

Executive Turnover Audit Follow-up

**Status of Corrective Actions TO Management Responses
As of December 2018
Original Report Issuance - June 2018
Follow-up result: All findings are closed.***



**City Auditor's Office
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City Manager's Office

Findings (condensed)	Recommendations	Management Response	Follow-up Status
Purchasing Card (pCard) Expenditures			
1 Training and Travel Documentation Noncompliance			
Thirteen instances of noncompliance with the City's documented training and travel policies were noted for four separate exception types. City staff purchasing, approving, and reviewing expenditures were not aware of and/or were not enforcing the policy requirements.	We recommend the <i>City of Reno Training/Travel Request Form</i> and <i>Expense Report</i> be completed, approved as required, and maintained for training/travel expenditures.	The City of Reno Training/Travel Request Form and Expense Report will be completed, approved as required, and maintained for training/travel expenditures. Process to be implemented by April 2018.	COMPLETE Process has been created. All forms are saved in G Drive. Procedure attached.
	In addition, we recommend established policies for training and travel be communicated to applicable personnel to include pCard liaisons, management with signature approval authority, and pCard administrators.	Established policies for training and travel will be communicated to applicable personnel to include pCard liaisons, management with signature approval authority, and pCard administrators. Process to be implemented by April 2018.	COMPLETE New policy distributed and discussed at 07/19/18 Management Team meeting and via email 07/24/18. Email and policy attached.
2 Disallowed Travel Expenses Made			
On four occasions, the airfare travel purchases were for Business Select. Per MPP 405 Section VIII.C.1.a, "Air travel should be in coach class or its equivalent, except in exigent circumstances approved by the City Manager."	We recommend airfare be purchased in compliance with established policies.	Airfare will be purchased in compliance with established policies. Process was implemented upon Audit notification on February 5, 2018.	COMPLETE Process has been established. Procedure attached.
3 Reason for Travel Expense Not Documented			
On one occasion, supporting documentation for the business reason for travel was not available. Without appropriate documentation and approval of expenditures, City funds may be misappropriated and used for non-City related activities.	We recommend internal controls detailed in citywide purchasing policies be followed to ensure the appropriateness of expenditures.	Internal controls detailed in citywide purchasing policies will be followed to ensure the appropriateness of expenditures. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend the expense be evaluated by management to determine if payment with City funds was appropriate.	The expense will be evaluated by management to determine if payment with City funds was appropriate. Completion by May 2018.	COMPLETE Evaluation and recommendations submitted 07/31/18. Both expenditures were determined to be appropriate.
4 Specialty Expenses Not Documented per Policies			
On six occasions, expenditures were noncompliant with charity/recognition event purchasing policies. Four of the six expenditures did not have an accompanying <i>City of Reno Request to Purchase a Sponsorship Table or Seat(s)</i> as required and the remaining two forms were incomplete.	We recommend the expenditures for charity events be documented, approved, and reviewed as required by established policies.	Expenditures for charity events will be documented, approved, and reviewed as required by established policies. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend the expenses identified be evaluated by management to determine if payment with City funds was appropriate.	The expenses will be evaluated by management to determine if payment with City funds was appropriate. Completion by May 2018.	COMPLETE Evaluation and recommendations submitted 07/23/18. Five of six events were determined to be appropriate. Procedures were memorialized and communicated to staff to prevent future inappropriate expenses.

