



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

STATE OF NORTH CAROLINA
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June 3, 2005

Mr. William G. Ross Jr., Secretary
North Carolina Department of Environment and Natural Resources
1601 Mail Service Center
Raleigh, North Carolina 27699-1601

Dear Secretary Ross:

We received notification through the State Auditor's Hotline that an Accounting Clerk's improper modification to an employee's Travel Expense Reimbursement Form resulted in an overpayment of \$103.25.

We have completed a special review of this matter. The following findings and recommendations are based on an examination of various travel expense documents, review of applicable rules and regulations and interviews of employees of the Department of Environment and Natural Resources.

Background

On February 14, 2005, a Chemistry Supervisor IV (Chemistry Supervisor) with the Division of Water Quality submitted a Travel Expense reimbursement request for \$559.15 after attending a training conference in Atlanta, Georgia. On February 18, 2005, the Chemistry Supervisor received a direct deposit notification for \$662.40, an overpayment of \$103.25. This overpayment resulted from an unauthorized modification to a Travel Expense Reimbursement Form.

The Chemistry Supervisor completed a Travel Authorization form on January 14, 2005, for a computer-training program in Atlanta, Georgia, from February 6-11, 2005. The form was signed and approved by his supervisor, Environmental Supervisor IV and the Division of Water Quality Budget Officer (Budget Officer) on January 18, 2005. The Environmental Management Director signed and approved the travel authorization on January 19, 2005. The amount authorized was \$2,435.30, which included \$1,500 for registration. According to e-mail documentation, the vendor subsequently waived the registration fee. The amount requested for meals on the Travel Authorization Form totaled \$179.50, which consisted of five full days for out-of-state meals at \$32.50 per day and one additional dinner on the day of departure at \$17.

Modifications to the Travel Expense Reimbursement Form

An Accounting Clerk with the Division of Water Quality received a Travel Expense Reimbursement request for \$559.15 from the Chemistry Supervisor on February 16, 2005. The form was signed by the Chemistry Supervisor on February 14, 2005, and approved by his supervisor on the same date. The Accounting Clerk said the form did not appear to be properly completed because the Chemistry Supervisor had requested breakfast and lunch in his Travel Authorization but did not complete these fields on his Travel Expense Reimbursement Form. The Chemistry Supervisor told the Accounting Clerk he did not include the amounts because breakfast and lunch were provided at the conference and he thought his reimbursement would be taxable income. The former Accounting Clerk, who was training the current Accounting Clerk, said she explained to the Chemistry Supervisor the reimbursement was not taxable income and an employee could claim breakfast reimbursement even if a hotel offers a free breakfast.

For each day the Chemistry Supervisor attended class (Monday, February 7 thru Friday, February 11), the Accounting Clerk added \$6.75 for breakfast and \$8.75 for lunch to the Travel Expense Reimbursement Form (see Exhibit). The Accounting Clerk and the Budget Officer both stated there was no documentation to suggest breakfast and lunch were included with registration, therefore they believed the Chemistry Supervisor was entitled to reimbursement for breakfast and lunch. We contacted the organization that conducted the computer-training conference and were told the training session did provide breakfast and lunch Monday thru Friday.

Additionally, the Chemistry Supervisor left for Atlanta at 11:30 a.m. on Sunday, February 6. He did not claim lunch reimbursement on this particular day. On his return trip on Friday, February 11, he listed his arrival time as 9 p.m. He did not claim dinner on this particular day. The Accounting Clerk added \$8.75 for lunch on February 6 and \$17 for an out-of-state dinner on February 11 to the Chemistry Supervisor's signed and approved Travel Expense Reimbursement Form (see Exhibit).

The total amount requested by the Chemistry Supervisor was \$559.15. The amount paid to the Chemistry Supervisor was \$662.40. This overpayment of \$103.25 consists of five days of breakfast and lunch at \$15.50 per day (\$6.75 + \$8.75), one additional lunch of \$8.75 on the day of departure and one dinner at \$17 on the day of arrival.

State Travel Policy

The following excerpt from the *North Carolina State Budget Manual* establishes the state policy for the reimbursement for meals when an employee is in travel status.

Reimbursement for Meals

Each employee is responsible for his or her own request for reimbursement.¹ Tips for meals are included in the meal allowance. Each meal reimbursement rate must be listed on the reimbursement request. Departure and arrival times must also be listed on the reimbursement request. The costs of meals included in other related activities (registration fees, conference costs, hotel registration, etc.) may not be duplicated in reimbursement requests.¹ An employee may be reimbursed, if requested,¹ for breakfast even if their lodging establishment offers a free continental breakfast.

Violations of State Travel Policy

The unauthorized modification of the Chemistry Supervisor's Travel Expense Reimbursement Form represents a violation of the above state travel policy. The Chemistry Supervisor did not request reimbursement for the 12 meals added to his Travel Expense Reimbursement Form and should not have received the additional \$103.25. Moreover, 10 of the meals were provided through the conference and their inclusion on the Travel Expense Reimbursement Form also represents a violation of the above state travel policy.

Recommendations

The Travel Authorization form includes an estimate of travel expenditures and should not be used for determining actual reimbursements. The Division of Water Quality should enhance its internal procedures to ensure compliance with the travel policies contained in the *North Carolina State Budget Manual*. These procedures should include a requirement for employees attending conferences to attach a conference agenda to determine the employee's eligibility for the reimbursement of meals.

Accounting personnel within the Division of Water Quality should not alter signed and approved travel expense documents. Modifications to any signed and approved travel expense documents should be made by the employee, re-approved and resubmitted.

