

## ADMINISTRATIVE RESPONSE TO EMPLOYEE BUSINESS EXPENSES - DATA ANALYTICS AUDIT

### Recommendation

That the June 24, 2025, Financial and Corporate Services report FCS03082, be received for information.

<b>Requested Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>N/A</b>		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>Financial Administration and Control Administration Directive (A1206), Employee Business Expense Procedure</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>June 24, 2025, Office of the City Auditor report OCA03102, Employee Business Expenses - Data Analytics Audit</li> </ul>		

### Executive Summary

- The Office of the City Auditor conducted an audit using data analytics to test if the City's controls over employee business expenses are working effectively. Results are presented in the June 24, 2025 Office of the City Auditor report OCA03102, Employee Business Expenses - Data Analytics Audit.
- The City has a robust system in place for managing employee expenses, governed by the Financial Administration and Control Administration Directive (A1206), Employee Business

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Expense Procedure. This procedure outlines permitted expenses and requirements for tracking, approval and reimbursement where appropriate.

- The objective of the data analytics audit was to determine if employee business expenses were properly authorized, valid, accurate and complete, allowable, economical, and properly classified. Overall, based on the data analytics tests conducted, the Office of the City Auditor concluded that the Financial Services branch met the objective of this audit.
- The Office of the City Auditor issued one recommendation for Financial Services to review and resolve all outstanding unapproved credit card transactions recorded in the accounting system. Furthermore, the Office of the City Auditor recommends the implementation of monitoring mechanisms to ensure subsequent transactions are approved promptly, thereby strengthening adherence to the administrative procedure.
- The Financial Services branch accepts the recommendation and will implement processes to address it by December 31, 2025.

## REPORT

The City of Edmonton pays for costs incurred by an employee during the normal course of business in accordance with the Financial Administration and Control Administration Directive (A1206), Employee Business Expense Procedure (administrative procedure). The administrative procedure describes the City's requirements for reimbursement of employee business expenses, including training, travel, food services and hosting. Employees must receive approval for all expenses, and expenses must be reasonable, prudent, cost-effective and defensible.

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

- Employees using their corporate credit cards must report transaction details in the designated credit card reporting and approval system, CenterSuite; these transactions are then subject to approval by authorized expenditure officers in CenterSuite. This is the City's preferred payment method for employee business expenses.
- For direct reimbursements, employees submit claim forms to their supervisors for approval, who review and approve the claim forms and then forward them to the corporate Accounts Payable team within the Financial Services branch for review and reimbursement to the employee. This team manually reviews each claim and enters the information from the forms into the accounting system. The claim forms and supporting documentation (e.g., invoices) are included as attachments in the system.
- Employees can create a purchase order to purchase a good or service after being approved by an expenditure authority approver. Purchase Orders can be used for employee expenses that are paid directly to suppliers (e.g., purchase orders for workshops and frequent training needs such as routine certification courses).

### Audit Recommendations and Responses

**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**

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**future transactions are approved in a timely manner to enhance compliance with the administrative procedure.**

Administration accepts this recommendation.

Corporate Credit Card (CCC) cardholders receive monthly statements through CenterSuite on the 21st of each month, detailing transactions from the 21st of the previous month to the 20th of the current month. Cardholders are responsible for reviewing, reconciling and coding these transactions before submitting reports for approval through CenterSuite to the approver in accordance with the administrative procedure.

Approvers must review and submit approved reports to the corporate Accounts Payable team by the last day of the month for payment of the credit card. This provides cardholders approximately 10 days (from the 21st to the month's end) for review, approval and submission for payment. If approval is not received within five days after the month's end the card is temporarily closed until the necessary approval is submitted.

On the first day of the subsequent month (after the deadline for credit card approvals in CenterSuite) the accounting system (SAP) is updated for all credit card transactions. The transactions are loaded to the appropriate general ledger account codes (e.g., hosting, training, travel, etc.). Those transactions that were approved in CenterSuite by month end are noted as approved transactions in SAP, whereas credit card transactions not approved by month end are not identified as approved transactions. SAP's information will not reflect approvals submitted after the first of the month.

The audit found that 11.6 per cent of the total employee business expense transactions from 2023 to 2024 (approximately 1,000 out of 8,611 total transactions) were not approved by the last day of the month in accordance with the administrative procedure. The audit findings were based strictly on approvals noted in SAP, with approval made in CenterSuite by the last day of the month. Of these 1,000 credit card transactions noted in the audit as not properly approved, all but 53 were approved by the credit card approver in CenterSuite after month end. The 53 unapproved transactions were not approved as a result of the cardholder or approver no longer being with the City, on leave, or staff that have changed departments. The Financial Services team is following up with these transactions and will ensure all are formally approved .

In response to the audit recommendation, the Financial Services branch will:

- 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.
- The Financial Services branch will look into the investment required to put in a process of updating the accounting system (SAP) with approval statuses after the 1st of the month.

Implementation Date: December 31, 2025

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### **Community Insight**

Public engagement and/or research were not completed for this report as it is related to internal administrative functions.

### **GBA+**

GBA+ was not completed for this report as it is related to internal data management.

### **Environment and Climate Review**

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.