5 Non-Profit Status Verification Not Documented			
On one occasion, documentation of the eligibility of an organization as a non-profit entity was not available. City staff purchasing, approving, and reviewing donations and sponsorship expenditures were not aware of and/or were not enforcing the policy requirements. Further inquiries after this transaction was flagged by audit indicated the entity is not a non-profit organization.	We recommend appropriate documentation of non-profit status for vendors claiming non-profit status receiving City funds be maintained with expenditure documentation.	Appropriate documentation of non-profit status for vendors claiming non-profit status receiving City funds will be maintained with expenditure documentation Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend the expense identified be evaluated by management to determine if payment with City funds was appropriate.	The expenses will be evaluated by management to determine if payment with City funds was appropriate. Completion by May 2018.	COMPLETE Evaluation and recommendations submitted 07/23/18. This expense was deemed to not be appropriate. Procedures were memorialized and communicated to staff to prevent future inappropriate expenses.
6 Donation Expense Lacks Documentation			
On one occasion, a pCard was used for a transaction that was classified as a donation. A citywide policy does not exist for management donations.	We recommend the City disallow this expense type or establish written policies for purchase type and the changes be communicated to applicable staff.	The Office of the City Manager will review whether to disallow or establish written policies for purchase type and the changes will be communicated to applicable staff. Completion by June 2018.	COMPLETE This type of purchase is formally disallowed. No policy change is needed. This has been communicated to CMO staff.
7 Unauthorized Purchasing Card Use			
During a transitional time period of divisional management, pCard purchases were made by personnel other than the cardholder. Examination of the 50 transactions completed with the pCard indicated the personnel initiating the transactions were in the same division and many of the purchases were made online for recurring services. None of the purchases were flagged as improper.	We recommend pCard purchases only be made by the cardholder, the employee that is ultimately responsible for card purchases.	pCard purchases will only be made by the cardholder. Completion by April 2018.	COMPLETE Communicated at 07/19/18 Management Team meeting and via email 07/24/18 (attached).
	In addition, we recommend a process be developed by Human Resources (HR) to communicate with the Finance Department when employees are in non-working status such as administrative leave to allow Finance to manage pCards issued to those employees.	A process will be developed by Human Resources (HR) to communicate with the Finance Department when employees are in non-working status to allow Finance to manage pCards issued to those employees. Process to be implemented by June 2018.	COMPLETE Policy memorandum 303-2018-1 issued 10/31/18 (attached).
	Also, we recommend the responsibility to initiate this process be documented in a policy and communicated to HR.	The responsibility to initiate this process will be documented in a policy and communicated to HR. Completion by June 2018.	COMPLETE Policy memorandum 303-2018-1 issued 10/31/18 (attached).
8 Approved Expense Not an Appropriate Use of City Funds			
On one occasion, the purchase was not an appropriate use of City funds. The identified purchase was for exercise equipment and was approved by previous management.	We recommend expenditures of City funds be clearly associated with applicable City business. If there is a non-apparent need for the purchase, we recommend a memo from the purchaser be included in the expense documentation for review during the approval process.	Expenditures of City funds will be clearly associated with applicable City business. If there is a non-apparent need for the purchase, a memo from the purchaser will be included in the expense documentation for review during the approval process. Process to be implemented by May 2018.	COMPLETE Communicated at 07/19/18 Management Team meeting and via email 07/24/18 (attached).

