ride shares), also require the longer approval process than the simpler mileage reimbursement process.

Parking, tolls, and local transportation accounted for 41 of 191 reimbursement requests reviewed in this audit (about 20 percent). The total dollar amount of these reimbursements was only \$1,265 of the \$57,165 reviewed — about two percent of the sample. Even though the average amount of a parking, toll, or local transportation reimbursement was about \$13 for each item, in many instances, the time spent by multiple approvers may have exceeded the value of these small reimbursements. In the interest of efficiency, the City should review and simplify this process.

Some Reimbursement Requests Were Not Submitted Timely

The IRS requires expense reports for travel to be filed within a reasonable time-period and provides a safe harbor of 60 days. Otherwise reimbursements may be considered taxable. We noted this requirement in our 2017 *Audit of Employee Travel Expenses*.⁶ As a result, Finance provided clarification on the timeliness requirements in the updated *Employee Travel Policy* (CPM 1.8.2). Per the revised policy:

Travel statements not submitted to Finance for processing within 60 days after the end of the employee's travel may result in the reimbursement being considered taxable income.

In the sample reviewed, there were 20 instances where reimbursement was requested for an item purchased more than 60 days prior to requesting reimbursement.⁷ In one instance, we found that an employee submitted a reimbursement request for a book that was purchased more than 100 days before. Further, we observed reimbursement requests for expenses from multiple fiscal years—including a 2018 reimbursement request of \$522.50 in tolls and parking expenses incurred between 2015 and 2017. It does not appear that these reimbursements were deemed taxable as may be required by IRS guidelines.

We have forwarded these transactions to Finance and OER for review and appropriate follow-up.

Reimbursements Are a Paper-Intensive Process That Could Benefit From an Electronic Solution

Processing employee reimbursements is a paper-intensive task that requires multiple levels of authorization. Each authorization requires a “wet signature” and paper forms. Even when the employee has obtained approval from multiple individuals, Finance may request additional documentation and corrections.

This paper reimbursement process is similar to other cumbersome processes observed in previous audits. For example, in our 2013 *Audit of Employee Travel Expenses*,⁸ we recommended that the City move to an electronic travel authorization system.

In 2018, Finance began the process of procuring an electronic solution for the travel reimbursement process. In May 2019, Finance issued the Request for Proposal for an *Electronic Travel and Expense Management Solution*. This solution could include reimbursements that are outside the travel reimbursement process.

⁶ See <http://www.sanjoseca.gov/DocumentCenter/View/73328>.

⁷ Among these purchases were parking, food, membership/licenses, and registration fees.

⁸ See <http://www.sanjoseca.gov/DocumentCenter/View/24846>.

For instance, the new electronic travel system could be leveraged for the mileage reimbursement process to allow users to document beginning and ending destinations using a map. This would show the miles traveled and automate the process.

Recommendation #4: The Finance Department should work with the Office of Employee Relations and the Information Technology Department to simplify the employee reimbursement process by:

- a) Reviewing the approval process for small dollar reimbursements (e.g., parking, tolls, and local transportation), potentially requiring a dollar threshold.
- b) Including commonly requested expense reimbursements and timeliness requirements, either in the upcoming electronic travel and expense management system or another electronic solution.

This may require updating the associated City policies to reflect the revised processes.

Conclusion

Employees are reimbursed for a variety of expenses related to City business, including professional licenses, training, and mileage. In 2018, employees were reimbursed for \$717,000 worth of expenses, with training being the largest category of reimbursement. While reimbursements generally were granted in compliance with City policy, the City can improve some processes. Lastly, using an electronic system and further streamlining workflows would benefit the employee reimbursement process.

RECOMMENDATIONS

Finding 1: Expense Reimbursements Were Generally Appropriate, But Some Processes Can Be Strengthened

Recommendation #1: To ensure mileage is reimbursed appropriately, the Human Resources Department, in coordination with the Office of Employee Relations, should:

- a) Develop a process to update and regularly track employees with *City Driving Permits*.
- b) Notify and require all identified employees without a *City Driving Permit*, who received mileage reimbursements in 2018, to complete the City's defensive driving course.
- c) Clarify *City Driving Permit* requirements for sworn personnel.

Recommendation #2: The Finance Department should notify timekeepers and time-approving supervisors of their responsibilities and provide instructions on the mileage reimbursement verification process.