The Chemistry Supervisor should repay the Division of Water Quality \$103.25 for the overpayment of travel expenses which he received after his reimbursement request was improperly modified.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this management letter to the Governor, the Attorney General, and other appropriate officials.

¹Emphasis added.

Mr. William G. Ross Jr., Secretary
June 3, 2005
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We appreciate the cooperation received from the employees of the Department of Environment and Natural Resources during this review.

Sincerely,

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr." in a cursive script.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

Management letters and responses receive the same distribution as audit reports.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
TRAVEL EXPENSE REIMBURSEMENT FORM
PLEASE USE YOUR TAB KEY TO ACCESS AVAILABLE FIELDS

Name: _____

Social Security Number: _____

February 14, 2005

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Travel		Transportation			Subsistence			Other Travel Expenses		
From	To	0:00	In-State	Out-of-State	0:00	In-State	Out-of-State	0:00	Explanation	Amount
Raleigh	Suwannee, Ga.	R			B				Commuter fare in traffic	
		A			L		8.75		Commuter	1.75
11:30 am					D		17.00		Taxi from train to hotel	30.00
am					Meal Total	0.00	35.75		Dinner in Suwannee GA.	
Mileage	@ 0.23 rate/mile	P	0.00		H		88.48			
		Day Total	0.00	0.00	Day Total	0.00	114.23			31.75
Suwannee, Ga.		R			B		6.75			
		A			L		8.75			
am					D		17.00			
am					Meal Total	0.00	32.50			
Mileage	@ rate/mile	P	0.00		H		88.48			
		Day Total	0.00	0.00	Day Total	0.00	120.98			0.00
Suwannee, Ga.		R			B		6.75			
		A			L		8.75			
am					D		17.00			
am					Meal Total	0.00	32.50			
Mileage	@ rate/mile	P	0.00		H		88.48			
		Day Total	0.00	0.00	Day Total	0.00	120.98			0.00
Suwannee, Ga.		R			B		6.75			
		A			L		8.75			
am					D		17.00			
am					Meal Total	0.00	32.50			
Mileage	@ rate/mile	P	0.00		H		88.48			
		Day Total	0.00	0.00	Day Total	0.00	120.98			0.00
Suwannee, Ga.		R			B		6.75			
		A			L		8.75			
am					D		17.00			
am					Meal Total	0.00	32.50			
Mileage	@ rate/mile	P	0.00		H		88.48			
		Day Total	0.00	0.00	Day Total	0.00	120.98			0.00
Suwannee, Ga.	Raleigh	R			B		6.75			
		A			L		8.75			
am					D		17.00			
am	9:00 pm				Meal Total	0.00	32.50			
Mileage	@ rate/mile	P	0.00		H		88.48			
		Day Total	0.00	0.00	Day Total	0.00	32.50			0.00
		R	0.00	0.00	Meal Totals	0.00	188.23			31.75
		A	0.00	0.00	Hotel Totals	0.00	442.40			
		P	0.00	0.00						

Subsistence not to exceed authorized
in-state or out-of-state travel.

Subsistence:

In-State \$87.75
Out-of-State \$100.50

LEGEND:

(1) Mode of Travel
R - Rental Car
A - Airfare
P - Private Car

(2) Type of Subsistence:
B - Breakfast L - Lunch
D - Dinner H - Hotel

(3) Other Travel Expenses:
ONLY Taxi, parking, baggage,
telephone, or registration

The Department of Environment and Natural Resources issued a response to our management letter on May 23, 2005. Although the response indicated that employees would receive more training in the future, it also attributed partial responsibility for this overpayment to an employee that submitted a travel reimbursement request. Attributing partial responsibility for this overpayment to the employee that submitted a travel reimbursement request appears evasive and confuses the issues identified in the management letter.

The purpose of this management letter was to communicate the identification of an internal control deficiency that led to the overpayment of an employee. Our findings and recommendations specifically address the fact that an approved travel expense reimbursement form was modified without written authorization from both the employee and the employee's supervisor. In our opinion, the only contributing factor to this overpayment was the identified internal control deficiency.

North Carolina
Department of Environment and Natural Resources

Michael F. Easley, Governor
William G. Ross Jr., Secretary



May 23, 2005

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

Dear Mr. Merritt:

We have reviewed the findings and recommendations resulting from the special review of a Hotline notification of an Accounting Clerk's modification of an employee's Travel Reimbursement Form.

As recommended, the overpayment of \$103.25 has been collected from the Chemistry Supervisor.

In this particular instance, the Accounting Clerk was new to her position and inexperienced. However, she did speak with the Chemistry Supervisor about the non-inclusion of the meals on the Travel Reimbursement Form. It was the understanding of the Accounting Clerk that the Chemistry Supervisor verbally agreed to the inclusion of meals on his travel reimbursement. In order to remove any chance of verbal misunderstandings in the future, all changes must be initiated by the employee on an amended Travel Reimbursement Form.

A contributing factor in this case is that the employee requesting reimbursement did not follow the division or department chain of command when he perceived a problem. If he had presented the problem to his supervisor, or to the DENR Controller's Office, the reimbursement request would have been corrected immediately.

The Division of Water Quality and the DENR Office of the Controller will initiate steps to provide additional training to current employees on the correct handling of travel reimbursement requests. In addition, before new employees assume travel reimbursement processing responsibilities, they will receive appropriate training.

Sincerely,

William G. Ross, Jr., Secretary

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