9 Expenses Approved by a Subordinate Employee			
On two occasions, the purchase approval was not appropriate; signature approval was from a subordinate employee.	We recommend expenditure approvals be obtained from non-subordinate employees for all purchases	Expenditure approvals will be obtained from non-subordinate employees for all purchases. Process to be implemented by April 2018.	COMPLETE Communicated at 07/19/18 Management Team meeting and via email 07/24/18 (attached).
	In addition, we recommend details pertaining to approvals for the City Manager's direct purchases be included in departmental policies and procedures.	Not applicable - The City Manager does not hold a pCard and therefore has no direct purchases.	NOT APPLICABLE
10 Expense Details Were Not Maintained			
On one occasion, an itemized receipt was not included in the supporting documentation for the expense. Without an itemized receipt for purchases, compliance with the policy cannot be determined.	We recommend itemized receipts be required for purchases for this vendor type to ensure City policies are upheld.	Itemized receipts will be required for purchases for this vendor type to ensure City policies are upheld. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend the purchasing policies be updated to clearly state that itemized receipts are required for expense reconciliation, this be communicated to applicable staff, and be upheld during expense reviews going forward.	The purchasing policies will be updated to clearly state that itemized receipts are required for expense reconciliation, this will be communicated to applicable staff, and will be upheld during expense reviews going forward. Process to be implemented by July 2018.	COMPLETE City of Reno Policy #303, Effective 01/08/2018, Page 9, VIII.F.5 states: ...An itemized detailed receipt must be submitted with bank card statements. Sales taxes are not allowed on any purchases that are charged to the purchasing card...
11 Expense Applied to Inaccurate Account			
On seven occasions, the expense was not applied to the correct account. Improper classification of expenses degrades the value of financial reports and the ensuing analysis and decision making.	We recommend greater care be taken when assigning accounts to expenditures during the pCard review process.	Greater care will be taken when assigning accounts to expenditures during the pCard review process. This process is ongoing.	COMPLETE Process has been created. Procedure attached.
12 Financial Analysis of pCard Expense Types is Not Possible			
The current method of processing pCard transactions does not allow for a commodity code to be included when the statement charges are entered into the financial system. On ten occasions, the purchase reviewed was an expense type that would benefit from monitoring such as charity events, donations, memberships, and food costs. Commodity codes function as sub-accounts to classify purchases and system reports can be generated for specific codes to determine purchasing trends and annual allocations. Without proper coding, efficient financial analysis cannot be completed for these types of purchases. Also, additional staff time may be needed for records requests, financial analysis, and audit review.	We recommend the methodology of processing pCard expenditures be reviewed and consideration be given to updating the process with software that allows for electronic approval, uploads, and storage.	Measures will be taken when funds are identified for a new system as recommended.	DEFERRED Requires funds to be identified for a new system.
			* Internal Audit Comment: Management has provided an appropriate amount of attention for this recommendation. Audit has reached a level-of-comfort that management will continue to give consideration to this, pending fund identification. No further follow-up is needed.

13 Cross-Divisional pCard Expense			
On one occasion, a pCard expense occurred for a City expense separate from the cardholder and the cardholder's area of work. Cross-divisional purchases and account classifications from a pCard assigned to a specific employee degrades the internal control environment which exists to identify if improper purchases are made with a City issued pCard.	We recommend pCard purchases only be made by the cardholder, the employee that is ultimately responsible for card expenditures. If there is a non-apparent need for the purchase, we recommend a memo from the purchaser be included in the expense documentation for review.	pCard purchases will only be made by the cardholder, the employee that is ultimately responsible for card expenditures. If there is a non-apparent need for the purchase, a memo from the purchaser will be included in the expense documentation for review. Process to be implemented by May 2018.	COMPLETE Communicated at 07/19/18 Management Team meeting and via email 07/24/18 (attached).

