

**INTERNAL AUDIT REPORT
EXPENSE CLAIMS AND REIMBURSEMENTS
JANUARY 2017**



Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the operating effectiveness of the key controls in the expense claim and reimbursement process for the period 1 January 2015 – 31 August 2016.

Gavi has responsibility for the proper stewardship of donated funds including public monies. It is therefore vital to ensure that all expenses are appropriately incurred, necessary, reasonable and consistent with Gavi's business needs and mission. In order to ensure this is the case, policies and internal controls have been implemented which enforce the principles and requirements to be followed by all individuals incurring expenses on behalf of Gavi. In 2016, the policies and related tools were updated to further simplify the processes and improve the internal controls.

Through our audit procedures, we have confirmed that the risks associated with expense claims and reimbursement processes are understood and are being effectively managed. We have not identified any significant structural or systemic weaknesses in the expense claim and reimbursement processes. However, we have identified certain control weaknesses to be addressed relating to the use of corporate credit cards, the processing of cash advances, the approval process for expense claims and the documentation of the rationale for expenses incurred. We have confirmed that the other key controls in the expense claim and reimbursement process are operating effectively.

Internal Audit Key Issues Summary

Issue Description	Rating	Ref	Page
Use of corporate credit cards not consistent with policy	Medium	1	3
Manual cash advance process requires strengthening	Medium	2	3
Approval of certain expenses not consistent with policy	Medium	3	4
Rationale for expenses and policy exceptions not documented	Medium	4	4

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Summary of Findings

Summary of Findings

Our audit identified four medium-rated and three low-rated issues. A summary of the key issues is provided below (detailed analysis of all issues raised is included in the appendices).

Certain instances were identified where expense claims were made incorrectly. These were each of low value and although they relate to small claims, the Finance team is following through in each instance to seek reimbursement. They were not systemic in nature other than they typically occurred where administrative assistants had submitted claims on behalf of senior staff and errors had arisen. A 'review and submit' function has recently been introduced into Gavi's expense system following the prior year's audit of expenses. This requires all staff to validate expenses before submission (including situations when expense claims are prepared by an assistant).

Use of corporate credit cards not consistent with policy

Twelve instances of individual corporate credit cards being used by several employees for personal non-business-related expenses were noted during the audit. These expenses were correctly identified as personal in the traveller's expense claims and reimbursed to Gavi. Nonetheless, the use of a corporate credit card for personal expenses is not consistent with the Travel and Expense Policy. Gavi settles the individual corporate credit card balances via direct debit on a monthly basis. Therefore, any personal expenses charged to a corporate credit card are paid by Gavi and then need to be recovered from the traveller.

It is recommended that the restrictions on using corporate credit cards for personal expenses are recommunicated to all Gavi staff. In addition, a procedure should be implemented outlining the process to be followed in cases where a corporate credit card has been used for personal expenses, including escalation and reporting requirements and implications for the traveller.

Manual cash advance process requires strengthening

There are three known instances where travellers received cash advances for business trips which were not off-set automatically against subsequent expense claims resulting in a double payment by Gavi (one instance was identified by Internal Audit

while the other two were reported to Finance by the traveller). In all cases, the funds have been reimbursed by the traveller.

The current cash advance process is manual and relies on communication amongst various teams. As a result, there is a risk that these errors may reoccur and not be identified within a reasonable time, although we note that the routine Finance reconciliations should detect any such errors.

This risk had already been recognised by the Finance team, and we endorse their approach to update the expenses process to ensure that cash advances are recorded in MobileXpense and automatically processed as part of the accounts payable function.

Approval of certain expenses not consistent with policy

We identified twelve instances where expenses had been approved by the individual benefitting from the expense. This occurred when less senior staff members paid for expenses on behalf of their managers, and then these expenses were processed through the less senior staff member's MobileXpense profile with their manager's approval. We reviewed these instances and confirmed that the expenses were appropriate, reasonably incurred and in-line with Gavi's mission and policies.

It is recommended that the policy on use of corporate credit cards by staff members is reviewed to ensure that card usage is consistent with their role.

Rationale for expenses and policy exceptions not clearly documented

We identified instances where the rationale for expenses and policy exceptions were not clearly documented. This included exceptions relating to hotel rates, class of travel, and business meals. Upon enquiry, we were able to obtain appropriate explanations for these expenses and they were all valid business expenses.

In order to ensure the proper use of Gavi funds, it is important that all expenses have a clear business rationale and are well documented in the system. This is particularly important where there is an exception to a policy. Therefore, management should recommunicate to relevant staff the requirement to document appropriate

Summary of Findings

explanations in MobileXpense for all policy exceptions or otherwise unusual circumstances.

