



RISK ADVISORY

Office of the State Auditor | Brian S. Colón, Esq., CFE, State Auditor

LOCAL GOVERNMENT TRAVEL EXPENDITURES

The Office of the State Auditor (OSA) issues this Risk Advisory to alert state and local governments and school districts throughout the State of New Mexico of risks related to the management of travel expenditures. The objective of this advisory is to provide these agencies and entities with guidance and best practices in an effort to combat the risks associated with travel practices and misuse. The OSA advises reviewing existing internal controls and strengthening or developing procedures to aid in the prevention and detection of travel related expenditure, by employees and officials (elected or appointed) concerning threats that may lead to waste, fraud, and abuse.

Background

In February 2020 the Office of the State Auditor (OSA) received complaints concerning out-of-state travel expenditures of separate individuals serving as elected officials. The examinations into these allegations remain open and ongoing. The Government Accountability Office (GAO), a division of the OSA, prepared this advisory to address concerning matters identified and to provide guidance to other local governments on best practices with regard to travel policies.

Executive Summary

Introduction

As public servants, officials (elected and appointed), and employees of local governments, there exists a heightened responsibility to be good stewards in connection with the expenditure of limited government resources. This includes the use of taxpayer funds for expenses or reimbursements of travel associated with the function and performance of job-related duties. We often hear reports of alleged misuse and abuse of taxpayer funds by officials (elected and appointed) and employees alike. In an effort to mitigate the risk of waste and/or abuse related to the expenditure of funds for performance related travel, the OSA finds it necessary to emphasize the need for proper review of policies and procedures concerning the management of travel related expenditures as applicable. Furthermore, internal controls must be followed by all individuals within the organization, controls should never be inappropriately overridden, especially by management, those charged with governance, or any individual in a position of authority.

Transparency in the expenditure of public funds promotes accountability and more responsible spending. It is critical for local governments to regularly examine internal controls concerning the expenditure of funds for travel related activities. While all public servants have a responsibility to ensure fiduciary duties are practiced and maintained, officials (elected and appointed), arguably, have a deeper obligation to those fiduciary duties.

New Mexicans put their trust in the individuals they elect and have an expectation of due diligence, accountability, and transparency concerning their use of taxpayer funds, including those used for travel expenses or reimbursements. Officials and management should lead efforts to support proper behavior and adherence to internal controls, as finite, limited resources and the public trust are at risk to the extent they do not.



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Executive Summary (Con't)

Objective/Scope/Methodology

Objective: The objective of this risk advisory is to provide information on the assessment of administration and use of funds related to travel expenditures of elected officials. The OSA examined certain policies and procedures of local governments to more broadly provide agencies, elected officials, and other stakeholders with general information and guidance for increased oversight concerning travel expenditures, reimbursements of per diem, and/or actual expenses for governmental business purposes.

Scope: The scope of this evaluation focused on travel policies for local governments, with a specific focus on travel expenditures by elected officials.

Methodology: The OSA performed procedures to review certain local government's policies, resolutions, as well as state statutes and policies of the Department of Finance and Administration (DFA) directly related to governmental travel expenditures. Certain prior fiscal year audit reports of certain local governments were also examined.

Responsibility

To reduce the risk of opportunities for improper or potentially fraudulent use of travel related expenditures, diligent oversight is essential. Responsibility and oversight lies with management and those charged with governance and they must ensure policies and procedures are developed in the form of effective internal controls to guide the use of, and to protect, taxpayer funds.

While management is ultimately responsible for establishing, monitoring, communicating, and enforcing internal controls, the individual traveler, especially if the traveler is serving in an elected and official capacity, is responsible for knowing, understanding, and adhering to policies and procedures dictated through internal controls.

The following risks and recommendations are provided to assist local governments to address some of the most critical risk factors related to the expenditure of public funds concerning travel. We recommend local governments review internal controls to strengthen the control activities intended to mitigate risks, improve the control environment, and safeguard public funds and trust.



