



# INTERNAL AUDIT REPORT

LIMITED OPERATIONAL AUDIT

PORT TRAVEL CREDIT CARD PROGRAM

JANUARY 1, 2015 – FEBRUARY 28, 2017

ISSUE DATE: JULY 21, 2017

REPORT NO. 2017-12

## TABLE OF CONTENTS

TRANSMITTAL LETTER.....	3
EXECUTIVE SUMMARY .....	4
BACKGROUND.....	5
FINANCIAL HIGHLIGHTS.....	5
AUDIT SCOPE AND METHODOLOGY.....	6
CONCLUSION .....	6
SCHEDULE OF FINDINGS AND RECOMMENDATIONS.....	7

## TRANSMITTAL LETTER

Audit Committee  
Port of Seattle  
Seattle, Washington

We have completed an audit of the Port Travel Credit Card Program. We reviewed information for the period January 1, 2015 - February 28, 2017.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the management and staff for their assistance and cooperation during the audit.

Joyce Kirangi, CPA, CGMA  
Internal Audit, Director

AUDIT TEAM	RESPONSIBLE MANAGEMENT TEAM
Roneel Prasad, Internal Auditor	Duane Hill, Senior Manager Disbursements
Dan Chase, CPA, Acting Audit Manager	Rudy Caluza, Director of Accounting and Financial Reporting

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was:

- To determine whether management internal controls were effective.

We reviewed information for the period January 2015 through February 2017.

### BACKGROUND

The Port of Seattle (Port) issues credit cards to Port commissioners and employees who travel and/or incur Port business expenses. Personal or non-Port charges on Port credit cards constitute a lending of credit and are strictly prohibited.

The Accounting and Financial Reporting Department (AFR) administers the travel credit card program which includes establishing and maintaining policies, determining credit limits, reviewing, and issuing travel credit card requests.

### AUDIT RESULT

In general, internal controls were adequate. However, we identified instances where internal controls were not always effective to ensure compliance with state laws and Port Policy (see schedule of findings and recommendations).

## BACKGROUND

The Port of Seattle (Port) issues credit cards to Port commissioners and employees who travel and/or incur Port business expenses. Personal or non-Port charges on Port credit cards constitute a lending of credit and are strictly prohibited.

The Accounting and Financial Reporting Department administers the travel credit card program which includes establishing and maintaining policies, determining credit limits, and reviewing and issuing travel credit card requests.

The Port travel credit card program is governed by two Port policies. Accounting and Financial Reporting (AFR) Policy 1 establishes protocols for authorizing and distributing credit cards. The Policy also establishes timelines for validating charges.

AFR Policy 2 defines allowable Port business expenses and establishes protocols for incurring and obtaining travel reimbursements.

## FINANCIAL HIGHLIGHTS

Below reflects the travel and entertainment expenses of the top ten departments:

<b>TRAVEL AND ENTERTAINMENT EXPENSE</b>				
<b>TOP 10 DEPARTMENTS</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>Total</b>
Police Department	\$135,829	\$150,427	\$36,112	\$322,369
Public Affairs	63,784	105,227	18,120	187,132
International Tourism	81,103	87,503	8,366	176,972
Fire Department	53,204	83,357	36,176	172,738
Commission Office	48,180	89,878	10,552	148,610
Air Services Development	87,074	39,000	6,819	132,894
ICT Enterprise Infrastructure Svcs	56,093	68,259	4,975	129,327
Executive	44,510	64,579	156	109,246
Aviation Director's Office	37,480	37,212	32,159	106,851
ICT Business Services	53,529	43,848	5,917	103,295
<b>TOTAL</b>	<b>\$660,787</b>	<b>\$769,291</b>	<b>\$159,353</b>	<b>\$1,589,431</b>

Data Source: Concur Travel Expense Application

\* As of February 28, 2017

The Ports travel and entertainment expenses are primarily recorded in the following five accounts:

<b>TRAVEL AND ENTERTAINMENT EXPENSE</b>				
<b>TOP 5 EXPENSE ACCOUNTS</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>Total</b>
Registration Fees/Seminars	\$395,114	\$466,303	\$87,196	\$948,614
Domestic Air Travel, Other	287,983	301,724	86,360	676,067
Hotel Tax	300,771	316,300	27,264	644,336
Employee Food & Beverage	147,741	161,907	15,191	324,839
Lodging & Other Travel	119,399	126,792	19,234	265,424
<b>TOTAL</b>	<b>\$1,251,008</b>	<b>\$1,373,027</b>	<b>\$235,245</b>	<b>\$2,859,280</b>

Data Source: Concur Travel Expense Application

\* As of February 28, 2017

## AUDIT SCOPE AND METHODOLOGY

We reviewed information for the period January 1, 2015 - February 28, 2017. We utilized a risk-based approach from planning to testing. We gathered information through research, interviews, observations, and data analytical reviews, in order to obtain a complete understanding of the department operations.

