

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

CHRISTINA SCHOOL DISTRICT

SUPERINTENDENT'S SUPERCARD
PURCHASES

JULY 2003 THROUGH NOVEMBER 2005

SPECIAL INVESTIGATION

FIELDWORK END DATE: JANUARY 31, 2007

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EXECUTIVE SUMMARY

ALLEGATION

The Office of Auditor of Accounts (AOA) was provided information indicating possible impropriety with SuperCard purchases of the former Superintendent of Christina School District.

BACKGROUND

Christina School District (the District) hired a new Superintendent in January 2006. As part of her contract, she requested a financial review of the District. A team of State and school finance experts, convened by the Director of the Office of Management and Budget and the Secretary of Education, conducted the review.

The results of this review pointed to a substantial financial deficit. Due to the results of the review, additional audits were performed in the areas of tuition tax, personnel, and cafeteria funds. During these audits, questions arose about the propriety of SuperCard purchases made by the District's former Superintendent. The former Superintendent was employed by the District from July 8, 2003 through December 1, 2005.

SUPERCARD

The State of Delaware contracted with PNC Bank to provide State agencies and school districts with a VISA card program for procurement (small purchases) and/or travel purchases. The program is called the SuperCard Program: one card with purchasing and/or travel options, on the same card.

CONCLUSIONS AND OBSERVATIONS

Per review of the former Superintendent's SuperCard purchases from July 2003 through November 2005, the following conclusions were reached:

- During the period of July 2003 through November 2005, 565 transactions totaling \$75,722.97 posted to the former Superintendent's SuperCard.
- The District and the former Superintendent did not comply with District policies or the State of Delaware *Budget and Accounting Manual* Section XIV.
 - The SuperCard was used for personal purposes totaling \$4,285.77. Of this amount, \$4,023.36 was either refunded or repaid. Of the amount repaid, one check for \$209.20 was never deposited by the District. The check was found attached to the monthly SuperCard statement.
 - Alcoholic beverages and movies totaling \$8.25 and \$29.99, respectively, were purchased with the SuperCard.
 - The card and card number were used by individuals other than the former Superintendent. The use was primarily for conferences, hotels, airfares, and purchasing supplies.
 - Adequate supporting documentation was not maintained for 77 transactions totaling \$8,151.52
 - An approving official did not verify that the former Superintendent complied with the procedures defined by the District.
 - Meal reimbursement thresholds were exceeded for 79 transactions.

EXECUTIVE SUMMARY

- Except as noted in the report, transactions related to books, conferences, train tickets, airfares, and hotels appeared to have a valid, business purpose.
- The former Superintendent did not maintain detailed itemized receipts for the majority of meal purchases. For the majority of meal transactions, it could not be determined if alcohol was purchased.
- Numerous airfare transactions were for flight change fees and excess baggage fees.
- The District and the former Superintendent were in positions of trust. Taxpayers entrusted the former Superintendent and the District to follow prudent business practices and to spend money wisely and in a conservative manner. For numerous transactions, the District and the former Superintendent did not act in the best interest of the taxpayers.
- Board members and the former Superintendent overrode District controls. This included lack of supporting documentation, personal purchases, and meal purchases that exceeded established thresholds.

RECOMMENDATIONS

Board members of the Christina School District as well as current management (including the current Superintendent, Chief Financial Officer, and Assistant Superintendents) should:

- Reassess the control environment and the tone set by management;
- Act in a manner that does not give the appearance of deception or inappropriate or questionable business practices;
- Develop a commitment to honesty and fairness;
- Require compliance with policies and procedures, laws, and regulations;
- Monitor compliance with policies and procedures;
- Consistently enforce disciplinary practices for violations of policies and procedures, laws, and regulations; and
- Develop policies and procedures related to purchases of In-State meals.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency and economy; and
5. Such data, information and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATION AND BACKGROUND

ALLEGATION

The Office of Auditor of Accounts (AOA) was provided information indicating possible impropriety with SuperCard purchases of the former Superintendent of Christina School District.

BACKGROUND

Christina School District (the District) hired a new Superintendent in January 2006. As part of her contract, she requested a financial review of the District. A team of State and school finance experts, convened by the Director of the Office of Management and Budget and the Secretary of Education, conducted the review.

The results of this review pointed to a substantial financial deficit. Due to the results of the review, additional audits were performed in the areas of tuition tax, personnel, and cafeteria funds. During these audits, questions arose about the propriety of SuperCard purchases made by the District's former Superintendent.

Christina School District

The District is Delaware's largest public school system, serving a diverse group of students in grades K-12. The District is comprised of the following schools, which are located throughout northern New Castle County:

- High Schools: Christiana, Glasgow, and Newark
- Middle Schools: Gauger-Cobbs, George V. Kirk, and Shue-Medill
- Intermediate Schools: Bancroft, Bayard, Casimir Pulaski, Elbert-Palmer, and Frederick Douglass Stubbs
- Elementary Schools: Albert H. Jones, Brookside, Etta J. Wilson, Henry M. Brader, Jennie E. Smith, John R. Downes, Joseph M. McVey, May B. Leasure, R. Elisabeth Maclary, Robert S. Gallaher, Thurgood Marshall, West Park Place, and William B. Keene
- Special Schools: Christina ILC (Alternative/OPTION), Douglass Behavioral School (REACH/CBIP), Delaware Autism Program (Brennen School), and Margaret S. Sterck Delaware School for the Deaf.

SuperCard

The State of Delaware contracted with PNC Bank to provide State agencies and school districts with a VISA card program for procurement (small purchases) and/or travel purchases. The program is called the SuperCard Program: one card with purchasing and/or travel options, on the same card.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The objective of the investigation was to determine the propriety of SuperCard purchases made by the District's former Superintendent.

SCOPE

The scope of this investigation is the time period during which the former Superintendent was employed by the District and during which purchases were made on his SuperCard (July 2003 through November 2005). One-hundred percent of the former Superintendent's SuperCard purchases were reviewed.

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

Investigative techniques included:

- Interviews and inquiry.
- Inspection and confirmation of documentation.

The investigation consisted of the following procedures:

- Identify and summarize relevant sections of the State of Delaware *Budget and Accounting Manual*.
- Obtain and summarize the District's policies and procedures for SuperCard.
- Obtain and summarize the District's policies and procedures for travel.
- Obtain and summarize the contract between the District and the former Superintendent.
- Obtain and review support for 100% of the former Superintendent's SuperCard purchases and determine:
 - The purpose of the purchases;
 - If the purchases were business or personal; and
 - If the purchases were properly reviewed and approved.

