



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#120082

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DATE: 05/19/2015

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF MILEAGE REIMBURSED TO COUNTY EMPLOYEES**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the review of mileage reimbursed to County employees.

BACKGROUND:

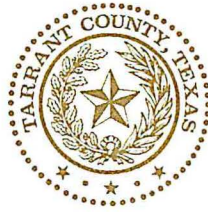
In accordance with Local Government Code, Subchapter A, §115.001, Examination of Records, and §115.002, Examination of Books and Reports, the Auditor's Office reviewed the accuracy of mileage reimbursements made to employees during the period of July 1, 2014 to January 31, 2015.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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April 13, 2015

Mr. G.K. Maenius, County Administrator
The Honorable District Judges
The Honorable Commissioner's Court
Tarrant County, Texas

Re: Auditor's Report – Review of Mileage Reimbursed to County Employees

SUMMARY

In accordance with Local Government Code, Subchapter A, §115.001, *Examination of Records*, and §115.002, *Examination of Books and Reports*, we reviewed the accuracy of mileage reimbursements made to employees during the period of July 1, 2014 to January 31, 2015. As a result, we identified the following issues that require management's attention:

Observation 1 Mileage reimbursed to some employees may not be in full compliance with IRS Publication 463.

Observation 2 Management's review and subsequent approval of mileage was not adequate.

Attached is management's response.

BACKGROUND AND METHODOLOGY

It is the responsibility of departmental management to ensure that time and mileage entered into the SAP Employee Self-Serve (ESS) Timesheet is accurate. Employees who incur a lot of mileage due to their job duties will oftentimes record the *total* miles driven during a period of time in lieu of the number of miles driven *each day*. For example, an employee may record 300 miles and indicate "mileage during July 2014" in the ESS Timesheet text field. Also, employees may not record a description or purpose of the mileage in the ESS text field. In these cases, the employees should maintain detailed documentation showing the number of miles driven each day, the destination(s), and the purpose of the mileage. We judgmentally selected 65 employees from nine County departments for detailed testing to determine whether mileage was accurately paid.

During the period of July 1, 2014 through January 31, 2015, the County reimbursed employees \$293,980 for 478,250 miles through ESS. Seventeen employees were reimbursed for more than 5,000 miles during the review period. Sixteen of these employees were from Juvenile Services and one employee was from Public Health.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 – Mileage reimbursed to some employees may not be in full compliance with IRS Publication 463.

Background

Chapter 4 of Internal Revenue Service Publication 463 states, “Daily transportation expenses you incur while traveling from home to one or more regular places of business are generally nondeductible commuting expenses.” The Publication also states that commuting expenses are not deductible between home and a regular place of work.

Observations

Mileage reimbursed to some employees may not be in full compliance with IRS Publication 463. We identified certain County employees who did not deduct their normal commuting mileage from mileage requested for reimbursement. Specifically:

1. An employee at Human Services was reimbursed for miles driven to the downtown Administration Building most workdays on the way home from the Resource Connection. His normal commute home is about 18 miles. The stop downtown adds an additional 1.1 miles to his commute. The employee requested mileage reimbursement for 10 miles, the distance between Human Services and the Administration Building, almost every work day since May 2012. Since then, the employee was overpaid approximately \$2,800 for mileage.
2. Six employees at the Texas A&M AgriLife Extension Office were reimbursed for 12,198 miles in the amount of approximately \$6,800 during the seven-month audit period. We could not quantify the mileage overpaid to staff since they typically recorded miles into ESS in “total” with an abbreviated short text describing the purpose of the mileage. For example, the short text may indicate “July mileage.” Detailed *daily* logs are maintained to support the total miles recorded into ESS. To quantify the total amount overpaid, each individual daily log requires an extensive review. According to management, employees will oftentimes go directly to a meeting rather than go to the office beforehand.

This condition occurred because management was not aware of the IRS pronouncement regarding commuting expenses. Furthermore, the County’s Travel Policy does not address IRS requirements.

Recommendations

We recommend that the Tarrant County Travel Policy be amended to include the IRS requirement of deducting commuting miles between an employee’s home and regular place of business. The revised policy should be distributed to all County department heads and elected officials. County department heads should ensure that their staff understands the policy.

Observation 2 – Management's review and subsequent approval of mileage was not adequate.

Observations

We found a number of instances where management's review and approval of mileage was not adequate. Specifically:

