



**CITY OF COLORADO SPRINGS  
OFFICE OF THE CITY AUDITOR**

**09-11 – MEMORIAL HEALTH SYSTEM  
TRAVEL & TRAINING EXPENDITURE AUDIT**

**PUBLIC REPORT**

**June 18, 2009**

Jeff Litchfield  
City Auditor

Denny Nester, CPA CIA CGFM CFE  
Assistant City Auditor

Roy Florey, CIA CISA  
Principal Auditor





## Office of the City Auditor

### Public Report

Date: June 18, 2009

To: Honorable Mayor and Members of City Council  
Members of the Memorial Health System Board of Trustees  
Members of the Memorial Health System Audit Committee

Re: 09-11 – MHS Travel & Training Expenditure Audit

We performed an audit of Memorial Health System's (Memorial's) travel and training expenditures for the period beginning January 1, 2008 and ending June 30, 2008. During the audit period, Memorial expended \$425,042 for travel and training.

The purpose of the audit was to examine the existing accounting procedures and internal control measures. This examination was to determine if travel and training expenditures were in compliance with applicable policies and procedures.

We conclude the majority of Memorial's travel and training expenditures were processed in compliance with the policies that were established. However, we did note several instances of non-compliance. We recommend Memorial require all travelers to comply with established policies.

We will conduct a follow-up audit in 2010, where we will review transactions occurring in the first quarter of 2010.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in purple ink that reads "Jeff Litchfield".

Jeff Litchfield  
City Auditor

cc: Dr. Larry McEvoy II, Chief Executive Officer  
Mike Scialdone, Chief Financial Officer  
Tracy Narvet, Controller  
John Wyckoff, Compliance Officer  
Debbi Colebank, Accounts Payable / Payroll Manager

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE CGAP

TEL 719-385-5991 • FAX 719-385-5699 • HOTLINE 719-385-2387 • REPORT WEBSITE [WWW.CITYAUDITOR.ORG](http://WWW.CITYAUDITOR.ORG)  
30 South Nevada Avenue, Suite 604 • P.O. Box 1575, Mail Code 640 • Colorado Springs, CO 80901-1575

---

## Table of Contents

---

# 09-11 – MEMORIAL HEALTH SYSTEM TRAVEL & TRAINING EXPENDITURE AUDIT

## PUBLIC REPORT

	Page
Introduction	
Authorization .....	2
Organizational Placement.....	3
Scope and Methodology .....	3
Background.....	3
Commendable Practice.....	3
Overall Opinion .....	4
For the Future .....	4
Findings, Recommendations, and Responses	
1. Compliance with the Travel and Training Policy was deficient in some areas .....	5
2. A travel and training expenditure paid with a Memorial Health System Purchasing Card was split into two transactions in order to circumvent the single purchase limit assigned to the Card .....	6
Opportunities for Improvement	
3. The Travel and Training Policy could be strengthened .....	7

---

## Introduction

---

### AUTHORIZATION

We performed an audit of Memorial Health System's (Memorial's) travel and training expenditures for the period beginning January 1, 2008 and ending June 30, 2008. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703 through 706, in addition to Chapter 13, Article 1, and Part 103 which state:

#### 1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

#### 1.2.704: PERFORM POST-AUDIT:

The City Auditor shall perform a current post-audit of the financial operation of the City government and its enterprises. The City Auditor shall submit reports to Council of periodic audits of each enterprise, department, group, unit, division, or account. The Auditor shall have access to the books and accounts of all City enterprises, groups, departments, administrative officials, or employees charged with the receipt, custody, or safekeeping of public funds.

#### 1.2.705: DETERMINE EFFECTIVENESS AND EFFICIENCY OF PROGRAMS:

The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives. The City Auditor shall review the administrative control systems established by the enterprises, department, or group managers and by the City Manager, Utilities Executive Director, and Memorial Hospital Executive Director and determine whether these control systems are adequate and effective in accomplishing their objectives.

#### 1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision, and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper, or record in the custody of that person or public official.

---

## Introduction

---

### 13.1.103: ENTERPRISE STATUS; FUNDS; CITY ATTORNEY; CITY AUDITOR:

- C. In accord with the provisions of chapter 1 of this Code, the City Auditor shall have those duties and responsibilities imposed by City Council to ensure the public accountability of Memorial Hospital.

### **ORGANIZATIONAL PLACEMENT**

The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entity in this audit, Memorial Health System, is an enterprise of the City of Colorado Springs under the direction of its Chief Executive Officer. The Chief Executive Officer reports to the Memorial Health System Board of Trustees, who are appointed by the City Council.