Background

In 2016, the Finance and Operations teams reviewed the Travel and Expense Policy and related processes. The objectives of the review were to assess whether the policy was fit for purpose and to drive increased transparency and clearer accountability in the way travel and expenses are managed, including simplifying and streamlining processes and the supporting systems. The findings and recommendations from the 2015 internal audit were also taken into account during the policy review.

A new Travel and Expense Policy was approved and became effective on 1 September 2016. This updated policy includes various changes including strengthening employees' and managers' accountability, simplifying the process for claiming allowances, and tightening the approval delegations. To support the implementation of the policy, a new procedure document has been issued as well as updates to the online expense claim management system (MobileXpense).

This audit has therefore focused on the expense claims submitted and settled from 1 January 2015 to 31 August 2016 prior to the new policy, procedure and system updates becoming effective. It is anticipated that the new processes will be assessed in 2017, allowing time for implementation.

For the period 1 January 2015 to 31 August 2016, approximately 21,000 individual expenses were claimed and reimbursed for the Geneva and Washington offices, valued at approximately CHF 10.9 million¹.

Audit Objective

Our audit assessed the operating effectiveness of the key controls in the expense claim and reimbursement process.

Audit Scope and Approach

We adopted a risk-based audit approach informed by our assessment of the system of internal controls.

This audit of expenses follows on from audits in 2014 and 2015, and consequently this audit focused more significantly on substantive testing (i.e. validation of expenses transactions) of expense claims submitted and settled in MobileXpense in the period 1 January 2015 – 31 August 2016. This testing was designed to assess the operating effectiveness of the key controls as well as compliance with relevant policies.

The following areas were not considered in-scope for this audit:

- Design of the internal controls in the expense claim and reimbursement process: as mentioned above, the process has changed from 1 September 2016 and therefore it is anticipated that the design of the updated controls will be reviewed in 2017;
- Recording of expenses in the general ledger and accounts payable process: this process will be covered in a separate review in 2017;
- Procurement process: this process has been covered in a separate review; and
- Payroll and employee benefits.

We will continue to work with management to ensure that these audit issues are adequately addressed and required actions undertaken.

We take this opportunity to thank all the teams involved in this audit for their on-going assistance.

Head, Internal Audit

¹ Based on all expense claims settled in MobileXpense from 1 January 2015 – 31 August 2016

Appendix 1: Medium-Rated Findings and Recommendations

#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
M	Use of corporate credit cards not consistent with policy						
1	<p>Twelve instances were identified where corporate credit cards were used by several employees for personal non-business-related expenses.</p> <p>In all the instances identified, the amounts were identified as personal expenses in the traveller's expense claim and ultimately reimbursed to Gavi.</p> <p>In one instance, a reimbursement of CHF 641 to Gavi took more than 18 months due to the individual being an infrequent traveller and not having a subsequent expense claim for the reimbursement to be off-set against.</p>	<p>As Gavi settles the corporate credit card balances via direct debit on a monthly basis, Gavi would pay for personal expenses on behalf of travellers and these expenses may not be reimbursed by the traveller on a timely basis especially if the amounts involved are significant.</p>	<p>(i) Recommunicate the Credit Card Agreement Terms and Conditions to all Gavi staff with the reminder that corporate credit cards must be used only for business expenses other than in extreme cases and the potential disciplinary actions if the cards are used for other purposes repeatedly.</p> <p>(ii) Consider implementing additional controls to deter use of corporate credit cards for non-business related expenses e.g. restrict use of the card and/or withdraw the card when there is evidence of repeated use for personal expenses.</p> <p>(iii) Document a Finance procedure for the reimbursement process of personal expenses. This procedure should include a clear escalation process as well as thresholds and timeframes, for example:</p> <ul style="list-style-type: none"> o Expenses <US\$100 can be taken off the next expense claim; o Expenses >US\$100 must be reimbursed to Gavi by bank transfer within 10 business days (after notification by Finance). 	<p>(i) We will send a communication out to all Gavi Staff reminding them of the rules of Corporate credit card.</p> <p>(ii) We will implement a policy where corporate cards of repeat offenders may be withdrawn by MD, Finance & Operations. This policy will be included in the communication described in (i) above. Temporary deactivation of cards when staff are on holiday would be impractical.</p> <p>(iii) We will document a clear procedure and include a summary of the procedure in our communication to Gavi staff.</p>	MD, Finance & Operations, Senior Director, Finance	19 May 2017	Open
M	Manual cash advance process requires strengthening						
2	<p>Three instances were identified where travellers were double-paid when receiving cash advances. Two of these instances were reported to Finance by the traveller and one instance was identified during the audit.</p> <p>It is noted that Finance complete an accounts payable vendor balance reconciliation on a monthly basis and therefore, in all instances, the error would have been identified during this reconciliation.</p>	<p>Travellers may be double-paid when receiving cash advances.</p>	<p>(i) Update the cash advance process to ensure that cash advances are recorded in MobileXpense and therefore automatically taken into account in the accounts payable process.</p> <p>(ii) Review cash advances provided in 2016 to ensure that there are no other double payment errors.</p>	<p>(i)(ii) We are currently implementing an enhancement to MobileXpense that would record each cash advance to the traveller's profile. This will allow advances to automatically be taken into account when processing the claim.</p>	MD, Finance & Operations, Senior Director, Finance	19 May 2017	Open