STATE OF DELAWARE

BUDGET AND ACCOUNTING MANUAL

SuperCard Program

The State of Delaware *Budget and Accounting Manual* (the *Manual*) Section XIV, dated May 5, 2005, sets forth provisions with which the District must comply. Some of the provisions are as follows:

- "The unique SuperCard that the cardholder receives has his/her name embossed on it and shall ONLY be used by the cardholder. No other person is authorized to use that card. The cardholder is responsible for all use of his/her Card."
- "The SuperCard will not be used for the following:
 - Personal or unauthorized purposes.
 - To purchase alcoholic beverages or any substance, material, or service in violation of policy, law, or regulation pertaining to the Delaware Code.
 - Use of card or card number by another individual."
- "Whenever a credit card transaction (purchase/travel) is made, either over the counter or by telephone, documentation shall be retained as proof of the purchase (e.g., receipts or packing slips)."
- "The approving official will check the cardholder's monthly statement and purchasing log, and confirm with the cardholder the following items (at a minimum):
 - Receipts and shipping documents exist for each purchase.
 - The goods were received or the services were performed.
 - The cardholder has complied with the procedures defined by agency or school district."
- "The cardholder will not allow anyone to use his/her account number. Employees violating the use of their card will result in the withdrawal of the card and disciplinary action."
- "Ensure the card is used ONLY for legitimate business purposes."
- "Obtain all sales slips, register receipts, and/or purchasing card slips and provide the same to agency coordinator for reconciliation, approval, and allocation of transactions."
- The *Manual* states that agencies and school districts must develop written internal control procedures related to the SuperCard program. The *Manual* provides a sample written policy and procedure for the use and reference of agencies and districts.

CHRISTINA SCHOOL DISTRICT

SUPERCARD POLICY

District Policy Number ADM-P008 *Business Services Office – SuperCard Use*, dated July 1, 2005, states the following:

- "All SuperCard transactions must comply with Accounting Procedures and State laws governing purchases."
- "The cardholder will not allow anyone to use his/her account number. Employees violating the use of the card will result in the withdrawal of the card and disciplinary action."
- "Ensure the card is used ONLY for legitimate business purposes."
- "Whenever a credit card transaction (purchase/travel) is made, either over the counter or by telephone, original documentation shall be forwarded to the Business Services Office each Friday as proof of the purchase (e.g., receipts or packing slips). Include a brief written description or purpose for item purchased."
- "The SuperCard cannot be used for the following:
 - Personal or unauthorized purposes.
 - To purchase alcoholic beverages or any substance, material, or service in violation of policy, law, or regulation pertaining to the Delaware Code.
 - Use of card or card number by another individual."
- "Obtain all sales slips; register receipts, and/or purchasing card slips and forward the documentation to the Business Services Office for reconciliation, approval, and allocation of transaction. Receipts for meals must include the preprinted vendor name and a list of individual attending."
- "Original receipts are required for all expenses such as common carrier, registration fees, tolls, parking, and the purchase of supplies and material."
- "In order to ensure compliance with State regulations and District procedures, effective October 1, 2005, if detailed receipts for SuperCard purchases are not received by the Business Services Office within 10 days of your transaction(s), your card will be revoked permanently. There are no exceptions."

District employees utilizing the SuperCard program were required to read and sign the District's form entitled *Christina School District SuperCard*. This form, with an effective date of March 17, 2004, states:

- "This Credit Card is issued to you only, and only you are authorized to use it."
- "Under no circumstances is a personal charge to this credit card permitted."

CHRISTINA SCHOOL DISTRICT

TRAVEL POLICY

The District policy entitled *Guidelines for Travel and Reimbursement*, with a revision date of September 9, 2003, states the following:

- "There are two meal plans for out of state travel: (you must choose plan A or B)
Plan A – daily and per meal allowances are - \$34.00 per day (Breakfast \$6.00, Lunch \$8.00, Dinner \$20.00) receipts not required
Plan B – daily and per meal allowances are - \$45.00 per day (Breakfast \$8.00, Lunch \$12.00, Dinner \$25.00) receipts are required – tips up to 20% in addition to meals of \$45.00
You may not mix plans. The cost of alcoholic beverages is not reimbursable."
- "Auto rental (Special Permission Required) – receipts needed to verify cost. Reimbursements contingent upon prior authorization based on reasonable and economical considerations. Auto rental will only be permitted if transportation will be very difficult at the location of the conference or if it is more economical to rent versus traveling by cab, bus, or taxi. A letter for the request detailing the reason the rental is needed and should be sent and attached to the travel request."

District Policy Number ADM-P007 *Business Services Office – Travel Request/Professional Day, Personal Reimbursements and Travel Expenses* dated July 1, 2005, states the following:

- "CSD will pay for or reimburse an employee for the necessary and reasonable cost of meals incurred during out of state travel. Meals will be reimbursed using one of two plans below, with only one plan used per trip:
 - Plan A – Per Diem/No Receipts Required – This Plan provides employees with a fixed daily or partial day per meal allowance and requires no receipts to be submitted, daily allowance of \$34 per day (this amount includes tips). Breakfast \$6.00, Lunch, \$8.00, Dinner \$20.00, Total Per Day \$34.00.
 - Plan B – Actual Expense/Receipts Required – This Plan provides for the payment of or reimbursement of actual, reasonable meal expenses, which are substantiated with receipts. Breakfast \$8.00, Lunch \$12.00, Dinner \$25.00, Total per Day 45.00. Plan B also provides for gratuity of up to 20 percent, which could bring the total daily allowance under this plan to \$54.00. Gratuity in excess of 20 percent will not be reimbursed. Please note that CSD will not reimburse for alcoholic beverages."
- "The use of a rental when traveling out of state must be pre-approved on a travel request, and must be justified as an economical need and not as a matter of personal convenience. All rentals should be at the most economical rate per day including government rates or special rate agreements."
- "Itemized copy of the hotel bill is required. Please note that CSD will not pay for movie rentals, or other charges not related to CSD business."

