



OFFICE OF THE COUNTY AUDITOR

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To: Thomas Cuculich, County Administrator

From: Bob Grogan, CPA, CFE 
County Auditor

Subject: Non-Compliance with the County's Employee Reimbursement Policy
#19-09

Date: February 7, 2019

The Office of the County Auditor has completed a limited scope internal audit of individual employee expense reimbursements in a Department under the jurisdiction of the County Board that were over sixty days old. Consistent with the Internal Revenue Service guidelines for accountable plans, the County's policy prescribes that reimbursement requests should be submitted within sixty days of when they are incurred. The results of the audit are presented below.

Results

An employee incurred expenses totaling \$7,410 and submitted the reimbursement vouchers after the 60-day time period specified in the County's policy. The County Auditor met with the employee and department representatives to verify the expenses were appropriate and that the explanation of the delay was reasonable.

Objective

The objective of the audit procedures were to determine that the expenses were appropriate, properly documented and that the reason for the delay was consistent with the guidelines provided in the County's Travel/Business Reimbursement Policy.

Background/Audit Scope

The County's Travel/Business Reimbursement Regulations (Policy) prescribes that reimbursements for allowable travel expenses should be submitted within 60 days of the initiation of travel. This is consistent with the Internal Revenue Service guidelines for accountable plans relative to an employer's reimbursement of business expenses. According to the County's Policy, "Any travel reimbursement submitted after the sixty (60) days must include an explanation of the delay. Only delays caused by reasonable circumstances will be approved for payment. Excessive workload does not constitute a reasonable circumstance."

In January 2019, prior to their submittal to the accounts payable division, the

County Auditor was provided with five expense reimbursement vouchers comprising \$7,410 in expenses incurred by a department head between April 2018 and October 2018. The submitting department was familiar with the County's Policy and wanted to know what steps were required to process the reimbursements because the specific dates of each expense occurred beyond the sixty day period noted in the Policy.

The County Auditor examined the documents and met with department staff to review the items purchased as well as the circumstances of the delayed submission.

Audit Findings and Recommendations

Staff from the County Auditor's office physically verified the equipment which was purchased and it was deemed to be an appropriate expense.

During the review of the expenses, it was noted that the employee paid sales tax on the purchase of some of the items. These amounts were subsequently disallowed by the County Auditor as comparable goods could have been obtained from a County vendor at a reduced price. The department staff was informed by the County Auditor that if the goods cannot be procured from a County vendor, the County's sales tax exemption should be used for future purchases.

At the request of the County Auditor, the department head who incurred the expenses was informed of the need to prepare a memo to state the reason for the delay. The explanation was provided to the County Administrator and the County Auditor and was deemed reasonable. A copy of the memo was attached with each reimbursement form prior to submission to the Accounts Payable Division of the Finance Department for payment processing and subsequent approval by the County Auditor.

The delay in submitting the reimbursement documents was partially attributed to the timing of grant funds relative to implementing a new project resulting from a sizable capital equipment donation. A reorganization in the granting agency and redistribution of the funding source near the end of the fiscal period contributed to the delay.

The County's Travel/Business Reimbursement policy is designed in conjunction with the Internal Revenue Service's guidelines for an accountable plan. In order that the plan is not jeopardized, it is recommended that the County remains diligent in complying with the 60-day submission requirements.

If you have any questions, please contact me.