Recommendation #3: The Finance Department's Accounts Payable Division should develop internal procedures to review and update authorized director designees, at least annually and as-needed when department directors change.

Finding 2: The City Can Streamline the Reimbursement Process

Recommendation #4: The Finance Department should work with the Office of Employee Relations and the Information Technology Department to simplify the employee reimbursement process by:

- a) Reviewing the approval process for small dollar reimbursements (e.g., parking, tolls, and local transportation), potentially requiring a dollar threshold.
- b) Including commonly requested expense reimbursements and timeliness requirements, either in the upcoming electronic travel and expense management system or another electronic solution.

This may require updating the associated City policies to reflect the revised processes.

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Audit Objective, Scope, and Methodology

The objective of our audit was to review employee reimbursements. This audit covers reimbursements to employees for expenses that are purchased outside of what is covered under regular audits for travel expenses and procurement cards. To meet our audit objective and understand management controls, we did the following:

- Reviewed reports from the City's payroll system (PeopleSoft) for reimbursements, stipends, and allowances granted in the past 10 years.
- To test for compliance, we sampled 191 reimbursement forms (of 1,948 transactions) for Employee Expense Reimbursements, Professional Development, and Training/Tuition Reimbursements, and eight cell phone stipend forms provided by Finance, totaling about \$57,000 in expenses.
 - We selected our sample from three different pay periods in 2018 (pay period 5 in February, pay period 10 in May, and pay period 21 in October). We selected these pay periods for review, because there were a relatively large number of reimbursements processed.
 - We reviewed reimbursement requests to determine the following:
 - Was appropriate authorization obtained?
 - Was the purchase appropriate?
 - Did the purchase follow City policy?
 - Was the reimbursement processed in a timely manner?
- Reviewed 5,276 mileage reimbursement transactions from 2018 in PeopleSoft to test for compliance with City policies (i.e., Vehicle Allowance, Private Vehicle Reimbursement, Use of City and Personal Vehicle).
- Referenced procurement card data against reimbursement data to ensure that there were no duplicate payments to employees.
- Reviewed various City policies related to employee reimbursements, including:
 - Code of Ethics (CPM 1.2.1)
 - Replacement of Clothing and Equipment (CPM 1.6.3)
 - Cellular Telephone (CPM 1.7.4)
 - Use of City and Personal Vehicle (CPM 1.8.1)
 - Employee Travel (CPM 1.8.2)
 - Private Vehicle Mileage Reimbursement (CPM 1.8.3)
 - Vehicle Allowance (CPM 1.8.4)
 - Procurement Card (CPM 5.1.2)

Audit of Employee Reimbursement

- Food and Beverage Expenditure (Non-Travel) (CPM 5.1.5)
- Procurement of Supplies, Materials, and Equipment (CPM 5.1.7)
- Training and Development policies (CPM 4.3.1; CPM 4.3.2; CPM 4.3.3; CPM 4.3.4; CPM 4.3.5; CPM 4.3.6)

Interviewed staff from the Finance Department, Office of Economic Development, Department of Public Works, Department of Human Resources, Environmental Services Department, San José Police Department, and the City Manager's Office to understand departmental management controls and internal processes.

APPENDIX A

Employee Reimbursement Form



Employee Reimbursement Form
 Finance Disbursements, 200 East Santa Clara St. - 13th Floor, San Jose, CA 95113

Employee Name _____ Employee I.D. _____

Select Department _____ Employee Position Number (for safety glasses/shoes) _____

Item Purchased (If Applicable) _____

Name of Merchant (If Applicable) _____

Type of Reimbursement / TRC	Charge Code Detail				Amount
	Fund	Dept. #	Resp Center	Detail Code	
Food & Beverage / ER2					

All Original receipts must be attached on a separate sheet of paper.
 Payment can not be made without substantiation of payment by the employee.

Total Amount
of Reimbursement

***Uniform/Equip must have attached form. The Uniform/Equip. Reimbursement Form can be found using the Forms link on the Finance intranet home page.

My SIGNATURE below indicates that I have read and understand the City's policy relating to the above expenses and that this statement complies with the policy and its intent. Also, I am verifying any expenses reported on this form were incurred by me for the purpose of City Business and were pre-approved by my manager/supervisor.

Employee Signature _____
Date

My SIGNATURE indicates that I agree with the expenses listed as necessary to conduct City business, are within budgetary limits, and are in compliance with the related City policy authorizing this reimbursement to the employee.