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#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	These errors are a result of the cash advance process not being automated in MobileXpense and relying on communication between teams to manually account for the cash advance balances.						
M	Approval of certain expenses not consistent with policy						
3(a)	<p>Twelve instances were identified where expenses had been approved by the individual benefitting from the expense. This occurred when less senior staff members paid for expenses on their corporate credit cards on behalf of their managers. As a result, these expenses were processed through the less senior staff member's MobileXpense profile with their manager's approval.</p> <p>This is inconsistent with the Travel and Expense Policy which states that individuals cannot approve their own expenses.</p> <p>We reviewed these instances and confirmed that the expenses were appropriate and in-line with Gavi's mission and policies.</p>	Expenses may not be appropriately reviewed and therefore may not be justified and reasonable.	<p>(i) Ensure transactions are reallocated to the correct staff member profile in MobileXpense to avoid approval by individuals benefitting from the expenses.</p> <p>(ii) Consider reviewing the policy on the use of corporate credit cards by less senior staff members to assess which staff members require corporate credit cards when undertaking their duties. In situations where an individual staff member is not travelling on behalf of Gavi and predominantly using their credit card for their manager's expenses, consider whether they require a corporate credit card or whether a card linked to their manager's profile would be more appropriate.</p>	(i)(ii) For instances where staff have corporate cards in order to pay for their supervisors' expenses, we will look into updating MobileXpense to map the expenses from those cards to the supervisors' profiles, thus eliminating the possibility of self-approval.	MD, Finance & Operations, Senior Director, Finance	19 May 2017	Open
3(b)	Instances were identified where business meals were not paid for by the most senior Gavi staff member at the meal. This is not consistent with the Travel and Expense Policy and the Hospitality and Gifts Policy.	Expenses may not be appropriately reviewed and therefore may not be justified and reasonable.	Ensure business meal expenses are processed through the MobileXpense profile of the most senior staff member at the meal. This may mean transferring the transaction in MobileXpense to the correct staff member's profile where required.	We will send a communication out to all Gavi Staff reminding them of this rule.	MD, Finance & Operations, Senior Director, Finance	19 May 2017	Open
M	Rationale for expenses and policy exceptions not clearly documented						
4(a)	<p>Exceptions to the standard policy clauses were identified in relation to the following areas:</p> <ul style="list-style-type: none"> o Accommodation rates above the maximum reimbursable rate; o Class of travel; 	Expenses or exceptions to policy may not have an appropriate business rationale and therefore may	<p>(i) Communicate to relevant staff the requirement to document appropriate explanations in MobileXpense for all policy exceptions.</p> <p>(ii) Consider whether automated controls can be set-up in MobileXpense to highlight when</p>	As part of the new Travel model it will be mandatory to book accommodation via the new Travel Agency. This is effective as of May 2017. At this	MD, Finance & Operations, Senior Director, Finance	30 June 2017	Open

