



Evans-Brant Central School District Travel Expenditures and Reimbursements

Report of Examination

Period Covered:

July 1, 2012 — May 13, 2014

2014M-194



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2014

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Evans-Brant Central School District, entitled Travel Expenditures and Reimbursements. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Evans-Brant Central School District (District) is located in the Towns of Brant, Eden and Evans in Erie County. The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates five schools with approximately 2,900 students and 450 employees. The District's budgeted appropriations for the 2013-14 fiscal year were approximately \$53.3 million, which were funded primarily with State aid, real property taxes and sales tax.

The Assistant Superintendent for Administration and Finance serves as the District's purchasing agent and is responsible for overseeing all District business operations. The District also appoints a claims auditor annually.

The District reimburses Board members and employees for certain travel expenditures and pays for professional dues and conference costs. Such reimbursements and expenditures totaled more than \$40,000 in 2012-13 and more than \$41,000 in 2013-14 as of April 2014.

Objective

The objective of our audit was to examine travel expenditures and reimbursements. Our audit addressed the following related question:

- Were travel and conference related expenditures and reimbursements for key District officials properly approved and supported with appropriate documentation to ensure the proper use of District funds?

Scope and Methodology

We examined travel expenditures and reimbursements for the period July 1, 2012 through May 13, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of
District Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they initiated or planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the New York State General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Travel Expenditures and Reimbursements

New York State General Municipal Law allows school districts to pay for actual and necessary expenditures for travel, meals, lodging and registration fees incurred in attending conferences or meetings by District officials and employees. The Board has adopted travel and conference policies relating to reimbursement for travel and conference expenditures for Board members and employees of the District. The policies state that travel and attendance at conferences must be pre-approved,¹ that all requests for reimbursement must be made using prescribed forms and that original, detailed and itemized receipts must be attached. The policies also state that meal expenditures will only be reimbursed up to the Board-approved per diem rates which are modeled after the United States General Services Administration (GSA) per diem rates. In addition, the Superintendent's attendance at conferences and meetings is approved through his contract and limits conference and meeting expenditures to \$3,000 per year, unless the Board authorizes a higher amount.

We found that the Board and the claims auditor did not ensure that the District only paid for actual expenditures necessarily incurred on official District business and as limited by contract. This resulted in questionable or unsupported travel costs totaling more than \$9,000. Finally, while the Board has established a maximum daily rate for meals to ensure that travel is cost-effective and reasonable, the Board has not established maximum rates for lodging. Had the Board and District officials used GSA thresholds for lodging, they could have saved the District approximately \$2,400.

Board Members – We reviewed all claim vouchers totaling \$21,846, paid for Board member travel during our audit period and found expenditures totaling \$4,287 that did not have original, itemized receipts and expenditures totaling \$1,218 that were not approved by Board resolution prior to the conference.

Superintendent – We reviewed all claim vouchers totaling \$12,726 paid to the Superintendent during our audit period and found \$481 in travel expenditures that were paid without original, itemized receipts. After excluding certain expenditures from our analysis, we found that the Superintendent exceeded the contractually allowed limit of \$3,000 per year for conference and meeting expenditures by a total of \$3,063 over our audit period. We also found no evidence in the Board minutes authorizing him to exceed the \$3,000 limit each year.

¹ By the Board or designated administrator as appropriate

The claims auditor stated that if a claim does not have appropriate documentation attached, such as original, itemized receipts or approvals for attending conferences, she will not approve the claims for payment until the proper documentation is provided. However, we found that she did approve the claims totaling \$4,768² which were paid without a proper, original and itemized receipt and claims totaling \$1,218 that were paid without proper approval for attendance. The claims auditor also accepted confirmation emails or registration forms as supporting documentation. However, these documents do not constitute original, itemized receipts or invoices.

The lack of enforcement and monitoring of compliance with travel and conference policies and contract provisions, along with a lack of sufficient claims audit, resulted in the District paying expenditures that were not properly supported and authorized or exceeded contractual limits.

Cost Savings – An effective way to ensure that travel and conference expenditures stay within reasonable limits is to compare projected travel costs to the GSA lodging and meal per diem rates as a general maximum travel rate.

The Board has established maximum reimbursable amounts for daily meal expenditures as the per diem rates established by GSA but did not implement the GSA per diem rates for lodging expenditures. The claims auditor does not compare the meal amounts submitted for reimbursement to the applicable GSA per diem rates which are readily available on line. While meal expenditures submitted were typically under the per diem rates, the District could have saved on lodging expenditures had it used GSA per diem rates. For example, the District reimbursed Board members for hotel rooms at the National School Boards Association meeting in New Orleans at a rate of \$189 per night when the GSA rate was \$140. The District also paid \$207 per night for the Superintendent to attend a conference in Albany when the GSA rate was \$111.

During the audit period, the District spent \$7,770 for lodging at both in-state and out-of-state conferences and meetings. Had the Board and District officials used the GSA rates, they could have saved the District approximately \$2,400. While District officials provided explanations for selecting certain lodging, the explanations were not properly documented. The District could realize annual cost savings by adopting and enforcing set maximum daily rates for lodging when possible.

