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Cover photo illustration by Denver Auditor’s Office staff.
AUDITOR'S LETTER

March 3, 2022

In keeping with generally accepted government auditing standards and Auditor’s Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the “Travel Expenses” audit report issued in October 2020, we determined the Controller’s Office did not implement about half of the 11 recommendations we made in the original audit report. The office fully implemented only five recommendations. It partially implemented three recommendations and did not implement another three. Therefore, the risks associated with the audit team’s initial findings have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation.

I would like to express our sincere appreciation to the personnel in the Controller’s Office who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O'Brien, CPA
Auditor
Travel Expenses
MARCH 2022

Objective
To determine whether travel expenses contained errors or evidence of fraud, either intentional or unintentional, and to evaluate the efficiency and effectiveness of the Controller’s Office’s system for processing these transactions.

Background
The City and County of Denver has guidelines for all expending authorities, officers, employees, and contractors who travel for official business on behalf of the city. These guidelines are contained in Fiscal Accountability Rule 10.8 and a related procedure that accompanies the rule and governs travel for all city agencies.

The Controller’s Office establishes the rules for fiscal activities by maintaining the city’s Fiscal Accountability Rules.

The Controller’s Office Needed to Improve Its Monitoring of City Agencies’ Compliance with Travel Expense Rules

We uncovered missing supporting documentation and numerous instances when agencies did not comply with the city Fiscal Accountability Rule that governs travel.

We found the Controller’s Office has not updated this fiscal rule or its related procedure since 2013, and therefore, the policy and procedure do not reflect current practices. We also found:

- The Denver Fire Department does not use the city’s financial management system of record to calculate per diem amounts, and as a result, the department applies inconsistent per diems when compared to other city agencies.
- The city does not have a comprehensive communications strategy to keep employees informed of the city’s policy on expensing official travel.
- Accounts payable services staff conduct random checks, but they do not systematically monitor for key indicators that would assess agencies’ compliance with city travel rules.

Travel Cards Were Not Canceled in a Timely Manner after an Employee Left Their Job with the City

Some city employees are issued credit cards for traveling on behalf of the city, but we found accounts payable services staff did not always cancel these cards in a timely manner once some employees stopped working for the city.

FULLY IMPLEMENTED 5  PARTIALLY IMPLEMENTED 3  NOT IMPLEMENTED 3
March 3, 2022

Action Since Audit Report

Travel Expenses

11 recommendations proposed in October 2020

- 5 FULLY IMPLEMENTED
- 3 PARTIALLY IMPLEMENTED
- 3 NOT IMPLEMENTED

While the Controller’s Office implemented five recommendations we made in the “Travel Expenses” audit report, six others have yet to be acted upon or fully implemented.

The Controller’s Office removed all discontinued and inactive forms related to official travel from the city website, it required all city agencies to use the city's system of record, it revised the fiscal rule for travel and its related procedure, it created job aids and training for how to enter expense reports and calculate per diems, and it improved the monthly reconciliation process.

However, it did not take several actions to address other potential risks we identified in our original audit. Specifically:

- The Controller’s Office did not include all recommended best practices in its updated fiscal rule and related procedure.
- Neither the fiscal rule nor the related travel procedure says how often it should be reviewed.
- The office’s new communications strategy does not ensure all city employees receive regular updates about the travel policy and that they also receive information about noncompliance.
- There is no requirement for all employees to take the city’s new training course before they travel on official city business.
- The Controller’s Office has not developed, collected, monitored, and analyzed key performance metrics to determine trends in noncompliance — nor has it provided agencies with guidance on corrective action, as we recommended.

By not fully addressing all the recommendations, the Controller’s Office may be exposed to future risk.
FINDING 1 | The Controller’s Office Should Improve Its Monitoring of City Agencies’ Compliance with Travel Expense Rules.

Recommendation 1.1

UPDATE AND REGULARLY REVIEW TRAVEL POLICY – The city controller should update, revise, and regularly review Fiscal Accountability Rule 10.8 and its associated travel procedure to ensure they reflect current practices and Workday functionality. The Controller’s Office should also ensure the rule is regularly reviewed and updated in compliance with the city’s Fiscal Accountability Rule Overview. At a minimum, the following policy best practices should be added to the updated fiscal rule and procedure in detail:

- More specific requirements for submitting trip cost-estimates to agencies’ expending authorities as part of the preapproval process.
- Requirements for submitting supporting documentation to an agency approver.
- Specific designation that the agency is responsible for tracking the reconciliation and return of excess travel advances.
- Guidance on separating receipts of multiple travelers.
- Guidance for calculating travel-related mileage reimbursements.
- Guidance on where to start tracking mileage on a trip.

