



Office of the
Washington
State Auditor
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Best practices for travel and reimbursable expenses



Safeguard public funds during travel

Many government employees and officials travel for training or to perform essential government functions, such as wildfire suppression, emergency response or infrastructure assessments. Travel expenses might include meals, lodging, transportation and other miscellaneous costs. Other reimbursable expenses may include meals with meetings, such as when employees or officials conduct business over a meal period.



The public is sensitive about travel costs and other reimbursements. People expect government employees and officials to spend public dollars prudently and practically when traveling for business. This means that you should clearly communicate expectations to employees and officials, and establish controls to safeguard against potential fraud, waste or abuse.

In Washington, the requirements are different for state agencies and local governments. State agencies must develop travel policies following the requirements in the [State Administrative and Accounting Manual](#). Local governments are subject to some state laws and requirements in the [GAAP](#) or [cash-basis Budgeting, Accounting and Reporting System \(BARS Manual\)](#), but generally have more flexibility in determining their travel and other reimbursement policies. Regardless of these requirements, best practices are universal no matter the level of government processing travel and other employee reimbursements.

You can take steps today to protect against fraud, waste, and abuse by implementing clear guidance and adopting strong internal controls. This resource describes best practices you should consider when evaluating your reimbursement process.

Setting expectations for travel expenditures

- **Regularly update your policy to ensure it provides clear guidance.** Your policy should cover travel expenses, as well as any other reimbursable expenses (if you will allow them). You should reevaluate your policy annually and update it at least every three years. Provide clear, prescriptive guidance and allow for preapproved exceptions if you desire flexibility (as opposed to including vague, ambiguous language). Local governments can refer to the Municipal Research and Services Center's [travel policy guidance](#) as a resource.



When you lack a clear policy, you put your organization at risk for fraud, waste and abuse, and you hinder your finance department's ability to audit and question travel claims.

- **Establish tracking mechanisms to comply with IRS regulations.** You must meet the requirements of an accountable plan, to avoid including certain travel advances or reimbursements as taxable income on Form W-2s. Refer to publications from the IRS for more information and/or consult a tax professional.
- **Create guidelines for non-travel-related meals if you will allow them.** Your policy must authorize non-travel-related meals before you pay for them. Address how you will determine whether meals are necessary and reasonable, and how you will analyze the “business” conducted. Although it appears dated, guidance our Office received from the Washington State Office of the Attorney General in 1987 is still relevant today. The memorandum, [Eating and Drinking at Public Expense](#), includes a framework that we use to determine whether a transaction constitutes a gift of public funds.
- **Provide training on policy requirements.** Training should be provided to travelers and those who review and approve travel claims. Provide additional specialized training to reviewers and approvers on how to recognize and detect fraud in traveler expense reports. See [Appendix B](#) for examples of fraud schemes.

Pricing travel costs

- **Encourage economical travel.** Economical travel might mean you require coach class for airline tickets or compact vehicles for car rentals. Travelers should document and retain their research to show they selected the most economical option. See [Appendix A](#) for additional economical travel considerations that you may want to include in your policy.
- **Use per diem rates for lodging and meals.** A per diem is a preestablished allowance for certain travel expenses. This practice allows you to eliminate receipt tracking, at least for meals (you may want the lodging receipt, even if per diem is used). You also have better cost control, as it prevents exorbitant charges or excessive tipping at the government’s expense. Many lodging establishments will honor the government rate if asked, especially if travelers book well in advance. Governments most commonly use the U.S. General Services Administration’s annual [per diem rates](#).

State law does not allow most government types to pay for meals for people who are not employees, although there may be some exceptions, such as for quasi-employees (e.g., volunteers). Only ports, public facility districts, and some agricultural commodity commissions are authorized in statute to engage in promotional hosting and pay for potential customers to dine with their staff.



- **Preapprove travel, including a cost estimate.** Travelers should provide documentation that includes the purpose of the travel, an estimate of the trip's costs, and an evaluation of economical options. The approver can then identify concerns before travelers incur costs.
- **Preapprove policy exceptions.** Travelers should obtain written approval of any policy exceptions before incurring costs (if your policy provides for an exception). Otherwise, if management approves exceptions after the travel takes place, then it constitutes an after-the-fact approval of a policy violation.
- **Create centralized oversight over travel plans.** A centralized person, well-versed in policy requirements and economical travel options, can provide thoughtful input and direction on travel plans. They can also question potential costs before travelers incur them.
- **Centrally track unused airline tickets and other expected refunds.** Events or trips may get canceled or need to be rescheduled. Someone should track and monitor expected refunds are received and/or travelers reuse airline tickets.

Internal controls should apply to everyone. All employees and officials, no matter their rank, should undergo the preapproval process and follow the same rules and guidelines for business travel.