We applied additional audit procedures to areas with the highest likelihood of significant negative impact as follows:

- 1) Selected 20 credit cards issued within the scope period and verified that the application was approved and an appropriate credit limit was established.
- 2) Determined whether credit card transactions were approved within 30 days by calculating the number of days between the transaction date, and the date the charges were filed online and expensed. This procedure was performed on 100% of transactions charged during the 26 month scope audit period.
- 3) Selected over 150 transactions and verified that itemized receipts were included and the charge was used for official Port business (Personal or non-Port charges are prohibited).
- 4) Verified that all 869 outstanding travel credit cards were issued to port employees or officials and did not have the ability to request a cash advance.
- 5) Validated that individuals were not issued more than one credit card.

## CONCLUSION

Management internal controls were generally effective.

In general, internal controls were adequate. However, we identified instances where internal controls were not always effective to ensure compliance with state laws and Port Policy (see schedule of findings and recommendations).

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

### INTERNAL CONTROLS ARE NOT ALWAYS EFFECTIVE TO ENSURE COMPLIANCE WITH STATE LAWS AND PORT POLICY

The Port of Seattle issues travel credit cards to commissioners and permanent employees for Port business-related expenses such as transportation, lodging, meals, and conference registration fees.

The Accounting and Financial Reporting Policy (AC-1) clearly states that primary responsibility for validating charges within 30 days resides with the cardholder. AFR has also implemented a process to review submitted receipts in Concur to identify transactions that are not allowable. When unallowable expenses are identified, AFR communicates these exceptions to the cardholder.

Concur also sends notifications to the cardholder within two days of incurring a transaction. A reminder email is sent, to both the cardholder and the cardholder's manager, if the transaction was not validated within 30 days from the billing statement date.

*Accounting Policy 1- Port Travel Credit Cards, Travel Planning, Fund Advances, states (in part):*

- "Cardholders must validate all charges 'on-line using Concur' as soon as possible to substantiate the Port business nature of the expenditure and validate appropriateness of the charges."
- "Within 30 days of making charges on the credit card, the cardholder must validate the charges and file an expense claim "on-line using Concur."
- The Accounting and Financial Reporting Department (AFR) will suspend the ability to use credit cards for any accounts having charges that are not validated, expensed and approved through Concur after 60 days of the original billing statement date.

Revised Code of Washington section 42.24.115 states, in part:

- "...upon billing or no later than thirty days of the billing date, the officer or employee using a charge card issued under this section shall submit a fully itemized travel expense voucher."
- "The municipal corporation or political subdivision shall have unlimited authority to revoke use of any charge card issued..."

Of the total number of transactions from January 2015 through February 2017, 16% were not approved within 30 days from the billing statement date.

Table 1 reflects the number of days between the transaction date and the date the transaction was expensed for the period January 1, 2015 through February 28, 2017. Table 2 reflects the number of days between the original statement billing date and the date the transaction was expensed.

Table 1

CORPORATE TRAVEL CARD EXPENSE					
EXPENSE TIMELINE	TRANSACTIONS	PERCENTAGE	AMOUNT	PERCENTAGE	
1 - 30 days	14,065	69%	\$2,120,944	63%	
31 - 60	4,379	22%	890,038	26	
61 - 90	1,037	5%	210,468	6	
91 - 339	868	4%	158,745	5	
<b>TOTAL</b>	<b>20,349</b>	<b>100%</b>	<b>\$3,380,194</b>	<b>100%</b>	

Data Source: Concur Travel Expense Application

\* As of February 28, 2017

Table 2

CORPORATE TRAVEL CARD EXPENSE				
DAYS FROM BILLING STATEMENT	TRANSACTIONS	PERCENT	AMOUNT	PERCENT
0-30 days	17,096	84%	\$2,773,480	82%
31-60 days	2,009	10	365,916	11
Greater than 60 days	1,244	6	240,799	7
<b>TOTAL</b>	<b>20,349</b>	<b>100%</b>	<b>\$3,380,194</b>	<b>100%</b>

Data Source: Concur Travel Expense Application

\* As of February 28, 2017

To ensure compliance with Port Policy and state law, we recommend:

1. Reminding card holders to validate charges within 30 days and the ramifications for not complying.
2. Suspending or reducing the credit limit to \$1 for credit card holders that have not validated, expensed, and approved transaction after 60 days of the original billing statement date, unless there are non-reoccurring and valid business reasons why it is not practical for the card holder to expense a transaction during the 60 day from billing date time frame.

*Management Response:*

*Management agrees with recommendation number 1, to continue to remind card holders to validate card charges within 30 days. In support of this recommendation, the following statement is currently highlighted and very visible in the Concur system "Per Port AC-1 and AC-2 Policy, please expense all credit card charges within 30 days."*

*Management agrees with recommendation number 2, to suspend /reduce the credit limit to \$1 for card holders who do not validate their expense transaction within 60 days of the billing date, unless there are non-reoccurring and valid business reasons why it is not practical for the card holder to expense a transaction during the 60 day from billing date time frame.*