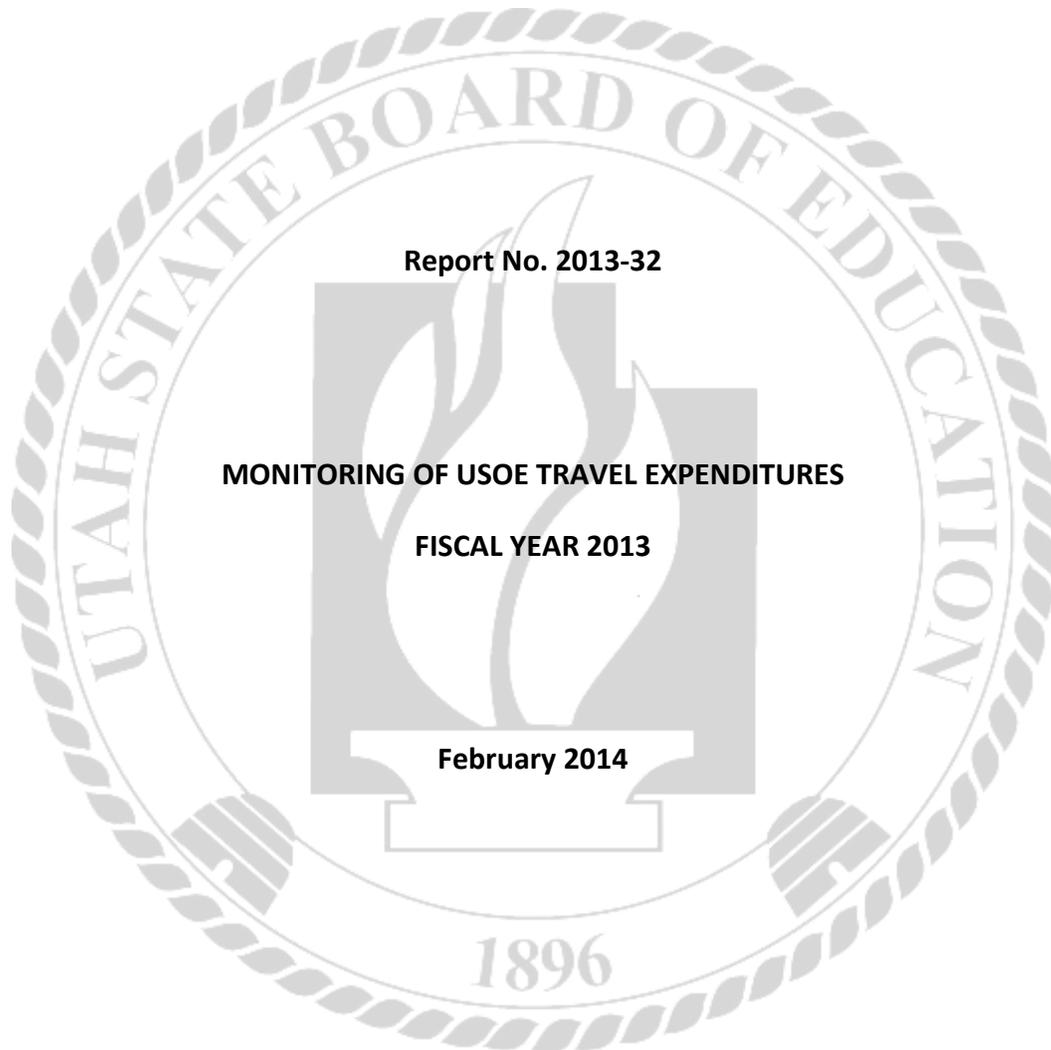


**REPORT TO THE  
UTAH STATE BOARD OF EDUCATION**



**Audit performed by:  
Utah State Board of Education's Internal Auditors**

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## Report 2013-32

February 7, 2014

Utah State Board of Education  
250 East 500 South  
Salt Lake City, Utah 84114

Dear Board Members:

The Utah State Board of Education (the Board) *Administrative Rule 277-116-4(E)* authorizes the Utah State Office of Education's (USOE) Internal Audit department (IA) to perform audits recommended by the Audit Committee of the Board. Internal Audit was instructed to perform a review of USOE employee travel reimbursement requests, including travel reimbursement requests from the Utah Schools for the Deaf and Blind (USDB) and the Utah State Office of Rehabilitation (USOR), pursuant to risk assessment procedures conducted by IA. The IA obtained electronic documentation from BASE (USOE's accounting system) for all USOE and USOR travel transactions and requested and received documentation from USDB for USDB travel transactions. The purpose of this limited review is to assess the control environment over travel expenditures and review specific transactions to ensure they are appropriate and follow state travel policies.