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Risks and Recommendations

Travel expenses and reimbursements are to be made only for the conveyance in the discharge of official duties. Expenses claimed or reimbursements requested shall only be approved for the individual employed by the local government or the individual serving as an official (elected or appointed), representing the constituents of the local government, to execute the function and performance of job-related duties. Extension trips for personal reasons and requests for non-employee travel are non-reimbursable and should not be approved or expensed.

- ◆ **Risk: Weak, ineffective, and/or antiquated internal controls concerning oversight and approval of travel requests, expenses, and/or reimbursements.**
- ◆ Recommendation: Governments should examine travel related internal controls and search for potential vulnerabilities. Local governments should conduct a risk assessment of travel expenditure policies and procedures annually.
 - ◇ Review for gaps or inadequate travel policies and procedures.
 - ◇ Ensure guidance is provided on the types of travel expenses that are reimbursable, including maximum reimbursable amounts.
 - ◇ Ensure controls address who is eligible for approved travel including what eligible expenses and reimbursements are allowable (e.g., non-employee may refer to any individual who may be traveling with the employee, such as family members); non-employee travel expenses are non-reimbursable.
 - ◇ Ensure controls adequately address requirements for travel requests that fall outside standard travel parameters, including prior authorization with supporting documentation to be retained.
 - ◇ Refrain from any override of internal controls and do not operate outside of internal controls. If override is necessary, supporting documentation must be provided and retained.
 - ◇ Ensure proper controls for reimbursement of travel expenses to employees or officials (elected or appointed), especially for instances where the local government's P-card is used for the expenses.
 - ◇ Ensure proper controls are in place to address personal expenses or extension trips that may occur before, during, or after the discharge of official duties that constitute the need for the travel.
 - ◇ Ensure controls address what is considered sufficient documentation of expenses incurred showing the travel-related expenses were for the function and performance of job-related duties.
 - ◇ Ensure controls adequately address what is considered sufficient documentation for reimbursement claims to verify mileage and/or per diem.
 - ◇ Ensure controls adequately address the need for the most economical methods of travel to expense or reimburse up to the lowest cost available.



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Management Responsibility

Management, with the support of governance, is responsible for communicating to employees and officials (elected and appointed) that travel expenditures are paid for with taxpayer funds and due care must be exercised when incurring these expenses.

Guidelines that include descriptions of what expenses require prior-authorization for travel for reimbursement to be approved should be detailed, including a list of standard reimbursable expenses (e.g. mileage allowances, meals or per diem meal allowances, hotel accommodations, rental car or taxi/rideshare expenses) and non-reimbursable expenses (e.g., extension trips, non-employee travel expenses, and other types of specific expenses considered private or personal).

Management should distinguish between expenses for trips that require single day travel and overnight travel, including minimum distance traveled away from home or work site to constitute eligible travel expenditures. Other considerations should include mileage reimbursement rates for employees' and officials' (elected or appointed) use of personal vehicles associated with the functions and performance of job-related duties.

Management must communicate to employees and officials (elected and appointed) that they may be personally responsible for any non-verifiable, unapproved, or non-reimbursable travel expenditures incurred with a procedure in place on how to recover unauthorized expenses, if necessary.

Management, as the responsible agent in the supervision and ultimate approval of travel related expenditures, should ensure proper oversight in the form of adequate review of claims prior to the expenditure paid or remitting of reimbursement. The review should effectively guarantee the accuracy and completeness of the expenses and be supported by original documentation that includes but is not limited to: indication that travel is approved; all standard forms required by the local government, agency, and/or DFA completed and signed; verification of any mileage requested (double-check the math); approved itinerary, especially if any extension trips are expected; verification of who is the approved traveler, especially if non-employee travelers are expected to accompany the approved traveler (double-check for extra, non-approved expenses such as added meals, etc.).

The lack of effective internal controls over these expenses creates an opportunity for waste, fraud, and abuse. Management should ensure proper oversight and controls to mitigate the risk to the greatest extent possible.

To report waste, fraud, or abuse in any public entity in New Mexico:

Report online: www.saonm.org
Hotline: 1-866-OSA-Fraud



GAO

Government Accountability Office
New Mexico Office of the State Auditor