CHRISTINA SCHOOL DISTRICT

SUPERINTENDENT'S CONTRACT

On July 8, 2003, the District entered into contract with the former Superintendent. Key sections of this contract are as follows:

- "The Superintendent's total salary of \$147,000 will be composed of funds from State, local, or federal sources or from some combination of the three."
- "The Superintendent shall observe and comply with the laws of the State and with the regulations of the State Board of Education and the Board as currently in force, and as from time to time amended, enacted or promulgated."
- "The District shall pay or reimburse the Superintendent for reimbursable expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under the Agreement. The District agrees to pay the actual and incidental costs incurred by the Superintendent for travel; such costs may include, but are not limited to, airline tickets, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of the business of the District. The Superintendent shall comply with all policies, procedures, and documentation requirements [in accordance with Board policies, procedures and documentation requirements – SIC] in accordance with Board policies and established procedures that shall be subject to review by the District's independent auditors."
- "The District shall pay the Superintendent a monthly allowance for a portable cellular telephone in order to provide the Superintendent a portable cellular telephone with nationwide coverage for his business and personal use."
- "The District shall provide for a telephone line to be installed and maintained for the Superintendent's business and personal use in his home office, at the sole cost and expense of the District."
- "The Board shall not adopt any policy, rule or regulation, or promulgate any directive, that materially impairs or reduces the Superintendent's duties and authority as described in this Agreement without prior written consent of the Superintendent."
- "The District shall pay the Superintendent an amount of Seven Hundred and No/100 Dollars (\$700.00) per month during the term of this Agreement to provide him with a vehicle allowance, which he may use for personal and business purposes and which shall be included in his gross taxable wages. This monthly payment shall be paid to the Superintendent in a lump sum payment each month."

FISCAL YEAR 2004

SUPERCARD PURCHASES

During the period of July 2003 through June 2004, 243 transactions totaling \$26,889.12 posted to the former Superintendent's SuperCard.

<u>Type of Expense</u>	<u>Number of Transactions</u>	<u>Amount</u>	<u>Percentage of Total</u>
In-State Meals	79	\$ 3,615.15	14%
Travel Meals	20	1,216.11	5%
Airfare	40	5,240.76	20%
Hotels	15	4,957.53	18%
Conference Fees	19	5,479.00	20%
Miscellaneous	39	1,864.26	7%
Train	9	2,199.00	8%
Books	<u>22</u>	<u>2,317.31</u>	8%
Total	<u>243</u>	<u>\$ 26,889.12</u>	

Meals

The District's written policies and procedures set forth meal reimbursement plans for meals incurred while traveling. These plans are detailed on page 6 of this report. The District does not have a policy for payment or reimbursement of In-State Meals.

Support for purchases of meals generally consisted of a hand-written note indicating who was in attendance and a notation of what was discussed during the meal. Individuals in attendance consisted of employees, potential employees, Board members, members of the local business community, consultants, employees of other School Districts or State agencies, legislators, and others. Receipts primarily consisted of credit card machine printouts indicating the dollar amount of the purchase; itemized bills were rarely provided. For transactions in which itemized bills were not provided, AOA could not determine if alcohol was purchased.

It is important to note that for the majority of meal transactions, the former Superintendent listed the attendees present. These listings were used as the basis for determining the cost per person.

In-State Meals

During Fiscal Year 2004, the former Superintendent entered into 79 transactions totaling \$3,615.15 for In-State Meals. Frequent dining locations included Iron Hill Brewery, Caffè Gelato, Zanzibar Blue, Sinclair's Café, Hotel DuPont, Bennigan's, and Wyndham Hotel. Eight transactions totaling \$355.42 did not include a receipt (either a credit card machine printout or an itemized bill). Following is a breakdown by the type of meal purchased:

FISCAL YEAR 2004

SUPERCARD PURCHASES

<u>Type of Meal</u>	<u>Number of Transactions</u>	<u>Amount</u>
Breakfast	17	\$ 424.47
Lunch	34	1,613.00
Dinner	19	1,219.33
Unknown	8	316.42
Refreshments	<u>1</u>	<u>41.93</u>
Total	<u>79</u>	<u>\$ 3,615.15</u>

Since the District does not have a policy addressing reimbursement of In-State Meals, AOA used the reimbursement thresholds established by the District's Travel Policy (see page 6 of this report). Of the 79 transactions, 19 exceeded the reimbursement threshold. Significant transactions are as follows:

<u>Location</u>	<u>Attendees</u>	<u>Total Cost</u>	<u>Cost Per Attendee</u>
<i>Breakfast – Including tip, the maximum reimbursable amount per person is \$9.60.</i>			
Wyndham Hotels	Former Superintendent and 2 legislators	\$55.00	\$18.33
Hotel DuPont Green Room	Former Superintendent, a District employee, and a Hotel DuPont staff member	35.00	11.67
<i>Lunch – Including tip, the maximum reimbursable amount per person is \$14.40.</i>			
Caffe Gelato	Former Superintendent and Board member	38.00	19.00
Zanzibar Blue	Former Superintendent, 3 Board members, and a District employee	100.00	20.00
Zanzibar Blue	Former Superintendent, 3 Board members, and a District employee	115.00	23.00
Horace Shellhammer's	Former Superintendent, a District employee, and a potential employee (this person was eventually hired)	52.00	17.33
Deep Blue Bar and Grill	Former Superintendent and 3 Board members	131.00	32.75
Iron Hill Brewery and Restaurant	Former Superintendent and 2 Board members	71.00	23.67
Caffe Gelato	Former Superintendent and a local church representative	38.00	19.00
<i>Dinner – Including tip, the maximum reimbursable amount per person is \$30.</i>			
Caffe Gelato	Former Superintendent, 2 Board members, and 2 consultants	200.00	40.00
Nonna Ristorante	Former Superintendent and 2 representatives from St. Joseph's University	133.00	44.33
Columbus Inn	Former Superintendent and a professor	72.00	36.00

FISCAL YEAR 2004 SUPERCARD PURCHASES

Travel Meals

During Fiscal Year 2004, the former Superintendent entered into 20 transactions totaling \$1,216.11 for travel meals. The travel meals were mainly attributable to out-of-state conferences. Four meals, totaling \$261, were for various meetings over meals in Philadelphia, Pennsylvania; Chesapeake City, Maryland; and New Market, Maryland. These four meals were not attributable to conferences. One transaction for \$86 did not include a receipt (either a credit card machine printout or an itemized bill). Following is a summary by the type of meal purchased:

<u>Type of Meal</u>	<u>Number of Transactions</u>	<u>Amount</u>
Breakfast	3	\$ 54.00
Lunch	6	226.45
Dinner	8	816.66
Unknown	2	104.00
Refreshments	<u>1</u>	<u>15.00</u>
Total	<u>20</u>	<u>\$ 1,216.11</u>

