**INTERNAL CONTROLS OVER EMPLOYEE EXPENSE REPORTS**

**AUDIT PROGRAM**

This audit program may be used to support the Business Unit’s assessment of internal controls in this area. Please describe the controls in place, the testing done to determine whether the controls are working as intended and the results of this testing. Also, if the Business Unit identifies a lack of controls or any weaknesses in established controls, include a plan for corrective action or identify any compensating controls.

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| **Control Objective and Activities** | **Testing** | **Results of Testing; Corrective Action Plan or Compensating Controls for Weaknesses Identified** |
| 1. **Business Unit obtains appropriate support for all employee expense payments, which should include verifying the following:**    1. **Expense reports are fully completed and include all required supporting documentation.**    2. **Supporting documentation adequately supports each employee expense payment.** | 1. Review the Business Unit’s written policies and procedures related to Objective A. (Note: In the absence of such guidance, determine whether the Business Unit’s daily activities address this objective.)    1. Ensure policies and procedures comply with applicable laws, rules and regulations (e.g., [Chapter XIII of the Guide to Financial Operations](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xiii/xiii1-employee-expense-reimbursement-overview), [OSC Travel Manual](https://www.osc.state.ny.us/files/state-agencies/travel/pdf/agencies-travel-manual-attachment.pdf)).    2. For a representative sample of employee expense payments, determine whether the Business Unit retained all documentation the employee was required to provide (e.g., fully completed expense reports, applicable receipts, statement of need).       1. If the Business Unit retains records via electronic media only, determine if the Business Unit has a Record Disposition Request form (REC-3) with an authorized signature from the New York State Archives to destroy original documents. 2. For a representative sample of employee expense payments, determine if the documentation retained by the Business Unit adequately supports the payment of the expense.    1. This could include obtaining independent verification of the legitimacy of the supporting documentation (e.g., receipts) provided.   Document material exceptions and review with management. |  |
| 1. **Business Unit ensures expense reports are submitted timely and, where applicable, corresponding travel card charges are reconciled timely, and also has a process that includes:**    1. **Identifying and addressing untimely transactions.** | 1. Review the Business Unit’s written policies and procedures related to Objective B. (Note: In the absence of such guidance, determine whether the Business Unit’s daily activities address this objective.)    1. Ensure policies and procedures comply with applicable laws, rules and regulations (e.g., [Chapter XIII.2.A](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xiii/xiii2-overview) and [Chapter XIII.4.A](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xiii/xiii4a-employee-travel-card-reconciliation) of the Guide to Financial Operations).    2. For a representative sample of transactions (i.e., expense reports, travel card charges), determine whether the Business Unit has complied with its policies and procedures for handling untimely expense reports and travel card reconciliations. 2. Determine whether the Business Unit’s procedures effectively identify untimely transactions.    1. Analyze the expense date and the date the expense report was submitted for approval.    2. Analyze unreconciled travel card charges (the Travel Card Aging Report is available in SFS to identify these charges).   Document material exceptions and review with management. |  |
| 1. **Business Unit ensures all authorized travel is in the best interest of the State and has a process that includes verifying the following:** 2. **The traveler claimed expenses that are actual, reasonable and necessary.** 3. **The traveler incurred expenses on official business.** 4. **The traveler used the most economical method of travel.** 5. **The traveler reimbursed any monies owed to the State.** | 1. Review the Business Unit’s written policies and procedures related to Objective C. (Note: In the absence of such guidance, determine whether the Business Unit’s daily activities address this objective.)    1. Determine whether policies and procedures related to reviewing travel expense reports are readily available to Business Unit staff who process travel payments.    2. Ensure travelers and anyone processing travel payments are educated on travel rules and regulations and that travel criteria is readily available to them.    3. Ensure policies and procedures comply with applicable travel rules and regulations (e.g., NYCRR Title 2, Chapter 1, Part 8; [Chapter XIII of the Guide to Financial Operations](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xiii/xiii1-employee-expense-reimbursement-overview), [OSC Travel Manual](https://www.osc.state.ny.us/files/state-agencies/travel/pdf/agencies-travel-manual-attachment.pdf)).    4. For a representative sample of travel expense payments, ensure expense reports have the appropriate approvals consistent with the Business Unit’s policy. 