

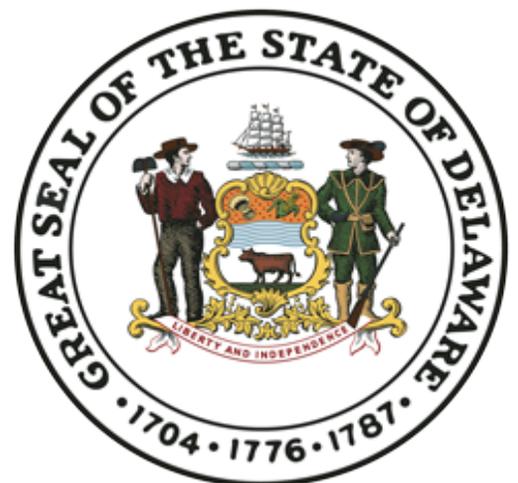
State of Delaware
Office of Auditor of Accounts

Department of Education
Travel Expenses

Inspection

Issuance Date: December 7, 2015

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts





State of Delaware
Office of Auditor of Accounts
R. Thomas Wagner, Jr., CFE, CGFM, CICA

At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This

AOA received allegations regarding Department of Education (DOE) employees flying first class and certain DOE vendors paying for DOE travel as part of their contracts.

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*.

For further information on this release, please contact:

Kathleen A. Davies

CPA-PA, CISA, CGFM, CGAP, CFE

(302) 857-3919

What We Found

The inspection did not identify any evidence to support the allegations. Further, AOA wants to thank the DOE staff for their cooperation throughout our investigation and commend them on their outstanding application of internal controls.

Table of Contents

Background..... 1
Procedures and Results 5

Abbreviations

AIR	American Institute of Research
AOA	Auditor of Accounts
BAM	Budget and Accounting Manual
DOA	Division of Accounting
DOE	Department of Education
FSF	First State Financials
JPMC	JPMorgan Chase Bank
PCard	Purchase Card
PE	Personal Expense Reimbursement
PHRST	Payroll Human Resource Statewide Technology
PO	Purchase Order
PV	Purchase Voucher

Background

Delaware's Department of Education (DOE)

DOE, a State of Delaware (the State) agency organized under the Executive Branch of State Government, comprises several sections that include the following:

- School Support and Adult Education
- Teacher and Leader Effectiveness
- Assessment, Accountability, Performance, and Evaluation
- Teaching and Learning

DOE was established through Title 14 of the Delaware Code and is tasked with, “The general administration of the educational interests of the State...”¹ The Secretary of Education (the Secretary) may “[s]upervise, direct and account for the administration and operation of [DOE], its offices, functions and employees.”² The Secretary is appointed by the Governor, with the advice and consent of the State Senate, and serves at the pleasure of the Governor.³

The Budget and Accounting Manual (BAM)

The BAM is a central location for the State’s policies and best practices in order to “...maintain integrity and efficiency as it conducts its business on behalf of the public interest.”⁴ State Organizations, which includes State agencies (both merit and non-merit), school districts, charter schools, and higher education, must follow the BAM.⁵

Purchase Card (PCard)

The State, through the Division of Accounting (DOA), contracted with JPMorgan Chase Bank (JPMC) to provide State agencies with a Visa card program for procurement and/or travel purchases (referred to as the PCard). JPMC’s online card administration application, PaymentNet, allows the State to manage certain aspects of the PCard program via the Internet at the State level.⁶

Only State employees⁷ are eligible to participate in the PCard program, with appropriate approvals from their agency.

The PCard should be used for all common carriers (airlines, rail, or bus), car rental, lodging, meals (food, beverage, tax, and tips) while traveling out-of-state, and authorized miscellaneous expenses. Regardless of the reason or type of purchase, all PCard receipts must be kept for reconciliation purposes. All PCard transactions must also comply with accounting procedures and State laws governing purchases.⁸

¹ Title 14, §101

² Title 14, §103, (a) (1)

³ Title 14, §102, (a)

⁴ BAM Chapter 1, v.2.9, Introduction

⁵ BAM Section 1.7, v.2.9

⁶ BAM Section 12.1, v.5.8

⁷ Per Section 12.1, v.5.8, of the BAM, State employees are defined as individuals who receive a paycheck through the Payroll Human Resource Statewide Technology (PHRST) system.

