

2010 Fiscal Control Audit Reports Released Since Last Meeting by the N.C. Office of the State Auditor:

1. East Carolina University – (Fiscal Control) – Two Audit Findings
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AUDIT FINDINGS AND RESPONSES

1. IMPROVEMENTS NEEDED IN DOCUMENTATION FOR TRAVEL EXPENDITURES

During our review of the start-up operations of the School of Dental Medicine, we identified opportunities for improvement in the documentation supporting travel expenditures. Specifically, supporting documentation did not always provide sufficient explanation as to the business purpose of the travel. As such, there is an increased risk that travel costs could be incurred that are not in compliance with the University's travel policies or that represent an inappropriate use of state funds.

Travel during the start-up period for the School of Dental Medicine was extensive. Throughout the period covered by our audit, it was not unusual for key university staff members to be in travel status for 33% - 50% of the working days each month. We noted that travel reimbursements for two individuals during the period were \$40,000 or more, while three others were greater than \$4,500. The more expensive travel costs were for out-of-state trips for dental association meetings and conferences throughout the country.

Although we noted that travel reimbursement claims were reviewed and approved, the relationship between the travel and the establishment of the School was not always clearly documented. We identified several instances where travel expense claims failed to sufficiently explain the rationale for the trips, including travel to locations such as Kiawah Island, South Carolina; Destin, Florida; and international travel to Germany and Switzerland. This weakness contributed to the problems identified with the Dean's travel noted below.

Recommendation: The University should strengthen internal control over travel reimbursements to provide assurance that the travel is necessary and costs are reasonable. Documentation supporting reimbursements should include items such as business itineraries or more detailed explanations of the business purpose of the travel as evidence to support the reasonableness of travel costs incurred. Travel reimbursements should not be paid until such documentation has been obtained and reviewed.

University Response: The University agrees and procedures have been implemented to require senior leaders in the health sciences division to submit either program/business itineraries or to provide additional justification for travel to demonstrate a business purpose which benefits the University. Travel reimbursements will not be paid until the required documentation has been obtained, reviewed, and approved.

2. CONCERNS IDENTIFIED WITH TRAVEL BY THE DEAN OF THE SCHOOL OF DENTAL MEDICINE

We noted several concerns that related specifically to the travel reimbursements submitted by the Dean of the School of Dental Medicine. While there appears to be a business component to each of the trips listed below, we question whether the costs were all reasonable and necessary, and thus, whether they were appropriate uses of state funds.

Business Purpose and Travel Times for Trip Unclear

The Dean traveled to attend and lecture at the 19th Annual Meeting of the International Academy for Advanced Maxillofacial Studies held May 2 - 6, 2009. The event took place at Kiawah Island, South Carolina, with costs for mileage, subsistence, and lodging totaling \$1,611. There was no itinerary included as part of the documentation to indicate the schedule of events to support the business nature of the trip. According to documents attached to the reimbursement, only eight hours of continuing education credits were available to be earned over the duration of the meeting. Therefore, the majority of the trip does not appear to be training related.

In addition, no specific departure or arrival times were noted on the reimbursement request, instead general information such as morning departure and afternoon arrival were included. Specific departure and arrival times are needed to determine the appropriate subsistence reimbursements. Since no itinerary was provided, it is also unclear whether any meals were included in the registration fee for the event.

Significant Changes to Travel Arrangements after Approval

The Dean traveled to attend the 134th Annual Session of the Mississippi Dental Association in Destin, Florida, which occurred June 12 - 16, 2009. Total costs incurred were \$445 for mileage only. Prior approval for this trip was obtained January 8, 2009.

While the costs incurred for the trip were minimal, there were significant changes made to the travel arrangements after they were approved. A side trip was scheduled for the Dean to present "Grand Rounds" to Emory University dental residents on June 15th in Atlanta, Georgia. This side trip effectively prevented the Dean from arriving at his scheduled event in Destin, Florida until the evening of June 15th, the last full day of the conference, thus minimizing the original purpose of the planned travel. Therefore, the final purpose of the travel appears to have been quite different from the purpose of the initial pre-approved travel.

