



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

October 5, 2010

To the Fayette County Mayor, Board  
of County Commissioners, Director  
of Schools, and Board of Education

Our office received allegations concerning inappropriate travel advances to three employees of the Fayette County school system, and we began an investigation focused on the three employees named in the allegations. However, as our investigation progressed, we expanded our scope to determine whether other employees and/or system-wide deficiencies existed regarding employee travel. This investigation included interviews, an examination of travel claims, supporting documentation, and a review of policies and procedures.

The finding and recommendation, as a result of our investigation, is presented below and has been reviewed with the county mayor, director of schools, the three employees, and the district attorney general.

Sincerely,

A handwritten signature in black ink that reads "Jim Arnette".

Jim Arnette, Jr.  
Director

cc: Richard Norment, Assistant to the Comptroller  
Norm Norment, West Tennessee Audit Manager  
Kevin Huffman, Coordinator of Investigations  
Honorable Mike Dunavant, District Attorney General

# FAYETTE COUNTY SCHOOL DEPARTMENT SPECIAL INVESTIGATION OF EMPLOYEE TRAVEL

For the Year Ended June 30, 2010

Our office received allegations concerning inappropriate travel advances to three employees of the Fayette County school system, and we began an investigation focused on the three employees named in the allegations. However, as our investigation progressed, we expanded our scope to determine whether other employees and/or system-wide deficiencies existed regarding employee travel. The finding and recommendation, as a result of our investigation, is presented below and has been reviewed with the county mayor, director of schools, the three employees, and the district attorney general.

## Background

The School Department uses a preprinted form (Exhibit A, page 6) for claimants to detail their travel expenses entitled "Claim for Traveling Expenses." School Department officials referred us to the detailed expense allowances and reimbursement guidelines (i.e., detailed travel regulations) that are preprinted on the back of that form (Exhibit A, page 7). The detailed travel regulations provide specific amounts employees are allowed for automobile expenses, meals, lodging, registration fees, reimbursement procedures, and travel advances.

The Board of Education's general policy (2.804) for expenses and reimbursements is included as Exhibit B on page 8. This general policy states that school personnel who incur expenses in carrying out their authorized duties will be reimbursed upon submission of an approved voucher and supporting receipts. This policy also provides that "Annually the Board shall review expense allowances and reimbursement guidelines."

In addition to system-wide deficiencies, specific portions of the School Department's detailed travel regulations addressed in the finding include: 1) Section 3. – Lodging – a lodging receipt is required, 2) Section 4. – Registration Fees – "However, no separate claim for corresponding meal(s) will be allowed when the meal(s) are included in the registration fee," and 3) Section 6. – Travel Advance – "Travel advances must be reconciled on Official Travel Form, no later than five (5) working days from return to Fayette County."

## FINDING 10.01      **THE DEPARTMENT HAD DEFICIENCIES IN ACCOUNTING FOR EMPLOYEE TRAVEL** (Noncompliance Under Government Auditing Standards)

During the period under examination, the School Department did not comply with provisions of its travel regulations regarding travel advances. The department's travel regulations (Exhibit A) provide for advance payments to employees for automobile expenses, meals, lodging, registration fees, and certain out-of-pocket expenses. Employees are required to file an approved request for the travel advance with the central office and will receive a check for the estimated amount of the expenses. Separate checks payable to a hotel for lodging and to a conference for a registration fee would either be hand delivered by the employee or forwarded through the mail. The regulations also provide that travel

advances must be reconciled on the official travel form no later than five working days after returning to Fayette County. It should be noted that the detailed travel regulations are preprinted on the back of the official travel form.