⁸ BAM Section 12.3.1, v.5.8

The PCard must not be used for personal or unauthorized purposes including:

- Providing personal identification.
- Purchasing alcoholic beverages or any substance, material, or service in violation of policy, law or regulation.
- Purchasing meals, travel, or entertainment, within the State, or any expense not authorized for State business.
- Paying for personal telephone calls or monthly service.
- Splitting a purchase into multiple charges under \$5,000 to circumvent the limitations of the State Procurement Code.
- Combining charges from several cards to circumvent the purchase limit assigned a cardholder or limitations of the Delaware Code, State Accounting Policy, or an Organization's requirements.⁹

The BAM further states, "A cardholder who intentionally makes unauthorized purchases or accidentally (carelessly) uses the PCard is liable for the total dollar amount of such unauthorized purchases," and could be subject to both disciplinary and criminal actions for those transactions.¹⁰

State employees must reimburse the agency for any personal or unauthorized transactions within 30 days of the transaction. A copy of the reimbursement check and deposit slip should be filed with the monthly PCard statements in case of an audit.¹¹

Travel Policy

The BAM's travel policy applies to all State employees, Agencies, boards, commissions, and others. Specific exclusions to this chapter of the BAM include the Legislative Branch, the Judicial Branch, and School Districts, inclusive of the Charter Schools.¹² Therefore, DOE is required to abide by the State's travel policy.

State travel should comply with the following criteria:

- The mode of travel must be the most advantageous to the State.
- The standard for common carrier travel is coach fare.
- Employees should make travel reservations as far in advance as possible to attain the lowest fares, including non-refundable tickets.
- Employees may not specify particular airlines or other carriers to accumulate mileage on promotional plans, such as frequent flyer programs for personal gain.
- State funds shall not be expended to pay for priority boarding or preferred seating unless it is deemed medically necessary.
- Baggage charges assessed by airlines are reimbursable to the employee if the charges are directly related to the work mission.

⁹ BAM Section 12.4.1 (2), v.5.8

¹⁰ BAM Section 12.4.1 (4), v.5.8

¹¹ BAM Section 11.1.4 (1), v.4.20

¹² BAM Section 11.1.2, v.4.20

- Employees are limited to one checked bag; the manager approving travel must preapprove the need for additional bags.¹³

The BAM provides guidelines and specific procedures with regard to the authorized travel expenses incurred in the conduct of State business. Each agency's management is responsible for control over and approval of travel-related expenditures. Agencies' internal controls must include policies covering the designation of approval authorities for travel expenditures.¹⁴

The designated organization approval authority shall approve all out-of-state travel that extends beyond one day. All requests should be made on the Out-of-State Travel Authorization Form. The authorization form should be submitted to the agency approval authority prior to traveling and in compliance with agency requirements.¹⁵

The BAM states, "The primary method of payment for travel expenses is the Delaware PCard... The PCard is to be used for authorized expenses for State personnel only and may not be used to charge expenses for family members or others not on official State business. Employees may not use the PCard to charge expenses for others [nonemployees], even with the intent to reimburse the State."¹⁶

*Travel-Related Personal Expense Reimbursements*¹⁷

Payments for all travel-related, approved expenses should be made using the Delaware PCard; however, in cases where this option is not possible, travel related expenses would be reimbursed using a Personal Expense Reimbursement (PE) form. This form and all supporting documentation, including required itemized receipts, shall be submitted within seven (7) business days after completion of travel. Delaware uses a "no receipt - no reimbursement" policy and reimbursement for travel expenses without the required receipts is strictly prohibited. Under extenuating circumstances, the employee may be unable to obtain an itemized receipt. In this case, the employee must complete a Missing Receipt Affidavit.¹⁸

