

STATE OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION FINANCIAL RELATED AUDIT TRAVEL

SEPTEMBER 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

DEPARTMENT OF PUBLIC INSTRUCTION

FINANCIAL RELATED AUDIT

TRAVEL

SEPTEMBER 2012

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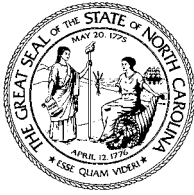
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MR. PHILIP PRICE, CHIEF FINANCIAL OFFICER

STATE OF NORTH CAROLINA

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

September 10, 2012

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
State Board of Education
The Honorable Dr. June Atkinson, State Superintendent, Department of Public Instruction

This report presents the results of our financial related audit at the Department of Public Instruction. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*. These items are described in the Audit Findings and Responses section of this report.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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BACKGROUND AND GENERAL OBJECTIVES

BACKGROUND

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at the Department of Public Instruction. There were no special circumstances that caused us to conduct the audit, but rather it was performed as part of our effort to periodically examine and report on the financial practices of state agencies and institutions.

GENERAL OBJECTIVES

The general objective of this financial related audit was to identify improvements needed in internal control over selected fiscal matters. The specific fiscal matters included in the audit are described in the Scope and Specific Objectives section of this report

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

SCOPE AND SPECIFIC OBJECTIVES

Our audit scope covered the period from July 1, 2010, to June 30, 2011 and included selected internal controls for travel. Specifically, we tested for compliance with state and agency travel regulations and evaluated the appropriateness of travel for the top 10 agency travelers.

METHODOLOGY

To accomplish our audit objectives, we gained an understanding of internal control over matters described in the Scope and Specific Objectives section of this report and evaluated the design of the internal control. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that provide evidence about our audit objectives. Specifically, we performed procedures such as interviewing personnel, reviewing policies, analyzing accounting records, and examining documentation supporting recorded transactions. Whenever sampling was used, we applied a nonstatistical approach. As a result, we were not able to project our results to the population.

As a basis for evaluating internal control, we applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS AND CONCLUSIONS

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards. These items are described in the Audit Findings and Responses section of this report. Management's responses are presented after each audit finding. We did not audit the responses, and accordingly, we express no opinion on them.

AUDIT FINDINGS AND RESPONSES

1. Employee Travel Irregularities

A review of the top 10 travelers at the Department of Public Instruction (Department) for the fiscal year ending June 30, 2011, identified one employee with excessive or unnecessary costs of about \$3,270. This is because the employee overstated miles driven by 6,474 miles. In addition, the employee's recorded departure and arrival times were inconsistent with other Department records and work expectations.

Overall, the District and School Transformation (DST) division employee recorded 174 trips, claimed 44,065 miles driven, and received \$22,261 in mileage reimbursement for personal car use during the fiscal year. One hundred fifty-eight (91%) of the trips were day trips with 22 of those (14%) covering 400 miles or more in a single day.

Miles Driven Overstated

While reviewing the employee's travel reimbursement forms, auditors noted instances where the miles claimed appeared excessive even though summary printouts of internet based mapping software supported the mileage claimed. Using the same software and travel addresses, auditors determined that the miles claimed by the employee were indeed higher in these instances.

For example, the employee took five day-trips between his home duty-station in Gibsonville, N.C., to a school in Plymouth, N.C. The employee claimed 488 miles of travel for each trip and included a printout of mapping software between the two addresses supporting that mileage. However, using the same addresses and software, auditors determined the distance to be 372 miles, or 116 miles less per trip. The route selected by the mapping software suggests major highways such as I-40 and US 64 and is clearly the most direct route between the two destinations.

After recalculating the mileage for the entire year, auditors identified 104 instances (about half) where the miles claimed by the employee were significantly higher than the results of the auditor's calculation.¹ The excessive miles totaled 6,474, or about 62 miles per trip, and resulted in excess reimbursement of \$3,270 to the employee.

In fact, the employee requested and was reimbursed for more miles (34,439) for travel between May 19, 2010, and April 4, 2011, than were recorded on his odometer (34,085) for roughly the same period.² This comparison of miles excludes any DPI travel between April 30, 2010, and May 18, 2010, and does not allow for any personal miles on the vehicle. While the employee had access to other personal cars, he stated that he did not use them for Department travel.

¹ For the purposes of this analysis, significantly higher is defined as exceeding 20 miles and 10% more miles using the same departure and arrival addresses and the same mapping software used by the employee.

² A car history report pulled for the employee's car shows odometer readings of 184,279 on April 30, 2010, and 218,334 on April 4, 2011. These odometer readings were captured during annual safety inspections.

AUDIT FINDINGS AND RESPONSES

Per Department policy, employees are required to include printouts of internet-based mapping software to support the mileage reimbursement request. Though the employee included summary printouts with the beginning and ending addresses and the distance between the two addresses, the documentation did not include a map or the turn-by-turn details of the specific route selected. Lacking this detail, it is likely that the route supporting the reimbursement request is not the most direct or suitable route, thus inflating the mileage.