AGENCY ACTION

Original target date for completion: Dec. 31, 2020

The Controller’s Office updated Fiscal Accountability Rule 10.8 and its associated procedure in April 2021. The updated rule now aligns with three of the six leading practices we listed in the recommendation.

- It requires employees to submit trip cost-estimates to their agency’s expending authority as part of the preapproval process.
- It designates to each agency the responsibility of tracking and reconciling travel expenses and of returning excess travel advances.
- It includes guidance for calculating travel-related mileage reimbursements.

However, the fiscal rule and procedure still do not include:

- Requirements for submitting supporting documentation to an agency approver.
- Guidance on separating receipts of multiple travelers.
• Guidance on where to start tracking mileage.

Although neither the fiscal rule nor the procedure says how often reviews should occur, Controller’s Office staff said the documents are reviewed as needed or at least during the scheduled cycle for reviewing the city’s Fiscal Accountability Rules.

Because the fiscal rule and procedure do not align with all six leading practices listed in the recommendation, we consider this recommendation only partially implemented.

**Recommendation 1.2**

**REQUIRE WORKDAY FOR TRAVEL EXPENSING** – The city controller should require all city agencies to use the city’s system of record, Workday, instead of manual or other electronic forms for the entire travel expense cycle — including:

• Spend authorizations if used for budget or preapprovals.
• Expense recording.
• Approvals for expense reimbursement or payment.

**AGENCY ACTION**

**Original target date for completion: July 16, 2018**

The Controller’s Office said it implemented this recommendation in July 2018 — before the original audit began — but we found it was not fully implemented until staff updated Fiscal Accountability Rule 10.8 in April 2021. The update now says employees should use Workday for travel spending authorizations, expense reporting, and expense reimbursement or payment approvals.¹

The revised fiscal rule also includes links to updated Workday job aids and describes the process for spend authorizations and recording expenses. Therefore, we consider this recommendation fully implemented.

**Recommendation 1.3**

**REMOVE ALL DISCONTINUED AND INACTIVE FORMS** – The director of the Financial Services Division in the Controller’s Office should, upon regular review of Fiscal Accountability Rule 10.8 and on an ongoing basis, remove all discontinued and inactive forms

### Recommendation 1.4

**ENSURE CONSISTENT CALCULATIONS FOR PER DIEMS** – The accounts payable services team in the Controller's Office should work with the Denver Fire Department to bring the department’s wildland firefighting per diem calculation into Workday. The team should also ensure per diem rates are calculated consistently across all city agencies.

<table>
<thead>
<tr>
<th>AGENCY ACTION</th>
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<tbody>
<tr>
<td><strong>Original target date for completion: Jan. 1, 2021</strong></td>
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<tr>
<td>Controller's Office staff spoke directly with the Denver Fire Department, and the fire department agreed to instruct its wildland firefighters to calculate per diem rates using Workday, the city's system of record.</td>
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<tr>
<td>We reviewed Workday travel expense reports from February 2021 through May 2021 to see whether per diem rates were calculated correctly. We found that wildland firefighters used Workday to calculate their per diem, which resulted in location-specific rates. We easily tracked and identified the accurate per diem rate for each travel expense in every fire department expense report.</td>
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<td>Regarding the second part of the recommendation: Unlike the fire department, the travel expenses reported from other agencies were not easy for us to track and identify. After reviewing expense reports for the agencies we analyzed during the original audit report — Denver International Airport, Denver Economic Development &amp; Opportunity, and Denver Human Services — we found they still do not use Workday in all cases to calculate location-specific per diem rates. This results in inconsistencies in expense reporting within and across city agencies.</td>
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<tr>
<td>Furthermore, the expense reports we reviewed often lacked key information, such as travel locations and duration. It is possible for travel expenses to vary if certain expenses are included during the trip. The procedure for</td>
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Fiscal Accountability Rule 10.8 says a per diem should be adjusted if meals are included in conference registration or paid for by others. Although deductions could explain some inconsistencies, they do not explain them all — and key information is still lacking.