Managing travel advances

- **Reduce the administrative burden of travel advances.** Consider these possibilities:
 - > Establish a minimum dollar amount and deadline for requesting an advance (e.g., no later than a certain number of days before the trip)
 - > Pay for airfare, lodging, and/or rental car expenses on a government credit card
 - > Limit advances to 75 percent of estimated travel expenses
 - > Prescribe criteria for an advance, such as due to financial hardship
- **Avoid issuing travel advances too early.** You should limit fronting cash without employees or officials having an immediate need for it (i.e., their travel will occur very soon).
- **Monitor outstanding travel advances.** Assign responsibility for tracking outstanding travel advances, follow up with travelers on delinquent travel advance reconciliations, and arrange possible payroll deductions. Your controls should prevent travelers from obtaining a new advance when they have not accounted for a prior one ([RCW 42.24.140](#)).



- **Check for outstanding travel advances when people separate from employment.** Make sure that human resources has a process to check for outstanding travel advances before an employee leaves the organization, such as an item on an employee separation checklist. Resolve outstanding advances before issuing a final paycheck.

Processing travel claims

- **Use a centralized program to track travel.** Consider using software or another technology-based solution to organize records and streamline the reimbursement process. If you have paper copies of records, you should store them in one central location.
- **Adopt a comprehensive travel reimbursement form that discloses all expenses.** It is important for reviewers to consider all the related trip costs before approving them. Reviewers should look at charges on travelers' government-issued credit cards, to ensure the government has not already paid for the travel expenses. The reviewer should know if the traveler checked out a motor pool vehicle, had access to a fuel card, or has a monthly vehicle allowance (to check that any personal mileage claims are legitimate).
- **Ask for proof of travel with travel claims.** You want to avoid paying for trips that travelers never took or conferences they did not attend. You should require proof of attendance, such as airline boarding passes, lodging receipts, and/or seminar or conference training materials or completion certificates.
- **Require travelers to document shared costs.** Travelers should document on their reimbursement forms if they shared costs with other travelers (e.g., a taxi, motor pool vehicle, hotel room). That way, reviewers can verify only one person claimed reimbursement and if travelers complied with policy terms (if your policy requires sharing).
- **Set a deadline for travelers to submit receipts for reimbursement, and monitor compliance.** You should require travelers to submit travel receipts for reimbursement by a deadline, such as 30 days after the trip concludes. You may want to avoid overly aggressive deadlines, such as five to 10 days, as they tend to create many exceptions. Require written justification for late submissions. Keep in mind that those with travel advances must account for their expenses within 15 days of the trip concluding (this deadline is for local governments; see the travel advance section above).

State law requires local government travelers clear an outstanding travel advance on or before the 15th day following the close of the authorized travel period for which the expenses have been advanced (RCW 42.24.150).



- **Require travelers to document the reasons for exceeding a preapproved travel estimate.** Management can then evaluate travelers' rationale and whether the increase in costs is reasonable.
- **Require event agendas or travel itineraries with travel claims.** Reviewers need agendas, training schedules, and/or travel itineraries to know when events officially start and end, as well as whether the venues provided meals. That way they can determine if travelers claimed only necessary travel days, reduced their claims for meals provided, and incurred rental car costs only for the expected timeframe.



Establishing a review process

- **Make sure approvers understand their roles and responsibilities.** The assigned reviewer should thoroughly evaluate the travel claim and supporting documentation.
- **Consider centralized review of travel claims.** You might assign a centralized person to evaluate reimbursement claims at a detailed level, in addition to travelers' supervisors or managers. You may find this to be an effective control mechanism, as not every supervisor or manager has the time, knowledge or desire to perform a detailed review.
- **Ensure you have a review process for high-ranking officials.** Certain top-level managers or elected officials may not have a manager above them to approve travel. Your policy should describe the review and approval process for these people. Some options include the chair of the governing body, the audit committee, or the finance director (so long as you formalize the process they should follow if concerns arise).
- **Enforce your policy and address noncompliance.** You should have a process for notifying travelers, their managers and other people about any identified noncompliance with policy requirements. If a reviewer has a concern with a claim for reimbursement, you should hold payment and allow for resolution.

One fraud scheme involves travelers seeking reimbursement for airline tickets that they later refunded and then purchased again at a cheaper price. See Appendix B for additional examples of fraud schemes.

Monitoring agency performance

- **Perform self-monitoring.** Management should evaluate whether the internal control process works as intended for this class of payments. This should include periodically reassessing the control system and examining test transactions. You may want to closely monitor travelers with the highest spending trends.