Of the 20 transactions, 9 exceeded the reimbursement threshold. It is important to note AOA only reviewed the former Superintendent's SuperCard transactions. Purchases of meals made via other employees' SuperCards or via another payment method were not reviewed. Hence, the conclusions for meals were made on a meal-by-meal basis, versus a daily allowance basis. Significant transactions are:

<u>Location</u>	<u>Attendees</u>	<u>Total Cost</u>	<u>Cost Per Attendee</u>
<i>Breakfast - Including tip, the maximum reimbursable amount per person is \$9.60.</i>			
Peabody Hotel	Former Superintendent	\$16.00	\$16.00
Hyatt Hotels International Airport	Former Superintendent	12.00	12.00
<i>Lunch - Including tip, the maximum reimbursable amount per person is \$14.40.</i>			
Cheesecake San Francisco	Former Superintendent and 3 District employees	81.45	20.36
TGI Fridays	Former Superintendent and a Board member	35.00	17.50
Oregano's Wood Fired Pizza	Former Superintendent	30.00	30.00
<i>Dinner - Including tip, the maximum reimbursable amount per person is \$30.</i>			
Bistro #110	Former Superintendent, a consultant, and a recruiter from the Broad Foundation	114.69	38.23
Villa Francesca	Former Superintendent, 2 District employees, and a consultant	152.00	38.00
<i>Unknown - A receipt was not present</i>			
Mealey's Restaurant New Market, Maryland	Former Superintendent and a District employee; this meal was unrelated to a conference.	86.00	43.00

FISCAL YEAR 2004

SUPERCARD PURCHASES

Airfare

Forty transactions totaling \$5,240.76 represented charges related to airfare for the former Superintendent, Board members, employees, consultants, and prospective employees. Airfare was attributable to various conferences as well as to fly in consultants from other states. Purchases were for original tickets, flight change fees, and excess baggage fees.

Questionable transactions are as follows:

- 10 transactions that posted to the former Superintendent's SuperCard were attributable to one Board member for one conference.
 - November 7, 2003 – Ticket and service fee for travel to the 64th Annual NSBA Conference in Orlando, Florida - \$217
 - November 11, 2003 – Flight change fee for travel to the 64th Annual NSBA Conference in Orlando, Florida - \$143.50. This flight change fee was within 4 days of the purchase of the original ticket. The District was unable to provide any documentation for this transaction, other than a handwritten note and the monthly SuperCard statement, which indicated the travel locations.
 - November 20, 2003 – \$56.50 airfare fee for travel to the 64th Annual NSBA Conference in Orlando, Florida. The District was unable to provide any documentation for this transaction other than the monthly SuperCard statement, which indicated the travel locations.
 - February 17, 2004 – 3 purchases of tickets for a total of \$375.60. Per the monthly SuperCard statement, these tickets were for the Board member and relatives of the Board member. The flight dates and locations coincided with the 64th Annual NSBA Conference.
 - March 22, 2004 – Credit of \$28.33 towards the February 17, 2004 purchases.
 - March 24, 2004 – Credits totaling \$300 towards the February 17, 2004 purchases.
 - Summary – For the 64th Annual NSBA Conference, airfare for one Board member and her relatives totaled \$792.60, of which \$328.33 was credited back to the SuperCard Account. This leaves a balance of \$464.27, which is more than double the cost of the original ticket purchase of \$217.
- Twelve transactions totaling \$574.32 did not have adequate supporting documentation (name of person(s) traveling, dates of travel, location of travel, and amount).

Hotels

Fifteen transactions totaling \$4,957.53 represent charges related to hotels for the former Superintendent, Board members, employees, and prospective employees. Purchases were related to conferences and for accommodations for out-of-state consultants.

Significant and/or questionable transactions include:

- March 18, 2004 – Purchases totaling \$62.44 at the Peabody Hotel in Orlando, Florida included parking, phone, breakfast, and bar. No additional details were available for the bar purchase.
- May 1, 2004 – Total purchase was \$365.46, of which \$307.65 was reimbursed by the former Superintendent. Remaining balance included fax, internet, phone, and food.

FISCAL YEAR 2004

SUPERCARD PURCHASES

- Five transactions totaling \$1,999.59 did not have adequate supporting documentation (name of person traveling, dates of stay, and amount). For these transactions, it could not be determined if inappropriate charges were made (e.g. movies, alcohol).

Conferences

Nineteen transactions totaling \$5,479 represent charges for conferences for the former Superintendent, Board members, and employees. Conferences included the following:

- 64th Annual National School Boards Association (NSBA) Conference in Orlando, Florida, from March 27 through March 30, 2004.
- American Association of School Administrators in San Francisco, California, from February 19 through February 20, 2004.
- No Child Left Behind in Newark, Delaware on February 14, 2004.
- Discipline of General and Special Education in Newark, Delaware on March 31, 2004.
- Employment Related Records in Newark, Delaware on March 26, 2004.
- NSBA Council of Urban Boards of Education Conference (CUBE) in Baltimore, Maryland, from June 25 through June 27, 2004.

Four transactions did not have adequate supporting documentation (e.g. name of attendee, dates of the conference, location of the conference, and/or amount). Three of the four transactions were for purchases totaling \$628. One of the transactions represented a partial refund in the amount of \$510 for a Board member's registration for the 64th Annual NSBA Conference; the original registration fee was \$585.

Miscellaneous

Thirty-nine transactions totaling \$1,864.26 represent charges for gift cards, parking fees, supplies, flowers, rental cars, and other miscellaneous items. Significant and/or questionable transactions are as follows:

- September 25, 2003 and September 27, 2003 – Two transactions totaling \$150 represented a room rental at Country Inn and Suites for consultants.
- April 14, 2004 – Flowers, in the amount of \$46, were purchased as congratulations for the mayor of Newark.
- May 6, 2004 – Seven gift cards totaling \$525 were purchased from Hotel DuPont for the Board Citizenship awards.
- Nine transaction totaling \$450.43 did not have supporting documentation (e.g. receipt). Of that amount, \$60 was reimbursed by the former Superintendent.

Train

Nine transactions totaling \$2,199 represent charges for train tickets for the former Superintendent, Board members, and employees. The former Superintendent reimbursed the District for two purchases totaling \$204. Train tickets were purchased for travel to conferences in New York City and Washington D.C. Conferences included the following:

FISCAL YEAR 2004

SUPERCARD PURCHASES

- Broad Foundation, New York City, September 22, 2003.
- Community Training and Assistance Center Conferences, Washington D.C., January 12, 2004 and February 5, 2004.
- National Alliance of Black School Educators (NASBE) luncheon, Washington D.C., February 4, 2004.
- Scientific Learning Meeting, New York City, April 29, 2004.