Because the Controller’s Office is not ensuring per diem rates are calculated consistently across all city agencies, we consider this recommendation only partially implemented.

**Recommendation 1.5**

**SPECIFY WORKDAY USE AND APPROPRIATE PER DIEM RATE** – The accounts payable services team in the Controller’s Office should clearly state in Fiscal Accountability Rule 10.8 and its associated procedure that Workday is to be used to enter per diem amounts and that location-specific U.S. General Services Administration rates — which include the higher rate when traveling to a specific city or county that has a higher rate — must be used for all employees.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2020**

The Controller’s Office updated the fiscal rule and associated procedure in April 2021. The procedure now says U.S. General Services Administration rates are used to calculate per diem rates. It also establishes that Workday, the city’s system of record, should be used to submit all travel expenses.

Additionally, the updated rule says it and its associated procedure apply to “all officers, employees, and contractors who travel and conduct business on behalf of the City and County of Denver.”

Therefore, we consider this recommendation fully implemented.

**Recommendation 1.6**

**IMPROVE EMPLOYEES’ AWARENESS OF WORKDAY FUNCTIONALITY** – The accounts payable services team in the Controller’s Office should improve job aids and other trainings available to city employees about how to enter per diem amounts in Workday. Specifically, there should be more detail about how to enter per diem amounts when traveling to multiple destinations.

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2 City and County of Denver, Fiscal Accountability Rules, “Travel Procedure” (last revised 2021).
3 “Travel Procedure” (last revised 2021).
destinations during the same trip and how to remove specific meals from daily per diem rates.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2020**

We reviewed the most recent version of the city’s job aid for creating expense reports and noticed the Controller’s Office added a new screenshot that shows how to enter a destination. The Controller’s Office has created a training course to show employees how to enter multiple destinations during the same trip and remove specific meals from daily per diem calculations. Therefore, we consider this recommendation fully implemented.

The new training course in Workday Learning, the city’s online training platform, focuses on expense reports for travel and uses instructions and visuals to thoroughly describe the process for calculating per diem amounts. It provides more detail about the specific function in Workday that automatically records and calculates per diem rates for multiple destinations, which is not outlined in the job aid.

Because the job aid is a quick point of reference, it would help employees if its contents mirrored the more-detailed instructions in the Workday training course or, at a minimum, referenced the training for these specific points, so that employees know where to get detailed guidance.

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**Recommendation 1.7**

**DEVELOP COMMUNICATIONS STRATEGY** – The Controller’s Office should work with the Department of Finance to develop a comprehensive communications strategy and use multiple communications channels to inform all city employees who could be subject to travel about the details of Fiscal Accountability Rule 10.8 and its related procedure. The strategy should include regular communications to employees that update and remind them of travel rules and inform them of issues that Controller’s Office staff identify as problems when analyzing travel performance measures throughout the year.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2020**

The Controller’s Office developed a one-page flowchart that outlines multiple ways to inform city employees about updates to Fiscal Accountability Rule 10.8 and its related procedure. Although the strategy
provides detail on how the Controller’s Office uses various modes of communication — including the Financial Network email list, the weekly Denver Employee Bulletin, and direct outreach to agencies — the strategy does not ensure all city employees receive the relevant updates.

According to the flowchart, the Controller’s Office informs all employees about the updated fiscal rule using both the Denver Employee Bulletin and the Financial Network email list, but it communicates updates to the travel procedure only through the Financial Network.

Unless all city employees sign up to receive the Financial Network emails, the travel procedure updates will reach only a limited number of employees. We encourage the Controller’s Office to reconsider how its strategy can reach as many people as possible.

The original recommendation also called for the strategy to include “regular” communications. The Controller’s Office added a timeline to the strategy that requires sending travel reminders during the first quarter of each fiscal year and updates about per diem rates in October. However, these communications also occur only through the Financial Network, limiting their reach.

Finally, the strategy does not ensure all employees receive information about issues of noncompliance. According to the strategy, the Controller’s Office uses direct outreach to agencies to send information about noncompliance with the travel rule and related procedure. But the strategy includes no detail on how the Controller’s Office ensures agencies then notify their staff. The office provided no additional evidence, such as a policy or guidance, that advises agencies on how to relay this information.

Therefore, the strategy needs several improvements before it can be considered effective at ensuring all employees receive the same information updates regularly and that they also learn about noncompliance issues. As a result, we consider this recommendation only partially implemented.