### **SCOPE AND METHODOLOGY**

The purpose of the audit was to examine the existing accounting procedures and internal control measures in order to determine if travel and training expenditures were in compliance with applicable policies and procedures.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. The audit included interviews with appropriate personnel and included such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

### **BACKGROUND**

As part of their normal operations, Memorial employees are afforded educational opportunities, which sometime require travel. This was the first audit to specifically examine travel and training expenditures for Memorial. During the audit period, Memorial expended \$425,042 for travel and training. Activity during the audit period including travel by Memorial employees to job-related conferences and seminars, on-site training for new equipment, and travel by Memorial Board Members to governance training.

### **COMMENDABLE PRACTICE**

During November 2008, Memorial implemented a new reimbursement process for travel and training expenditures incurred by employees. These reimbursements are now processed via payroll with direct deposits, instead of accounts payable disbursements. This process change will reduce the number of checks processed by accounts payable and reduce the number of employees maintained in the accounts payable vendor master list. Memorial estimates that the data entry processing time for these reimbursements has been reduced by at least fifty percent.

---

## Introduction

---

### OVERALL OPINION

We conclude the majority of Memorial's travel and training expenditures were processed in compliance with the policies that were established. However, we did note several instances of non-compliance. We recommend Memorial require all employees to comply with established policies.

### FOR THE FUTURE

We will conduct a follow-up audit in 2010, where we will review transactions occurring in the first quarter of 2010.

***We have made no determination as to which findings are more important than others.  
Therefore, the findings are not necessarily listed in order of importance***

---

## Findings, Recommendations, and Responses

---

### 1. Compliance with the Travel and Training Policy was deficient in some areas.

We reviewed 39 travel and training expenditures, totaling approximately \$108,704, incurred during the audit period. During our review, we noted 43% had at least one exception from the Travel and Training Policy. A list of the exceptions include:

- One instance where Memorial reimbursed an employee for rental car liability insurance supplement and for personal effects coverage
- 11 instances where itemized receipts were not provided for at least one meal for which the employee sought reimbursement
- Two instances where the Conference/Travel Request Forms were not attached to the traveler's purchasing card reconciliation. Because the Conference/Travel Request Form was not included with the purchasing card reconciliation, the auditor was unable to verify that pre-approval was obtained in accordance with the Travel Policy.
- Five instances where the Conference/Travel Request Form was not pre-approved.
- Two instances where costs for alcoholic beverages were reimbursed.
- One instance where an employee was reimbursed \$75.49 for gasoline for a personal car in addition to being reimbursed for mileage to and from Denver International Airport.
- Two instances where sufficient documentation to support the expenditure could not be located by Memorial.

#### ***Auditor's Recommendation:***

We recommend Memorial analyze the above exceptions and either enforce its existing Policy or, if appropriate, modify the Policy.

#### ***Memorial's Response:***

We agree with the auditor's recommendations.

We will be making modifications to the travel policy and will enforce the revised policy. We will modify the Policy to allow reimbursement for travel and education expenditures in certain instances when pre-approval may not be obtained.

The instance mentioned above, where the employee was reimbursed for both gasoline and mileage has been corrected.

---

## Findings, Recommendations, and Responses

---

**2. A travel and training expenditure paid with a Memorial Purchasing Card was split into two transactions in order to circumvent the single purchase limit assigned to the Card.**

During our review, we noted one instance where it appeared a Memorial purchasing card holder split a travel and training expenditure into two transactions in order to circumvent the single-purchase limit of the purchasing card. According to Memorial's Purchasing Card Program Policies and Procedures "each card/account has restrictions based on the commodity, single-purchase limit and monthly-purchase limit. Multiple charges may not be made in order to avoid these restrictions."

***Auditor's Recommendation:***

We recommend Memorial review the transaction and determine whether the single-purchase limit for the purchasing card holder should be increased or identify an alternate method of completing similar transactions.

***Memorial's Response:***

We agree with the auditor's recommendation.

We have reviewed the single-purchase limit for the above mentioned purchasing card holder and have adjusted the limit appropriately.

---

## Opportunities for Improvement

---

The following finding is presented in the context of City Code 1.2.709, which instructs the City Auditor to make periodic reports to Council which include “recommendations for lessening expenditures, for promoting frugality and economy in City affairs and for an improved level of fiscal management.”

### 3. The Travel Policy could be strengthened.

During our review of the Travel and Training Policy, we noted several items that could be added to strengthen the policy. For example, the Policy does not:

- State it applies to Memorial Board Members, agency employees, contracted physicians, and other individuals traveling on behalf of Memorial,
- Emphasize Memorial’s tax exempt status and provide all travelers with Memorials’ tax identification number,
- Require management justification for hotel expenditures where the cost exceeds the Internal Revenue Service per diem specified for lodging, and
- Include guidelines for on-site training including: objectives of the training and tracking of attendance.

#### **Auditor’s Recommendation:**

We recommend Memorial consider modifying their Travel and Training Policy to address the areas mentioned above.

#### ***Memorial’s Response:***

We agree with the auditor’s recommendations.

A Memorial Health System Travel Committee has been established and is working with the Executive Team to modify the current travel policy.