

# **CALIFORNIA DEPARTMENT OF WATER RESOURCES**

Review Report

## **CALIFORNIA AUTOMATED TRAVEL EXPENSE REIMBURSEMENT SYSTEM TRAVEL REIMBURSEMENT PROGRAM**

*July 1, 2016, through June 30, 2017*



**BETTY T. YEE**  
California State Controller

March 2020



**BETTY T. YEE**  
California State Controller

March 2, 2020

Karla Nemeth, Director  
California Department of Water Resources  
1416 9<sup>th</sup> Street, Room 1115-1  
Sacramento, CA 95814

Dear Ms. Nemeth:

The State Controller's Office (SCO) has completed the review of California Department of Water Resources's (DWR) California Automated Travel Expense Reimbursement System (CalATERS) Travel Reimbursement Program. The review period was July 1, 2016, through June 30, 2017.

We reviewed the CalATERS Travel Reimbursement Program to determine whether DWR has effective internal controls to ensure that travel expense claims (TECs) are legal, proper, and in accordance with CalATERS Travel Reimbursement Program guidelines; and to determine whether DWR maintains adequate documentation to support the CalATERS TECs submitted to the SCO.

We found that DWR does not have effective internal controls to ensure that TECs are legal, proper, and in accordance with CalATERS Travel Reimbursement Program guidelines; and does not maintain sufficient supporting documentation to support the TECs submitted to the SCO.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

JLS/as

# Contents

## Review Report

<b>Summary .....</b>	<b>1</b>
<b>Review Authority.....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objectives, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Follow-up on Prior Audit and Review Findings.....</b>	<b>2</b>
<b>Views of Responsible Officials.....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Findings and Recommendations.....</b>	<b>4</b>
<b>Attachment—California Department of Water Resources’ Response to Draft Review Report</b>	

# Review Report

## Summary

The State Controller's Office (SCO) has completed the review of California Department of Water Resources' (DWR) California Automated Travel Expense Reimbursement System (CalATERS) Travel Reimbursement Program. The review period was July 1, 2016, through June 30, 2017.

Our review found that DWR does not have effective internal controls to ensure that travel expense claims (TECs) are legal, proper, and in accordance with CalATERS Travel Reimbursement Program guidelines. DWR does not maintain adequate documentation to support CalATERS TECs submitted to the SCO, as described in the Findings and Recommendations section of this report.

## Review Authority

We conducted the review pursuant to Government Code (GC) section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provision of law for payment." In addition, GC section 12411 states that "The Controller shall suggest plans for the improvement and management of the public revenues."

## Background

CalATERS is the statewide travel reimbursement system used by the State of California. The system is administered by the California Department of Human Resources (CalHR), the California Department of General Services (DGS) and the SCO. Rules and regulations are passed from the California Code of Regulations through CalHR, which disseminates them to state agencies to enforce. DGS is responsible for establishing each state agency's access to CalATERS, in addition to procurement, as DGS dictates how rental cars and hotels are procured. The SCO is responsible for reimbursing employees based on their TECs entered into CalATERS. State employees who travel on official state business are reimbursed for expenses incurred while traveling.

In CalATERS, every employee has a unique log-on identity and password. Two levels of review are required for every TEC. The first level is the claimant's supervising manager or approver as assigned by the agency. Only department-assigned staff can be approvers, and they must be granted access in the CalATERS system to be able to approve TECs. Approvers not only approve the TEC in the system, but also physically sign a hard copy of the CalATERS transmittal page with supporting documentation. This signature confirms that the approver has reviewed the documents contained in the supporting package, and that the package includes all necessary supporting documentation.

Once the authorized approver has approved the TEC, it is electronically submitted to each department's assigned accounting staff; the signed hard copy is also forwarded to the department's accounting staff. The departmental accounting staff then compares the hard copy support to the

electronic TEC, validates that all necessary supporting documentation has been submitted, and approves the TEC. The departmental accounting staff has the ability to issue TEC payments of acceptable amounts if required supporting documentation is not received; however, staff members cannot add any additional dollar amounts to TECs.

## **Objectives, Scope, and Methodology**

The review period was July 1, 2016, through June 30, 2017. Our review assessed DWR's CalATERS Travel Reimbursement Program to gain reasonable assurance that payments are legal, proper, and are supported by sufficient documentation. The review objectives were to determine whether DWR:

- Has effective internal controls to ensure that TECs are legal, proper, and in accordance with CalATERS Travel Reimbursement Program guidelines; and
- Maintains adequate documentation to support CalATERS TECs submitted to the SCO.

To achieve our objectives, we:

- Reviewed DWR's policies and procedures for the CalATERS Travel Reimbursement Program;
- Interviewed DWR management and key personnel to gain an understanding of the operations and activities within their respective divisions/units; and
- Used statistical random sampling with the attribute methodology to determine the sample size. The sample included 100 TECs totaling \$35,883, out of 16,710 TECs totaling \$6,552,998. Performed tests to determine whether CalATERS TECs were in compliance with program guidelines.

## **Conclusion**

Our review found that DWR does not maintain adequate documentation to support CalATERS TECs submitted to the SCO, as described in the Findings and Recommendations section of this report.