Based upon our interviews with the former School Department business manager and the former clerk who handled all travel claims for the School Department, our investigation of the allegations noted above, and our expanded testwork, we concluded that the School Department did not enforce its own travel regulations. When the former central office clerk gave employees their check(s) for a travel advance, she placed the preliminary travel request documentation in a folder on her desk awaiting their return. Employees were to bring her a copy of their hotel bill to be attached to the preliminary documentation, which would then be filed away for future reference. Any unused or undocumented travel advance funds were to be returned to the clerk at that time. In the event the employees did not attend an event, the employees were responsible for contacting the hotel for a refund if the hotel had been prepaid plus returning any other unused amounts related to that travel advance. Both the former business manager and the former clerk stated that it was well known within the school system that all employees were responsible for accounting for their travel advance within a reasonable amount of time. Furthermore, all employees should have been aware of the detailed travel regulations since they were preprinted on the back of the official travel form. However, the former employees also advised the School Department did not enforce the requirement to account for travel advances no later than five working days from their return to Fayette County. The former clerk stated her practice was to go through her travel folder from time to time looking for employees who had not completed their accounting for a travel advance. She would phone these individuals to remind them they were delinquent in their accounting and request they bring her the appropriate receipts. The former clerk admitted she had no systematic approach to tracking travel advances, occasionally misfiled the unreconciled forms, and sometimes failed to follow-up on unreconciled travel advances.

In summary, this finding is primarily the result of the failure of the School Department to follow its travel regulations, a lack of management oversight, a lack of Board documentation concerning its annual review of expense allowances and reimbursement guidelines, and the failure of the three employees to properly account for their travel advances. These weaknesses provided the opportunity for the travel advance system to be abused. Our investigation revealed these deficiencies contributed to the temporary loss of funds and the abuse of the system. Specific deficiencies we noted are listed below:

1. Some employees did not use the most current official travel form that had the detailed travel regulations preprinted on the reverse side. Instead, some employees photocopied only the front-side of various versions of the travel form. Therefore, different versions of travel forms were filed with the central office.
2. The department's detailed travel regulations addressed automobile expenses, meals, lodging, registration fees, reimbursement procedures, and travel advances. However, the regulations did not provide adequate guidance for employees to clearly understand what was expected and required. Also, we could not find documentation in the Board of Education's minutes that the Board annually reviewed expense allowances and reimbursement guidelines as required by Board policy 2.804.

3. It appears the department's unwritten regulations for calculating mileage were to charge mileage to and from the central office regardless of the destination. Therefore, when an employee would drive to a meeting located closer to the employee's home than the central office, the employee would charge for mileage not driven. The detailed travel regulations did not address how to calculate mileage.
4. Employees were not required to reconcile their travel advances no later than five working days after returning to Fayette County as provided in the detailed travel regulations. Whether the employee provided the appropriate documentation within a reasonable amount of time or not at all, varied from employee to employee.
5. The central office clerk assigned the responsibility of accounting for employee travel had no systematic approach of tracking travel advances. In various instances, the clerk may or may not follow-up on travel advances. When the clerk failed to follow-up on the travel advance, unused amounts would not be returned to the School Department.
6. Management did not provide adequate supervision and review. The business manager assigned the responsibility for employee travel to a clerk but did no periodic review of the system. The business manager of 20 years acknowledged to us she did not remember the five day reconciliation requirement noted in the detailed travel advance regulations.
7. Both the business manager and the clerk stated the department did not enforce the five day reconciliation process, but all employees knew it was their responsibility to account for travel advances within a reasonable amount of time. The lack of a systematic process of monitoring and enforcement exhibits a poor tone at the top approach that filters down through the ranks of the employees and contributes to fraud and abuse.
8. Our investigation of the allegations made against the three employees determined that:
  - a. Two of the employees had several unreconciled travel advances dating back as far as ten months.
  - b. Two of the employees still had travel advances for trips they did not attend.
  - c. All three employees owed the School Department varying amounts that had been improperly claimed for meals and parking.
  - d. Two of the three employees made inconsistent statements to us during the course of our interviews.
  - e. The three employees repaid the School Department \$1,769.40, \$1,352.20, and \$74 for unaccounted travel advances.
  - f. One employee refunded the School Department \$782 for mileage reimbursements received in excess of actual miles driven.

- g. The School Department paid two hotels a total of \$1,260.36 through direct advance payments that exceeded actual expenses. We informed school officials of the excess payments, contacted the hotels, and the hotels subsequently refunded the funds.