Direct reimbursements greater than \$5,000 require additional approvals from the Division of Accounting. All supporting documentation for travel reimbursements and reconciliations is stored at the Agency for audit purposes.¹⁹

Requisitions, Purchase Orders, and Payment Vouchers

The State uses an encumbrance accounting system to provide a more accurate picture of the State's financial obligations. Using encumbrances also helps to provide a safeguard in not over-committing available funds.²⁰

¹³ BAM Section 11.2.1, v.4.20

¹⁴ BAM Section 11.1.1, v.4.20

¹⁵ BAM Section 11.1.3, v.4.20

¹⁶ BAM Section 11.1.4 (1), v.4.20

¹⁷ In prior engagements, AOA recommended that the State amend this policy since the cost of the control exceeds the benefit and, clearly, a cost effective alternative is to limit daily reimbursement to the United States General Services Administration (GSA) rate. AOA continues to recommend these revisions to the State's travel policy.

¹⁸ BAM Section 11.5, v.4.20

¹⁹ BAM Section 7.6.6.1 v.4.24

²⁰ BAM Section 7.1, v.4.24

In First State Financials (FSF),²¹ an agency may encumber funds using either a Requisition or Purchase Order (PO).²² According to the BAM, “An agency may not create any indebtedness or incur any obligation for personal services, work, labor, property, materials, or supplies, except by properly executed and approved requisitions or purchase orders....”²³

A Payment Voucher (PV) generates payments from FSF.²⁴ Once the PV is processed, the PO is reduced by the amount of the payment, and an expense is recorded in FSF.²⁵

²¹ FSF is the State’s accounting software used to process, reconcile, and track all of the State’s financial transactions.

²² BAM Section 7.5.1, v.4.24

²³ BAM Section 7.2, v.4.24

²⁴ BAM Section 7.6, v.4.24

²⁵ BAM Section 7.6.1, v.4.24

Procedures and Results

The Office of Auditor of Accounts (AOA) received a complaint, alleging that some Department of Education (DOE) employees²⁶ have flown using first class accommodations. Further, the allegation claims that DOE has certain vendors (GreatSchools and the American Institute of Research [AIR]²⁷) cover the costs of some of these flights and hotels for DOE staff as part of their contract.

AOA reviewed 79 airline-related transactions, totaling \$79,348.24, processed by DOE from July 1, 2014 through June 30, 2015 (Fiscal Year 2015). This was comprised of \$76,579.72 in PCard transactions and \$2,768.52 in personal reimbursement transactions. We reviewed the transactions to verify the class of seating purchased, including a search for instances where a traveler originally purchased coach fare but upgraded to a first class seat at a later date.

We found that 24 of these transactions, totaling \$50,267.60, were airline tickets purchased for 20 students and 4 teachers for a trip to China as part of Governor Jack Markell's World Language Expansion Initiative. Travel expenses were paid for by a grant from the Wanxiang America Corporation to "support high school students' ability to study in China under the umbrella of President Obama's 100,000 Strong Initiative." The remainder of the airline-related expenses included airfare for DOE employees to attend conferences such as the National Association of Charter School Authorizers Annual Conference and the School Nutrition Association Annual National Conference.

Nothing in our review of the transactions and the two vendors' contracts identified any evidence to support either of the allegations. We found four instances where DOE purchased "preferred" or "choice" seating²⁸ upgrades that resulted from lack of economy class during the time of booking.²⁹ For all but one charge, totaling \$42.90, DOE staff had supporting documentation to demonstrate the need for the nominal charges.

In contrast to travel-related transactions reviewed at other State entities, DOE staff did an excellent job maintaining support to demonstrate fiscal accountability and applying good internal controls. The Travel Authorization Forms were properly prepared and supported legitimate business travel.

²⁶ This includes the "chain of command" and certain units.

²⁷ The allegation referred to the "State testing vendor." Per AOA's research, this is AIR.

²⁸ Preferred or choice seating upgrades vary by airline; however, in general, the upgrades provide seats with additional legroom or in specific areas of the plane and/or first group boarding.

²⁹ These charges were less than \$300 in total.