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Objective

Departments shall devise and implement procedures to effectively and efficiently manage the de-centralized components of the employee expense reimbursement function. Proper internal controls support compliance with administrative requirements, reduce the risk of fraud, minimize costly processing errors, and protect the assets of the State.

Risks

- o Unauthorized or unallowable travel and/or expenses
- o Duplicate payments/reimbursements
- o Fraudulent or improper reimbursements to employees
- o Non-compliance with State/Federal regulations including collective bargaining agreements, administrative bulletins, Internal Revenue Service, etc.
- o Inaccurate charges to departmental budgets or awards
- o Expenses not posted to the appropriate accounting period
- o Employees not reimbursed timely
- o Travel cash advances not (timely) recouped

Key Terms

Bulletin 3.4: Employee Travel & Expense Policy, issued by the Agency of Administration.

Expense Report: Employee submitted document used to record and request reimbursement of travel and other business expenses incurred in the performance of official duties

Reimbursement: Payment to an employee by a department for authorized and approved travel and expense claims submitted by the employee on an expense report.

Travel (Cash) Advance: Payment to an employee for estimated travel expenses to be incurred for an authorized, future trip.

Travel Authorization: Official form (paper or on-line) used to obtain prior authorization for all out-of-state (or country) travel requiring an overnight stay.

VISION Expense Module: Enterprise application used exclusively for processing employee expense reports, travel authorizations and travel advances (VISION is the State's enterprise financial management system)

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Best Practices Include

→ **Important Note: Most of these 'best practices' are <u>requirements</u> of Bulletin 3.4 and/or IRS regulations, <u>not</u> *optional* best practices.**

❖ A structured process is in place to ensure employees (and their supervisors) who travel for business, or incur other reimbursable expenses, are knowledgeable of Bulletin 3.4 and the <u>VISION expense reimbursement process</u>.

<div align="right">[Compliance]</div>

❖ Employees adhere to cost-effective purchasing practices by comparing prices among multiple vendors (*airfare, lodging, etc.*), requesting government discounts (e.g., lodging), utilizing statewide contracts (e.g., rental cars), etc.

<div align="right">[Compliance & Monitoring]</div>

❖ Promote use of the <u>State's Purchasing Card</u> (P-Card), especially for frequent travelers, as an economical and efficient alternative to employee travel advances and reimbursements.

<div align="right">[Monitoring]</div>

❖ All employee expense reimbursements are processed in the VISION Expense module, *<u>not</u> through the VISION Accounts Payable module*.

<div align="right">[Compliance & Reporting]</div>

❖ Security access to the VISION Expense Module is limited to only those employees with a legitimate business need.

<div align="right">[Safeguarding of Assets]</div>

❖ Employees are routinely reminded to submit expense reports within twenty (20) days after the completion of the travel event or incurrence of a business expense, but no less frequently than monthly. *Timely submissions are a requirement of Bulletin 3.4, and important to match the expense & activity in the same fiscal period, minimize unanticipated expenses at fiscal year-end, and comply with IRS requirements*.

<div align="right">[Compliance & Supervision]</div>

❖ Clear deadlines/procedures are established for employees submitting expense reports to facilitate timely review & approval by supervisors and expense coordinators prior to month-end closing deadlines established by the Department of Finance & Management (*and minimize the need for deletion and re-entry of expense* reports).

<div align="right">[Monitoring & Reporting]</div>

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❖ Employees submit original, detailed receipts (*as applicable*) to substantiate items and amounts submitted for reimbursement on their expense report.

[Verification & Documentation]

❖ Standard procedures are established for the routing (*how?*), review (*who?*) and retention (*where?*) of supporting documentation (e.g., expense receipts, supplemental forms) submitted by employees for their expense reports.

[Documentation]

❖ Expense reports are reviewed for accuracy, completeness, and sufficiency of supporting documentation by the employee's supervisor and departmental expense coordinator prior to approval and reimbursement.