Manager/Supervisor Signature _____
Date Emp ID # & Printed Name

Department Director or designee approval required for expenditures. My SIGNATURE below signifies that these expenditures are reasonable, within budgetary limits, and are consistent with related City Policy.

Department Director Signature _____
Date Emp ID # & Printed Name

The approved reimbursement amount will be included on the employee's paycheck on the next regular City payday following receipt and approval by the Finance Disbursement Division. Please allow adequate time for processing prior to the close of the pay period. Reimbursement requests received by Wednesday before the close of the pay period will be on the paycheck for that pay period.

Based on the type of expenses incurred, this form may need additional approval from the Finance Director, HR Director, and/or City Manager.

Additional Approval _____
Date Date

Emp ID # & Printed Name _____
Employee ID # & Printed Name

Finance/AP - Approved By _____
Date

Note: In accordance with IRS guidelines regarding an employees reimbursement for business travel, payments to employees are issued under the City's Accountable Plan. Amounts paid meeting the requirements of an accountable plan are not wages and are not subject to income tax withholding and Medicare tax.

Rev: 9/10/2012 **Please forward approved request to Finance - Disbursements**
Finance Disbursements, 200 East Santa Clara St. - 13th Floor, San Jose, CA 95113

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APPENDIX C

Education Reimbursement Form¹

CITY OF SAN JOSE REQUEST FOR EDUCATION REIMBURSEMENT FORM						
INSTRUCTIONS – (See City Policy Manual, Section 4.3.1) 1. Complete a new education reimbursement form for each specific course 2. Attach description of course as described by Education Institution 3 Submit to Supervisor and Department Director for processing <i>no less than two weeks prior to start of course work</i> 4. If request is denied by department, employee may appeal to Human Resources Department Director, Policy, 4.3.1, Procedures, #3 5. Reimbursements for any expenses of the prior Fiscal Year must be submitted by the end of the second full pay period of July.						
SECTION 1 – INFORMATION (To be completed by Employee)						
NAME (LAST)		NAME (FIRST)		DEPARTMENT/DIVISION		
CLASSIFICATION	CLASS #	EMPL ID	SUPERVISOR	DATE EMPLOYED	EXT.	
COURSE NO. and TITLE (one form per course)			Kind of Reimbursement			
Educational Institution/Company/Professional Association (NAME)			<input type="checkbox"/> Regular Academic Units (# of Units) _____ <input type="checkbox"/> Continuing Education Units (# of CEUs) _____ <input type="checkbox"/> Workshop/Seminar <input type="checkbox"/> Conference <input type="checkbox"/> Adult Education <input type="checkbox"/> ABMEI, Examination for certification <input type="checkbox"/> Membership dues/licenses/certificates			
Relationship of Education to Present Position:						
ATTACHMENT; Complete a new education reimbursement form for each specific course <input type="checkbox"/> Regular Academic course description <input type="checkbox"/> Continuing Education course description <input type="checkbox"/> Workshop/Seminar description <input type="checkbox"/> Conference description <input type="checkbox"/> Adult Education course description <input type="checkbox"/> ABMEI, Exam for certification description <input type="checkbox"/> Membership dues/licenses/certificates description		Start Date _____ End Date _____		Estimated Costs Tuition _____ Registration _____ Books _____ Other (Specify) _____ TOTAL COSTS \$ _____		
Are you now receiving Educational Assistance from other sources? No Yes (If Yes Name Source) Amount \$ _____						
I hereby certify that the foregoing information is true and correct						
Signed: _____ <div style="display: flex; justify-content: space-between; width: 100%;"> (Applicant) (Date) </div>						
SECTION 2 – Employment Verification and Coursework APPROVAL or DISAPPROVAL (To be completed by Supervisor)						
Employment status verified as: <input type="checkbox"/> Correct <input type="checkbox"/> Incorrect <input type="checkbox"/> I hereby certify that the coursework described above fulfills the course selection requirements as detailed in the applicable MOA and the Education Reimbursement Policy, City Policy Manual, Section 4.3.1. Reimbursement approved subject to satisfactory Course completion. <input type="checkbox"/> Disapproved: Explanation <i>(If request is denied by department, employee may appeal to Human Resources Department Director, Policy, 4.3.1, Procedures, #3)</i>						
Signed: _____ <div style="display: flex; justify-content: space-between; width: 100%;"> (Supervisor) (Date) </div>						
SECTION 3 – APPROVAL or DISAPPROVAL (To be completed by Department Director)						
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved: Explanation <i>(If request is denied by department, employee may appeal to Human Resources Department Director, Policy, 4.3.1, Procedures, #3)</i>						
Signed: _____ <div style="display: flex; justify-content: space-between; width: 100%;"> (Department Director) (Date) </div>						
SECTION 4 – REIMBURSEMENT (To be completed by Department Fiscal Staff)						
Evidence of payment and satisfactory course completion <input type="checkbox"/> Yes <input type="checkbox"/> No Signed: _____ <div style="text-align: center;">(Department Fiscal Staff)</div> Date: _____			Actual Costs Tuition _____ Registration _____ Books _____ Other _____ TOTAL COST \$ _____			

