



STEWARDSHIP. SERVICE. COMMUNITY.

One Port Center
PO Box 1949
2 Riverside Drive
Camden, NJ 08101

(856) 968-2000
(856) 968-2001 Fax
www.drpa.org

David J. Aubrey, CIA, CFE
Inspector General
Office of the Inspector General

OIG Memorandum

TO: J. T. Hanson, CEO
J. M. White, CFO

FROM: D. J. Aubrey, Inspector General

SUBJECT: Annual Review of Executive Expenses (2018 Activity)

DATE: December 24, 2019

The Office of the Inspector General (OIG) has recently completed our Annual Review of Executive Expenses. This review was performed by Mark Zitzler, Auditor.

A. Objective / Scope

The objectives of our review included:

- 1) evaluating compliance with established policies, procedures, and guidelines;
- 2) assuring expense reimbursement requests only reflect allowable and approved transactions, while evaluating transactions for potential fraud, waste abuse;
- 3) assuring requested reimbursements are accurate, approved, and paid correctly;
- 4) assuring expense documentation / files are properly maintained and retained; and,
- 5) assuring expenses processed using the employee expense reimbursement process are not duplicated with Procurement Card (PCard) purchases.

The scope of our review focused on expense reimbursement activity for the year 2018 associated with the Authority's Commissioners, Officers, Chiefs, and Directors. This year PCard usage and associated expenses transacted during 2018 for those executives who are Authority PCardholders was also analyzed.

B. Background

Policy #400, *Expense Reimbursement for Employees and Board Members* was referenced by OIG to evaluate and determine compliance-based objectives. This policy was updated effective February 22, 2019 based on the prior year's review of executive expenses and agreed upon recommendations. Policy revisions resulting from last year's OIG's review included:

- the addition of specific approval requirements for CEO related expense reimbursement requests, requiring the approval be performed by either the DCEO or the CFO (electronic approval and / or hand-written signatures);
- the addition of the requirement that when using a personal credit card to transact business subject to reimbursement, the itemized detailed receipt must accompany the reimbursement requests reflecting what was procured; and,
- the addition of language indicating the Authority is not responsible for paying any additional late fee penalty expense for failure of the employee to submit their renewals in a timely manner.

During the Year 2018, 22 executive level employees submitted and received expense reimbursements. 2018 executive expenses were associated with 103 transactions, valued at \$13,753 and were deemed minimal in comparison to the total transactions processed by the Authority (*see Charts A and B below*).