State travel regulations specify that “an employee traveling on official state business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes ... unjustified, or for the convenience or personal preference of the employee in the performance of official state business are prohibited.”³

When asked about these discrepancies, the employee stated that he sometimes selects routes different from the suggested route to ensure cell phone coverage or to avoid traffic.

Time Reporting Differences

A comparison of the employee’s departure and arrival times documented on his travel reimbursements requests and 66 visit-specific coaching reports⁴ submitted to his supervisor showed 46 instances (70%) where the times do not reconcile.

For example, the employee submitted a travel reimbursement request that indicated that the employee left his home duty-station in Gibsonville, N.C., at 7 a.m. and traveled 156 miles (one way) to Weldon, N.C. The employee’s coaching report for that day indicates that he arrived at the school at 8 a.m. Mapping software indicates that it takes 3.25 hours to travel from the employee’s duty-station to the school. To make the trip in the one hour as documented by the employee, the employee would have to travel at a constant speed of 156 miles an hour.

Overall, there were 20 time discrepancies similar to the one noted above in the employee’s records. Other discrepancies included the same time recorded for the duty-station departure and school arrival times, the same time for the school arrival time and the school departure time, as well as other types of time reporting discrepancies.

These time reporting discrepancies are important because some of the mismatched times, in light of the distance traveled, indicate that the employee did not spend as much time providing instructional coaching as he reported in his coaching reports.

Furthermore, the DST director stated that she expects instructional coaches to be at low-performing schools during regular school hours, which is generally six to seven hours a day. However, 50 out of 66 (76%) of the employee’s reports for the year indicate that he spent six or less hours at the school.

³ Section 5.0.2 of the State Budget Manual issued by the Office of State Budget and Management

⁴ A coaching report documents the instructional coaching activities the employee delivered to a low-performing school. Providing instructional coaching is the primary function of the employee’s job.

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Recording accurate times in travel reimbursement requests is important because these times determine whether an employee is entitled to meal allowances while traveling.

Recommendation

The Department should seek reimbursement from the employee for the overstated miles and consider taking appropriate disciplinary action.

The Department should review the employees travel reimbursements for the fiscal years ending June 30, 2010, and June 30, 2012, to determine if miles were overstated. The Department should take appropriate action based on the results of their review.

Supervisors should verify that miles claimed for reimbursement are reasonable based on the trip. Accounts payable staff should spot-check mileage reimbursement requests for accuracy.

Employees and supervisors should ensure that times recorded for travel and work are accurate.

Agency Response

The Department has reviewed this employee's travel reimbursements for the period June 2011 through April 2012 and have validated that the miles were overstated. The discrepancy was in-line with the mileage discrepancies identified by the audit. Disciplinary action will be taken and refunds will be obtained. The Department will remind supervisors that their signature on the form verifies that they compared the employee's work schedules to the travel reimbursement and that they have verified that the information on the form is accurate (including mileage). In addition, the Department will require that the Accounts Payable staff perform periodic reviews of travel reimbursements to determine if the trip mileage being reported is accurate.

2. Assigning State Cars to Top Travelers Would Save Money

The Department of Public Instruction (Department) District and School Transformation (DST) division would have saved about \$105,600 if state cars were assigned to the 20 top travelers during the fiscal year ending June 30, 2011.

State Cars Not Assigned

Although DST staff travel extensively in assisting low-performing schools, home based DST employees are not offered state vehicles to use when they travel. Instead, they are reimbursed for miles they put on their personal vehicles when traveling for the Department. A total of 35 DST employees drove more than 12,500 miles each for the fiscal year ending June 30, 2011. Eight of the top 10 Department travelers worked in the DST division.

The top 20 DST travelers logged about 515,000 miles during the year and received around \$260,000 in reimbursement for miles driven in their personal vehicles. Miles driven were reimbursed at the Internal Revenue Service (IRS) mileage reimbursement rate in effect at the

AUDIT FINDINGS AND RESPONSES

time of travel. The IRS mileage reimbursement rate was 50 cents a mile for the first half of the fiscal year and was 51 cents a mile for the last six months of the fiscal year.

If these travelers used state cars, the cost to the Department would have totaled \$154,400, a savings of \$105,600 (41%). The expense to the Department is less because it only costs 30 cents a mile to operate a state car.

The DST director recognizes that it would be cheaper if high-traveling staff used state cars. While the Department currently has about 130 state cars assigned to it, the DST director reports that there are no state cars assigned to the DST division. The director recently submitted a request that 20 state cars be assigned to DST staff with high travel requirements.

Recommendation

The Department should identify its top travelers and offer them state cars. If the Department does not have cars available, then it should reassign cars so that employees expected to drive the most are offered the option of driving a state car. Any employee that declines a state car should be reimbursed at the motor fleet rate.

Agency Response

The Department will review the list of employees who are the top travelers and offer them state cars. The Department will also review the list of employees to whom cars are permanently assigned and determine which employees should be assigned cars to ensure maximum cost savings. It is already the policy of the Department (in compliance with Office of State Budget and Management policy) to reimburse an employee the motor fleet rate when the employee elects not to use a state car.

