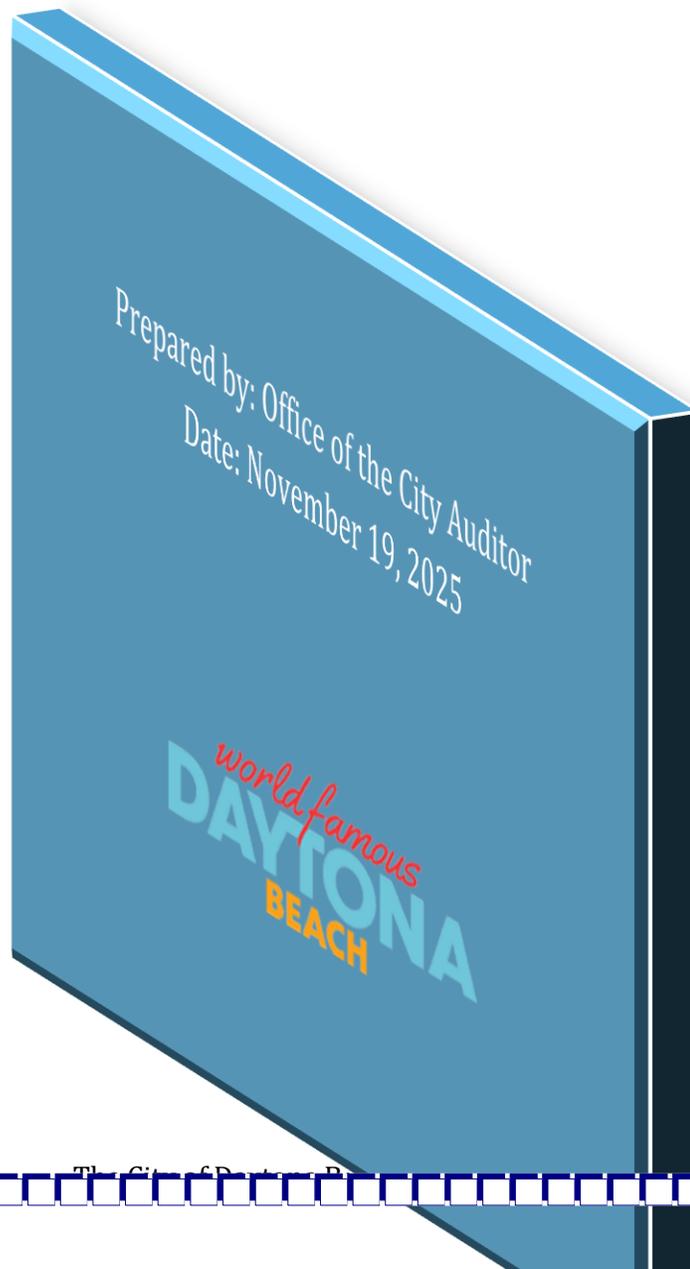


City of Daytona Beach *Office of the City Auditor*

Travel Audit Report



November 19, 2025

Honorable Mayor Henry and the Steamed Commissioners
City of Daytona Beach
Daytona Beach, FL

Subject: Transmittal of the Travel Audit Report

Dear Mayor Henry & Commissioners,

On behalf of the Office of the City Auditor, I am pleased to submit the Travel Audit Report for the City of Daytona Beach. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the approved FY 2025–2026 Audit Plan.

The purpose of this audit was to evaluate the City’s travel policies, procedures, and expenditures to ensure compliance with applicable laws, regulations, and internal guidelines. The report includes observations, findings, and recommendations aimed at improving accountability, strengthening internal controls, and identifying potential opportunities for cost savings.

This report is respectfully submitted for your consideration. As required, management responses and corrective action plans are included where applicable. We remain committed to supporting the City Commission in fulfilling its oversight responsibilities and ensuring the effective stewardship of public resources.

Respectfully submitted,

Abinet Y. Belachew, CPA, CIA, CFE, CGFM, CFF
City Auditor
City of Daytona Beach

Summary of Audit Findings

This audit was conducted to evaluate the adequacy and effectiveness of internal controls, policies, and procedures governing travel expenditures and related reimbursements. The review covered travel expenditures and practices and assessed compliance with applicable Florida Statutes, GAGAS (Yellow Book) standards, and GASB principles of fiscal accountability and transparency.

The audit identified multiple areas of concern, including outdated policies, weak internal controls, the use of business-class travel, excessive meal and parking costs, insufficient documentation, and noncompliance with best practices.

We would like to note that we provided only a few illustrative examples. However, even a single incident of wasteful spending by City employees is cause for concern. Public funds are held in trust for the benefit of the community, and every dollar must be used prudently and in alignment with the City's policies and fiscal responsibility standards. Allowing even isolated cases of wasteful or unnecessary spending to go unchecked can set a poor precedent, weaken accountability, and erode public confidence in the City's stewardship of taxpayer resources. Strong financial controls and ethical standards require that all expenditures, regardless of size or frequency, be fully justified, properly documented, and aligned with a clear public purpose.

We recognize the importance of employee travel for training, conferences, and other professional development opportunities. However, all such travel should be formally requested in writing with complete justification, clearly outlining the need for the training, its value for the city, and the benefit to the employee. Each request should be properly reviewed, approved, and documented in accordance with City policy.

We also encourage the City Manager to consider establishing guidelines to limit the number of travel events per employee to a reasonable and necessary level.

While most staff members we interacted with during this audit were cooperative and professional, there were a few isolated instances of uncooperative behavior and unwarranted defensiveness. Although limited, such occurrences should be addressed promptly to maintain a culture of accountability and transparency.

