

OFFICE OF THE CITY AUDITOR

# REPORT

## EMPLOYEE BUSINESS EXPENSES - DATA ANALYTICS AUDIT REPORT

JUNE 9, 2025

Edmonton

# Background

Attachment 1

## OVERVIEW

The City of Edmonton pays for costs incurred by an employee during the normal course of business in accordance with the *Administrative Procedure for Employee Business Expenses* (Administrative Procedure). The administrative procedure describes the City's requirements for reimbursement of employee business expenses, including training, travel, food services, hosting, and other expenses such as recognizing employees for long term service. Employees must receive approval for all expenses, and expenses must be reasonable, prudent, cost-effective, and defensible.

## EMPLOYEE BUSINESS EXPENSE PROCESS

Employee business expenses are settled via corporate credit cards, direct reimbursement to employees, or other methods like purchase orders.

- Employees using their **corporate credit cards** must report transaction details in the designated reporting system; these transactions are then subject to approval by authorized expenditure officers in the reporting system. This is the City's preferred payment method.
- For **direct reimbursements**, employees submit claim forms to their supervisors for approval, who then forward them to the Corporate Accounts Payable team within the Financial Services Branch. This team manually reviews each claim and enters the information from the forms into the accounting system. The claim forms and supporting documentation (for example invoices) are included as attachments in the system.
- For the **other method**, employee expenses are paid directly to suppliers (for example through purchase orders) or posted from other City systems (for example payroll).

## TOTAL EXPENDITURE

In 2024, the City spent \$3.1 million on the training and business expenses covered under the administrative procedure, excluding private vehicle reimbursements. The majority of the expenses were for local training within the City of Edmonton municipal limit.

# Audit Overview

Attachment 1

## OBJECTIVE

To use data analytics to test if the City's controls over employee business expenses are working effectively.

## CONTROL OBJECTIVES

We tested employee business expenses to see if they were properly authorized, valid, accurate and complete, allowable, economical, and properly classified.

## SCOPE

All employee business expenses covered under the administrative procedure reported from 2023 to 2024, excluding private vehicle reimbursement as we had previously covered those in an advisory project. We did not perform any manual testing of transactions or controls as this is a data analytics only audit.

## APPROACH

We used advanced data analytics, including artificial intelligence, to create a dashboard to review employee business expenses. This enabled us to flag some transactions for the Financial Services Branch to investigate further. The Branch will be taking over this dashboard to support their ongoing monitoring of employee business expenses for compliance. *(A screenshot of the dashboard is provided on the next page)*

# Internal Dashboard for Ongoing Monitoring

Attachment 1

Employee Business Expenses Dashboard **Summary of Tests** Details of Tests

Select the Stream of Transaction

Credit Card

Select Business Area:

All

Cost Element:

All

Select a date range:

2023-01-01

to

2024-12-31



Total Transactions Tested  
**8,611**



Transactions Without Approval  
**11.6%**



Transactions Approved by  
Employee Not on Expenditure  
Officer List  
**8.2%**

[View Details](#)



Transactions with No Description  
**1.7%**



Transactions with Insufficient  
Description  
**0.3%**



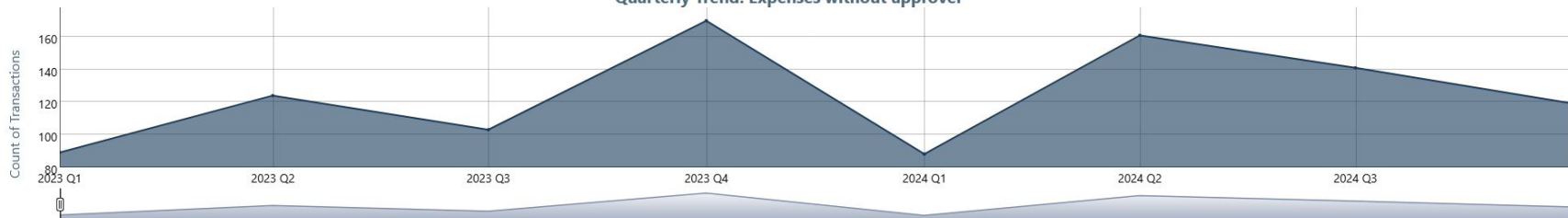
Transactions Missing Relevant  
Columns  
**12%**

[View Details](#)

Select a test to see trends over time

Expenses without approver

Quarterly Trend: Expenses without approver



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# What We Found

Attachment 1

Overall, based on the data analytics tests conducted, the Financial Services Branch met the objective of this audit.

