

# Review of employee expense reimbursements – 2019

## Background

Review employee expense reimbursement controls and compliance with approved policies. This includes:

- Purchasing card transactions billed directly to APS;
- Reimbursements for allowable items paid directly by employees;
- Payments to individuals for approved employee benefits (scholarships, grants, etc.).

## Scope

### *Overview*

All checks issued from July 2018 through November 2019 (FY19 plus first 5 months of FY20) were considered for review.

Reviewed and validated non-payroll payments to individual employees via check as reimbursement of items paid by APS employees for approved APS activities. This included payment to ABA employees through approved employee benefit programs, such as scholarships, housing grant, tuition reimbursement, etc.

- 4,221 FY19 check payments issued to 1562 individuals totaled \$1,201,099 plus 1583 July – Nov 2019 payments totaled \$471,086.

Also reviewed charges to APS purchasing cards for the 10 billing cycles from December 26, 2018 to September 25, 2019.

- 16,718 p-card transactions initiated by 312 individuals totaled \$2,915,287.

### *Check payments*

Judgementally selected 42 check payments (61 purchase amounts as many checks cover multiple purchases) to any individual (61 items totaling \$298,942).

Reviewed expense description provided and general ledger account charged for reasonableness. Most of these payments were for scholarships, continuing education, housing grants and Assistant to the Teacher Program tuition.

Reviewed supporting documentation for 9 expense reimbursements submitted for evidence of school business purpose, receipt and compliance with APS policy. This included 2 scholarships, 2 housing grants, 2 staff luncheons, 2 conferences plus 1 staff reimbursement. Reviewed any open items with Finance staff and initiator.

### ***Purchasing cards***

32% of total p-card dollars (\$1,131,070 cumulative charges) were initiated by the 32 individuals with the highest total p-card charges for the period. Judgmentally selected a sample of 45 p-card transactions (\$79,629), including 12 other large dollar transactions for review of receipts and compliance with APS policy.

Reviewed p-card reconciliation performed in October 2019 for items billed in September 2019. Reviewed accounts that used p-card, account that submitted reconciliations, with receipts for review by supervisor.

Reviewed p-card reconciliations submitted for evidence of school business purpose, receipt and compliance with APS policy. Reviewed all items with any questions with Finance staff.

Assessed whether any items purchased on p-cards could more efficiently be purchased using alternate vendor.

### **Outline of APS Financial Controls on Expense Reimbursements**

The following controls were noted:

1. *Professional Travel Approval and Reimbursement* form is used to document supervisor approval at least two weeks prior to travel.
2. Detailed employee expense information must be entered into STARS for each item.
3. All expense report is electronically routed to approvers.
4. Either electronic copies of original receipts must be attached to each expense item or original receipts must be forwarded to Finance Department.
5. Travel advances must be applied and a check payable to APS is required if advance amount exceeds the actual amount spent.

6. Approved expense reports are routed to Finance for final audit and payment processing.

In addition, for item charged to an APS purchasing card:

7. Employees with p-cards are required to reconcile their transactions each month by the due date set by the Finance Department.
8. Status of all p-card transaction must be noted during p-card reconciliation.

## **Observations, Findings and Recommendations**

APS has an effective system of controls in place that assist in managing employee expense reimbursements. Payments are made in accordance within policy guidelines that govern the types and amounts for expenses.

The observation noted could help reduce future APS staff expenses.

1. Tax paid on purchases not subject to Virginia Sales and Use Tax.

### **PIP # 40-1 Financial Management – Sales and Use Tax**

#### ***1. A. Purchases by APS not subject to Virginia Sale and Use Tax:***

2. ***Purchases using APS procurement cards are made pursuant to delegated authority and are considered to have been made under an APS purchase order and shall, therefore, be exempted from sales and use tax.***

Sales tax was included on 7 transactions submitted for reimbursement. However, APS did NOT reimburse sales tax paid on 3 transactions submitted on expense reports (\$5, \$7, \$39).

Sales tax was paid on 4 P-card transactions:

- Employee successfully requested and received a vendor credit (\$84) for one of these.
- Staff requested a refund of the \$131 paid to an IT supply vendor (Aliexpress). Vendor replied they had to add tax as a new charge they are required to add to the invoice due to the trade war; prior orders to this vendor did not have any sales tax.

- 2 items (\$22, \$31) were for appliance purchases made directly by the schools. Larger appliance purchases initiated by Facilities & Operations staff follow APS protocol and had no sales tax.

As the amount of sales tax paid is small and on isolated individual cases, it appears there is good control over the non-payment and non-reimbursement for payment of sales tax.