Working for the City of Daytona Beach is a privilege. All employees share a responsibility to uphold the highest standards of integrity, accountability, and stewardship of public resources, recognizing that we ultimately serve the citizens of Daytona Beach.

A Summary of The Key Findings.

Finding 1: Outdated Travel Policy Lacking Defined Allowance Limits

The City's Travel Policy, written in 1999, has not been updated to reflect inflationary changes or modern best practices. It does not specify maximum allowable rates or per diem limits for meals and lodging. The absence of clear parameters allows for subjective decision-making at the departmental level, increasing the risk of waste, abuse of taxpayer funds, and inconsistent application of policy.

A well-defined travel policy is a cornerstone of sound financial management and accountability in any public organization. It establishes consistent standards for how public funds are spent, ensures compliance with laws and regulations, and protects both the organization and its employees from misuse or misunderstanding.

The travel policy should provide clear rules on allowable costs, approval processes, and documentation requirements. This helps ensure that every dollar spent serves a legitimate public purpose and aligns with the principles of fiscal responsibility and transparency.

Proper documentation and adherence to policy requirements allow the City to demonstrate compliance with applicable laws, such as the Florida Statutes on per diem and travel expenses (Section 112.061), as well as internal controls prescribed under GAGAS and GAO standards. This protects the city from audit findings, questioned costs, or reputational risk.

The policy helps management monitor spending trends, evaluate the necessity of travel, and align travel expenditures with the approved budget. It enables leadership to make informed decisions and maintain control over costs. When properly followed, the travel policy provides clarity for employees on allowable expenses, reimbursement procedures, and required approvals reducing confusion, disputes, or unintentional policy violations.

Viewing the travel policy merely as paperwork undermines its true purpose. It is not a bureaucratic formality, it is a governance tool that reinforces ethical conduct, promotes transparency, and preserves public trust in how resources are managed. A travel policy is not just an administrative requirement; it is an essential element of good governance and internal control. Adherence to the policy demonstrates professionalism, integrity, and respect for taxpayer resources values that define a strong and accountable public institution.

Finding 2: Lack of Supporting Documentation for Travel Expenditures

The city was unable to provide centrally complete supporting documentation, including receipts and authorizations. The absence of a centralized tracking and filing mechanism for travel documentation is both inefficient and costly. Without a unified system under the CFO's Office, each department independently manages and tracks its travel expenses using its own methods, resulting in inconsistent practices, weak oversight, and

fragmented accountability. This decentralized approach raises legitimate questions about the CFO Office's oversight role in ensuring uniform compliance and fiscal control over travel-related expenditures. Moreover, when auditors or elected officials request supporting documentation, the city is often forced to scramble across multiple departments to locate records, wasting valuable time and resources. Such inefficiencies not only hinder transparency and responsiveness but also undermine confidence in the City's financial management and internal control environment.

Finding 3: Significant Budget Variance in Travel Expenditures

The City budgeted \$218,670.46 for travel in FY 2024 but expended only \$121,746.42, resulting in an underspending variance of \$96,924.04 (44%). While underspending may appear favorable, it reflects potential weaknesses in budget forecasting, monitoring, and resource allocation processes, suggesting that travel needs may not have been accurately assessed or that budgetary controls were not effectively aligned with operational requirements. This variance underscores the need for improved budget planning and performance monitoring to ensure efficient and strategic use of public funds.

Finding 4: Excessive Meal Cost, Premium Car Rental, and Valet Parking Costs

The audit identified excessive and inconsistent expenditure related to meals, premium car rentals, and valet parking. These practices reflect a lack of adequate cost controls and oversight, resulting in spending that does not align with the principles of prudent use of taxpayer funds. Prudent use of taxpayer funds requires that all expenditures serve a clear public purpose, provide reasonable value, and avoid unnecessary or wasteful costs. For example: (1) Our review identified an instance where an individual incurred **\$135.71** expense for a single dinner charged to **City funds** while on official travel on August 27, 2024, in Orlando Florida. This expenditure appears excessive and may not reflect prudent stewardship of public resources, (2) Another employee paid **\$40.66 per day** for valet parking over four days. Verification showed that **self-parking was available at a lower rate**, (3) On **May 21, 2024**, a City employee traveling to attend a conference **claimed reimbursement for lunch** even though lunch was **provided as part of the conference at no additional cost**. It is important to note that the **registration fee already included the cost of meals**, making the additional lunch expense unnecessary and inappropriate. This incident demonstrates a **lack of accountability and attention to detail in reviewing travel-related expenses** and highlights the need for stronger oversight and enforcement of the City's travel policy to prevent duplicate or unallowable reimbursements, (4) We came across a receipt totaling **\$90.89** for a dinner purchased with a **P-Card** while attending the FRPA Conference in Orlando, Florida. First, without an **itemized receipt**, we are unable to verify whether the dinner included alcoholic beverages, which are not reimbursable expenses. In addition, it is **unreasonable to believe that a standard dinner in Orlando should cost \$90.89** for one individual. This raises concerns about the appropriateness and reasonableness of the expenditure, (5) On **June 16, 2024**, a city employee rented a **Chevy Suburban** for **\$114 per day**, despite the availability of standard rental options at significantly lower rates, (6) one City employee

spent **\$70.79 for dinner (before tax)** in Jacksonville, Florida. Comparable dinner costs at local restaurants (e.g., Firebirds), including entrée, drink, tax, and tip, average **\$28–\$32 per person**. The **same employee** incurred an additional **\$70.79** for dinner on **June 12, 202**. Similar spending patterns were also observed in lodging upgrades, the rental of premium vehicles, and valet parking charges, and (7) We also identified a **duplicate payment for a dinner expense** resulting from a lack of proper review and approval. An employee inadvertently **claimed reimbursement for the same dinner twice**. While we do not believe this was intentional, the incident reinforces the need for the **CFO’s Office to assume responsibility for reviewing and approving all travel-related payments** to ensure their accuracy and completeness. The employee in question has been advised of the error and has **agreed to reimburse the city** for the overpaid amount. This type of error should be **detected and prevented during the review and approval process** through stronger internal controls and verification procedures.