Books

Twenty-two transactions totaling \$2,317.31 represent purchases of books. One transaction in the amount of \$104.85 did not have supporting documentation (e.g. receipt).

FISCAL YEAR 2005

SUPERCARD PURCHASES

During the period of July 2004 through June 2005, 233 transactions totaling \$36,766.37 posted to the former Superintendent's SuperCard.

<u>Type of Expense</u>	<u>Number of Transactions</u>	<u>Amount</u>	<u>Percentage of Total</u>
In-State Meals	62	\$ 6,711.53	18%
Travel Meals	22	1,325.41	4%
Airfare	51	7,657.16	21%
Hotels	14	7,549.18	20%
Conference Fees	12	5,015.00	14%
Miscellaneous	48	5,703.87	15%
Train	2	1,040.80	3%
Books	<u>22</u>	<u>1,763.42</u>	5%
Total	<u>233</u>	<u>\$ 36,766.37</u>	

Meals

The District's written policies and procedures set forth meal reimbursement plans for meals incurred while traveling. These plans are detailed on page 6 of this report. The District does not have a policy for payment or reimbursement of In-State Meals.

Support for purchases of meals generally consisted of a hand-written note indicating who was in attendance and a notation of what was discussed during the meal. Individuals in attendance consisted of employees, potential employees, Board members, members of the local business community, consultants, employees of other School Districts or State agencies, legislators, and others. Receipts primarily consisted of credit card machine printouts indicating the dollar amount of the purchase; itemized bills were rarely provided. For transactions in which itemized bills were not provided, AOA could not determine if alcohol was purchased.

It is important to note that for the majority of meal transactions, the former Superintendent listed the attendees present. These listings were used as the basis for determining the cost per person.

In-State Meals

During Fiscal Year 2005, the former Superintendent entered into 62 transactions totaling \$6,711.53 for In-State Meals. Frequent dining locations included Caffè Gelato, Harry's Seafood Grill, Hotel DuPont Green Room, Iron Hill Brewery, and Sinclair's Café. Four transactions totaling \$153 did not include a receipt (either a credit card machine printout or an itemized bill). Following is a summary by the type of meal purchased.

FISCAL YEAR 2005 SUPERCARD PURCHASES

<u>Type of Meal</u>	<u>Number of Transactions</u>	<u>Amount</u>
Breakfast	9	\$ 252.00
Lunch	29	1,728.38
Dinner	17	4,406.67
Unknown	6	309.00
Refreshments	<u>1</u>	<u>15.48</u>
Total	<u>62</u>	<u>\$ 6,711.53</u>

Since the District does not have a policy addressing reimbursement of In-State meals, AOA used the reimbursement thresholds established by the District's Travel Meals Policy (see page 6 of this report). Of the 62 transactions, 21 exceeded the reimbursement threshold. Significant transactions are as follows:

<u>Location</u>	<u>Attendees</u>	<u>Total Cost</u>	<u>Cost Per Attendee</u>
<i>Breakfast – Including tip, the maximum reimbursable amount per person is \$9.60.</i>			
Wyndham Hotels	Former Superintendent and a city council member	\$41.00	\$20.50
Hotel DuPont Green Room	Former Superintendent and Mayor	33.00	16.50
Wyndham Hotels	Former Superintendent and Director of East Side Charter School	39.00	19.50
<i>Lunch – Including tip, the maximum reimbursable amount per person is \$14.40.</i>			
Sheraton Hotels	Former Superintendent and Board member	36.00	18.00
Deep Blue Bar and Grill	Former Superintendent and a representative from a local construction company	46.00	23.00
Iron Hill Brewery and Restaurant	Former Superintendent and a local property owner	38.00	19.00
Columbus Inn	Former Superintendent, a District employee, and a former lieutenant governor	80.00	26.67
Hotel DuPont Green Room	Former Superintendent, a Board member, and a local community member	85.00	28.33
Harry's Seafood Grill	Former Superintendent and a consultant	36.00	18.00
Harry's Seafood Grill	Former Superintendent and a member of the Urban League. For this transaction, an itemized bill was present. The purchase included beverages, lunch, coffee and cappuccino. The cost of the cappuccino was \$5.50.	42.00	21.00
<i>Dinner – Including tip, the maximum reimbursable amount per person is \$30.</i>			
Iron Hill Brewery and Restaurant	Former Superintendent, a District employee, and a consultant	128.00	42.67
National	Former Superintendent, the Director of CTAC, and a representative from NEA	107.00	35.67

FISCAL YEAR 2005 SUPERCARD PURCHASES

Toscano Kitchen and Bar	Former Superintendent and a consultant	72.00	36.00
<i>Unknown – A receipt was not present</i>			
Toscano Kitchen and Bar	Former Superintendent and another individual.	109.00	54.50

Other significant transactions are as follows:

- February 3, 2005 – The former Superintendent treated a candidate for a supervisor position within the District, and the candidate's family to a dinner at Harry's Seafood Grill. The total cost of the meal was \$182.
- April 14, 2005 – The former Superintendent met with legislators. Sandwiches, beverages, and a cookie tray totaling \$233 were purchased from W.T. Smithers to serve 25 people.
- May 3, 2005 – The former Superintendent met with legislators. Sandwiches, beverages, and a fruit tray totaling \$275 were purchased from W.T. Smithers to serve 25 people.
- May 3 through June 21, 2005 – Four transactions related to a PTA Appreciation Dinner posted to the former Superintendent's SuperCard. The total cost, including rental of furniture, was \$3,096.20.

