

Employee Reimbursements [Non-Travel]



Objectives

To determine the effectiveness of controls over employee reimbursements and compliance with City policies, procedures and best practices.

Background

The City of Sioux Falls offers employees the ability to receive reimbursement for business expenses incurred on the job. The expense reimbursement program is currently governed by the City Accounts Payable Policy, Executive Orders and various collective bargaining agreements. This does not include employee reimbursements while in travel status which are processed separately and have their own City policy.

The total amount reimbursed through the program in 2021 was approximately \$45,510. In addition to business expenses, the reimbursement program is utilized to reimburse benefits for employees such as car allowance/mileage reimbursement, education assistance, the employee recognition program, tool allowances and boot allowances.

The accounts payable process as a whole is monitored by Finance and all expense reimbursements should comply with applicable City policies and procedures. The individual types of reimbursements and various thresholds eligible for reimbursement are the responsibility of department management to monitor.

The City maintains various policies and procedures applicable to the employee reimbursement process, such as the Accounts Payable Policy, Purchasing Card policies, collective bargaining agreements, and executive orders. These are made available to employees via the city intranet site InSite.

What We Found

Opportunity 1: Need for a dedicated Employee Reimbursements Policy

- Currently, there is no dedicated policy for non-travel related employee reimbursements. The process is governed by the Accounts Payable Policy in tandem with various Executive Orders and collective bargaining agreements. To strengthen internal controls and increase consistency/clarity, a dedicated policy for employee reimbursements would be best practice.

Opportunity 2: Lack of a standardized form/cover sheet for reimbursements

- We found that employee reimbursements are currently submitted most commonly via email with handwritten notes on the receipts describing the expense request for reimbursement. A standardized cover sheet or form would ensure that all the necessary details are provided including any pre-approvals if needed at the department or division level. This ensures expenses comply with the citywide accounts payable policy, executive orders, collective bargaining agreements and any newly implemented employee reimbursement specific policies in the future.

What We Recommend

Recommendation 1: We recommend implementing a dedicated policy for non-travel related employee reimbursements which provides details specific to employee reimbursements that might differ from regular accounts payable items paid to outside vendors (such as sales tax typically is not paid but is included for employee reimbursements, what is the procedure if an original receipt cannot be obtained, how is the "timeliness" of submitting invoices defined, etc.)

Recommendation 2: We recommend developing and implementing a standardized cover sheet or form to ensure that all the necessary details are provided with the reimbursement request. This would also ensure expenses comply with the citywide accounts payable policy, executive orders, collective bargaining agreements and any newly implemented employee reimbursement specific policies in the future. The travel reimbursement process utilizes a form to ensure compliance in a similar manner.