IA performed the following procedures for fiscal year 2013, which covers the period of July 1, 2012 – June 30, 2013:

1. We reviewed certain aspects of the USOE's internal controls over travel reimbursements and haphazardly selected 61 travel transactions to review for appropriateness. Please see findings 1 and 2
2. We reviewed expenditures for compliance with state and federal regulations. Please see finding 3.
3. Other compliance issues as considered necessary.

These procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of the USOE's internal control or any part thereof. Furthermore, these procedures were more limited than would be necessary to provide absolute assurance that no errors or misappropriations occurred. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we conducted an audit of the effectiveness of internal controls, other matters might have come to our attention that would have been reported.

The findings resulting from the above procedures are included in the attached findings and recommendations section of this report. Responses provided by the Internal Accounting Division at the USOE are included after findings 1 and 2. USDB did not provide responses, but did concur with the findings.

This report is intended solely for the information and use of USOE, USDB, and USOR management and the Utah State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. If you have any questions, please contact me at (801) 538-7813.

Sincerely,

A handwritten signature in black ink that reads "Natalie Grange". The signature is written in a cursive, flowing style.

Natalie Grange CPA, CFE  
Internal Auditor, Utah State Office of Education

## FINDINGS AND RECOMMENDATIONS

### 1. INCORRECT CALCULATION OF MEAL PER DIEM AMOUNTS FOR TRAVELERS

During our review of the 61 travel transactions selected in our sample, we noted the following issues related to meal reimbursements/per diem (we have specified in parenthesis the division that processed each of the reimbursements below):

- A. We noted a reimbursement for travel to a conference in Memphis, TN that included a \$10 per diem reimbursement for breakfast on 10/18/12 when the traveler did not leave his home base until 7:40 AM, according to the supporting documentation. *Utah Administrative Code R25-7-6(6)(a)* only allows breakfast per diem reimbursement if the traveler left their home base before 6:00 AM on the first day of travel. (School Finance)
- B. We noted three different travel reimbursement requests that had meal per diem reimbursements to travelers for meals that were provided by the conference or convention they were attending (or insufficient documentation to determine whether the meal was provided), as follows:
  - 1. Two different travelers received a \$14 per diem reimbursement for lunch on 6/20/13 while attending a conference in Washington, DC. According to the agenda, the conference provided a luncheon on this day as part of the registration cost. (Assessment)
  - 2. A traveler received a \$23 per diem reimbursement for dinner on 6/22/13 while attending a competition in Portland, OR. The agenda for the competition showed a dinner and no further explanation was provided in the travel reimbursement request. (ESEA)
  - 3. A traveler received a \$14 per diem reimbursement for lunch on 4/25/13 and a \$10 per diem reimbursement for breakfast on 4/27/13 while attending a forum in Huntsville, AL. According to the agenda, the forum provided these meals as part of the registration cost. (USDB)  
*Utah Administrative Code R25-7-6(6)(b)(i)* states that “complementary meals of a hotel, motel, and/or association and meals included in the registration cost are deducted from the total daily meal allowance.”
- C. We noted a travel reimbursement that included a per diem reimbursement of \$17 for dinner each day from 8/8/12 to 8/10/12. *Utah Administrative Code R25-7-6(3)(a)* establishes the reimbursement for dinner per diem at \$16 for in-state travel. (USDB)

#### **Recommendations:**

We recommend that the USOE, USDB, and USOR implement adequate internal controls over meal per diem reimbursements to ensure that employees are reimbursed according to Utah Administrative Code. Specifically, we recommend that all reimbursement requests be thoroughly reviewed and matched against the agenda from the conference being attended

to ensure that employees are only reimbursed for meals that are not provided by the conference. Additionally, we recommend that this review ensure that travelers are reimbursed only for the appropriate meals in the day of departure and return as outlined in *Utah Administrative Code R25-7-6(6)(a)* and that amounts reimbursed to each traveler match those outlined in *Utah Administrative Code R25-7-6(3)(a)*.

## 2. **OTHER VARIOUS TRAVEL REIMBURSEMENT ERRORS**

We noted the following additional issues with the 61 travel reimbursements we selected (we have specified in parenthesis the division that processed each of the reimbursements below):