These practices raise concerns about fiscal discipline, adherence to City policies, and the appropriate stewardship of public resources. The absence of clearly defined per diem rates, cost thresholds, or approval controls has contributed to these excessive costs. **Wasteful spending** of this nature undermines fiscal accountability, reduces funds available for core public services, and creates inequities in the application of travel and expense practices across departments.

We would like to note that due to the limited sample reviewed during this audit, we provided only a few illustrative examples. However, even a single incident of wasteful spending by City employees is cause for concern. Public funds are held in trust for the benefit of the community, and every dollar must be used prudently and in alignment with the City’s policies and fiscal responsibility standards. Allowing even isolated cases of wasteful or unnecessary spending to go unchecked can set a poor precedent, weaken accountability, and erode public confidence in the City’s stewardship of taxpayer resources. Strong financial controls and ethical standards require that all expenditures, regardless of size or frequency, be fully justified, properly documented, and aligned with a clear public purpose.

Finding 5: Lack of Proper Request and Authorization of Travel

Several travel requests lacked proper justification, required signatures, and documented approval, including those from senior officials. In multiple instances, employees traveled several times a year for training without clear business justification or properly completed travel authorization forms. This lack of oversight undermines the City’s ability to ensure that travel serves legitimate business purposes.

Finding 6: Use of Taxpayer Funds for Business Class Travel

A staff member purchased a business-class airline ticket using taxpayer funds without documented justification or pre-approval. This purchase is inconsistent with Florida Statutes, GAGAS accountability standards, and City policy, which mandate that the most economical travel option be selected.

While this may appear to be a single incident, it is critical to emphasize the importance of this matter, particularly given the seniority of the individual involved. The individual in question holds a key position in managing public resources and is expected to exemplify the highest standards of financial stewardship. Any deviation from established policies, even in a single instance, can significantly undermine the integrity of the City's financial practices. It sets a poor precedent for other employees, weakens internal controls, and erodes public trust in the City's commitment to accountability and responsible use of taxpayer funds. Ensuring strict adherence to these policies is essential to maintaining transparency, fiscal responsibility, and the confidence of the public.

We requested an explanation for the **purchase of a business-class airline ticket**. The employee in question responded, *"When traveling on City business, I have always purchased the lowest refundable ticket so that, in the event of cancellation, the funds will be returned to the City."* Our analysis indicates that this statement is **inaccurate**. On the date of purchase, there were multiple flight options, more than ten flights with fares under **\$300**, well below the business-class ticket cost. The **response provided was misleading** and raises concerns regarding the **accuracy and honesty of employee representations** during audit inquiries. If not promptly addressed, such behavior may contribute to a **culture of diminished truthfulness and weakened accountability** in the City's financial management practices.

We also reviewed the Administration's response related to this matter. We would like to emphasize that **economy class tickets are available with refundable options**, therefore we do not agree with the Administration's justification for the business-class purchase.

Additionally, our review found that **no other Commissioner or City employee traveled in business class**, other than the single instance identified in this audit. This fact further undermines the Administration's justification that "Southwest Airlines Business Select offers a full monetary refund" as a reason for purchasing Business Class.

If that justification were truly valid, one would reasonably expect that other Commissioners or employees would also have used business class as a standard practice, which they did not. Therefore, we conclude that: **the purchase of a business-class ticket was inconsistent with reasonable and economical travel practices, and the Administration's explanation does not adequately justify this exception.**

Finding 7: Erroneous Mileage Calculation and Overstatement of Reimbursements

Mileage reimbursements were overstated in multiple instances. In one case, mileage was overstated by approximately **96.8 miles**. Additionally, some employees calculated mileage from their residences rather than City Hall, contrary to City policy, resulting in overpayments.

Finding 8: Lack of Itemized Meal Receipts Increases Risk of Unallowable Purchases

Several employees submitted non-itemized receipts (e.g., credit card slips) that did not identify specific purchases. This prevents verification of whether alcohol or other unallowable costs were included in reimbursements, increasing the risk of inappropriate expenditures. For example, we came across a receipt totaling **\$90.89** for a dinner purchased with a **P-Card** while attending the FRPA Conference in Orlando, Florida. First, without an **itemized receipt**, we are unable to verify whether the dinner included alcoholic beverages, which are not reimbursable expenses. In addition, it is **unreasonable to believe that a standard dinner in Orlando should cost \$90.89** for one individual. This raises concerns about the appropriateness and reasonableness of the expenditure.

Finding 9: Unnecessary Travel Costs and Lack of Documentation for Training Attendance

City employees attended in-person training despite an identical **no-cost virtual option** being available. Additionally, there was no certificate of completion or other proof of attendance attached to the reimbursement package. This practice reflects avoidable costs and inadequate documentation controls. Due to the lack of training completion certificates or other forms of supporting documentation, we were unable to verify whether City of Daytona Beach staff members attended the training events funded by the City.

During our audit, we encountered several challenges in obtaining information from the CFO's Office. Specifically, the team appeared defensive and uncooperative in providing the requested documents in a timely manner, and their approach at times created an atmosphere of hostility.

Based on our observations, this is not an isolated incident related solely to the audit process. We have also noted instances where legitimate inquiries from Commissioners were met with delays or dismissed as irrelevant, often accompanied by a "we know better" attitude.

We believe this type of organizational culture is counterproductive, undermines transparency and accountability, and should be addressed promptly to foster a more collaborative and professional environment.