- **Develop and monitor performance metrics.** Use metrics to measure the extent of government-wide compliance and work to improve it. Communicate the results to leadership and take steps to proactively address any negative trends. Some examples include:

- > Number of delinquent travel advances
- > Percentage of travel claims submitted by the policy deadline
- > Percentage of travel claims with all supporting documentation upon submission
- > Number of travel claims questioned by accounts payable or centralized oversight
- > Number of travel claims with errors
- > Number of travel claims with ineligible expenses

The governing body adopts policy with the expectation that management will follow and enforce it. When management allows noncompliance to occur, they set a precedent that can have undesirable consequences and lead to larger problems.



Related resources

- Municipal Research and Services Center: [Travel and Expense Reimbursement Policies](#)
- Office of the Washington State Auditor: [Best practices for credit card programs](#)
- Washington State Office of the Attorney General: [Memorandum: Eating and Drinking at Public Expense](#)

Authoritative guidance

- Washington state laws for local governments: [RCW 42.24.090](#) (reimbursement claims), [RCW 42.24.120](#) through [RCW 42.24.150](#) (travel advances), and [RCW 42.24.115](#) (charge cards and travel expenses)
- Washington state laws for state government: [RCW 43.03.150](#) through [RCW 43.03.210](#) (travel advances)
- Office of the Washington State Auditor's [GAAP](#) or [cash-basis Budgeting, Accounting and Reporting System](#) (BARS Manual)
- *State Administrative and Accounting Manual (SAAM)*: Chapter 10 – Travel; Chapter 70.15 – Meals with Meetings

For assistance

This resource was developed by the Center for Government Innovation at the Office of the Washington State Auditor. Please send questions, comments or suggestions to Center@sao.wa.gov.

Disclaimer

This resource is provided for informational purposes only. It does not represent prescriptive guidance, legal advice, an audit recommendation or audit assurance. It does not relieve governments of their responsibilities to assess risks, design appropriate controls, and make management decisions.

Appendix A – Economic travel considerations by type of travel cost

Use this information to help inform policy development so that you can help employees and officials procure travel economically.

| Type of Cost | Does your policy require employees and officials to: |
|---------------------|--|
| All cost categories | <ul style="list-style-type: none">• Consider alternatives to travel, such as teleconferencing and video conferencing?• Reduce frequency of regularly scheduled out-of-town meetings?• Restrict the number of staff traveling to the same destination?• Plan the itinerary to eliminate unnecessary travel in the performance of work assignments? |
| Airline | <ul style="list-style-type: none">• Fly economy class instead of more expensive seat classes, such as premium economy or business?• Make travel arrangements well in advance whenever possible?• Select the lowest-priced ticket regardless of personal rewards programs or airline preferences? (Alternatively, your policy could establish a threshold – e.g., travelers must book economy flights that do not exceed \$75 of the lowest fare available.)• Purchase tickets using a certain process, such as central purchasing?• Consider the cost of tickets through Washington’s statewide procurement contract?• Fly to the airport nearest to their destination? If the traveler does not fly to the airport nearest to their destination, does your policy require they justify the reason and demonstrate they took the lowest-cost option, considering all travel costs?• Check airfare prices to determine whether personal days added to the trip resulted in higher airfare costs?• Limit or avoid extra travel charges, such as excess baggage charges, airline seat exchange fees, priority boarding fees, upgraded airline seating, and in-flight internet fees?• Avoid travel agent fees?• Purchase refundable tickets? (This minimizes losses due to flight changes or trip cancellations.) |

Type of Cost

Does your policy require employees and officials to:

Transportation – rental cars

- Justify a vehicle rental if the traveler stays at the conference venue, drives limited miles for work purposes, or has the option to use a government-owned vehicle?
- Consider less expensive forms of transportation than rental cars (public transportation, Uber/Lyft or taxi, motor pool, nontraditional rental car companies, etc.)?
- Only rent economy cars, or the lowest available cost option?
- Limit vehicle rentals to the period necessary for work-related travel?
- Limit tips within certain parameters, such as to Uber/Lyft or taxi drivers?

Transportation – mileage

- Evaluate the least expensive option (flying or driving), considering overtime costs?
- Consider whether it would be less expensive to use a rental car than incur mileage expense?
- Use carpooling where appropriate?
- Consider alternatives to driving a personal vehicle, such as a motor pool vehicle or public transportation (e.g., the train)?