- A. We noted two different reimbursements where the travelers flew out of the Las Vegas International Airport and/or returned there at the conclusion of their trip. Both live along the Wasatch Front and would normally use the Salt Lake International Airport for their travels. No explanation was given in the travel documentation as to why they were traveling to/from the Las Vegas Airport and no comparison of the airfare costs was completed and/or included in the travel documentation. State Travel Policies do not address this situation specifically, but do state that flights should be booked for the “least expensive air fare available at the time reservations are made.” At a minimum, when an employee requests to fly to/from an alternative airport, a comparison of costs should be included in the travel documentation showing that the state did not incur additional costs due to the change. (SSFP/Assessment)
- B. We noted reimbursements of \$375 on 12/5/12 and \$525 on 2/1/13 which were for the registration fees of the conferences attended by the traveler. The documentation included with the travel reimbursement requests for these reimbursements does not show that the travelers actually paid the registration fee. Additionally, *Utah Administrative Code R25-7-9(3)* states that registration fees for conferences should be paid in advance on a state warrant or through the use of a division purchasing card. If a traveler must pay the registration fee when they arrive, the agency is expected to process a payment voucher and have the traveler take the state warrant with them. Because the conferences attended by these two travelers required the registration fees to be paid online and the separate divisions of the USOE do not have purchasing cards, these travelers paid the registration fees themselves and sought reimbursement. (Teaching and Learning/ESEA)
- C. We noted three reimbursements for travel to various conferences, meetings, or forums which did not include a copy of the agenda in the supporting documentation. State Travel Policy 10-02.02.B requires that the agenda or schedule of events be included in the supporting documentation for all reimbursement requests that involve travel to a seminar, conference, convention, or similar function. The agenda is helpful to the employee preparing the reimbursement in determining which meals qualify for per diem reimbursement. (USDB)

- D. We noted a reimbursement for travel to the Council of Chief State School Officers National Conference in Washington, DC, which a total of 10 travelers attended. According to the travel documentation, the travelers flew out one day early to meet with a vendor used by the USOE that is located in Washington, DC. All of these travelers incurred additional costs for meals and lodging for this extra day. State Travel Policy FIACCT 10-02.00 states that “the executive director or designee must approve all travel to out of state functions where more than two employees from the same department are attending the same function at the same time.” In accordance with this policy, we noted that a memo documenting the purpose and dates of this trip was approved by the State Superintendent on 3/14/13. However, the memo did not include any information regarding the additional day of travel to meet with a vendor nor an explanation of why all attendees needed to meet with the vendor. The travel documentation also included an FI-5 travel approval form that explained that the travelers would be leaving a day early to meet with a vendor and was approved by the associate superintendent on 3/21/13. The trip details in the memo to the Superintendent should have matched the details given in the FI-5 form so that the Superintendent could be informed of all significant costs to be incurred on the trip. (Assessment)
- E. We noted two separate reimbursements for the same traveler where the coding in the accounting system was incorrect. The mileage for the traveler to and from the Salt Lake Airport and the airport parking were coded to object codes 6002 (In-state Mileage) and 6007 (In-State Transportation) for both trips. These should have been coded to object codes 6052 (Out-of-state Mileage) and 6057 (Out-of-state Transport) since the trip was an out of state trip. (CNP)
- F. We noted a meal per diem reimbursement paid to a CTE employee for the FCCLA National Leadership conference in Orlando, FL from 7/6/12 to 7/12/12. We also noted that the associated airfare, ground transportation, registration fees, and lodging costs for this trip were paid by the Utah FCCLA. The Utah FCCLA invoiced the USOE and was reimbursed \$2,109 on 8/22/12 for the costs they had incurred on behalf of the traveler. According to the travel documentation, the Utah FCCLA covered these costs up front because the deadline for registration occurred during FY12 and the funds weren’t yet available for the USOE to pay these costs. *Utah Administrative Code* R25-7-10(1)(a) states that flights should be booked through the State Travel Office and *Utah Administrative Code* R25-7-9(3) states that registration fees for conferences should be paid on state warrant or with a department purchasing card. State travel policy does not provide guidance for travel costs being paid by a third party who the State intends to repay. Supporting documentation to corroborate the amounts invoiced by the Utah FCCLA for the flight and ground transportation was not included in the travel documentation. A flight itinerary was provided, but it did not show the costs paid for the airfare. (CTE)
- G. We noted a reimbursement for travel to a convention in Dallas, TX where the traveler rented a car at the airport for her travel. *Utah Administrative Code* R25-7-10 (5) states that the “use of rental vehicles must be approved in writing in advance

by the Department Director or designee.” The supporting documentation for this car rental did not include the approval of the department director. It appears that the approval either was not obtained or was not documented as required by state administrative code. (USDB)