Overall Conclusion

The audit reveals **systemic internal control weaknesses** in the City's travel expenditure management, including:

- Outdated travel policies,
- Lack of clear cost controls,
- Inadequate documentation practices,
- Weak approval and monitoring processes,
- Wasteful spending of taxpayer resources.

These deficiencies significantly increase the risk of waste, fraud, and misuse of public funds and undermine transparency, accountability, and public trust.

Key Recommendations

1. **Update and modernize** the travel policy to align with Florida Statutes, GAGAS, and GASB standards.
2. **Establish clear per diem and cost caps** to prevent excessive spending.
3. **Strengthen internal controls** for authorization, documentation, and reimbursement.
4. **Enhance budget forecasting and monitoring** to ensure efficient use of resources.
5. **Implement accountability measures**, including training, enforcement, and periodic audits.
6. **Require justification and documentation** for training-related travel, particularly when virtual alternatives are available.

By implementing these corrective actions, the **City of Daytona Beach** can enhance fiscal stewardship, reinforce internal controls, and protect taxpayer resources. If proper controls had been in place, the City may not have incurred approximately **\$121,000** in travel costs during FY 2024.

Audit Objectives, Scope, and Methodology

Audit Objective

The primary objective of this audit was to determine whether the City of Daytona Beach's travel expenditures for Fiscal Year (FY) 2024 were:

- In compliance with City policies, state laws, and applicable regulations.
- Properly authorized, supported, and documented.
- Reasonable, necessary, and aligned with the purpose of City business.
- Managed in a manner that promotes accountability, transparency, and cost-effectiveness.

Audit Scope

The scope of this audit included:

- Review of all travel expenditures incurred by City departments during FY 2024 (October 1, 2023 – September 30, 2024).
- Evaluation of the City's travel policy and related administrative procedures.
- Examination of authorization, approval, and reimbursement processes for both domestic and international travel (if any).
- Assessment of internal controls related to budgeting, authorization, and expenditure monitoring of travel-related activities.

Audit Procedures / Methodology

To accomplish the audit objectives, the following procedures were performed:

1. Policy Review – Examined the City’s travel policy, procedures, and related regulations for adequacy, clarity, and consistency.
2. Data Analysis – Analyzed travel expenditure data for FY 2024, including airfare, lodging, mileage reimbursements, per diem, and related costs.
3. Sampling & Testing – Selected a risk-based and judgmental sample of travel transactions to test for compliance with policy, documentation, and approval requirements.
4. Interviews & Inquiries – Conducted interviews with staff from various City departments to understand travel practices and identify areas of concern.
5. Comparative Analysis – Benchmarked City travel practices against those of comparable municipalities and GFOA-recommended best practices.
6. Internal Control Assessment – Evaluated the design and operating effectiveness of internal controls over travel planning, approval, and reimbursement.

Audit Standards

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), also known as the Yellow Book, issued by the U.S. Government Accountability Office. These standards require that audits are planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

Finding #1: Outdated Travel Policy Lacking Defined Allowance Limits

Criteria:

An effective and transparent **travel policy** should be **reviewed and updated periodically** to reflect current best practices, cost-of-living changes, and organizational accountability standards. The policy should clearly specify **maximum allowable rates for meals (breakfast, lunch, and dinner)** and **lodging**, or establish a **predetermined per diem amount for Meals and Incidental Expenses (M&IE)**.

Establishing defined rates or per diem limits promotes consistency, prevents subjective determinations, and aligns with the **GAAP principles** of comparability and accountability, as well as **GAGAS internal control standards** requiring effective safeguards over public resources.

Condition:

The City of Daytona Beach’s current **Travel Policy**, written in **1999**, has not been updated to reflect current practices or inflationary cost adjustments. The policy lacks the necessary objectivity and does not establish specific monetary limits or per diem rates for **breakfast, lunch, dinner, or lodging**. Instead, expenditures for these items are

determined **subjectively** at the departmental level without standardized criteria or rate schedules.

Effect:

The absence of defined meal and lodging limits exposes **taxpayer funds** to the risk of **inefficiency, waste, or abuse**, as employees may claim or incur excessive costs for meals or lodging. Without written parameters, the city cannot ensure that travel reimbursements are reasonable, necessary, or consistent across departments, thereby undermining fiscal discipline and accountability.

Cause:

The primary cause of this condition is the **lack of an updated and comprehensive travel policy and procedures manual**. The existing policy does not incorporate the City's responsibility to exercise prudent financial management and ensure the efficient use of public funds.

Recommendation:

We recommend that the **City Manager**, in coordination with the **Office of the Chief Financial Officer**, **develop and implement an updated citywide travel policy** that:

- Specifies maximum allowable amounts for **breakfast, lunch, dinner, and lodging**, or adopts a **standard per diem (M&IE)** consistent with **federal or state guidelines**.
- Establishes clear procedures for **approval, documentation, and reimbursement** of travel expenses.
- Includes a provision for **periodic review and updates** to reflect changing economic conditions and ensure continued accountability.

Implementing an updated, objective, and transparent policy will promote consistency, safeguard taxpayer funds, and ensure compliance with applicable financial management principles.

Finding #2. Lack of Supporting Documents for Travel Expenditures

Criteria:

The requirement for maintaining adequate supporting documentation such as original receipts, invoices, and travel authorizations for all travel-related expenditures is a fundamental internal control designed to ensure transparency, accountability, and the **prudent use of taxpayer funds**.

According to the **Generally Accepted Government Auditing Standards (GAGAS)**, also known as the *Yellow Book*, government entities are expected to maintain sufficient, appropriate evidence to support financial transactions and demonstrate compliance with applicable laws and regulations (GAGAS 6.33 and 8.27). This requirement helps prevent

and detect fraud, waste, and abuse by ensuring that public resources are used solely for their intended purpose.