Revised Date: February 17, 2012
Office of Employee Relations

¹ Note: Other forms are used for the professional development program, depending on the bargaining unit.

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APPENDIX D

City Driving Permit Application

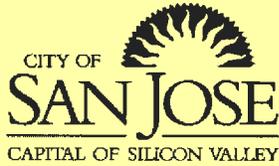


CITY OF SAN JOSE TRANSPORTATION REQUEST

APPLICANT IDENTIFICATION			
Name	Employee ID Number	Employee Status:	
Job Title	Department	<input type="checkbox"/> Permanent	
Section or Unit	Phone Extension	<input type="checkbox"/> Part Time	
CA Drivers License Number	Expiration Date	Class of License	<input type="checkbox"/> Temporary
			<input type="checkbox"/> Non-City
Have you previously been issued a City Driving Permit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Permit Number _____	
Have you completed the City's State Driver's Course or a Defensive Driving Course? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Date of Defensive Driving Course Attendance/Registration _____			
What types of vehicles do you request authorization to drive? <input type="checkbox"/> City Owned <input type="checkbox"/> Privately Owned			
If requesting authorization for driving a Privately Owned Vehicle, please provide the following insurance information listed below:			
Insurance Co. _____ Policy _____ Expiration Date _____			
Liability Coverage _____ / \$ _____ and \$ _____			
JUSTIFICATION			
Estimated miles per month on City Business _____	Estimated hours per day away from normal work station _____	Estimated number of days per month vehicle is required _____	
Official duties and activities requiring transportation: _____			
POLICY			
<input type="checkbox"/> The applicant has read CPM 1.8.1 and understands the responsibilities they have as a permitted driver for the City of San Jose.			
Signature of Applicant	Date	Department Approval	Date & Phone
HUMAN RESOURCES OFFICE USE ONLY – Permit Issuing Section			
Verification: Driver Orientation Class: <input type="checkbox"/> Yes <input type="checkbox"/> No Date of Class _____			
Permit Issued # _____			
Signature of City Safety Officer _____ Date _____			
Please return this completed form to the City Safety Officer, Human Resources – Safety Division via: Scan & email to HRSafety@SanJoseCA.Gov OR Interoffice completed form to City Hall, 4 th Floor OR Fax to (408) 993-0139			

Revised 1/2019

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Memorandum

TO: Joe Rois
Acting City Auditor

FROM: Julia H. Cooper
Director of Finance

**SUBJECT: RESPONSE TO AUDIT OF
"EMPLOYEE REIMBURSEMENTS:
STRENGTHENING AND
STREAMLINING THE
REIMBURSEMENT PROCESS"**

DATE: June 11, 2019

Approved

Date

6-11-19

The Administration has reviewed the Audit of Employee Reimbursements: Strengthening and Streamlining the Reimbursement Process and is in agreement with the recommendations identified in the report. The Administration's responses to each of the auditor's recommendations are provided in this report.

Consistent with other priority-setting processes, the City Council adopted a new framework for the Administration's response to Audit recommendations in May 2015. As with other priority processes, the green, yellow, and red light system is utilized to convey the Administration's operational readiness to undertake workload demands. Green administration responses represent items that are either in existing work plans or are part of work already underway. Yellow administration responses represent items that would take more than 40 hours including research and policy/ordinance development. Red administration responses indicate that the item is not feasible. The Administration's response to each of the Audit's recommendations is presented below employing the green, yellow, and red light system consistent with City Council direction in May 2015.