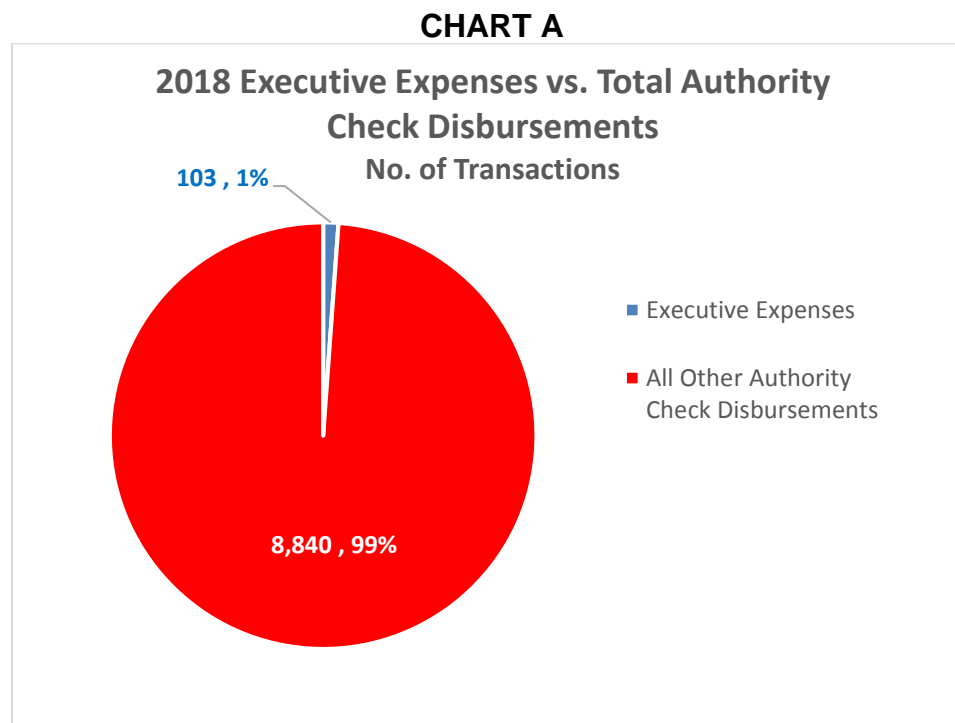
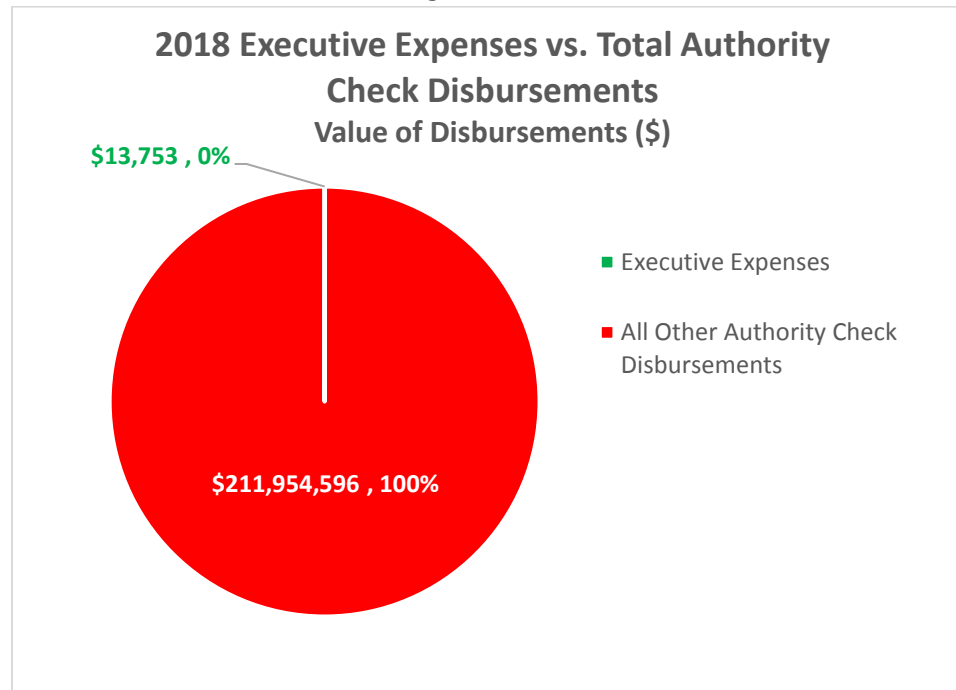


CHART B



2018 executive expenses were primarily related to travel expenses (ex. mileage, parking, tolls, train fare, etc.), as well as business expenses pertaining to the renewal of professional licenses / memberships, and registration for professional training / tuition reimbursement (see *Charts C & D below*).

