

# AUDIT REPORT



CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF MANAGEMENT AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit of the Travel Expenses of the Department of Finance**

*MD03-100A*

**April 4, 2003**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

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WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the internal controls of the Department of Finance over its travel expenditures. The Department administers and enforces the City business, property, and excise tax laws and audits companies within and outside the City that pay New York City taxes.

The results of our audit, which are presented in this report, have been discussed with Department of Finance officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that City receives revenues to which it is entitled and that our resources are used in the best interest of the public.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-8945.

Very truly yours,

William C. Thompson, Jr.

**Report: MD03-100A**  
**Filed: April 4, 2003**

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*The City of New York  
Office of the Comptroller  
Bureau of Management Audit*

**Audit of the Travel Expenses of the  
Department of Finance**

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**AUDIT REPORT IN BRIEF**

This audit evaluated the adequacy of Department of Finance (DOF) internal controls over its travel expenses and determined whether DOF's travel expenses were in compliance with Comptroller's Directive #6 and the Mayor's Office of Citywide Services Out-of-City Travel Guidelines. The audit also determined whether DOF travel expenses were necessary, reasonable, and for authorized individuals.

**Audit Findings and Conclusions**

DOF has adequate internal controls over its travel expenses. Travel expenses were processed in accordance with DOF travel procedures as well as with the written procedures of the Mayor's Office of Citywide Services and Comptroller's Directive #6. In addition, all of the our sampled expenditures were found to be necessary, reasonable, documented, and for authorized individuals.

**Audit Recommendations**

This report makes no recommendations.

**DOF Response**

Since this report makes no recommendations, DOF officials did not issue a written response.

## **INTRODUCTION**

### **Background**

The Department of Finance (DOF) administers and enforces New York City business, property, and excise tax laws. DOF collects these taxes, as well as parking ticket fines, penalties, judgments, and other such charges. DOF's reported travel expenses for Fiscal Year 2002 totaled \$318,078. The major part of these travel expenses was for the DOF Audit and Enforcement Unit (Audit Unit). This unit is responsible for auditing companies within and outside the City that pay New York City taxes.

The Audit Unit uses a number of criteria when deciding which organizations to audit, such as: the likelihood of the need both to issue and to collect an assessment or fee; the knowledge that a company has underreported its earnings; previous experiences with companies that had errors in their tax returns; and referrals from criminal enforcement or other sources that particular companies have not paid taxes. An additional criterion is the determination that it is cost effective to audit a particular company by comparing the cost of travel and the time spent by the auditors to the amount that might be collected through the audit process.

The Audit Unit also uses its travel budget to send personnel to out-of-town conferences and seminars (non-audit trips). These conferences give presentations and allow for the exchange of ideas and information regarding different tax laws and strategies, investigative techniques, and new computer technologies.

The reimbursement of expenses that employees incur while performing City business is governed by Comptroller's Directive #6, entitled, "Travel, Meals, Lodging and Miscellaneous Agency Expenses." The Directive outlines the required procedures that employees, as well as the agency, must take before an employee can be reimbursed for expenses incurred.

There are three levels of approval that are required to process a voucher for the reimbursement of an out-of-town expense for audit and non-audit trips. First, the employee who is to incur the expenses sends an out-of-town request form, along with a memo explaining the nature of the trip and a cost estimate for the trip to the DOF Imprest Fund Supervisor. The Imprest Fund Supervisor pre-audits the costs to determine whether the estimated trip expenses are within the per diem rates allowed by the Comptroller's Directive #6 and the Mayor's Office of Citywide Services (Mayor's Office). If the forms are in compliance, the Imprest Fund Supervisor forwards them to the DOF Commissioner or Deputy Commissioner for approval.

After the request forms for audit trips are approved, advance trip payments are processed by DOF. After the trip, the request and copies of the expense report together with related receipts for actual expenses incurred are submitted to the Mayor's Office for final approval. Any unused portion of the advance must be returned to DOF.

After the request forms for non-audit trips are approved by DOF, the entire package is forwarded to the Mayor's Office for final approval prior to the trip. After the trip, employees are

required to submit an expense report and related receipts for actual expenses incurred. The request and copies of expense reports and receipts of all audit trips are then submitted to the Mayor's Office for final approval. Any unused portion of the advance must be returned to DOF. If an employee goes on a non-audit trip and incurs expenses in excess of the approved advance amount, an addendum is prepared and forwarded to the Mayor's Office for approval. After approval, DOF reimburses the employee for the additional expenses.