Similarly, **Governmental Accounting Standards Board (GASB)** principles emphasize accountability and transparency in financial reporting. GASB Concepts Statement No. 1 underscores that financial reporting should provide information to assess the **stewardship and accountability** of government officials for public resources. Supporting documentation such as receipts serves as verifiable evidence that expenditures are authorized, reasonable, and related to official City business.

Failure to maintain such documentation weakens internal controls, increases the risk of **improper or unauthorized payments**, and undermines public trust. It may also lead to **noncompliance with City policies, audit findings**, and potential legal or reputational consequences.

Therefore, requiring receipts and supporting documentation for all travel expenditures is not only a **best practice** but also a **critical safeguard** to uphold fiscal integrity, ensure accurate reporting, and protect taxpayer dollars from fraud, waste, and abuse.

Condition:

During the audit, the **Chief Financial Officer (CFO)** of the **City of Daytona Beach** was unable to provide full and complete supporting documentation and receipts for travel expenditures.

Effect:

As a result of the lack of supporting documentation and receipts, we were unable to:

- Determine whether the travel expenditures were appropriate and allowable,
- Verify compliance with the City's travel policies and procedures, and
- Confirm that no potential fraud, waste, or abuse occurred in relation to travel expenditures.

This lack of documentation weakens internal controls and exposes the City to financial and reputational risks.

Cause:

The City currently does not have a centralized mechanism or formal process in place to collect, retain, and reconcile receipts and support documentation for travel expenditures with the general ledger.

Recommendation:

We recommend that the **City Manager** and **CFO** establish a **centralized repository** for all travel expenditure documentation. This repository should include receipts, authorizations, and other relevant supporting documents. It should also be regularly reconciled with the general ledger to ensure accuracy, accountability, and compliance with applicable policies and regulations.

Audit Finding #3: Significant Budget Variance in Travel Expenditures

Criteria

- **Governmental Accounting Standards Board (GASB)** financial reporting principles emphasize the importance of **accurate budgeting and transparent financial management** to ensure accountability and efficient resource allocation.
- **U.S. Government Accountability Office Government Auditing Standards (GAGAS) Section 6.17** requires effective **internal control activities** to support accurate financial reporting, proper monitoring, and timely corrective action to address identified risks and deficiencies.
- **Best practices in municipal budgeting** require budget estimates to **reasonably align with actual expenditures**, and for significant variances to be **analyzed, explained, and addressed** through appropriate management action.
- **Florida Statutes Chapter 112.061 Per Diem and Travel Expenses of Public Officers, Employees, and Authorized Persons** establishes legal requirements for travel expenditures by local government entities in Florida. This statute states that:
 - All travel expenses must be **reasonable and necessary** for the conduct of official business.
 - Reimbursements must be **supported by proper documentation**, including receipts and justifications.
 - Local governments may adopt travel policies, but such policies must **not exceed the rates and limitations** established in the statute without proper authorization.
 - Records must be maintained to ensure **transparency, accountability, and compliance** with state requirements.

These standards and legal requirements collectively establish the **expectation that the City of Daytona Beach** maintains effective internal controls, clear policies, and sound budgeting practices to **ensure proper stewardship of public funds**.

Condition

During FY 2024, the **City of Daytona Beach** budgeted **\$218,670.46** for travel expenditures but spent only **\$121,746.42**, resulting in an **underspending variance of \$96,924.04**. This represents a **44% gap** between budgeted and actual spending. The variance reflects a pattern of **overestimating travel needs** across multiple departments and indicates weaknesses in budget forecasting and expenditure monitoring.

Cause

The variance occurred primarily because:

- Departments **overestimated travel needs** without sufficient historical data or justification.

- The city lacks a **standardized methodology for forecasting travel expenditure.**
- There is **limited mid-year monitoring and reallocation** of underutilized funds; and
- The current **travel policy and tracking processes are outdated**, further complicating accurate budget planning.

Effect

This significant variance has several negative implications:

- **Inefficient resource allocation:** nearly \$97,000 in unused funds could have supported other priority programs or services.
- **Misleading financial reporting:** overstated budgets undermine the accuracy of financial plans and reports.
- **Weakened internal controls:** persistent over-budgeting indicates insufficient oversight and monitoring.
- **Future funding risks:** unspent funds may lead to reduced travel budget allocations in future years.
- **Erosion of public trust:** large variances can create the perception of poor financial stewardship.

Recommendation

To improve budgeting accuracy and fiscal accountability, we recommend that the **City of Daytona Beach:**

1. **Develop a standardized methodology** for forecasting travel expenditures based on historical spending trends and programmatic needs.
2. Require all departments to **provide written justification** for travel budget requests, including purpose, anticipated trips, and cost estimates.
3. **Enhance mid-year monitoring and reporting** to identify significant variances early and reallocate unused funds to higher priorities.
4. Update the **travel policy and expenditure tracking system** to support more reliable data for future budget development.
5. Provide **regular budget variance reports** to the City Commission to improve transparency and strengthen public confidence in financial management.

Finding 4. Excessive Meal, Premium Car rental , Valet Parking Costs Using Taxpayer Funds

Criteria

Prudent financial stewardship is a fundamental expectation of local governments. Under **Government Auditing Standards (GAGAS) Section 6.17**, public entities must establish and maintain effective internal controls to safeguard public resources and ensure their proper use. Likewise, the **Governmental Accounting Standards Board (GASB)**

emphasizes that **public funds must be managed with transparency, accountability, and prudence**, reflecting the trust placed in government by taxpayers.