2. For a representative sample of travel expense payments, verify the following:    1. Travel expense reports include only those expenses the employee incurred, or is entitled to receive through collective bargaining agreements, while conducting official State business.       1. If the traveler inappropriately used the travel card for expenses he/she was not entitled to receive, ensure those expenses were deducted on the expense report and the traveler reimbursed the State timely, as necessary.    2. Expenses are claimed when the traveler is in travel status (i.e., more than 35 miles from both home and official station).    3. Allowances for meals, lodging, and extra meals are appropriate (e.g., verify actual work start and end time).    4. Approval to exceed allowable per diem/hotel rates was obtained from the finance office prior to travel.    5. Per diem meal allowances are appropriate based on the date, time and destination of travel.    6. Mileage reimbursement was calculated using the correct rate and mileage appears reasonable based on the locations of travel.    7. Transportation expenses (e.g., airline, train, bus, and rental car) are appropriate and the most economical, which includes verifying the following: dates and destinations on tickets and receipts coincide with dates and destinations on the expense report; the traveler provided accurate receipts for expenses; and the traveler did not claim more than one mode of transportation for the same leg of the trip (e.g., purchased both an airline ticket and a train ticket to go to Buffalo).    8. Toll/rental car receipts agree with the departure and arrival times claimed on the expense report.    9. Incidental expenses are appropriate, reasonable, and adequately supported by receipts.    10. All travel card charges related to the trip have been reconciled.   Document material exceptions and review with management. |  |
| 1. **Business Unit ensures non-travel (i.e., moving expenses, tuition reimbursement, etc.) employee expense payments are appropriate.** | 1. Review the Business Unit’s written policies and procedures related to Objective D. (Note: In the absence of such guidance, determine whether the Business Unit’s practice addresses this objective.) 2. Determine whether these policies and procedures comply with applicable laws, rules and regulations (e.g., [Chapter XIII of the Guide to Financial Operations](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xiii/xiii1-employee-expense-reimbursement-overview)) and are readily available to staff. 3. For a representative sample of non-travel employee expense payments, ensure expense reports have appropriate approvals consistent with the Business Unit’s policy. 4. For a representative sample of non-travel employee expense payments, verify these payments are appropriate and that, where applicable, taxable expenses were properly recorded. 5. For moving expenses, verify expenses are only paid to an employee active in the State payroll system.    * 1. Ensure the taxability of moving expense reimbursements is appropriately accounted for. For example, if the mileage rate paid exceeds the maximum rate allowed by the IRS for Personal Car Mileage, the excess amount is taxable ([GFO XIII.8.A](https://www.osc.state.ny.us/state-agencies/gfo/chapter-xiii/xiii8a-moving-expense-reimbursements)). 6. For tuition reimbursement, ensure payments are made according to the rules outlined in the applicable collective bargaining agreement. 7. For professional dues, ensure the payments provide a benefit to the Business Unit. 8. For miscellaneous expenses, ensure the employer has authorized the claim prior to the employee incurring the cost.   Document material exceptions and review with management. |  |
| 1. **Business Unit ensures employee expenses are approved by authorized personnel that includes verifying the following:** 2. **Staff who approve expense reports have been authorized to do so by the agency head or his/her designee.** 3. **Incompatible duties are segregated - the creator of the expense report (i.e., the employee or the employee’s proxy) is not the same as the expense report approver (i.e., employee’s supervisor, finance office approver, etc.).** | 1. For a representative sample of expense reports, verify the following:    1. The person who approved the expense report was authorized to do so.    2. The creator of the expense report is different from the approver(s).       1. SFS users can see this in action history on the expense report. For Business Units that do not directly enter employee expense reimbursements into SFS, a similar test should be designed based on its employee expense approval process.   Document material exceptions and review with management. |  |
| 1. **Business Unit ensures expense report authorizers and creators are not sharing User IDs.** | 1. Review time sheets for a sample of expense report authorizers and expense report creators to determine what days they were not present at work. Review use of SFS user IDs for those dates and times to determine whether the user ID of any expense report authorizer or expense report creator was used when the corresponding employee was out of the office. This may indicate Business Unit users are sharing their user IDs. Follow up on any inconsistencies to determine if ID sharing is taking place.   Document material exceptions and review with management. |  |