CHART C

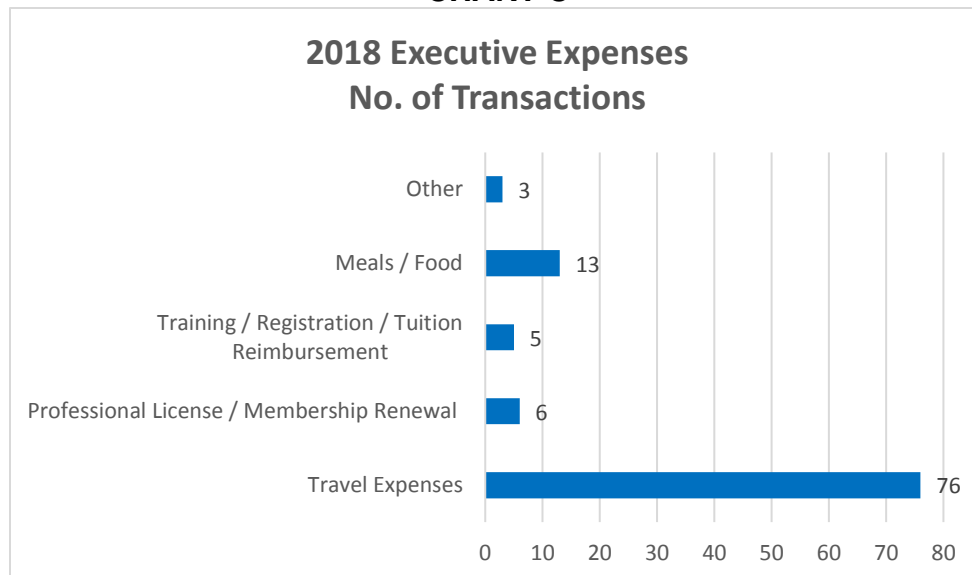
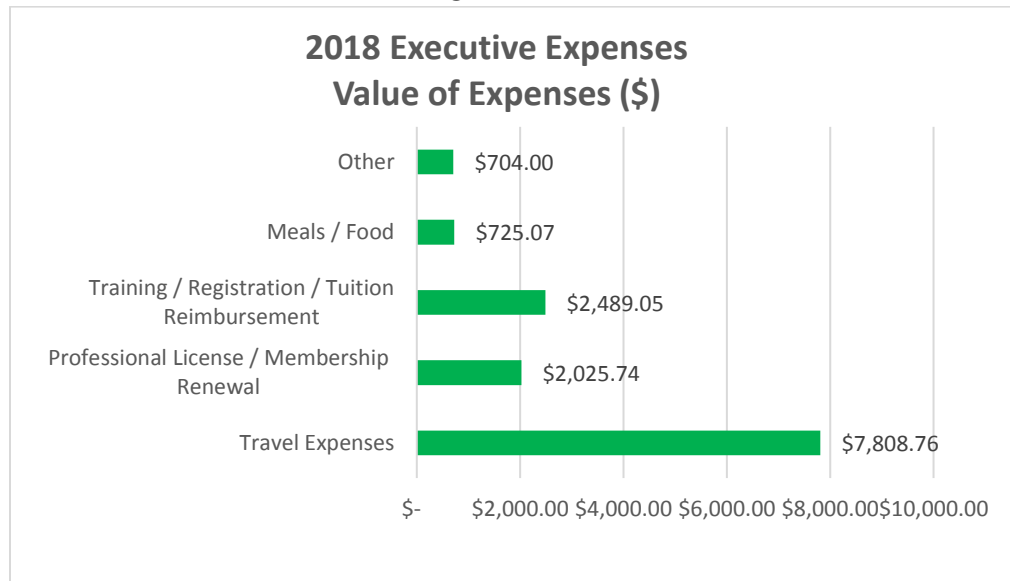


CHART D



The 2018 executive expenses were consistent with the 2017 executive expense activity based on comparison of total value reimbursed and the categorized usage from year to year.

2018 PCard usage for Director level and above PCardholders reflected 1,101 transactions valued at \$472,795, which represented 19% and 29% of the total 2018 Authority PCard transactions and transaction value, respectively. A total of 17 executive level employees who have authorized PCard privileges used their PCards during the year 2018. (see *Charts E & F below*).