² Board member travel expenditures (\$4,287) and Superintendent travel expenditures (\$481)

Recommendations

The Board should:

1. Monitor and enforce compliance with travel and conference policies, ensuring that the claims auditor only approves claims for travel that include original, detailed and itemized receipts.
2. Adopt resolutions authorizing Board members' attendance at conferences and meetings prior to attendance, in accordance with its policy.
3. Ensure that expenditures incurred by the Superintendent are within the contractually established limits or adopt resolutions to approve overages, as per the contract.
4. Consider using established GSA per diem lodging rates, if feasible and ensure that any comparisons to actual or projected lodging rates and the rationale for lodging selections are properly documented.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

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September 25, 2014

Office of the State Comptroller
Buffalo Regional Office
295 Main Street – Room 1050
Buffalo, NY 14203

Dear Sir/Madam:

We are in receipt of your draft report of the State Comptroller's Office audit of the Evans-Brant Central School District for the period July 1, 2012 – May 13, 2014. The District Board of Education and Administration strive for a culture of strict accountability and transparency, and appreciate your auditors' efforts to examine the District's Internal Control structure and provide the District with its recommendations for suggested improvements. We are writing to provide you with the District's response to the findings contained in your report, and to provide you with the District's corrective actions in response to the findings and recommendations. We will address the findings and our corrective actions in the same order that the findings and recommendations appear in your report.

Recommendations:

1. *"Monitor and enforce compliance with travel and conference policies, ensuring the claims auditor only approves claims for travel that include the original, detailed and itemized receipts."*

Although the District had receipts for all paid and reimbursed travel, meeting and conference related expenses, the auditors felt that some of the receipts and conference registration confirmation forms that were e-mailed to the District and accepted for payment did not satisfy the District's current policy for reimbursement of such expenditures. In the auditors' opinion these documents did not constitute original, detailed and itemized receipts. The District's Accounts Payable personnel will require such original detailed documents moving forward, and will consult the Assistant Superintendent for Administration & Finance if there is a question about whether a receipt is acceptable. Additionally, the District will provide additional Claims Auditor training for its Claims Auditor to further her understanding of the District's and State's requirements for the position. The District will also review its policy for reimbursement of such expenditures to determine if changes to the policy to allow for e-mailed documentation of allowable expenditures to incorporate current business practices of vendors, organizations and agencies would be appropriate.

2. *"Adopt resolutions authorizing Board members attendance at conferences and meetings prior to attendance, in accordance with its policy."*

The District agrees with this finding and recommendation. The corrective action for this item is to implement the audit recommendation and have the Board of Education adopt resolutions to authorize Board member attendance at conferences and meetings. The Board of Education has already implemented this practice.

3. *“Ensure that expenditures incurred by the Superintendent are within the contractually established limits, or adopt resolutions to approve the overages, as per the contract.”*


The District understands the auditor’s interpretation of the superintendent’s employment contract, and will implement the auditor’s recommendations for its corrective action plan. Previously, the District did not interpret the clause in the superintendent’s contract to include conference expenditures, but will now do so. Additionally, the Board of Education may review the superintendent’s contract to evaluate if it should be amended to provide greater clarity.


4. *“Consider using established GSA per diem lodging rates, if feasible, and ensure that any comparisons to actual or projected lodging rates and the rationale for lodging selections are properly documented.”*

The District acknowledges the auditor’s finding that limiting employee and Board Member travel expenditures for lodging to GSA per diem rates would result in savings to the District. However, the District has previously implemented the recommendation and found that in some cases it caused travel reimbursements to increase for taxi fares and mileage reimbursement. The District also found that it could cause an employee to not attend a conference for training and education because they could be responsible for a portion of their lodging expenditures if the conference was held at a hotel where the daily lodging rate exceeded the GSA rate for the area. The District realized that the increased lodging cost incurred by not limiting the lodging rate to the GSA per diem rate was offset by the intrinsic value of having Board Members and employees stay at the site of the main conference event, rather than an alternate hotel with lower lodging rates. The added value from giving Board Members and employees the ability to network with other conference attendees from other areas of the State/Country are difficult to measure, but nonetheless do provide a benefit to the District for the expenditures incurred. The District will however revisit the travel reimbursement policy with the Board of Education to determine if changes are necessary.

We believe this corrective action plan will address the findings in the audit. The District recognizes and appreciates the commitment and professionalism shown by the NYS Comptroller’s Office Audit Team that spent time in our District. This thorough assessment of our internal controls audit will help Lake Shore Central School District protect and preserve assets and accountability-ultimately benefiting our students and school community.

Sincerely,

 James E. Przepasniak
Superintendent

 Daniel W. Pacos
Assistant Superintendent for
Administration & Finance

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing and payroll and personal services. During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected travel expenditures and reimbursements for further audit testing. To accomplish our objective, we performed the following procedures:

- We interviewed District officials to gain an understanding of the claims audit process.
- We reviewed policy and procedures manuals, contracts and Board minutes.
- We reviewed training documentation for Board members and the claims auditor.
- We selected a judgmental sample of claim vouchers to test. We selected all claims paid either to Board members or the Superintendent. We also selected all claims paid to hotels and professional associations to which dues or registration fees for conferences were incurred and paid for on behalf of Board members or the Superintendent.
- We reviewed Board minutes for appropriate resolutions to approve Board member attendance at conferences and reviewed claim vouchers and other documentation for appropriate conference request forms and approvals for administrators.
- We determined whether tested claim vouchers contained appropriate supporting documentation and were for proper expenditures.
- We compared the dates of the conferences attended to the dates attendance was approved and the dates the claims were submitted.
- We compared the amounts paid for hotels per the claim vouchers to the per diem rates per the GSA.gov website for the specific region in which the costs were incurred.

We conducted this performance audit in accordance with GAGAS. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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