Travel Meals

During Fiscal Year 2005, the former Superintendent entered into 22 transactions totaling \$1,325.41 for travel meals. The travel meals were attributable to out-of-state conferences. Two transactions totaling \$22.30 did not include a receipt (either a credit card machine printout or an itemized bill). Following is a summary by the type of meal purchased:

<u>Type of Meal</u>	<u>Number of Transactions</u>	<u>Amount</u>
Breakfast	4	\$ 106.26
Lunch	11	602.98
Dinner	4	590.12
Unknown	<u>3</u>	<u>26.05</u>
Total	<u>22</u>	<u>\$ 1,325.41</u>

Of the 22 transactions, 6 exceeded the reimbursement threshold. It is important to note AOA only reviewed the former Superintendent's SuperCard transactions. Purchases of meals made via other employees' SuperCards or via another payment method were not reviewed. Hence, the conclusions for meals were made on a meal-by-meal basis, versus a daily allowance basis. Significant transactions are as follows:

FISCAL YEAR 2005 SUPERCARD PURCHASES

Location	Attendees	Total Cost	Cost Per Attendee
<i>Breakfast – Including tip, the maximum reimbursable amount per person is \$9.60.</i>			
Marriott	The former Superintendent, 2 Board members, and a District employee	\$ 68.00	\$ 17.00
<i>Lunch – Including tip, the maximum reimbursable amount per person is \$14.40.</i>			
Acqua Al	The former Superintendent, a District employee, and a superintendent of another District	71.00	23.67
<i>Dinner – Including tip, the maximum reimbursable amount per person is \$30.</i>			
Roy's	The former Superintendent, a District employee, a consultant, and a potential employee	166.00	41.50
Trattoria Fantastica	The former Superintendent, 3 Board members, and 3 District employees.	330.00	47.14

Airfare

Fifty-one transactions totaling \$7,657.16 represented charges related to airfare for the former Superintendent, Board members, employees, consultants, and prospective employees. Airfare was attributable to various conferences as well as for personal purposes. Purchases were for original tickets, flight change fees, and excess baggage fees.

Significant and/or questionable transactions are as follows:

- Ticket purchases totaling \$1,869.49 were made for the former Superintendent's personal purposes. The former Superintendent reimbursed the District for these transactions; however, the District did not deposit one check in the amount of \$209.20. This check was found attached to the monthly SuperCard statement.
- Ticket purchases totaling \$163.21 were reimbursed by the Michigan Leadership Institute.
- Two tickets totaling \$421.99 was purchased for spouses of Board members. The Board members reimbursed the District for the tickets.
- Seven transactions totaling \$489 represented fees for flight changes.
- Eight transactions totaling \$1,211.81 did not have adequate supporting documentation (name of person(s) traveling, dates of travel, location of travel, and amount).

Hotels

Fourteen transactions totaling \$7,549.18 represent charges related to hotels for the former Superintendent, Board Members, employees, and consultants. Purchases were related to conferences and for accommodations for out-of-state consultants. Significant and/or questionable transactions include:

- Four transactions totaling \$2,159.44 did not have adequate supporting documentation (name of person traveling, dates of stay, and amount). For these transactions, it could not be determined if inappropriate charges were made (e.g. movies, alcohol).

FISCAL YEAR 2005

SUPERCARD PURCHASES

- Hotel charges totaling \$909.98 were incurred for the NSBA Conference in San Diego, California. These charges included the purchase of 3 meals totaling \$75 on April 18, 2004. This exceeds the maximum travel meal reimbursement of \$54 per day.
- On May 18, 2005, the District was charged \$108.90 for a hotel room for a consultant that did not show.
- On March 16, 2005, \$155.08 in room charges for a job applicant posted to the former Superintendent's SuperCard. The charges included
 - \$3.75 in alcohol
 - \$17.28 for breakfast, which exceeds the maximum reimbursable amount of \$9.60.

Conferences

Twelve transactions totaling \$5,015 represent charges for conferences for the former Superintendent, Board members, and employees. All transactions included supporting documentation. Conferences included the following:

- College Board Forum in Chicago, Illinois from October 30 through November 1, 2004.
- NSBA Conference in San Diego, California from April 16 through April 19, 2005.
- Council of Great City Schools (CGCS) in Chicago, Illinois from June 1 through June 4, 2005.
- NSBA CUBE in Boston, Massachusetts from June 24 through June 26, 2005.

Miscellaneous

Fifty-two transactions totaling \$5,703.87 represent charges for gifts, parking fees, supplies, flowers, rental cars, and other miscellaneous items. Significant and/or questionable items are as follows:

- Eleven items totaling \$136.36 did not have adequate supporting documentation.
- \$793.50 in rental car fees was incurred for two out-of-state applicants during their visit with the District.
- Six gift certificates totaling \$450 were purchased from Hotel DuPont for Board members.
- Seven gift cards totaling \$1,057 were purchased from Christiana Mall for employees of the year.
- Six gift certificates totaling \$450 were purchased from Hotel DuPont The Grill for the Board of Education Citizenship Awards.

Train

Two transactions totaling \$1,040.80 represent charges for train tickets for the former Superintendent and Board members. Train tickets were purchased for travel to conferences in Washington D.C. and Boston, Massachusetts. Reimbursements in the amounts of \$84 and \$336 were received from Board members for the cost of travel for relatives.

Books

Twenty-two transactions totaling \$1,763.42 represent purchases of books.

FISCAL YEAR 2006

SUPERCARD PURCHASES

During the period of July 2005 through November 2005, 85 transactions totaling \$12,067.48 posted to the former Superintendent's SuperCard.

<u>Type of Expense</u>	<u>Number of Transactions</u>	<u>Amount</u>	<u>Percentage of Total</u>
In-State Meals	21	\$ 1,141.97	10%
Travel Meals	15	1,492.10	12%
Airfare	11	1,598.31	13%
Hotels	6	3,179.94	26%
Conference Fees	1	550.00	5%
Miscellaneous	16	1,081.38	9%
Train	2	576.00	5%
Books	<u>13</u>	<u>2,447.78</u>	20%
Total	<u>85</u>	<u>\$ 12,067.48</u>	

Meals

The District's written policies and procedures set forth meal reimbursement plans for meals incurred while traveling. These plans are detailed on page 6 of this report. The District does not have a policy for payment or reimbursement of In-State Meals.

Support for purchases of meals generally consisted of a hand-written note indicating who was in attendance and a notation of what was discussed during the meal. Individuals in attendance consisted of employees, potential employees, Board members, members of the local business community, consultants, employees of other School Districts or State agencies, legislators, and others. Receipts primarily consisted of credit card machine printouts indicating the dollar amount of the purchase; itemized bills were rarely provided. For transactions in which itemized bills were not provided, AOA could not determine if alcohol was purchased. It is important to note that for the majority of meal transactions, the former Superintendent listed the attendees present. These listings were used as the basis for determining the cost per person.