- **GASB Principles:** GASB standards emphasize accountability and the prudent use of public resources as core objectives of governmental financial reporting. Public officials have a fiduciary duty to manage taxpayer funds responsibly and transparently.
- **GAGAS (Yellow Book) Section 6.17:** Requires effective internal controls to safeguard assets and ensure that expenditure is reasonable, necessary, and serve a legitimate public purpose.
- **Florida Statutes Chapter 112.061:** Requires that travel expenses be reasonable, necessary, and fully documented, and that local governments adopt and enforce travel expenditure policies.
- Best practices in public sector financial management recommend the use of **federal per diem rates** (e.g., U.S. General Services Administration rates) or other reasonable benchmarks to ensure cost control and equitable treatment across departments.

Condition

Our audit identified multiple instances in which employees incurred **excessive and inconsistent travel-related costs**, including meal expenditures, lodging upgrades, premium vehicle rentals, and valet parking. These expenditures exceeded prevailing market rates and did not reflect **prudent stewardship of taxpayer resources**. This practice exposes the City to **unnecessary financial risk** and undermines the principles of **transparency, accountability, and fiscal responsibility** required of public officials.

Examples include:

1. On **June 11, 2024**, one City employee spent **\$70.79 for dinner (before tax)** in Jacksonville, Florida. Comparable dinner costs at local restaurants (e.g., Firebirds), including entrée, drink, tax, and tip, average **\$28–\$32 per person**.
2. The **same employee** incurred an additional **\$70.79** for dinner on **June 12, 2024**.
3. Another employee paid **\$40.66 per day** for valet parking over four days. Verification showed that **self-parking was available at a lower rate**, but no cost comparison or justification was documented.
4. Employees have been permitted to select **higher-cost hotel rooms** with upgraded amenities (e.g., balconies, premium views) **without documented business justification**, resulting in higher taxpayer-funded costs.
5. On **June 16, 2024**, a city employee rented a **Chevy Suburban** for **\$114 per day**, despite the availability of standard rental options at significantly lower rates.
6. We came across a receipt totaling **\$90.89** for a dinner purchased with a **P-Card** while attending the FRPA Conference in Orlando, Florida. First, without an **itemized receipt**, we are unable to verify whether the dinner included alcoholic beverages, which are not reimbursable expenses. In addition, it is **unreasonable to believe that a standard dinner in Orlando should cost \$90.89** for one

individual. This raises concerns about the appropriateness and reasonableness of the expenditure.

7. Our review identified another instance where an individual incurred a **\$135.71** expense for a single dinner charged to **City funds** while on official travel. This expenditure appears excessive and may not reflect prudent stewardship of public resources.

The **absence of a clearly defined and enforceable cost policy** has led to **inconsistent application of travel reimbursements** and **excessive spending** in some cases. This lack of fiscal discipline reflects a **departure from prudent financial management**, increases the **risk of misuse of taxpayer funds**, weakens accountability, and may erode public confidence in the City's financial stewardship.

Cause

- The City's travel policy has not been updated since **1999** and does not establish per diem meal rates or cost caps.
- Departments exercise broad discretion in approving expenditure, resulting in inconsistent and sometimes excessive reimbursements.
- There is no centralized system for monitoring, approving, or reviewing travel and meal expenses for reasonableness or compliance with best practices.

Effect

- **Inefficient use of taxpayer funds:** Excessive or unnecessary costs reduce resources available for essential public services.
- **Inconsistent reimbursement practices:** Employees are reimbursed at different levels for similar travel activities, creating inequities and undermining fairness.
- **Weak internal controls:** The absence of cost limits makes it more difficult to ensure accountability or detect irregular spending.
- **Heightened compliance risk:** Lack of standardized limits increases the risk of noncompliance with state law, GASB objectives, and GAGAS internal control standards.
- **Reputational risk:** Perceptions of lavish or inappropriate spending may erode public trust in the City's financial management.

Recommendation

To strengthen fiscal responsibility, equity, and accountability, we recommend that the City of Daytona Beach:

1. **Update and modernize** the travel policy to establish maximum allowable meal costs or adopt federal per diem rates for breakfast, lunch, and dinner.
2. Require **itemized receipts and documentation** for all meal reimbursements.
3. Implement **standardized approval and review procedures** to ensure compliance with the policy.

4. Apply established rates **uniformly across all departments** to reduce discretionary overspending.
5. Conduct **periodic audits and policy reviews** to ensure ongoing compliance and alignment with best practices, inflation, and regulatory expectations.

Audit Finding #5: Lack of Proper Request and Authorization of Travel Using Taxpayer Funds

Criteria:

All travel funded by the City should be for the direct benefit of the City and must be work-related rather than for the personal convenience of employees. To ensure that travel serves a legitimate business purpose, each travel request must be reviewed and approved through appropriate channels with complete and accurate supporting documentation. Proper authorization is essential to maintain transparency, accountability, and stewardship of taxpayer funds.

Condition:

Our audit identified multiple instances where travel requests were not properly justified or documented. In several cases, there was no evidence of formal approval or adequate explanation demonstrating how travel benefited the City or related to the traveler's official duties. Additionally, several travel expense vouchers from senior City officials lacked the required supervisory signatures and supporting justifications.

Cause:

This issue appears to result from inadequate oversight and potentially insufficient training among employees and supervisors regarding proper travel authorization and documentation procedures.

Effect:

Without proper justification and authorization, it is not possible to determine whether the travel expenses were legitimate business expenditures or an inappropriate use of taxpayer funds. This lack of control increases the risk of waste, abuse, or misuse of public resources.

Recommendation:

We recommend that the City Manager develop and implement robust internal controls to ensure all travel funded by the City of Daytona Beach is properly reviewed, justified, approved, and documented. This should include clear policies, procedures, and training for staff and supervisors. Implementation of these controls should be completed within **three (3) months** of this report.

