MEMORANDUM

TO: Department Secretaries; Bureau Commissioners; Legislative, Judicial, and Constitutional Officers; Institution Superintendents

FROM: Dennis Daugaard, Governor

SUBJECT: Strengthening Internal Controls on Employee Travel Reimbursements

DATE: March 5, 2014

Following several recent audit findings and recommendations, I established a workgroup to review state travel reimbursement processes and put together recommendations to strengthen the internal controls surrounding them. This group consisted of staff from the Bureau of Finance and Management, the Office of the State Auditor, and six other state agencies with different volumes, frequencies, and types of employee travel.

After reviewing the workgroup’s recommendations, I have directed the Bureau of Finance and Management to move forward with a number of changes to the employee travel reimbursement process. These changes will help to comply with the audit recommendations and take other additional steps to improve our processes and internal controls.

Attached is a summary of the changes recommended by the workgroup. The State Auditor is already in the process of updating Administrative Rules and the Bureau of Finance and Management is currently testing system changes and updating procedure manuals and documentation. The Office of the State Auditor and the Bureau of Finance and Management will be working with your finance staff to provide more detailed information concerning the timing and implementation of these changes.

Thank you for your ongoing efforts to help strengthen our internal control procedures and provide reasonable assurance for safeguarding the State’s assets and proper recording of financial transactions.

DD/JD/crk

Attachment

cc: Agency Fiscal Officers
INTERNAL CONTROL CHANGES
FOR EMPLOYEE TRAVEL REIMBURSEMENT

BACKGROUND

In January, BFM convened a workgroup consisting of staff from BFM, OSA, GOED, DOR, DPS, DOM/DVA, DOT, and DSS. This group discussed processes relating to employee travel reimbursements and made the following recommendations:

1. Travel reimbursements need to be submitted in a timely manner. The Office of the State Auditor is in the process of updating Administrative Rules to require all travel reimbursement claims be submitted to their office within 60 days of the completion of the travel. If the claim is received after 60 days it must be accompanied by a form stating the reason for the delay and signed by the department secretary or agency head.

2. State agencies should develop internal policies and procedures to have employee travel reimbursements submitted at least monthly. This will ensure compliance with the new OSA rule, provide for consistent recording and timely payment of employee travel reimbursements, and reduce the risk of accidentally submitting duplicate requests for reimbursement.

3. The Office of the State Auditor should continue to track, in the Central Accounting System, vouchers which have been returned to the submitting agency for correction or more information. BFM will work with OSA to develop a method of reporting and monitoring this information, which will be used to determine areas for additional training or corrective action.

4. The state's Central Accounting System should be changed to require the input of travel period dates on employee travel reimbursements. This will allow duplicate dates to be automatically flagged for an additional review process. Agencies will be automatically notified of overlapping travel vouchers and be required to verify they are not duplicated.

5. The signatures on Agency Authorization Forms in OSA should be updated and verified at least once per year.

6. Subordinates should not be the only approver/processor of their own supervisor’s travel.

7. BFM should develop additional reports to identify potential duplicate travel reimbursements.

   7.1. Only one out-of-state trip should be claimed per voucher. This will also assist the Auditor’s office in their review and enable the tracking of trip dates.

   7.2. Receipts for certain types of expenses which typically have a unique dollar amount, such as airline tickets, registration fees, out-of-state lodging, and car rentals, should not be combined on the same voucher line with other receipts for the same type of expense.

8. Agencies should institute periodic reviews of travel claims from a random sampling of their employees.

9. Direct-billed travel payments should be reviewed against employee travel reimbursements.

NEXT STEPS

- OSA will hold a public hearing on Administrative Rule changes.
- BFM will finish system updates and testing.
- BFM will develop documentation on system changes and new processes. This information will be shared with all agency finance staff when ready.
- Following the accounting system training scheduled on March 27, a review of these changes will be provided. Anybody not attending the actual training class is welcome to come to the Capitol, Room 412, at 3pm to discuss these travel reimbursement changes.

March 4, 2014