In-State Meals

During Fiscal Year 2006, the former Superintendent entered into 21 transactions totaling \$1,141.97 for In-State Meals. Frequent dining locations included Bob Evans and Washington Street Ale House. One transaction for \$44 did not include a receipt (either a credit card machine printout or an itemized bill). Following is a summary by the type of meal purchased:

<u>Type of Meal</u>	<u>Number of Transactions</u>	<u>Amount</u>
Breakfast	7	\$ 306.77
Lunch	7	219.20
Dinner	5	512.00
Unknown	<u>2</u>	<u>104.00</u>
Total	<u>21</u>	<u>\$ 1,141.97</u>

FISCAL YEAR 2006 SUPERCARD PURCHASES

Since the District does not have a policy addressing reimbursement of In-State meals, AOA used the reimbursement thresholds established by the District's Travel Meals policy (see page 6 of this report). Of the 21 transactions, 10 exceeded the reimbursement threshold. Significant transactions are as follows:

<u>Location</u>	<u>Attendees</u>	<u>Total Cost</u>	<u>Cost Per Attendee</u>
<i>Breakfast – Including tip, the maximum reimbursable amount per person is \$9.60.</i>			
Hotel DuPont Green Room	The former Superintendent, a District employee, and a city council member	\$ 71.00	\$ 23.67
<i>Lunch – Including tip, the maximum reimbursable amount per person is \$14.40.</i>			
Washington Street Ale House	The former Superintendent and 2 District employees	65.00	21.67
<i>Dinner – Including tip, the maximum reimbursable amount per person is \$30.</i>			
Harry's Savoy Grill	The former Superintendent, 2 District employees, and a consultant. Dinner consisted of appetizers, dinner, dessert, coffee, and cappuccino.	152.00	38.00
Harry's Seafood Grill	The former Superintendent and a consultant.	81.00	40.50

Travel Meals

During Fiscal Year 2006, the former Superintendent entered into 15 transactions totaling \$1,492.10 for travel meals. The travel meals were mainly attributable to out-of-state conferences. Three meals totaling \$253 were for various meetings over meals in Havre De Grace, Maryland; Chesapeake City, Maryland; and Pennsylvania. These three meals were not attributable to conferences. Following is a summary by the type of meal purchased:

<u>Type of Meal</u>	<u>Number of Transactions</u>	<u>Amount</u>
Breakfast	1	\$ 28.94
Lunch	5	400.26
Dinner	8	964.00
Unknown	<u>1</u>	<u>98.90</u>
Total	<u>15</u>	<u>\$ 1,492.10</u>

Of the 15 transactions, 6 exceeded the reimbursement threshold. Three transactions totaling \$291.90 did not include a listing of attendees; hence, it could not be determined if the meals were within established thresholds. It is important to note AOA only reviewed the former Superintendent's SuperCard transactions. Purchases of meals made via other employees' SuperCards or via another payment method were not reviewed. Hence, the conclusions for meals were made on a meal-by-meal basis, versus a daily allowance basis. Significant transactions are as follows:

FISCAL YEAR 2006 SUPERCARD PURCHASES

<u>Location</u>	<u>Attendees</u>	<u>Total Cost</u>	<u>Cost Per Attendee</u>
<i>Lunch – Including tip, the maximum reimbursable amount per person is \$14.40.</i>			
Glitretind Restaurant	The former Superintendent, 4 Board members, and a District employee	\$ 119.00	\$ 19.83
Glitretind Restaurant	The former Superintendent, 5 Board members, and a District employee	169.56	24.22
Hilton Inn	The former Superintendent and an employee of the University of Pennsylvania	49.00	24.50
<i>Dinner – Including tip, the maximum reimbursable amount per person is \$30.</i>			
Capital Grille	The former Superintendent, a Board member, and 4 District employees. Dinner included soups at \$9.95 a cup, lobster dinners at \$49.95 each, and steak dinners at \$36 each.	278.00	46.33
Bayard House Restaurant	The former Superintendent, the Teacher of the Year, a District employee, and a relative of the District employee.	155.00	38.75

Airfare

Eleven transactions totaling \$1,598.31 represented charges related to airfare for the former Superintendent, Board members, and employees. One transaction totaling \$119.50 did not have adequate supporting documentation (name of person traveling, dates of travel, location of travel, and amount). Airfare was attributable to various conferences as well as for personal purposes. Purchases were for original tickets, flight change fees, and excess baggage fees. Significant and/or questionable transactions are as follows:

- Ticket purchases totaling \$323.40 were made for the former Superintendent's personal purposes. The former Superintendent reimbursed the District for these transactions.
- Four transactions totaling \$486.51 represent flight change fees.
- Two tickets totaling \$633.40 were purchased for the same dates of travel for one Board member:
 - On August 1, 2005, a transaction for \$288.40 posted to the former Superintendent's SuperCard. This transaction was for a Board member's travel between Philadelphia and Atlanta during the dates of October 19 through October 23, 2005.
 - On October 18, 2005, a transaction for \$345 posted to the former Superintendent's SuperCard. This transaction was for the same Board member, for the same dates and locations of travel.
 - The District could only provide support for the purchase of one ticket. The District was unable to provide an explanation for the purchase of 2 tickets for 1 Board member.

FISCAL YEAR 2006

SUPERCARD PURCHASES

Hotels

Six transactions totaling \$3,179.94 represent charges related to hotels for the Superintendent and consultants. Purchases were related to conferences, personal purposes, and accommodation for out-of-state consultants. Significant and/or questionable transactions include:

- November 4, 2005 – A purchase of \$215.14 did not have adequate supporting documentation. The District indicated this purchase should have been reimbursed by the former Superintendent; however, the District did not have evidence that reimbursement was received.
- Reimbursements totaling \$973.82 were made to the District by the Department of Education (DOE) and the Michigan Leadership Conference.
- October 19, 2005 – Purchases totaling \$357.67 were incurred for an out-of-state consultant.
 - Alcohol totaling \$4.50 was charged to the District.
 - In one day, the consultant's meals totaled \$72.68 (excludes the \$4.50 for alcohol). This exceeds the maximum daily reimbursement amount of \$54.
 - For day 2, the consultant's breakfast totaled \$14.95, which exceeds the maximum breakfast reimbursement amount of \$9.60.
 - A hotel movie for \$29.99 was charged to the former Superintendent's SuperCard.

Conferences

One transaction for \$550 represents payment for the Grantmakers of Education 9th Annual Conference in New York, from October 10 through October 12, 2005.

Miscellaneous

Sixteen transactions totaling \$1,081.38 represent charges for gifts, parking, supplies, and other miscellaneous items. Significant and/or questionable transactions are as follows:

- Personal purchases totaling \$88.50 were reimbursed by the former Superintendent.
- Parking totaling \$24 was reimbursed by DOE.
- Three transactions totaling \$30.55 did not have supporting documentation.

Train

Two transactions totaling \$576 represent charges for train tickets. Neither transaction had supporting documentation. District staff indicated the tickets were for a Broad Conference in Washington D.C. on September 20, 2005.