3. Travel Schedules Not Coordinated

The Department of Public Instruction (Department) District and School Transformation (DST) division would have saved about \$3,700 and increased the amount of time providing assistance to low-performing schools by 430 hours during the year ending June 30, 2011 if its eight top travelers stayed overnight in distant locations instead of driving home each day.

Limited Overnight Stays

Even though these DST employees have the ability to make their own schedules, it does not appear that they tried to coordinate their travel in an effort to reduce travel time and expenses or maximize the time spent in low-performing schools providing instructional coaching.

AUDIT FINDINGS AND RESPONSES

During the year, there were at least 70 instances where these eight employees traveled to the same or a close-by city when an overnight stay would have resulted in less cost and more time to provide instructional coaching to teachers. By combining day trips into an overnight trip for the 70 instances, the cost to the state would have been about \$3,700 less and the employees would have had 430 more hours to provide coaching. The salary and benefit cost of driving back and forth to their home duty-station for these 70 trips totals about \$17,780.

For example, an employee drove from his home duty-station in Wilmington, N.C., to three different cities in central North Carolina on three consecutive days. Even with the added hotel and meal cost of staying the night in Raleigh, the employee would have saved the state \$53 and increased coaching time by nine hours.

In another example, an employee traveled from his home duty-station in Gibsonville, N.C., to Halifax, N.C., and back on two consecutive days. Even with the added hotel and meal cost of staying the night in nearby Roanoke Rapids, the employee would have saved the state \$24 and increased coaching time by five hours.

Coordination of other travel beyond the 70 instances noted above, when possible, would have resulted in additional savings and more time spent in the schools.

As noted above, state regulations require that employees exercise the same care in incurring state expenses as they would if they were spending their own money. State travel regulations prohibit incurring excessive costs for personal convenience.⁵

When asked why he generally made day trips instead of staying overnight, one employee stated that he preferred to return home for family reasons.

While the DST director reports that she encourages employees to be frugal with state resources and maximize the time spent at schools, the division does not have a policy or specific guidance as to when overnight stay is expected.

Recommendation

The Department should develop policies that clarify when overnight stays are needed in order to maximize efficiencies and save money. Supervisors should work with traveling staff to coordinate schedules to the extent possible. Staff should not be allowed to travel on state time or be reimbursed for travel expenses solely for personal convenience.

⁵ Section 5.0.2 of the State Budget Manual issued by the Office of State Budget and Management

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Agency Response

The Department will examine the state's overnight stay and round trip policies and will establish the necessary and appropriate agency regulations to ensure cost effectiveness and work efficiency.

4. Noncompliance with Travel Policies

The Department of Public Instruction (Department) is not in compliance with several Office of State Budget and Management (OSBM) and Department travel policies. A random sample of 60 travel invoices found 47 instances of noncompliance.

Travel Regulations

OSBM's Budget Manual contains a comprehensive list of regulations for per diem, transportation, subsistence, and other allowances that agency heads and staff are expected to follow when reimbursing employees for travel related expenses. The Department has agency-specific travel rules that are consistent with OSBM's objective of only paying for valid and reasonable travel expenditures. It is the responsibility of department heads and their staffs to acquaint themselves with travel regulations.

A review of 60 travel invoices found 47 instances of noncompliance with Budget Manual or Department travel regulations. Not every travel regulation will apply to a given travel instance. The applicable regulations depend on the specifics of each trip. Noncompliance was noted in a variety of areas including:

- Overnight travel was not approved in advance in 15 of 52 (29%) applicable invoices;
- Meals were not allowable based on arrival and departure times in six of 49 (12%) applicable invoices;
- Lodging did not meet the 35-mile test in two of 52 (4%) applicable invoices;
- Excess lodging expense was not authorized in advance for six of 17 (35%) of applicable invoices;
- Mileage was not supported with required documentation in eight of 43 (17%) applicable invoices.

When travel regulations are not followed, the Department could incur costs that are not reasonable or necessary.

Recommendation

The Department should ensure that all employees are aware of and have access to OSBM and Department travel regulations.

Supervisors who approve travel reimbursement requests should ensure that the travel is properly documented and that all amounts are reasonable and allowable.

Accounts payable staff should return non-supported and noncompliant requests to the appropriate supervisor for correction.

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Agency Response

OSBM and DPI travel regulations are posted to DPI's intranet and reminder e-mails will be distributed on an established schedule to agency staff. The Department's Financial and Business Services disseminates all travel policy updates to staff within 24 hours of notification. In addition, the Department already ensures that all new employees are aware of the state and agency travel regulations during the new employee orientation sessions. The Department's Accounts Payable staff will hold informational sessions with staff in regard to travel policies and updates. Also, Accounts Payable staff will return all noncompliant and non-supported requests to the appropriate supervisor for correction.

ORDERING INFORMATION

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Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647

This audit required 1,414.5 audit hours at an approximate cost of \$101,855. The cost represents 2% of the \$4,871,724 in total travel expenditures subjected to audit.