Chart E

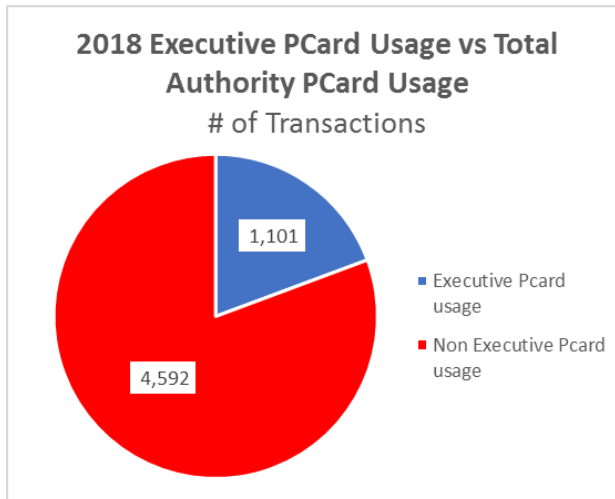
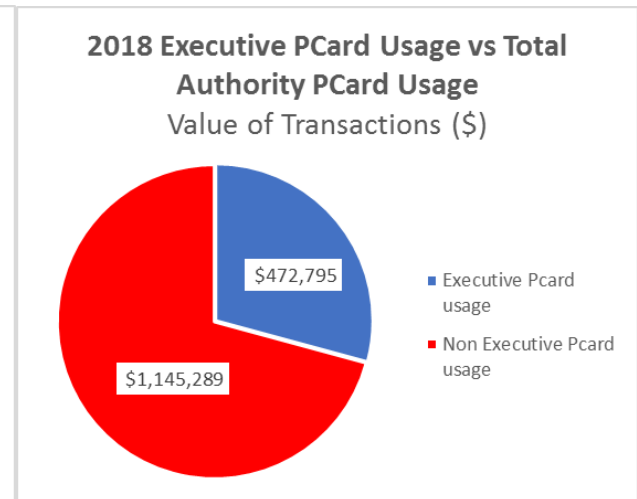
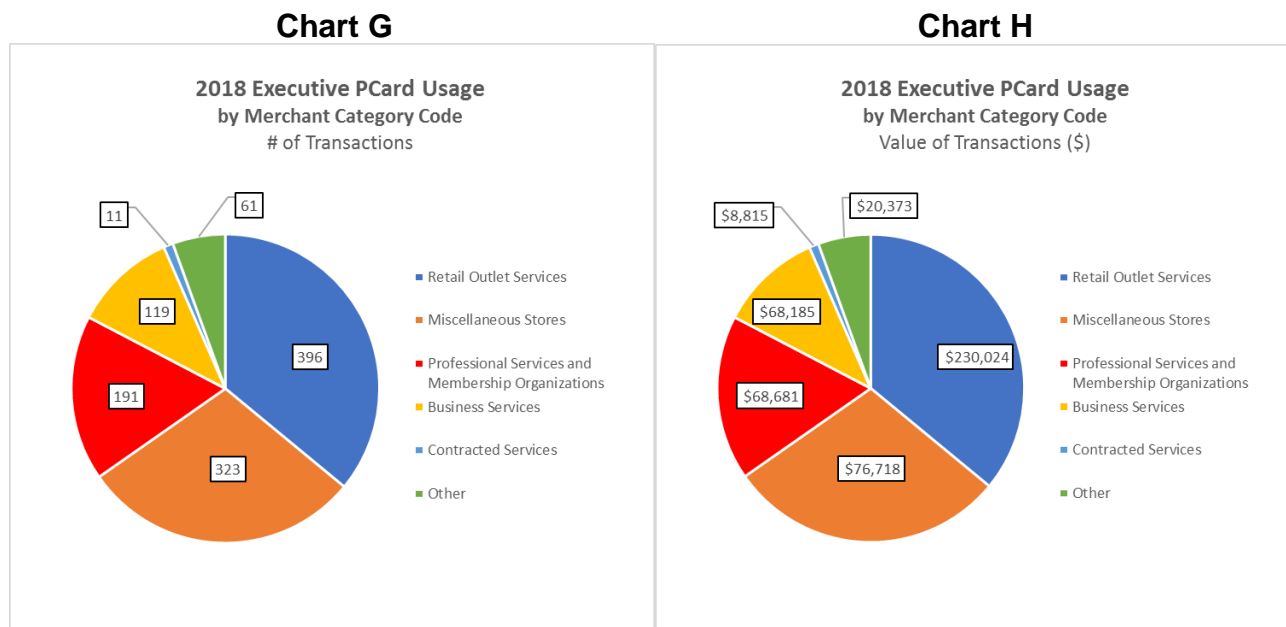


Chart F



The 2018 executive level PCardholder transactions were primarily associated with low value procurement of materials or services within the established credit card merchant categories of Retail Outlet Services (i.e. industrial supplies, commercial equipment, electrical parts/equipment, automotive parts, computers/peripherals/software, etc.), Miscellaneous Stores (i.e. bookstores, continuity/subscription merchandise, electronic sales, eating places/restaurants, etc.), Professional Services / Membership Organizations, Business Services and Contracted Services. (see Charts G & H below).