## **Follow-up on Prior Audit and Review Findings**

We have not previously conducted an audit or review of DWR's CalATERS Travel Reimbursement Program.

## **Views of Responsible Officials**

We issued a draft review report on December 23, 2019. Katherine S. Kishaba, Deputy Director, Business Operations, responded by letter dated January 17, 2020 (Attachment), agreeing with the recommendations but not the overall assessment that DWR does not have effective internal controls surrounding TEC processing because it uses scanned copies instead of the required original documentaion. This review report includes DWR's complete response.

**Restricted Use**

This review report is solely for the information and use of DWR and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this review report, which is a matter of public record, and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

March 2, 2020

# Findings and Recommendations

## **FINDING 1— Lack of adequate controls over the Travel Expense Claim approval process**

DWR lacks adequate controls over the TEC approval process. Employees scan their original, hard copy receipts into PDF documents and email their PDFs to a central email address with copies to their approving managers. Managers review the PDFs, comparing them to employees' CalATERS TECs. After managers approve CalATERS TECs, the travel unit staff members also review the PDFs and compare them to the CalATERS TECs. Neither managers nor the travel unit staff members review the original, hard copy receipts; only the scanned PDF copies are reviewed. During our review of 100 TECs, we found that 81 TECs submitted for reimbursement included no original, hard copy receipts. There was no evidence that employees send original, hard copy receipts to managers for review, or that managers review the original hard copy receipts. The records for the remaining 19 TECs were not retained (see Finding 2).

Section 1200 (Travel Expense Claim [TEC]) of the Travel Guide Supplement to the *State Administrative Manual* (SAM) states, in part, "Employees must furnish original receipts when claiming reimbursement for lodging, transportation, training expenses, professional dues, licenses and fees, and the purchase of airline tickets."

DWR failed to follow established SAM guidelines. We determined that this lack of supporting documentation and proof of review is a systemic issue; therefore, we concluded that additional samples would yield the same results. However, this issue does not correlate to any dollar value findings.

### Recommendation

We recommend that DWR's travel unit develop policies and procedures to ensure that approving managers review original hard copy receipts.

### DWR's Response

DWR agrees and will develop and implement a policy and procedure to ensure [that] reviewing managers/approvers review original receipts. DWR will complete this by September 1, 2020.

## **FINDING 2— Lack of supporting documentation**

DWR lacks adequate controls to ensure that scanned PDFs of original, hard copy receipts are transferred from the email system into its document retention software (Documentum). DWR was unable to provide us with receipts supporting 19 of 100 TECs selected for testing. DWR stated that the travel unit was understaffed and PDFs of original, hard copy receipts had been sent to travel unit staff who separated from the department. As a result, some PDF copies of original, hard copy receipts were not saved properly. Without reviewing these TECs, we cannot assure that the paid TECs were supported by adequate documentation, or that the documentation was reviewed.

Every five years, state agencies must have a document retention policy approved by the California Secretary of State. DWR's approved document retention policy states that TECs are maintained in the office for two years and then retained in the archive for two additional years (a total of four years) or until audited. The Internal Revenue Service recommends that businesses maintain accounting information that is relevant to their taxes for at least three years.

We did not sample additional TECs, as we determined that the lack of supporting documentation is a systematic issue; therefore, we concluded that additional samples would yield similar results. However, this issue does not correlate to any dollar value findings.

DWR was able to subsequently provide original, hard copy receipts that it obtained from employees for 11 of the missing 19 selections. DWR also noted that it included these supporting PDF copies of original, hard copy receipts in their Documentum.

Although DWR was able to obtain these 11 PDF copies of original, hard copy receipts from employees, DWR still does not maintain sufficient supporting documentation. The DWR travel unit, not individual employees, should maintain the original receipts.

#### Recommendation

We recommend that DWR management implement policies and procedures to ensure that all original receipts are reviewed and included in Documentum.

#### DWR's Response

DWR agrees, and will implement a policy and procedure [to ensure that] the original receipts are reviewed and copies are placed in Documentum. DWR will complete this by September 1, 2020.

### **FINDING 3— Travel Expense Claims approved without proper support**

When testing 81 TECs, we found that departmental accounting staff had approved four TECs for payment with incomplete supporting documentation. Our review found four TECs with erroneous expense types, missing Excess Lodging Rate Request forms, and/or incomplete excess lodging documentation. One TEC included a business meal expense that should have been claimed as a standard meal; two TECs included high-cost lodging rates without the required Excess Lodging Rate Request form and documentation of proper approval from management; and another TEC included a high-cost lodging rate with an incomplete Excess Lodging Rate Request form.

Title 2, California Code of Regulations, section 599.623(b) states, in part, "Claims must include the establishment, the persons in attendance, the business conducted, and the reason why the business had to be conducted during the meal period."



SAM chapter 727 states, in part:

In some instances, the cost of business-related meal expenses may be allowed. It must be clearly shown that it was impractical to conduct the State's business during working hours and that the meal took place in conditions beyond the employee's control. The employee provides justification on the [TEC]. The statement must include the purpose or goal of each business-related meal and the unusual conditions that justify payment.