Appendix 1: Medium-Rated Findings and Recommendations

#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	<ul style="list-style-type: none"> Business meals above the per diem rate. <p>Justification for these exceptions were not documented in MobileXpense. Upon audit enquiry, appropriate rationale was provided for these exceptions and they were all valid business expenses. However, in certain situations, obtaining the rationale was time-consuming given that some of the expenses were over 18 months old.</p>	not be consistent with Gavi's Travel and Expense Policy.	<p>there is a policy exception, particularly in relation to hotel rates, class of travel or cost of business meals. For these exceptions, the system should make it mandatory for an explanation to be added before the claim can be submitted.</p> <p>(iii) Ensure that expense claims without the required information are not processed by the Finance team.</p>	<p>point the agency will be responsible for ensuring the lowest cost appropriate option is taken and will record reason codes if an exception is needed and this will be reported on each month. The same applies to Class of Travel and the new internal Travel Agency role will be responsible for reporting on this.</p> <p>In addition, we will make the "Comment" field in MobileXpense mandatory, and start to reject any exceptions submitted without satisfactory explanations. We will also send a communication out to all Gavi Staff reminding them of the need to annotate all policy exceptions.</p> <p>Note: MobileXpense currently displays warning symbols (i.e. orange or red triangles) when policy exceptions exist.</p>	Director, Operations		
4(b)	Seven claims were identified where meal expenses were not supported by adequate information including the business reason for the meal and the number of attendees.	Reimbursement may be claimed for non-business-related meals.	<p>(i) Recommunicate to relevant staff the required information to be documented in MobileXpense for business meals.</p> <p>(ii) Going forward, ensure that all expense claims for business meals contain the required information including the reason for the meal, the number of attendees, and their role and organisation. Expense claims without this information should not be processed by the Finance team.</p>	We will make the "Comment" field in MobileXpense, and start to reject any business meals submitted without satisfactory explanations. We will also send a communication out to all Gavi Staff reminding them of the need to document	MD, Finance & Operations, Senior Director, Finance	19 May 2017	Open

Appendix 1: Medium-Rated Findings and Recommendations

#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
				the reasons for business meals.			
4(c)	<p>Seven claims were identified where costs had been incurred for flight changes, both rebooking charges and higher flight costs. The total incremental costs were approximately CHF 32,785.</p> <p>The business rationale for these changes was not clearly documented as well as whether any refunds were required for flights not used. As a result, it was not possible to assess the true cost of the flight changes and whether these changes were reasonable.</p>	Costs incurred for flight changes may be avoidable or not have an appropriate business justification.	Require staff and the travel agency to document an explanation of flight changes and associated costs clearly in MobileXpense and make sure any applicable refunds are recorded in the appropriate expense claim. Expense claims without this information should not be processed by the Finance team.	We will continue to challenge any exorbitant airfares and travel claims with more than one air ticket charge. We will also send a communication out to all Gavi Staff reminding them of the need to document the business rationale for all flight changes.	MD, Finance & Operations, Senior Director, Finance	19 May 2017	Open

Appendix 2: Low-Rated Findings and Recommendations

#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
L	Items in expense claims incorrectly calculated or claimed						
1	<p>We identified claims with items that had been either incorrectly calculated or incorrectly claimed. These items are not considered material and are being appropriately dealt with by management.</p> <p>We have considered the root causes of these items in order to identify the actions required to prevent them reoccurring.</p> <p>The items identified related to:</p> <ul style="list-style-type: none"> ○ Terminal allowances being incorrectly calculated or claimed; ○ Goods and services greater than US\$ 1,000 being processed through MobileXpense; ○ A few instances of IT assets being purchased on individual corporate credit cards; ○ Costs for flight upgrades to premium economy being slightly above the stated threshold; ○ Gifts and hospitality costs not being consistent with the Gifts and Hospitality Policy; ○ External fraudulent transaction of CHF 1,698 on a corporate credit card not being reported by the required deadline; ○ Supporting documentation for visa fees not being available; and ○ Expense claims containing expenses not related to the travel authorisation request. 	Expense claims may not be correct or in line with relevant policies.	<p>(i) Determine whether reimbursement is required for the items identified;</p> <p>(ii) Consider if the process for claiming terminal allowances in MobileXpense can be updated to be consistent with the per diem process i.e. so that staff members are required to select the terminal allowances to be claimed for each destination;</p> <p>(iii) Ensure that expense claims for goods and services greater than US\$ 1,000 are not processed through MobileXpense without going through the procurement process;</p> <p>(iv) Ensure the IT assets purchased through MobileXpense are recorded in the IT asset register;</p> <p>(v) Periodically review and update the policy on upgrading flights to premium economy to ensure it is reasonably aligned with current airfares;</p> <p>(vi) Update the Gifts & Hospitality Policy to clarify how team celebrations and gifts to Gavi staff should be treated;</p> <p>(vii) Update the Travel and Expense Procedures to include actions required when cases of external credit card fraud are identified;</p> <p>(viii) Ensure the travel agency provides supporting documentation for all visa fees charged; and</p> <p>(ix) Ensure expense claims are associated with travel authorisation requests and do not include unrelated expenses.</p>	<p>MobileXpense has been updated to ensure that all per diem expenses need to be claimed for proactively rather than deselected if not appropriate.</p> <p>For expenses exceeding USD 1,000 then it is agreed that the claims should not be processed without going through the Procurement process.</p> <p>We are reviewing the elements of the staff travel policy that relate to class of cabin and the decisions here will be introduced or re-stated in May.</p> <p>All other points are agreed.</p>	MD, Finance & Operations, Senior Director, Finance Director, Operations	31 May 2017	Open