[Approval, Verification, Compliance & Documentation]

❖ Third-party reimbursements of employee travel are managed in accordance with the intent of Bulletin 3.4, including required prior authorization (re: Authorization of Employee Expenses to be Paid by a Third-Party Organization form) and maintaining procedures for the billing, tracking, and processing of reimbursement payments from third-parties. *The potential for conflict-of-interest and duplicate reimbursements to employees are key risks to be addressed.*

[Compliance, Authorization & Reconciliation]

❖ Expense reimbursements requests related to authorized "telework" are in accordance with the requirements of the Department of Human Resources' Policy 11.9: Telework.

[Compliance & Authorization/Approval]

❖ Employees and supervisors utilize the guidance and tools provided by Fleet Management Services and Bulletin 3.4 to ensure mileage reimbursement requests are claimed at the applicable (and justifiable) 'reduced' or 'full' GSA rate.

[Supervision & Compliance]

❖ Expense coordinators utilize checklists (*see examples*) or similar job aids to facilitate effective review and approval of expense reports and travel advances.

[Approval & Compliance]

❖ Procedures exist to verify that expenses submitted for reimbursement have not been previously paid using the State's Purchasing Card (P-Card) or by direct vendor payment (VISION Accounts Payable).

[Verification & Safeguarding of Assets]

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❖ Management endorses a 'zero-tolerance' for expense reports submitted more than sixty (60) days after the expense was incurred; such requests require atypical processing, completion of the required Explanation of Late Filing form, and must be treated (*most generally*) as taxable income resulting in a "cost" to the employee and employer.

[Compliance & Monitoring]

❖ Management takes remedial action (e.g., training, education, performance expectations/evaluations) to address individual employees that routinely:

- Submit late, inaccurate or improper expense reports;
- Submit expense reports without necessary receipts and/or frequently use the Missing Receipt Declaration form;
- Fail to timely re-pay unused travel advances (i.e., amount of advance exceeded actual expenses reported).
- Fail to timely review & approve (re: *supervisors or expense coordinators)* properly submitted expense reports.

[Supervision & Monitoring]

❖ Cross-training is provided for expense coordinators' key duties to ensure expense reimbursements, travel advances, etc. can continue to be processed and VISION closing requirements met during extended absences and staff turnover.

[Separation of Duties & Compliance]

❖ Alternate approvers are set-up in the VISION Expense module for supervisors on extended absences (vacation, medical leave, etc.).

[Approval & Supervision]

❖ Out-of-state (or country) travel requiring an overnight stay is approved in advance via a formal Employee Travel Authorization form (on-line or paper-based, *as applicable*) in accordance with the specific parameters of Bulletin 3.4.

[Authorization & Compliance]

❖ Travel authorizations created in VISION are monitored/managed to ensure that related expense reports are created from applicable travel authorizations. *If no expense report is created from it, the travel authorization is cancelled so that the associated encumbrance amount is liquidated.*

[Monitoring, Reporting & Reconciliation]

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❖ Travel advances are approved, monitored and managed in accordance with the following:

- There is an approved on-line travel authorization in the VISION Expense module.
- The amount of the advance does not exceed the estimated out-of-pocket cost indicated on the travel authorization and is a minimum of $200.
- The advance is issued (paid) no sooner than 30-days prior to the start date of travel.
- Outstanding advances are actively monitored for timely recoupment…advances are applied against the employee's expense report and any amount in excess of actual expenses incurred is collected from the employee.
- Adherence to the processing requirements of VISION Procedure #9: Travel Cash Advance Management.

[Approval, Compliance, Monitoring & Reporting]

❖ Prior to employees separating from State service (or transferring to another department) outstanding travel advances are recouped and final expense reports are submitted (as applicable).

[Supervision, Verification & Safeguarding of Assets]

❖ Staff, *other than expense coordinators*, periodically conducts post-audits for a sampling of expense reports; the results of the review are reported to management and corrective action is taken for any errors or improper payments detected.

[Compliance, Separation of Duties & Monitoring]

Notices

- These best practices are intended to support the internal control framework as presented in the *Internal Control Standards: A Guide for Managers*.

- In consideration of these best practices, the objective should be on adherence and not on rationalizing ways and means for circumvention.

- Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.