- H. We noted two separate issues with reimbursements for a trip where an employee elected to drive instead of fly to his/her destination:
1. We noted a reimbursement for a traveler attending a conference in San Diego, CA who elected to drive. A drive vs. fly comparison was completed for the trip, which determined that the cost of the trip if the traveler had flown was \$426.37, excluding hotel and per diem. Because this amount was less than the amount of the reimbursement the employee would have received if he was reimbursed using the standard mileage reimbursement, the employee was reimbursed \$426.37 for mileage on the trip. However, the supporting documentation for the reimbursement shows that the traveler rented a car through Enterprise Rent-a-car on the State Motor Pool Fleet contract for use on the trip, which cost the State \$332.04. The cost of the vehicle rental was not included in the comparison. Utah Administrative Code R25-7-10(4)(b)(iii) states that an employee may elect to drive instead of fly, but that “the total cost of the trip must not exceed the equivalent cost of an airline trip.” Because the cost of the rental would not have been incurred if the traveler had flown, it should have reduced the amount of reimbursement due to the employee. (USOR)
  2. We noted a reimbursement for a traveler attending a conference in Seattle, WA who elected to drive. A fly vs. drive comparison was completed for the trip, which determined that the cost of the trip if the traveler had flown was \$421.32, excluding hotel and per diem. Similar to the item noted above, this amount was less than what would have been reimbursed using the standard mileage reimbursement of \$.38 a mile; therefore, the traveler was reimbursed \$421.32 for his mileage on the trip. However, the traveler was also reimbursed for parking charges of \$75 at the hotel where he stayed and was reimbursed for meals that would not have been required if he had flown. Using the flight itinerary from another employee who attended the same conference and traveled by air, we determined that the traveler should not have been reimbursed breakfast per diem of \$10 on 7/17/12 or per diem of \$47 on 7/23/12, as he would not have been traveling during these meals if he had flown. In total, the employee was reimbursed for \$132 of costs which would not have been incurred if he had traveled by air. (USDB)

***Recommendations:***

1. We recommend that the USOE, USDB, and USOR implement adequate internal controls to ensure that all travel reimbursement requests are correct, accurate, and follow Utah Administrative Code and State Travel Policy. These controls should include a thorough

review of each travel reimbursement request and its supporting documentation to ensure the following:

- Sufficient documentation is included providing explanation and cost comparisons for a traveler-requested change in airfare or departure/arrival airports (from the local airport).
  - Documentation is provided that demonstrates the traveler paid for registration fees for conferences if they are not paid using a state warrant or purchasing card.
  - Supporting documentation for trips to seminars, conferences, conventions, or similar functions include an agenda as required by State Travel Policy 10-02.02.B.
  - Documentation sufficiently explains the need for any additional days of travel (extra days above and beyond the days required for the conference or seminar) and that all memos and/or forms used to obtain approval from the appropriate personnel consistently describe the purpose and significant parts of the planned trip.
  - Coding of transactions in FINET is correct and accurately reflects the purpose of the travel.
  - Proper approval is granted prior to an employee renting a car for ground transportation from the airport to a conference or convention.
  - If a traveler chooses to drive instead of fly to their destination, the total cost of the trip does not exceed the equivalent total cost of the trip had the traveler flown to their destination (an employee should not be reimbursed for costs that would not have been incurred if the employee had elected to travel by air).
2. We recommend that the USOE investigate the possibility of providing a purchasing card to each Division to assist with the payment of registration fees that must be paid online prior to a conference. Sufficient internal control processes over these purchasing cards should be developed and implemented.
  3. We recommend that the USOE consider creating a travel policy to address travel paid by a third party. If the USOE intends to engage in these types of transactions regularly, we believe that it would be beneficial to provide guidance on the documentation required from the third party to corroborate the amounts invoiced for items such as flight reservations, lodging, ground transportation, and registration.

### 3. **NONCOMPLIANCE WITH FEDERAL GRANT REQUIREMENTS REGARDING TRAVEL**

The Code of Federal Regulations 34 CFR §76.707 states that the obligation of federal grant funds for travel expenses occurs when the travel is taken, not when the money is spent. This rule governs when expenditures can be charged to federal grants. Most specifically guidance centers on when transportation costs, such as plane or train tickets can be charged to federal program. This is largely a period of availability issue when grants expire. When travel is booked, but not taken until after a grant closes, charges made against the grant year before the

travel was taken could be deemed unallowable. There does not appear to be a policy in place to address this federal compliance issue.

***Recommendation:***

We recommend that the USOE consider creating a travel policy that provides guidance on compliance with the federal regulation contained in 34 CFR §76.707.

**4. RECOMMENDED TRAVEL TRAINING**

We noted exceptions to travel policy and documentation in 15 items of our sample of 61 items, which is a 25% exception rate. These exceptions were found in numerous divisions and do not appear to be centralized with one section or division. We believe it would be valuable to hold trainings for employees who process travel reimbursements for the different units of the USOE, USDB, and USOR. We recommend that staff at USOE, USDB, and USOR, under the direction of internal accounting, plan and hold trainings for the employees who process and approve travel to ensure they understand and comply with state statute, administrative code, and agency policy regarding travel reimbursements.

***Overall USOE Internal Accounting Response:***

*We will create a uniform list of documents to attach to travel reimbursements. Upon completion of this list appropriate personnel will be given training to assure compliance with State and Federal rules and policies.*