Control Objective	Data Analytics Test	Data Analytics Outcome*
Properly Authorized	Employee business expenses are properly approved by responsible personnel in accordance with the administrative procedure.	1
Valid	Data on employee business expenses include detailed and meaningful descriptions that allow for review of transactions to determine if transactions are justified and are executed in accordance with the Administrative Directive.	
Accurate and Complete	Data on employee business expense is correct, has all the relevant details, was recorded in a timely manner, and was recorded only once.	
Allowable	Only eligible employee business expenses are charged or submitted for reimbursement.	
Economical	Employee business expenses are within amount limits as per the administrative procedure.	
Properly Classified	Employee business expenses are allocated to the appropriate codes and expense categories.	



Met



Met, improvement opportunities identified

\*Number shows corresponding recommendation for the control objective

Edmonton

# Audit Recommendation

Attachment 1

## RECOMMENDATION

**Recommendation 1:** We recommend that the Financial Services Branch review and clear all previously unapproved credit card transactions in the accounting system and monitor that future transactions are approved in a timely manner to enhance compliance with the administrative procedure.

## WHY IS THIS IMPORTANT

Approvers are critical controls for ensuring that business expenses accurately represent their intended purpose. Therefore, it is important to have all transactions in the accounting system approved in order to mitigate the risk of unauthorized spending.

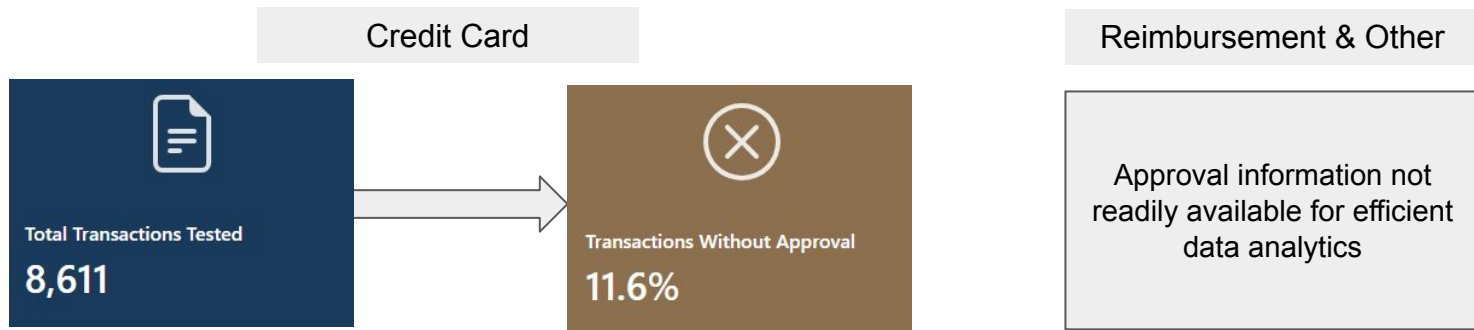
## ACKNOWLEDGEMENT

We would like to thank the staff in the Financial Services Branch for their cooperation during this data analytics audit.

# Improvement Opportunity: Monitoring Approvals

Attachment 1

While the majority of credit card transactions we reviewed were approved, we found that 11.6 percent (about 1000) of them were recorded as unapproved in the accounting system, including transactions dating back to 2023. The total amount in these transactions was \$340,000. We were unable to use data analytics to efficiently test approvals within the reimbursement stream due to the manual processes involved.



Note: Data covers fiscal years 2023 and 2024

## Why this is important:

- Timely approval of all transactions in the credit card stream in the accounting system would mitigate the risk of unauthorized spending.
- Having readily available approver information for reimbursement transactions would enhance more efficient testing of controls using data analytics.

# Improvement Opportunity: Monitoring Approvals

Attachment 1

## Recommendation 1:

	Review and clear all previously unapproved credit card transactions in the accounting system and monitor that future transactions are approved in a timely manner to enhance compliance with the administrative procedure.
	<b>Responsible Party</b> Branch Manager, Financial Services
	<b>Management Response -</b> Provide targeted communications to credit card holders and approvers emphasizing the importance of reviewing, approving and submitting credit card reports through CenterSuite by the end of the month in accordance with administrative procedures.  Use the newly created Employee Business Expense Dashboard to monitor late approvals and follow up with cardholders accordingly.
	<b>Implementation Date</b> December 31, 2025



# Appendix 1: Global Internal Audit Standards Requirements

Attachment 1

## AUDIT STANDARDS

We conducted this engagement in conformance with the Institute of Internal Auditors' Global Internal Audit Standards .

The Institute of Internal Auditors' Global Internal Audit Standards require us to report the significance and prioritization of our findings. This report contains all our significant findings and those that we deemed not significant, but that still support our recommendations. We prioritized each significant finding based on how important it is that management address the finding. This report contains only those significant findings that we prioritized as management must address, or should address.