Finding #6: Use of Taxpayer Funds for Business Class Travel

Criteria

- **Florida Statutes, Chapter 112** and related travel provisions require that the use of public funds must be **necessary, reasonable, and in the best interest of the public**.
- GAGAS emphasizes that government entities must ensure **efficient and effective use of public resources** and maintain strong internal controls to prevent waste, fraud, and abuse.
- GASB financial reporting principles stress **accountability and transparency** in the use of public funds.
- The City's travel policy requires that employees **use the most economical means of travel** available that adequately meets the business purpose of the trip.
- Business or first-class air travel is generally considered a **non-essential upgrade** unless specifically justified and pre-approved in accordance with applicable policy and law.

Condition

During our audit of the City of Daytona Beach's travel expenditures, we identified that the **Deputy CFO used taxpayer funds to purchase a business-class airline ticket** for official travel. There was no documented **justification or pre-approval** authorizing the use of business-class travel. Additionally, the cost of the business-class fare was **significantly higher than the economy fares** available on the same route.

Cause

- Lack of clear **enforcement of travel policies and procedures** related to airfare class and allowable travel expenses.
- **Insufficient oversight** and monitoring controls by management to ensure compliance with State law and City policy.
- Potential **misinterpretation or lack of awareness** of travel policy restrictions regarding premium airfare.

Effect

- **Misuse or inefficient use of taxpayer funds**, resulting in unnecessary additional costs to the City.
- Increased **risk of noncompliance** with Florida Statutes and generally accepted accounting and auditing standards.
- **Erosion of public trust and accountability**, as expenditures may be perceived as wasteful or inappropriate.
- Potential for **precedent setting**, encouraging similar unauthorized practices by other employees.

Recommendation

- The City Manager should **reinforce and enforce travel policy** requirements to ensure compliance with Florida law, GAGAS, and GASB accountability principles.
- Business- or first-class travel should not be approved **exceptional circumstances** with written justification and proper documentation.
- Establish a **mandatory pre-approval control mechanism** for all air travel expenditures that exceed economy-class fare.
- Provide **annual training** to staff and approving officials on the proper use of taxpayer funds, applicable legal requirements, and ethical responsibilities.
- Implement **periodic internal monitoring and review** of travel expenditures to detect and prevent noncompliance.

Finding #7: Erroneous Mileage Calculation and Overstatement of Mileage Reimbursement

Criteria

- **Florida Statutes, Chapter 112.061** establishes that travel reimbursements by government entities must reflect **actual and necessary travel directly related to official business** and be calculated using the most direct and economical route.
- The City of Daytona Beach’s travel policy requires that mileage reimbursement be calculated **from the official duty station (City Hall)** to the destination and back. Employees are responsible for their daily commute from home to City Hall and are **not eligible for reimbursement** for home-to-work travel.
- Under **GASB financial reporting principles**, governments must ensure accurate and transparent accounting of public resources.
- **GAGAS** requires that public funds be used efficiently, effectively, and only for authorized purposes, with adequate internal controls to prevent waste, fraud, or abuse.

Condition

During our audit of the City of Daytona Beach’s travel expenditures, we identified that the **Deputy CFO overstated mileage reimbursement by approximately 96.8 miles**, resulting in an excess payment using taxpayer funds.

Additionally, several employees residing **outside the City of Daytona Beach** calculated their mileage reimbursement from their **private residences rather than City Hall**, contrary to established policy. This practice resulted in **inappropriate and inflated mileage reimbursements** over the audit period.

Cause

- **Lack of adequate oversight and monitoring** of mileage reimbursement claims by supervisors and finance staff.
- **Weak internal controls** allow employees to submit mileage claims without proper verification of starting and ending points.
- Absence of a **standardized automated mileage verification process** to detect errors or overstatements.

Effect

- **Inappropriate use of City funds** through excess and unauthorized mileage reimbursements.
- **Financial loss to the City**, which could accumulate significantly if left uncorrected.
- **Increased risk of fraud, waste, and abuse** of travel reimbursements.
- **Erosion of public trust and accountability**, as the miscalculation of mileage reimbursement may be perceived as misuse of taxpayer resources.

Recommendation

- The **City Manager should implement stronger internal controls** to ensure that mileage reimbursements are calculated **only from the official duty station (City Hall)** to the destination and back, consistent with Florida law and City policy.
- Require **mandatory pre-approval and post-verification** of all mileage claims, including use of **map-based verification tools** to validate claimed mileage.
- Update the **City's travel policy and employee training program** to clearly communicate allowable mileage calculation procedures.
- Implement a **segregation of duties** for review and approval of mileage reimbursements to reduce the risk of error or abuse.
- Recover the **overstated mileage reimbursements** identified during the audit and **require corrective action** from responsible employees.
- Ensure implementation of these internal control enhancements **within 90 days of the issuance of this report** to safeguard taxpayer resources and promote accountability.

Finding #8: Lack of Itemized Meal Receipts Increases Risk of Unallowable Alcohol Purchases

Criteria

- Itemized receipts are necessary to **identify each specific item purchased** (food, non-alcoholic beverages, alcoholic beverages, taxes, and tips) and to verify that reimbursed expenses are **reasonable, necessary, and allowable** under applicable rules.
- Without an itemized receipt, when only a credit-card slip or summary receipt is provided there is **no reliable evidence of what was purchased**, creating the

opportunity to conceal unallowable items such as alcoholic beverages or other non-business expenses.

- This requirement supports Florida Statutes on the prudent use of public funds, GAGAS documentation standards (which require sufficient, appropriate evidence to support transactions), and GASB's emphasis on transparency and stewardship of public resources.