Appendix 2: Low-Rated Findings and Recommendations

#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
L Expense claims not submitted promptly							
2	<p>22% (32 claims) and 46% (13 claims) of the expense claims sampled for the Geneva and Washington offices, respectively, were submitted later than 15 business days after the last transaction.</p> <p>As at 25 October 2016, the value of outstanding expense transactions not yet submitted in MobileXpense was:</p> <ul style="list-style-type: none"> CHF 794,252 (equivalent to 1.6 months' of expenses) for the Geneva office; and USD 56,816 (equivalent to 1 months' worth of expenses) for the DC office. <p>We note that Finance proactively follow-up on outstanding expense claims on an individual traveller basis. This follow-up is performed throughout the year with a more detailed process completed at the year-end.</p>	<p>Transactions paid for by Gavi on the individual corporate credit card may not be verified and supported by the traveller on a timely basis.</p> <p>Incorrect transactions or cases of external fraud on an individual's credit card may not be identified on a timely basis.</p>	<p>Consider implementing regular high-level management reporting on the status and value of outstanding expense claims so that issues can be appropriately escalated and resolved. This would be in addition to the detailed follow-up performed by Finance on an individual traveller basis, to ensure there is appropriate management transparency and accountability.</p>	<p>We will prepare a monthly report to the Chief Accounting Officer and Director, Operations, with a list of outstanding expense claims for their review.</p> <p>This task will be part of the Finance team's month-end close process.</p>	<p>MD, Finance & Operations, Senior Director, Finance Director, Operations</p>	<p>31 May 2017</p>	<p>Open</p>
L Treatment of third party travel costs is inconsistent							
3	<p>Third party travel costs are currently treated inconsistently. These expenses are recorded either through a Gavi staff member's MobileXpense profile, in a separate third party profile in MobileXpense or through the procurement process.</p> <p>We note that this issue has been identified by the Finance and Operations teams, and work is currently underway to clarify and document the required process to be followed for these expenses.</p>	<p>Third party travel costs cannot be easily reconciled or reviewed.</p> <p>Third party travel costs may be inconsistent with underlying agreements/contracts.</p>	<p>Implement clear guidance as to how third party travel costs should be treated, and ensure this guidance is understood and accessible to relevant staff members.</p> <p>It is recommended that third party travel costs are not recorded under Gavi staff profiles in MobileXpense going forward.</p>	<p>We will look to review the guidance around third party travel costs given that there are a number of different categories to consider and that we re-inforce that guidance as appropriate. For third party travel costs, it is also agreed that these should not be processed under a staff profile.</p> <p>Expenses related to individual contractors under procurement contracts are</p>	<p>MD, Finance & Operations, Senior Director, Finance Director, Operations</p>	<p>31 May 2017</p>	<p>Open</p>

Appendix 2: Low-Rated Findings and Recommendations

#	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
				<p>automatically rejected by MobileXpense.</p> <p>Travel expenses not paid through Airplus (i.e. per-diem meals, transportation, etc.) will be included in a monthly invoice and paid via accounts payable against a purchase order.</p>			

Appendix 3: Summary of Performance Ratings and Distribution List

For ease of follow up and to enable management to focus effectively in addressing the issues in our report, we have classified the issues arising from our review in order of significance: High, Medium and Low. In ranking the issues between 'High', 'Medium' and 'Low', we have considered the relative importance of each matter, taken in the context of both quantitative and qualitative factors, such as the relative magnitude and the nature and effect on the subject matter. This is in accordance with the Committee of Sponsoring Organisations of the Treadway Committee (COSO) guidance and the Institute of Internal Auditors standards.

Rating	Implication
High	Address a fundamental control weakness in relation to internal controls, governance and/or risk management that should be resolved as a priority
Medium	Address a control weakness in relation to internal controls, governance and/or risk management that should be resolved within a reasonable period of time
Low	Address a potential improvement opportunity in relation to internal controls, governance and/or risk management

Distribution

Title
Managing Director, Finance & Operations
Senior Director, Finance and Chief Accounting Officer
Director, Operations

For Information

Title
Chief Executive Officer (CEO)
Deputy Chief Executive Officer (DCEO)
Managing Director, Audit & Investigations
Senior Management Team
Director, Financial Accounting & Reporting
Head, Projects & Systems, Finance & Operations
Senior Manager, Financial Accounting
Head, Risk