C. Summary of Results

Based on the completion of our review our Office determined that 2018 Executive Expenses were minimal in value, were associated with legitimate and allowable business expenses, and were found in good order. All identified executive expense transactions submitted and processed during the year 2018 by Authority Commissioners, Officers, Chiefs, and Directors (103 transactions, \$13,753) were subject to review. No expense reimbursement requests were submitted by Authority Commissioners. The following results were determined and communicated:

- the expense reimbursement process, as it relates to executive expenses, continues to operating effectively and efficiently, and it was found in compliance with established policy with minimal exception;
- reimbursed executive expense documentation was properly maintained and available;
- in general, executive expense reimbursement request forms were accurate, approved, and paid correctly with few exceptions;
- supporting documentation (i.e. invoices, receipts, etc.) reviewed reflected legitimate and allowable business transactions. No transactions indicating fraud, waste, or abuse were observed; and,

- expenses submitted via the Employee Expense Reimbursement process were compared to PCard purchases for Director level and above PCardholders; no duplicated expenses were observed.

OIG observed six transactions reported as business related travel that were processed using PCards (for PCardholders Director level and above); nine PCard transactions for travel were noted in total (valued at \$6,008). In these situations, hotel charges were incurred and paid with a PCard. Current PCard guidance prohibits the use of a PCard to process travel related expenses (PCard classification for “travel” is blocked), unless there is a justified and approved reason otherwise. In review of the PCard transactions related to Director level and above travel expenses, in each situation a pre-approved Overnight Travel Form (Form 040) was on record and all related expense documentation was on file. These transactions were reviewed with the management of Finance and Procurement who concurred with the following:

- the preferred method for processing travel expenses has been to have employees utilize their own personal credit cards and submit receipts for reimbursement, however, executive management concluded that requiring Authority employees to expend personal funds for hotel costs, in addition to other expenses incurred during Authority pre-approved (and often required) travel, can in some cases be an undue burden. As such, executive management concluded that PCards can be used on an exception basis when justified to process travel related charges associated with hotel reservations (only);
- PCard transaction permissions are controlled by Merchant Category Codes (MCCs). Each business type has an assigned MCC. Per PCard policy (currently included within Authority Policy #300, Contracting and Procurement), travel / lodging Merchant Category Codes (MCC) are blocked on a blanket basis. An employee requesting an exception to the PCard policy must first contact the PCard Administrator to “unblock” the necessary codes, allowing the PCard Administrator to oversee and control access to lodging MCCs on a case-by-case basis.
- only limited PCardholders (two specific members of management to be determined by the Director, Procurement) can process these special requests to: 1) control these types of transactions, 2) assure necessary pre-authorization documentation has been provided, and 3) curtail the proliferation of PCards with the ability to process travel expenses;
- all travel expense related documentation, including pre-authorization forms for travel, must be submitted to Finance for review, monitoring, and determining compliance with Authority policy as is customary (*The use of a PCard for payment of expenses must be clearly denoted on the employee expense reimbursement request form, including the submission of related PCard related itemized receipts. The submitted employee expense reimbursement request form should reflect all costs incurred for attending the event. Included should be those expenses paid for with a PCard, with PCard paid items clearly shown in the “**DRPA Paid**” section of the expense report. Per PCard policy, an employee would still be responsible for any unauthorized purchases or misuse of the P-Card (e.g., unapproved rates in excess of allowable GSA Per Diems);*

- since there are currently minimal transactions of minimal value associated with travel there is not a pressing need to investigate a “travel specific” credit card solution at this time (*Note: An alternative payment solution was researched by Finance, but not found to be implementable*); and,
- a published PCard internal guidance memo supplementing current PCard guidelines (currently included within Authority Policy #300, Contracting and Procurement) will be drafted and communicated by the Director, Procurement, to formally reflect these allowable policy exceptions and associated requirements by 12/31/2019.

The reported positive results were communicated to CFO J. White, R. Mosback, Director, Procurement, O. Parker, Manager, Budget, and W. Andersen, Budget Analyst, in advance of this report’s formal release, and for the purpose of obtaining their perspective as it pertains to the future use of Authority PCards when processing employee travel expenses.

OIG wishes to thank J. White, CFO, R. Mosback, Director, Procurement, O. Parker, Manager, Budget, as well as all Authority management and personnel who participated in this review, for their assistance and cooperation.

cc: R. Boyer
J. Nash
E. DePasquale
R. Taylor
S. Murphy
A. Nelson
T. Brown
R. Hicks
J. Rink
R. Santarelli
M. Venuto
M. Wing
J. Stief
R. Mosback
J. Lotierzo
M. Ciechon
O. Parker
W. Andersen
M. Zitzler