Condition

During our audit of the City's travel and meal reimbursements, we observed several instances where employees submitted non-itemized receipts (credit-card slips or subtotal receipts) in support of meal reimbursement requests. In these cases, there was no detailed line-by-line documentation showing the specific food and beverage items purchased.

Cause

- Insufficient enforcement of the City's documentation requirements for meal reimbursements.
- Inadequate review procedures that permit reimbursement requests are supported only by summary receipts.
- Lack of employees and approver awareness about the importance of itemized documentation and the risk that non-itemized receipts pose for concealing unallowable expenses.

Effect

- Increased risk that alcoholic beverages or other unallowable items were purchased and reimbursed with taxpayer funds, because the absence of itemized details prevents verification.
- Noncompliance with statutory and policy expectations for documentation and accountability, undermining GAGAS and GASB principles.
- Reduced financial transparency and heightened exposure to fraud, waste, and reputational harm for the City.

Recommendation

1. **Require itemized receipts:** Update the City travel policy to clearly state that itemized receipts are mandatory for all meal reimbursements and that credit-card slips or summary receipts alone are insufficient.
2. **Deny or suspend reimbursement without documentation:** Implement a strict policy that reimbursement will be **denied** unless an acceptable itemized receipt is provided, except in documented, pre-approved exceptions with supervisory approval.
3. **Strengthen review controls:** Finance should establish a checklist for approvers to verify that each reimbursement includes an itemized receipt before releasing payment.

4. **Training and communication:** Provide mandatory training for employees and approvers on required documentation, unallowable costs (including alcohol), and the risks associated with non-itemized receipts.
5. **Periodic monitoring:** Implement periodic sampling and review of meal reimbursements to detect noncompliance and identify employees or approvers who need corrective action.
6. **Recovery and corrective action:** For reimbursements already paid where itemized receipts are missing and the nature of the expense cannot be verified, consider recovery of funds and require documented corrective action from responsible parties.

Implementation of these recommendations will strengthen internal controls, protect taxpayer funds, and ensure compliance with Florida law, GAGAS, and GASB principles.

Finding #9: Unnecessary Travel Costs and Lack of Documentation to Verify Training Attendance

Criteria

- Public funds must be spent in a prudent and cost-effective manner in accordance with Florida Statutes, Chapter 112, which requires expenditures to be necessary, reasonable, and related to official duties.
- GAGAS emphasizes accountability, proper documentation, and stewardship of public resources to ensure expenditures are adequately supported.
- GASB principles require transparency and accurate financial reporting that reflects the true nature and purpose of public expenditures.
- City policy should require that:
 1. Employees select the most cost-effective training delivery method.
 2. Employees provide supporting documentation (e.g., certificate of completion or equivalent evidence) to verify actual attendance and participation in the training for which travel, and registration costs are reimbursed.

Condition

Our audit identified that the Deputy CFO attended a training course in person, incurring millage costs, despite the availability of the same training virtually. The former CFO attended the same training virtually at no travel cost to the city.

In addition, in many of the reviewed cases, there was no supporting documentation such as certificates of completion, proof of attendance, or other verifiable evidence attached to the travel reimbursement packages to confirm that the employees attended the training.

Cause

- Absence of policy or enforcement mechanisms requiring justification for selecting in-person training over virtual options.

- Weak internal controls over post-travel documentation review and verification.
- Lack of a standardized checklist or documentation requirement to confirm attendance and completion of training.
- Insufficient oversight by approving officials.

Effect

- Unnecessary and avoidable travel costs incurred by the City due to selection of higher-cost in-person training without justification.
- Increased risk of paying for training that employees may not have actually attended.
- Potential for fraud, waste, or abuse of taxpayer funds.
- Noncompliance with accountability and documentation standards under GAGAS and GASB.
- Erosion of public trust and reduced confidence in the City's financial stewardship.

Recommendation

- The City Manager should strengthen travel and training policies to:
 - Require documented justification for in-person training when a virtual option is available.
 - Mandate submission of certificates of completion or similar proof of attendance for all training events prior to approving reimbursements.
- Implement a standardized documentation checklist to be attached to all travel expense reports.
- Require Finance and Departmental Approvers to verify documentation before processing reimbursements.
- Conduct periodic monitoring and random audits of training-related travel claims to ensure compliance.
- Provide training for employees and supervisors on documentation and accountability requirements.
- Recover or address any payments made without adequate supporting documentation, as appropriate.

Conclusion

The results of this audit demonstrate that the City of Daytona Beach's travel expenditure practices and policies contain significant internal control weaknesses, outdated procedures, and insufficient oversight mechanisms. The lack of clearly defined travel allowances, inconsistent documentation, and weak approval processes have increased the City's exposure to waste, misuse of public funds, and potential noncompliance with applicable laws and standards.

Although some travel expenditures may have been legitimate, the absence of strong controls and proper documentation undermines the City's ability to demonstrate

accountability, transparency, and fiscal prudence core principles of responsible governance. These weaknesses also create an environment where inappropriate spending can occur without timely detection or corrective action.

To address these issues, the report provides targeted recommendations including modernizing the City's travel policy, defining clear per diem and cost limits, strengthening review and approval controls, enhancing training and oversight, and improving documentation standards. Implementing these recommendations will:

- Promote consistent application of travel rules across departments.
- Safeguard taxpayer resources through effective cost controls.
- Strengthen compliance with Florida Statutes, GAGAS (Yellow Book), and GASB principles.
- Enhance public confidence in the City's financial management practices.

By taking corrective action within the recommended timeframes, the city can significantly reduce fiscal risks, reinforce a culture of accountability, and ensure travel expenditures align with the best interests of the community and its taxpayers.