Lodging

- Stay within lodging cost limits? (Your policy could require per diem using the U.S. General Services Administration's rates.)
- Justify and obtain preapproval to stay at a hotel when the cost exceeds per diem limits?
- Only seek reimbursement for the minimum number of lodging nights necessary to attend the event?
- Refrain from incurring lodging costs for destinations within a reasonable driving distance of the traveler's residence or duty station unless there are extenuating circumstances (e.g., 50 miles)?
- Refrain from incurring additional costs for a traveling companion or spouse, even if the traveler intends to reimburse the employer?
- Consider sharing rooms with other travelers?
- Refrain from add-on services or other optional fees for amenities, such as movies, room safes or premium internet access?
- Consider cancellation fees?

| Type of Cost | Does your policy require employees and officials to: |
|--------------|--|
|--------------|--|

| | |
|-------------------------------|--|
| Meals – when in travel status | <ul style="list-style-type: none"> • Seek reimbursement based on per diem instead of actual meal costs? • Refrain from claiming per diem if meals are otherwise provided (unless the traveler seeks preapproval for special accommodation, or it is a continental breakfast or airline meal)? • Limit tipping to within policy guidelines if the government reimburses actual costs? • Refrain from purchasing expensive or extravagant meals or alcohol if the government reimburses actual costs? • Only claim per diem or meals when officially in travel status (e.g., trip exceeds a certain number of miles from the employee’s duty station)? • Prorate meal payments on partial travel days? |
|-------------------------------|--|

| | |
|--------------------|---|
| Meals – Non-travel | <ul style="list-style-type: none"> • Refrain from purchasing meals for reasons such as birthdays, anniversaries, illness, retirement or bereavement? • Refrain from purchasing meals for people who aren’t employees (except port districts, public facility districts, and some agricultural commodity commissions using promotional hosting authority)? • Ensure costs are reasonable (such as in line with per diem rates)? |
|--------------------|---|



Appendix B – Travel expense fraud schemes

Use this information to educate travel expense reviewers and approvers about common fraud schemes so that they better understand how to audit travel reimbursement claims.

Add-on fees. The traveler incurs and seeks reimbursement for hotel, rental car or airline add-on fees. These can include movie charges, other incidentals, rental car upgrades, premium seating or priority boarding fees.

Airline ticket schemes. The traveler seeks reimbursement for an airline ticket, but later refunds it and purchases a cheaper option to use for the official trip. Or, to receive special upgrades, they wait to purchase more expensive tickets closer to the travel date. If an event is canceled but later rescheduled, the traveler may book a second airline ticket when they could have just incurred a change fee and used the original ticket.

Double dipping – mileage. The traveler claims mileage, but the government has already paid for fuel in some other way (e.g., a credit card or vehicle allowance).

Double dipping – meals. The traveler claims per diem even though the conference or training venue provided meals.

Double dipping – conference expenses. The traveler attends a conference in two capacities – on behalf of their government and some other third party (such as an association). The traveler submits trip expenses to both organizations without informing either.

Extra night stays. The traveler includes additional nights in the trip – at the government’s expense – that they use for personal enjoyment.

Extra hotel rooms. The traveler pays for extra rooms presumably on behalf of other employees or officials, but then uses them to lodge family members or to collect extra rewards.

Fabricated expenses. The traveler claims reimbursement for expenses that never occurred. They may use a blank receipt (from a hotel, restaurant or taxi), claim they paid cash for incidentals (for tips, tolls, parking fees), use another employee’s receipt, or create a fake receipt.

Falsified lodging expenses. The traveler charges for hotel costs but stayed with friends or family.

Inflated expenses. The traveler incurs a legitimate expense but manipulates the receipt's dollar amount to obtain higher reimbursement. They might add small amounts to taxi rides or meal receipts, or change the tip amount.

Padded mileage. The traveler exaggerates business miles traveled to obtain higher reimbursement, or they claim mileage when they did not drive (e.g., they carpooled, used public transportation, or took complimentary rides offered by the hotel).

Padded rental car costs. The traveler claims fuel expenses for a rental car, but the costs do not coincide with the rental car contract, or they rent a car primarily for personal use or keep it longer to cover personal use.

Personal trips. The traveler submits travel claims for trips that do not clearly benefit the government.

Personal expenses. The traveler uses personal purchase receipts to make a business claim, such as for a meal.

Playing hooky. The traveler claims travel costs for a conference, training or other work event they did not attend. They may even travel to the destination, but they do not actually attend the work event. Instead, they use the trip for personal activities for all or part of the event.

Recycling receipts – credit card. The traveler uses their government credit card to pay the travel expense, and then repurposes the receipt to also claim it for reimbursement.

Recycling receipts – older receipts. The traveler repurposes an older expense receipt to claim reimbursement a second time.

Recycling receipts – one receipt reused for two employees. The traveler uses a receipt belonging to a co-worker. For example, two travelers share a meal or a room but claim reimbursement using the same single receipt.

Refunds for canceled trips. The traveler keeps any refunds or travel credits, even though their employer originally paid the costs.

Spousal costs: The traveler incurs costs for their spouse to travel with them and charges the costs to the government.