Other Expenditures

14 Training and Travel Documentation Noncompliance			
Five instances of noncompliance with the City's documented training and travel policies were noted for three separate exception types. In addition, reimbursement for travel must agree to the rates established by The U.S. General Services Administration (GSA). City staff purchasing, approving, and reviewing expenditures were not aware of and/or were not enforcing the policy requirements.	We recommend the <i>City of Reno Training/Travel Request Form</i> and <i>Expense Report</i> be completed, approved as required, and maintained for training/travel expenditures.	The City of Reno Training/Travel Request Form and Expense Report will be completed, approved as required, and maintained for training/travel expenditures. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend established policies for training and travel be communicated to applicable personnel to include purchasing liaisons and management with signature approval authority.	Established policies for training and travel will be communicated to applicable personnel to include purchasing liaisons and management with signature approval authority. Process to be implemented by April 2018.	COMPLETE Communicated at 07/19/18 Management Team meeting and via email 07/24/18 (attached).
15 Reimbursement Issued Without Supporting Documentation			
On one occasion, an employee submitted reimbursement for five individual purchases. The documented support included the receipts of four purchases only. The approval and review process did not identify the discrepancy and the claimed reimbursement was issued in full.	We recommend established policies for expense reimbursement be communicated to applicable personnel and include management review and approval standards as well as recordkeeping requirements.	Established policies for expense reimbursement will be communicated to applicable personnel to include management review and approval standards as well as recordkeeping requirements. Process to be implemented by April 2018.	COMPLETE Process has been created. Per diem is now being utilized. Procedure attached.
16 Required Approval Not Obtained			
On two occasions, documented approval was not completed per policy requirement. Both expenditures were for employee travel reimbursement related to job recruitment.	We recommend disbursements' approval be obtained and documented as required in established policies.	Disbursements' approval will be obtained and documented as required in established policies. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
17 Approval to Non-Authorized Account			
On two occasion, management approving expenditure did not have approval for expenses on that account. In addition, this approval discrepancy was not noted during the review process conducted by Finance.	We recommend expenditures be approved by supervisory staff that are authorized for account expenses.	Expenditures will be approved by supervisory staff that are authorized for account expenses. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend established policies be communicated to reviewing Finance staff.	Established policies will be communicated to reviewing Finance staff. Completion by April 2018.	COMPLETE As of 07/24/18 the Finance Director had communicated with her staff. Additionally, communicated at 07/19/18 Management Team meeting and via email 07/24/18 (attached).

18 Expense Allocated to Inaccurate Account			
On two occasions, the expense was allocated to an inaccurate account. Improper expense allocations degrade the budgeting process and may deplete accounts' budgeted funds for non-account related expenses.	We recommend greater care be taken when assigning accounts to expenditures during the approval process.	Greater care will be taken when assigning accounts to expenditures during the approval. This process is ongoing.	COMPLETE Process has been created. Procedure attached.
19 Expense Details Were Not Maintained			
On one occasion, the expense was not documented according to best business practices; the itemized receipt was not available for examination.	We recommend an itemized receipt be required for purchases to ensure City policies are upheld.	An itemized receipt will be required for purchases to ensure City policies are upheld. Process to be implemented by April 2018.	COMPLETE Process has been created. Procedure attached.
	In addition, we recommend established policies for expense reimbursement be communicated to applicable personnel to include management with review and signature approval authority.	Established policies for expense reimbursement will be communicated to applicable personnel to include management with review and signature approval authority. Process to be implemented by April 2018.	COMPLETE Communicated to both CMO Admin staff and CMO managers by the Chief of Staff.

Departmental Procedures & Equipment Management

20 Lack of Departmental Policies and Procedures			
Departmental policies detailing internal controls and procedures for departmental functions do not exist. Documented policies support procedures that are conducted consistently and in an equitable manner. Documented internal control procedures, when in use, also assist with succession planning. In addition, conducting departmental operations without documented internal controls and process standards is not within management best practices.	We recommend procedures be developed, documented, and communicated to applicable staff.	Procedures will be developed, documented, and communicated to applicable staff. Process to be implemented by July 2018.	COMPLETE Procedures attached.
21 Lack of Internal Controls for Sensitive Equipment			
On six occasions, the item did not include a bar code for tracking and was not included on a departmental equipment tracking document or the IT department's <i>IT Related Asset</i> inventory list.	We recommend a sensitive equipment listing be maintained, the items identified be included, and periodic inventory of the equipment be conducted.	A sensitive equipment listing will be maintained, the items identified be included, and periodic inventory of the equipment be conducted. Process to be implemented by August 2018.	COMPLETE Listing attached.
	In addition, we recommend a clear process owner of the listing and inventory process be identified and items sensitive to loss, not just monitors, be included.	A clear process owner of the listing and inventory process will be identified and items sensitive to loss, not just monitors, will be included. Completion by August 2018.	COMPLETE The Administrative Secretary is now the process owner.