**Recommendation 1.8**

**DEVELOP TRAVEL TRAINING** – The Controller’s Office should develop a travel training that every city employee is required by policy to take when planning to travel on official business for the city. This training should be completed as part of onboard training or before an employee takes their first trip.

**AGENCY ACTION**

Original target date for completion: Jan. 31, 2021

In Workday Learning, the city’s online training platform, the Controller’s
Office created a new course that focuses on expense reports for travel. However, we found no requirement that all city employees take the training when they plan to travel on official city business.

Although the Controller’s Office said the revised Fiscal Accountability Rule 10.8 would require employees to take the training before they travel, we found no such requirement in either the rule or its associated procedure. Also, the office provided no additional evidence — such as a separate policy or guidance — that informs agencies or city employees that the training is required.

Furthermore, none of the Denver Employee Bulletins or Financial Network communications from October 2020 through November 2021 mention the Controller’s Office notifying city employees about the Workday travel training, nor did they mention any requirement that employees take the new training. We asked the Controller’s Office how many city employees took the training in 2021, but the office did not provide this information.

As a result, we consider this recommendation not implemented.

Recommendation 1.9  

**USE KEY PERFORMANCE METRICS TO MEASURE AGENCIES’ COMPLIANCE** – The accounts payable services team in the Controller’s Office should develop, collect, monitor, and analyze key performance metrics to measure city agencies and employees’ compliance with Fiscal Accountability Rule 10.8 and its associated procedure. At a minimum, metrics should include performance measures such as:

- Obtaining documented preapproval or spend authorization for travel.
- Submitting expenditures for reimbursement within 30 days.
- Providing sufficient supporting documentation.

**AGENCY ACTION**

**Original target date for completion: Jan. 31, 2021**

Although the Controller’s Office revised its target date to March 2021 for completing action on this recommendation, it still has not developed performance metrics or identified an automated solution to measure compliance with Fiscal Accountability Rule 10.8. As a result, it cannot collect and monitor city agencies’ and employees’ compliance with the fiscal rule and its associated procedure.

Therefore, we consider this recommendation not implemented.
Recommendation 1.10

COMMUNICATE NONCOMPLIANCE QUARTERLY – Using the Financial Network email list or other targeted emails, the Controller’s Office should communicate at least quarterly any trends in noncompliance and provide guidance on the corrective action needed for agencies to comply with Fiscal Accountability Rule 10.8 and its associated procedure.

AGENCY ACTION

Original target date for completion: Jan. 31, 2021

We consider this recommendation not implemented, because the Controller’s Office did not develop performance metrics as we recommended in Recommendation 1.9.

Until it develops and collects the necessary metrics, the Controller’s Office cannot analyze that information to identify trends in noncompliance and determine how much guidance or corrective action is needed and then communicate that to city staff.
FINDING 2 | Travel Cards Are Not Canceled in a Timely Manner after an Employee Leaves Their Job with the City

Recommendation 2.1

REVIEW CONTROLS FOR TRAVEL CARD RECONCILIATION – The accounts payable services team in the Controller's Office should evaluate and improve its monthly process for ensuring travel cards are canceled in a timely manner after an employee ceases to work for the city. Supporting documentation for this reconciliation should be retained. The team should also ensure all travel cards listed in Workday are accounted for in Citibank’s system and that all cards listed in the Citibank system are accounted for in Workday.

AGENCY ACTION

Original target date for completion: Nov. 30, 2020

At the time of the original audit, Controller’s Office staff said they implemented a monthly reconciliation process in late 2019 to prevent instances of late travel card cancellations, but they did not provide us with documentation.

The office has since improved its monthly process to ensure travel cards are deactivated when appropriate. First, the office documents the monthly reconciliation process with a spreadsheet that tracks and manages the data needed. At the end of the month, staff save the spreadsheet. We observed this process to be consistent and detailed across the four months we reviewed. Second, staff use the data to compare Citibank’s and Workday’s systems to ensure they are the same.

We found that all travel cards listed in the Citibank system are accounted for in Workday. Therefore, we consider this recommendation fully implemented.
The Auditor of the City and County of Denver is independently elected by the residents of Denver. He is responsible for examining and evaluating the operations of city agencies and contractors for the purpose of ensuring the proper and efficient use of city resources. He also provides other audit services and information to City Council, the mayor, and the public to improve all aspects of Denver’s government.

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