BACKGROUND

Like other organizations, the City reimburses employees for expenses they incur and pay for during the course of conducting City business. Common expenses for employee reimbursements include training, food and beverage, mileage, parking, professional memberships, licenses, and uniforms.

In accordance with the City Auditor's Fiscal Year 2017-18 Audit Work Plan, the City Auditor completed an audit of employee reimbursement expenses for purposes of evaluating employee reimbursement for appropriateness and compliance with City policy and procedures. The audit was conducted in response to a request from the City Administration.

RECOMMENDATIONS AND ADMINISTRATION'S RESPONSE

Finding #1: Expense Reimbursements Were Generally Appropriate, But Some Processes Can Be Strengthened.

Recommendation #1: To ensure mileage is reimbursed appropriately, the Human Resources Department, in coordination with the Office of Employee Relations, should:

- a) **Develop a process to update and regularly track employees with *City Driving Permits*.**
- b) **Notify and require all identified employees without a *City Driving Permit*, who received mileage reimbursements in 2018, to complete the City's defensive driving course.**
- c) **Clarify *City Driving Permit* requirements for sworn personnel.**

Administration's Response: The Administration agrees with this recommendation.

Green: The Human Resources Department and/or the Office of Employee Relations will work on the following:

#1a: The Human Resources Department has a process in place to track employees with City Driving Permits in PeopleSoft, but will review its processes and will revise as needed.

#1b: The Office of Employee Relations will require all identified employees without a City Driving Permit who had received mileage reimbursements in 2018 to complete the City's defensive driving course. The defensive driving course is moving to an online version in June 2019, which should simplify the process for employees to receive a City Driving Permit.

#1c: The Office of Employee Relations will revise the Use of City and Personal Vehicles Policy to clarify that sworn Police and Fire personnel are not required to complete the City's defensive driving course in addition to the training provided by their respective departments.

Target Date for Completion: December 2019.

Recommendation #2

The Finance Department should notify timekeepers and time-approving supervisor of their responsibilities and provide instructions on the mileage reimbursement verification process.

Administration's Response: The Administration agrees with this recommendation.

Green: The Finance Department in coordination with the Office of Employee Relations will be revising the Mileage Reimbursement Policy to incorporate new processes and procedures after the implementation of the new travel expense reimbursement software. Once the revised policy and process is in place, trainings will be provided to the timekeepers and time-approving supervisors of their responsibilities and provide instructions on the mileage reimbursement verification process.

Target Date for Completion: June 2020

Recommendation #3:

The Finance Department's Accounts Payable Division should develop internal procedures to review and update authorized director designees, at least annually and as-needed when department directors change.

Administration's Response: The Administration agrees with this recommendation.

Green: The Finance Department completed the review of authorized director designees in May 2019 and will be performing this review to update the authorized signature forms from the department directors at least annually and will update whenever there is a change in Department Directors.

Target Date for Completion: Completed in May 2019 and will be updated at least annually and when there is a change in Department Directors.

Finding #2 – The City Can Streamline the Reimbursement Process

Recommendation #4: The Finance Department should work with the Office of Employee Relations and the Information Technology Department to simplify the employee reimbursement process by:

- a) **Reviewing the approval process for small dollar reimbursements (e.g., parking, tolls, and local transportation), potentially requiring a dollar threshold.**
- b) **Including commonly requested expense reimbursements and timeliness requirements, either in the upcoming electronic travel and expense management system or another electronic solution.**

This may require updating the associated City policies to reflect the revised processes.

Administration's Response: The Administration agrees with this recommendation.

Green: The Finance Department will work with the Office of Employee Relations and Information Technology Department to simplify the employee reimbursement process by reviewing the approval process for small dollar reimbursements and potentially require a streamlined process for low dollar threshold. The Finance Department will also review the timeliness requirement and review applicable policies to identify ways to streamline the process.

The Administration believes this issue will be resolved with the implementation of the electronic travel reimbursement system which will streamline the submission and approval process. Some revisions to Policy will be considered at the time of the software implementation and deployment.

Target Date for Completion: June 2020

CONCLUSION

The audit report provides recommendations to clarify aspects of the Employee Reimbursement process and to address issues involving the Finance Department, Human Resources Department, Office of Employee Relations and the Information Technology Department. The Administration values these recommendations for opportunities to improvement in our processes and procedures. The Department would like to thank the City Auditor and staff for this operational review.


JULIA H. COOPER
Director of Finance