SAM chapter 715 states that CalHR requires a minimum of 10 days advance notice for exception requests to be submitted and approved on an Excess Lodging Rate Request form prior to the trip.

DWR's failure to follow established policies and procedures has resulted in improper TECs erroneously submitted to the SCO. SCO sampling methods would not yield samples with these specific characteristics.

Recommendation

We recommend that the DWR travel unit ensure that all employees are adequately trained and have knowledge of applicable SAM and DWR policies and procedures for the CalATERS Travel Reimbursement Program. Doing so will ensure that the controls in place are working effectively, and that accurate TECs are submitted to the SCO.

DWR's Response

DWR partially agrees with this recommendation. DWR has provided training in the past and, therefore, will not be providing department-wide training again as the recommendation suggests. DWR will reiterate and/or provide TEC policies/procedures to all staff via email and provide additional information stressing the importance of these policies and procedures. This will be done as part of the rollout of the new policies and procedures previewed above.

**Attachment—  
California Department of Water Resources’  
Response to Draft Review Report**

---

**DEPARTMENT OF WATER RESOURCES**

1416 NINTH STREET, P.O. BOX 942836  
SACRAMENTO, CA 94236-0001  
(916) 653-5791



January 17, 2020

Andrew Finlayson, Chief  
Division of Audits  
State Controller's Office  
3301 C Street, Suite 700  
Sacramento, California 95816

Dear Mr. Finlayson:

Thank you for the opportunity to respond to the State Controller's Office (SCO) draft report that resulted from your staff's review of the Department of Water Resources' (DWR) use of the California Automated Travel Expense Reimbursement System (CalATERS). We respectfully disagree with the overall assessment that DWR does not have effective internal controls surrounding the travel expense claim (TEC) processing as presented in the Summary section of the report. A more accurate assessment was described in the Conclusion portion of the report when it is stated that DWR does not maintain adequate documentation to support TECs. However, we believe the assessment in the Conclusion remains a bit overstated as well and both the Conclusion and Summary would be more accurate and less vague if it indicated: DWR could improve its utilization of original supporting documents, documentation retention, and document filing.

Similarly, we believe the Finding headings for all Findings are overstated and would be more accurate if they included more details and/or specifics related to the condition. Finding 1 could be written as: *DWR does not utilize original supporting documents when processing TECs.* Finding 2 as: *In 8 of 100 TECs, DWR failed to retain adequate supporting documentation.* Finding 3 as: *Four of 81 TECs reviewed lacked adequate documentation.*

We would also like to point out that the direction of the State is to reduce paper and inefficiencies by taking advantage of technology and advancements available in the current business climate. In particular, AB 2296 (Low) signed by Governor Jerry Brown in 2016, sets the policy for State agencies to transition to electronic records. DWR has been directed by the CA Natural Resources Agency (CNRA) to achieve a 40% reduction in paper documents in preparation for the move to a new CNRA headquarters building in 2021. The new building will have much less file storage, so DWR is actively changing our business processes to reduce paper. Toward that end, DWR has adopted an electronic signature policy that, whenever permissible, recognizes electronic signatures carry the same authority as original wet ink signatures. Further, per CalATERS documentation on the SCO website, department personnel are to workflow their claims, including attaching receipts, "based on department policy". Therefore, DWR is in compliance with SCO's direction.

Andrew Finlayson  
January 17, 2020  
Page 2

Additionally, our understanding was that CalATERS is a paperless, streamlined travel reimbursement system. It contains certification clauses that submitters and approvers acknowledge to attest the accuracy and validity of their actions, as well as give their approval. Supervisory approval via the CalATERS workflow should be considered an approval of a claim, so additional signatures on paper are not required.

It is the perspective of DWR that we are following SCO direction and supporting the business direction and policies of the State by incorporating technology to improve operational efficiencies and achieve cost savings wherever possible.

Following is DWR's Corrective Action Plan as well as its response to the Recommendations included in the draft report.

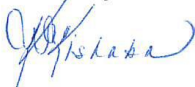
Recommendation 1: DWR agrees and will develop and implement a policy and procedure to ensure reviewing managers/approvers review original receipts. DWR will complete this by September 1, 2020.

Recommendation 2: DWR agrees and will implement a policy and procedure that original receipts are reviewed, and copies are placed in Documentum. DWR will complete this by September 1, 2020.

Recommendation 3: DWR partially agrees with this recommendation. DWR has provided training in the past and therefore, will not be providing department-wide training again as the recommendation suggests. DWR will reiterate and/or provide TEC policies/procedures to all staff via email and provide additional information stressing the importance of these policies and procedures. This will be done as part of the rollout of the new policies and procedures previewed above.

If you have any questions or need additional information, please contact David Whitsell at (916) 653-8382.

Sincerely,



Katherine S. Kishaba  
Deputy Director, Business Operations

cc: David Whitsell, Chief, Internal Audits Office, DWR  
Karen Louie-Tom, Chief, General Accounting Branch, DWR  
Michael Mock, Audit Manager, Division of Audits, SCO

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250**

**<http://www.sco.ca.gov>**