### RECOMMENDATION

The School Department should follow its detailed travel regulations to reimburse employees for business-related mileage, lodging, and meal expenses. Only the official travel form should be accepted by the central office. The Board of Education should consider revising the detailed travel regulations to provide better guidance for employees to clearly understand what is expected and required. Documentation should be in the Board of Education's minutes as evidence that it annually reviewed its expense allowances and reimbursement guidelines. Employees should not be compensated for miles not driven. Employees should be required to account for their travel advances within a reasonable time frame as presented in the detailed travel regulations. The central office clerk responsible for tracking travel advances should systematically review her records on a current basis. Management should provide adequate supervision, review, and enforcement of the current travel regulations and procedures. Management could consider eliminating travel advances entirely or allowing advances only under extraordinary circumstances; therefore, travel could be based on a reimbursement system.



Exhibit A

1. **Automobile Expenses** - .46 cents per mile. If more than one employee or Official travel in the same automobile, only one can claim mileage.
2. **Meals** - (a) \$38.00 per day maximum - no receipts required for meals, reimbursements for alcoholic beverages.
  - I. \$8.00 maximum breakfast
  - II. \$10.00 maximum lunch
  - III. \$20.00 maximum dinner
  - IV. Tips may be added to meal cost, but total of meal and tip not to exceed meal maximum

(b) To be eligible for breakfast meal, traveler must leave Somerville no less than one (1) hour prior to regular work time. To be eligible for dinner meal, traveler must not arrive in Somerville before one (1) hour after regular work, i.e. regular work hours 9:00 a.m. to 5:00 p.m., breakfast allowed only when departure from Somerville is 8:00 a.m. or earlier and dinner allowed only when return to Somerville is after 6:00 p.m.
3. **Lodging** - (a) Maximum of \$60.00 base per day, or actual cost of non-conference hotel. 100% allowed for conference hotel. (b) No personal phone calls allowance. (c) Parking charges allowed with receipt, except at street parking meters. (d) Lodging receipt required. (e) Maximum for baggage handling is \$2.00, receipt not required.
4. **Registration Fees** - Registration fees for approved conferences, conventions, seminars, meetings, etc. will be allowed including cost of official banquets and/or luncheons provided advance approval is secured from Department head and/or Budget Director. However, no separate claim for corresponding meal will be allowed when the meal(s) are included in the registration fee.
5. **Reimbursement Procedure** - All county travel must be listed on a TRAVEL FORM. No exceptions, incomplete forms will be returned.
6. **TRAVEL ADVANCE** - Advance payments for out-of-pocket expenses may be made to employees, Officials, and members of Boards, upon advance written request of the Officials or Department head. Travel advances must be reconciled on Official Travel Form no later than five (5) working days from return to Fayette County.
7. For out-of-town trips requiring overnight arrangements and the hotel is known, the employee shall request in writing, a check in the amount necessary payable to the hotel, and employees shall take check to hotel. NO SALES TAX WILL BE PAID.

# Fayette County Board of Education

Monitoring:  Review: <b>Annually, in January</b>	Descriptor Term:  <h2 style="text-align: center;">Expenses and Reimbursements</h2>	Descriptor Code: <b>2.804</b>	Issued Date: <b>03/02/00</b>
		Rescinds:	Issued:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38

*Central Office*

Annually the Board shall review expense allowances and reimbursement guidelines.

**SCHOOL PERSONNEL**

School personnel, (including itinerant and homebound teachers) who incur expenses in carrying out their authorized duties will be reimbursed upon submission of an approved voucher and supporting receipts.

Expenses for travel will be reimbursed when the travel has the advance authorization of the director of schools. The director of schools may grant this authorization without prior board action when the travel expense has been anticipated and incorporated into the operational budget of the particular program involved.

The Board shall be responsible for all expenses pertaining to staff development. Student activity funds shall not be used for this purpose.<sup>1</sup>

**BOARD MEMBERS**

The members of the Board shall be paid for transportation, lodging, meals and other pertinent expenses when traveling on business for the Board. Salary and other benefits shall be determined by the local funding body.<sup>2</sup> Attendance at conventions or other educational meetings or travel for other school purposes shall be authorized in advance by the Board.<sup>3</sup>

Expenses shall be submitted to the 'director of schools' office within thirty (30) days of the date of completion of such travel. The rate of payment shall be the same as the rate for members of the professional staff, but on a quarterly basis.

Legal References:

1. Tennessee Internal School Uniform Accounting Policy Manual, Section 5-20
2. TCA 49-2-202(d)
3. TCA 49-2-2001(c)