Non-audit-related trips specifically to Albany (for meetings and seminars) must be approved by the Assistant State Legislative Affairs representative of the Mayor as well as by the Commissioner of DOF and the Mayor's Office before the vouchers can be processed

The approval and payment process for the local travel expenses differs from that for out-of-town expenditures. Pre-approval of expenditures is not required for local travel expenditures. Instead, officials from DOF field offices send personal expense forms for the local travel expenses to the DOF Financial Service Unit within 120 days after the expenses are incurred. Financial Service Unit officials then stamp the forms, assign a tracking number, and enter the information into a log. The local travel expenses are paid from the imprest fund and cover field office staff expenses, such as for carfare or for mileage, tolls, and parking (but not gas costs) incurred through the use of a personal car from the employee's home or office to field locations.<sup>1</sup>

### **Objectives**

The objectives of this audit were to determine whether:

- 1) DOF internal controls over its travel expenses were adequate;
- 2) The travel expenses incurred were necessary, reasonable, and for only authorized individuals; and
- 3) The travel expenses were in compliance with Comptroller's Directive #6 as well as with the Mayor's Office of Citywide Services Out-of-City Travel Guidelines.

### **Scope and Methodology**

The scope of our audit was Fiscal Year 2002. To obtain an understanding of DOF controls over its travel expenses, we interviewed the Director of Financial Services, the Imprest Fund Supervisor, and the Deputy Commissioner for Audit and Enforcement. They explained the agency's procedures for processing travel expenditures and vouchers for payments, as well as the criteria used in selecting out-of-town audits. We also reviewed DOF Out-of-Town Travel Guidelines, Personal Expense Guidelines, Comptroller's Directive #6, and the Mayor's Office of Citywide Services Out-of-City Travel Guidelines.

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<sup>1</sup> According to Comptroller's Directive #6, "At the agency's discretion, employees may also be reimbursed for travel between an employee's residence and the first or last work location."

We evaluated the adequacy of DOF internal control practices and their adherence to the written procedures of the Mayor's Office. As part of our evaluation, we reviewed a randomly selected sample of 26 out-of-town DOF travel expense vouchers based on a population of 202 out-of-town vouchers processed during Fiscal Year 2002. In addition, we examined five personal and petty cash vouchers for local travel from a population of 108 personal and petty cash vouchers that were processed during Fiscal Year 2002.

For each of the out-of-town travel vouchers, we determined whether they were pre-audited by the Imprest Fund Supervisor and then properly authorized and approved by the agency head, by the Mayor's Office and by the Assistant State Legislative Affairs representative of the Mayor, when applicable. We also determined whether the vouchers contained the required supporting documentation and whether they were properly processed through FMS.

We determined whether DOF followed Comptroller's Directive #6 procedures when processing travel expenditures and when issuing vouchers and checks for reimbursement. We determined whether expenses had proper receipts or invoices attached to the expense report and whether the expenses incurred appeared to be related to DOF operations.

To determine whether the auditors were reimbursed the allowed amounts, we compared the amounts that they received to the rate schedule for hotel and meal expenses prepared by Mayor's Office. In addition, we compared the costs of six out-of-town audit trips to the revenue generated as a result of the trips to determine the cost benefits of conducting the audits.

We questioned DOF officials regarding the validity of expenditures in cases when the costs of the trips exceeded the daily amount allowed and when the auditors received more money than they had claimed on their expense reports for their out-of-town trips. In the latter cases, we determined whether the excess money received was returned to DOF.

For local travel expenditures, we determined whether there was any noticeable pattern of inappropriate expense claims, such as for the use of personal cars from the employee's home to the office rather than a field site, and whether the payments made from the imprest fund for local travel expenses were properly processed and authorized.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

### **Discussion of Audit Results**

The matters covered in this report were discussed with DOF officials during and at the conclusion of this audit. A preliminary draft report was sent to DOF officials and discussed at an exit conference held on February 25, 2003. On March 6, 2003, we submitted a draft report to DOF officials with a request for comments. Since this report makes no recommendations, DOF officials did not issue a written response.

**OFFICE OF THE COMPTROLLER  
NEW YORK CITY**

**DATE FILED: April 4, 2003**

## **FINDINGS**

Our review of 26 sampled out-of-town travel vouchers and five sampled personal or petty cash local travel vouchers found that DOF correctly processed the vouchers. Specifically:

- Sampled expenditures incurred for meals, transportation, lodging, and miscellaneous items were in accordance with Comptroller's Directive #6, as well as with the Mayor's Office Out-of-City Travel Guidelines.
- Sampled expenditures were necessary, reasonable, and for only authorized individuals.
- Sampled expenditures were properly documented.
- In all but one case, documentation was available to justify when travel expenses exceeded the daily amounts allowed according to the Comptroller's Directive #6 and the Mayor's Office Out-of-City Travel Guidelines. For one trip, the hotel expense was \$22 per night in excess of the allowable hotel rate for that area.
- For all cases in which individuals were advanced more money than they spent during out-of-town travel, the funds were reimbursed to DOF.
- We did not detect a pattern of inappropriate expenses for use of personal cars. For example, we verified that employees did not request reimbursement for the use of a car from their home to their office—a personal expense that should not be reimbursed.

### **Internal Controls**

Our audit evaluated the adequacy and effectiveness of DOF internal controls over its travel expenses.

The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded.

DOF has adequate internal controls over its travel expenses. Travel expenses were processed in accordance with DOF travel procedures, as well as with the written procedures of the Mayor's Office and Comptroller's Directive #6. In addition, all of the vouchers in our sample contained the necessary supporting documentation and were properly recorded in FMS.