Books

Thirteen transactions totaling \$2,447.78 represent purchases of books. One transaction in the amount of \$10 did not have supporting documentation.

CONCLUSIONS

Per review of the former Superintendent's SuperCard purchases from July 2003 through November 2005, the following conclusions were reached:

- During the period of July 2003 through November 2005, 565 transactions totaling \$75,722.97 posted to the former Superintendent's SuperCard.
- The District and the former Superintendent did not comply with District policies or the State of Delaware *Budget and Accounting Manual* Section XIV.
 - The SuperCard was used for personal purposes totaling \$4,285.77. Of this amount, \$4,023.36 was either refunded or repaid. Of the amount repaid, one check for \$209.20 was never deposited by the District. The check was found attached to the monthly SuperCard statement.
 - Alcoholic beverages and hotel movies totaling \$8.25 and \$29.99, respectively, were purchased with the SuperCard.
 - The card and card number were used by individuals other than the former Superintendent. The use was primarily for conferences, hotels, airfares, and purchasing supplies.
 - Adequate supporting documentation was not maintained for 77 transactions totaling \$8,151.52
 - An approving official did not verify that the former Superintendent complied with the procedures defined by the District.
 - Meal reimbursement thresholds were exceeded for 79 transactions.
- Except as noted in the report, transactions related to books, conferences, train tickets, airfares, and hotels appeared to have a valid, business purpose.
- The former Superintendent did not maintain detailed itemized receipts for the majority of meal purchases. For the majority of meal transactions, it could not be determined if alcohol was purchased.
- Numerous airfare transactions were for flight change fees and excess baggage fees.
- The District and the former Superintendent were in positions of trust. Taxpayers entrusted the former Superintendent and the District to follow prudent business practices and to spend money wisely and in a conservative manner. For numerous transactions, the District and the former Superintendent did not act in the best interest of the taxpayers.
- Board members and the former Superintendent overrode District controls. This included lack of supporting documentation, personal purchases, and meal purchases that exceeded established thresholds.

CONCLUSIONS

Following are summaries of the former Superintendent's SuperCard activity. Note that for Fiscal Year 2006, the former Superintendent was only employed from July 1, 2005 through November 30, 2005.

Table 1 Total Transactions

<u>Fiscal Year</u>	<u>Number of Transactions</u>	<u>Dollar Value of Transactions</u>
2004	243	\$ 26,889.12
2005	237	36,766.37
2006	<u>85</u>	<u>12,067.48</u>
Total	<u>565</u>	<u>\$ 75,722.97</u>

Table 2 Transactions Lacking Supporting Documentation

<u>Fiscal Year</u>	<u>Number of Transactions</u>	<u>Dollar Value of Transactions</u>
2004	40	\$ 3,688.61
2005	29	3,682.86
2006	<u>8</u>	<u>780.05</u>
Total	<u>77</u>	<u>\$ 8,151.52</u>

Table 3 Meals Exceeding the Established Threshold

<u>Fiscal Year</u>	<u>In-State Meals</u>	<u>Travel Meals</u>	<u>Total</u>
2004	19	9	28
2005	21	10	31
2006	<u>10</u>	<u>10</u>	<u>20</u>
Total	<u>50</u>	<u>29</u>	<u>79</u>

Table 4 – Personal Purchases

<u>Fiscal Year</u>	<u>Purchased</u>	<u>Refunded</u>	<u>Repaid</u>	<u>Balance</u>
2004	\$ 947.25	\$ 328.33	\$ 571.65	\$ 47.27
2005 *	2,711.48	0	2,711.48	0
2006	<u>627.04</u>	<u>0</u>	<u>411.90</u>	<u>215.14</u>
Total	<u>\$ 4,285.77</u>	<u>\$ 328.33</u>	<u>\$ 3,695.03</u>	<u>\$ 262.41</u>

* The District did not deposit one reimbursement check in the amount of \$209.20. This check was found attached to the monthly SuperCard statement.

FINDINGS AND RECOMMENDATIONS

Finding

The District and the former Superintendent did not comply with District policies or the State of Delaware *Budget and Accounting Manual* Section XIV.

The Committee of Sponsoring Organizations of the Treadway Commission report entitled *Internal Control – Integrated Framework* (COSO) identifies five interrelated components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring. COSO states that the control environment, "sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all the other components of internal control, providing discipline and structure."

COSO further states, "Because an entity's good reputation is so valuable, the standard of behavior must go beyond mere compliance with law. Society expects more than that. . . . Official policies specify what management wants to happen. Corporate culture determines what actually happens, and which rules are obeyed, bent, or ignored."

Disregard for controls, management override of controls, lack of monitoring, and a weak control environment resulted in (a) inappropriate use of the SuperCard and (b) purchases that were made neither in a conservative manner nor in the best interest of the taxpayer.

Recommendation

Board members of the Christina School District as well as current management (including the current Superintendent, Chief Financial Officer, and Assistant Superintendents) should:

- Reassess the control environment and the tone set by management;
- Act in a manner that does not give the appearance of deception or inappropriate or questionable business practices;
- Require compliance with policies and procedures, laws, and regulations;
- Monitor compliance with policies and procedures;
- Consistently enforce disciplinary practices for violations of policies and procedures, laws, and regulations; and
- Develop policies and procedures related to purchases of In-State meals.

Auditee Response

Significant internal controls are currently in place to ensure spending is being performed responsibly and in accordance with policies, procedures, laws and regulations. All non-payroll related expenses are required to be executed via a purchase order process which requires several layers of management approval before being money can be encumbered.

The Christina School District presently only has two active credit cards. The new Superintendent has only spent \$2,780 in her first year in office with her supercard. All of these purchases were spent for legitimate business purposes.

FINDINGS AND RECOMMENDATIONS

The Superintendent currently allows travel arrangements to be made by her two executive assistants via her credit card. This is allowed due to the time constraints of the Superintendent and for efficiency reasons. The Superintendent then reviews the arrangements and will sign off on her credit card statements on a going forward basis. The statements and all necessary backup are then forwarded to the business office for review and retention.

The District is in the midst of implementing a policy for in-state meals. The policy will only allow in-state meals at the discretion of the Superintendent.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Valerie A. Woodruff, Secretary, Department of Education

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

Dr. Lillian M. Lowery, Superintendent, Christina School District
Mr. Patrick O'Rourke, Director of Budget and Finance, Christina School District
Mr. James Durr, President, Board of Education, Christina School District