Questionable International Travel for Dental Equipment Evaluations

The Dean traveled to Switzerland and Germany to tour a dental manufacturer's facilities, as well as two German universities to see dental equipment in use for the time period August 22 - 31, 2010. Total costs incurred for Dean were \$1,502. An additional staff member also participated in the trip, with total travel costs to the University of \$3,499. Costs incurred for this trip consisted of local mileage and parking at RDU airport, per diem meal payments, lodging subsistence for the additional staff member only, car rental in Europe, and airfare for international travel. Several concerns were identified with this travel reimbursement:

- There was no lodging reimbursement requested by the Dean, although the additional staff member incurred three days of lodging charges. For overnight business trips, it is unusual that lodging costs would not be reimbursed by the University. An itinerary developed by the dental equipment manufacturer indicates hotel stays for August 24th and 25th for all travelers. Per

conversations between the travelers and investigative auditors from the Office of the State Auditor, the dental equipment manufacturer paid for those hotel costs, as well as train transportation to the various sites visited. When vendors pay for such costs, a potential conflict of interest is created. In addition, no other information was provided that would explain any of the other unreimbursed days of lodging for the trip.

- The trip was originally scheduled to end on August 26th; however, an additional meeting with another dental equipment vendor was scheduled for the Dean and held on Monday, August 30th. A review of the travel reimbursement indicates that the Dean charged per diem for Thursday, August 26th, which was originally scheduled as a travel day. The Dean reported Friday, August 27th as a personal day and did not charge per diem that day or for the weekend. It is unclear what portion of the trip should have been considered business and what portion was personal. Since there was no travel or other business scheduled for Thursday, August 26th, it is possible that it was inappropriate to charge per diem for that day.
- The primary purpose of the trip was to evaluate dental simulators and cabinetry. However, before the University officials made travel arrangements for the Germany trip, a plan was in process for an evaluation suite to be established at the University that would allow vendors of dental equipment to provide items, including simulators, for University faculty and staff to evaluate. Our investigative auditors reviewed e-mail communications that identified a simulator was delivered to the University's evaluation suite on July 15, 2010 prior to the pre-approval request for travel to Germany, which was submitted August 13, 2010. Additional research by our investigative auditors indicated that a common method for evaluating dental equipment is to visit other dental schools to see the equipment in use. Such an evaluation could have taken place at the dental school located in Chapel Hill, North Carolina as an alternative to the costs of traveling overseas to visit the actual manufacturer.

It should be noted that the Vice Chancellor of Health Services also apparently had concerns about the extent of the Dean's travel during this same timeframe. She instituted internal tracking mechanisms to account for the Dean's travel and time away from the School. In addition, e-mail correspondence between the Vice Chancellor and the Dean was reviewed that re-emphasized the need to reduce "travel expenditures from state dollars, specifically out of state travel" as well as the inappropriateness of accepting vendor-paid travel.

Recommendation: The University should review the travel reimbursements noted above and determine whether non-State funds should be used to reimburse the state accounts for the costs. In addition, greater emphasis should be placed on ensuring that travel costs incurred meet the ongoing mission of the School of Dental Medicine. Documentation supporting reimbursements should include items such as business itineraries and more detailed explanations for changes made to pre-approved travel arrangements. Travel reimbursements should not be paid until such documentation has been obtained and reviewed. University employees should be conscious of possible conflicts of interest and avoid accepting travel benefits that could be defined as such.

University Response: The University agrees. A thorough review of the travel reimbursements noted in the report has been conducted. Following this review, a determination has been made to use non-state funds to reimburse the state for the travel costs identified in the auditor's report. All future travel will be scrutinized to ensure that travel costs are consistent with institutional missions. The Health Sciences Division has instituted a practice of conducting two independent reviews for travel pre-authorization

and reimbursement for senior leaders in the School of Dental Medicine. Additional documentation, such as business itineraries or additional justification information will be required for any changes made to previously-approved travel. Travel reimbursements will not be paid until the required documentation has been obtained, reviewed, and approved. The use of state funds will be restricted to only travel that is consistent with the ongoing mission of the School of Dental Medicine. Any travel that is found to not be mission-critical will be paid from non-state funds or not be reimbursed. All senior health science division leaders will be provided written and verbal information regarding potential conflicts of interest and the expectation that potential or real conflicts of interests will be avoided by not accepting travel benefits paid by potential or existing contractors conducting business with the University.