1. An employee at Juvenile Services recorded 488 miles into ESS for reimbursement. According to supporting documentation, the employee actually drove only 48 miles. The supervisor who approved the mileage did not detect this error. As a result, the employee was overpaid \$246.40. Upon communication of this error to management and the employee, the employee agreed to reimburse the County through payroll deduction. This payroll deduction occurred on February 20, 2015.
2. An employee at the Public Health Department WIC was incorrectly paid for mileage. Based on current procedures, the Administrative Assistant records mileage into each employee's ESS Timesheet upon receipt of detailed documentation from the employee. The Administrative Assistant entered 419 miles into ESS for an incorrect employee. As a result, the incorrect employee was overpaid \$234.64. Upon communication of this error to management and the employee, the employee agreed to reimburse the County through payroll deduction. This payroll deduction occurred on March 6, 2015.
3. There were nine instances where mileage paid to Public Health Adult Health staff did not agree with supporting documentation. This occurred because the manager approves the individual weekly mileage logs, but he did not compare the mileage logs to the actual miles recorded into ESS for reimbursement. In some instances the mileage reimbursed to an employee was *more* than the miles recorded on the employee's weekly mileage logs, and in some instances the mileage reimbursed to the employee was *less*. This may have occurred because of timing differences.
4. The accuracy of the mileage reimbursed to four IT staff could not be verified. Upon further review, we observed that IT staff typically recorded only the *ticket number* into ESS rather than the purpose of the mileage and the originating and final destination. With only the ticket number, it is impossible for the manager to determine whether miles recorded in ESS are accurate, especially since some IT staff office in multiple County buildings. During the audit period, IT staff recorded approximately 10,390 miles for reimbursement totaling \$5,818.01.

As stated in the Background section of this report, we observed that employees from Juvenile Services, Public Health, and even some smaller County departments, will oftentimes record *total* miles driven during a given period of time into ESS, in lieu of the number of miles driven each day. If the employee records mileage into ESS in total, then the employee maintains a *manual* log detailing the actual day(s) the mileage was incurred, the number of miles, and the purpose of miles. This makes it more difficult not only for the manager, but also for the Auditor's Office, to verify the accuracy of the mileage recorded by the employee.

Furthermore, the County's Travel Policy does not include guidance related to the documentation of mileage and management's review.

Recommendations

Management should ensure that mileage recorded by employees is accurate before approving reimbursement to employees. Specifically, management should compare supporting documentation, such as mileage logs, with the miles entered into ESS. If detailed mileage logs are not maintained, then the information in ESS describing the purpose of the mileage should be sufficient for the manager to verify the accuracy of the number of miles requested for reimbursement.

Ideally, employees should record the miles driven on the specific day(s) they traveled into ESS. If a department head does not require its employees to do so, an electronic log using Excel should be maintained that shows detailed mileage for each employee. Specifically, this electronic log should include the employee's name and personnel number, the date(s) the mileage occurred, the destination(s) and purpose of the trip(s), and the total miles driven each day, at a minimum. The employee logs must be maintained *at least* for the current fiscal year plus three additional fiscal years to comply with the state's records retention requirements. The employee logs must also be available upon request of the Auditor's Office.

We also recommend that the County's Travel Policy be amended to include both the employee and management's responsibility related to the documentation of mileage. The policy should be distributed to all elected officials and County department heads. Elected officials and department heads should ensure that their staff understands the policy.

CLOSING REMARKS

We appreciate the responsiveness and cooperation of County staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment:

Management response

Team:

Kim Trussell, Audit Manager
Maki Ogata, Senior Internal Auditor

Distribution:

Julie Parks, Interim Director, Human Services
Joan Jacobsen, County Extension Director
Vinny Taneja, Director, Public Health
Randy Turner, Director, Juvenile Services
Christopher Nchopa Ayafor, Chief Information Officer, Information Technologies



TARRANT COUNTY COMMISSIONERS COURT

G. K. MAENIUS
COUNTY ADMINISTRATOR

May 19, 2015

MEMORANDUM

To: Tarrant County Commissioners Court

FROM: G. K. Maenius

SUBJECT: Response to Auditor's Report – Review of Mileage Reimbursed to County Employees

My office is in receipt of the County Auditor's Report concerning the "Review of Mileage Reimbursed to County Employees." We appreciate the Auditor's efforts to insure that the County is in compliance with federal mileage regulations and that there is adequate detail in mileage reimbursement requests to justify the expenditure of County funds. The Auditor's Report included two (2) observations that will be addressed.

In Observation 1, various employees did not comply with IRS Publication 463 which states that "Daily transportation expenses incurred while traveling from home to one or more regular places of business are generally nondeductible commuting expenses." The Auditor's Report indicated that several County employees were performing County-related work while either traveling to, or from, work. These employees then were reimbursed for their total miles rather than for just those miles that exceeded the normal distance from the employees' residence and workplace.

Our office agrees with the Auditor's recommendation to amend the County's Travel Policy to include the IRS requirement. We will request that the Auditor work with our office to insure that the proper wording is included in the Policy. Additionally, we will request that the Auditor notify our office whenever there is a change in federal policy regarding travel reimbursement to insure that the County's Travel Policy remains current.

In Observation 2, various employees were not providing adequate detail and justification for mileage reimbursement. Mileage reimbursement requests should be entered into the SAP system on a daily basis. There is adequate space within SAP for employees to enter their justification for these reimbursements. Supervisors who approve these reimbursement requests should require that data is entered on a daily basis with adequate justification. Our office believes that the Travel Policy should be amended to require that this information be entered properly.

The County Administrator's Office will provide the Court with the proposed amendments for its approval. Once we receive this approval, we will communicate these issues to all County department heads and elected officials.