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## OIG Memorandum

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

**FROM:** D. J. Aubrey, Inspector General

**SUBJECT:** Annual Review of Executive Expenses (2020 Activity)

**DATE:** October 4, 2021

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

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### **A. Objective / Scope**

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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 2020 associated with the Authority's Commissioners, Officers, Chiefs, and Directors. PCard usage and associated expenses transacted during 2020 for those executives who are Authority PCardholders was also analyzed.

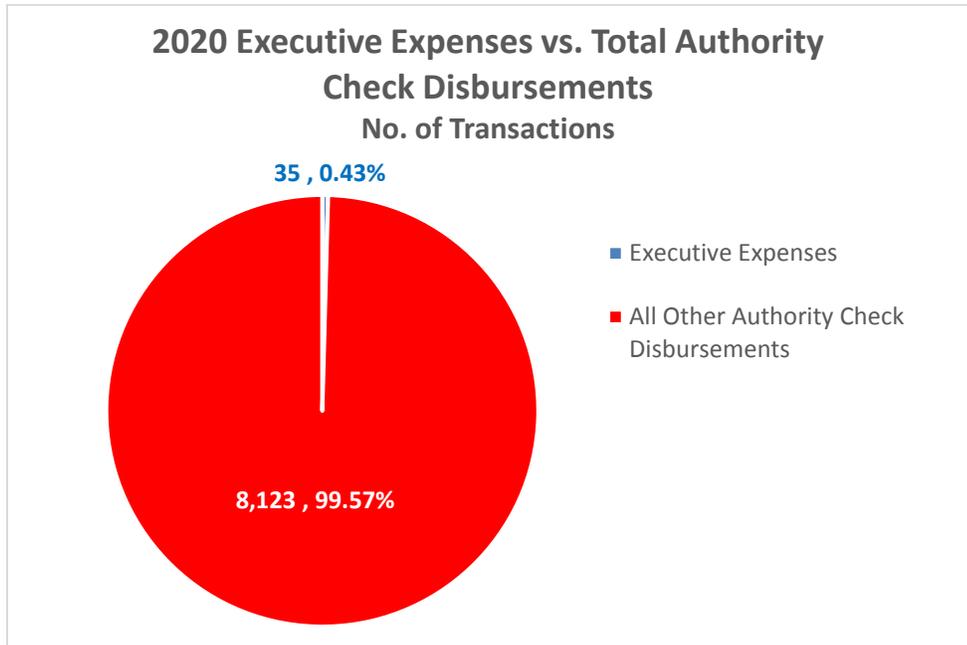
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## B. Background

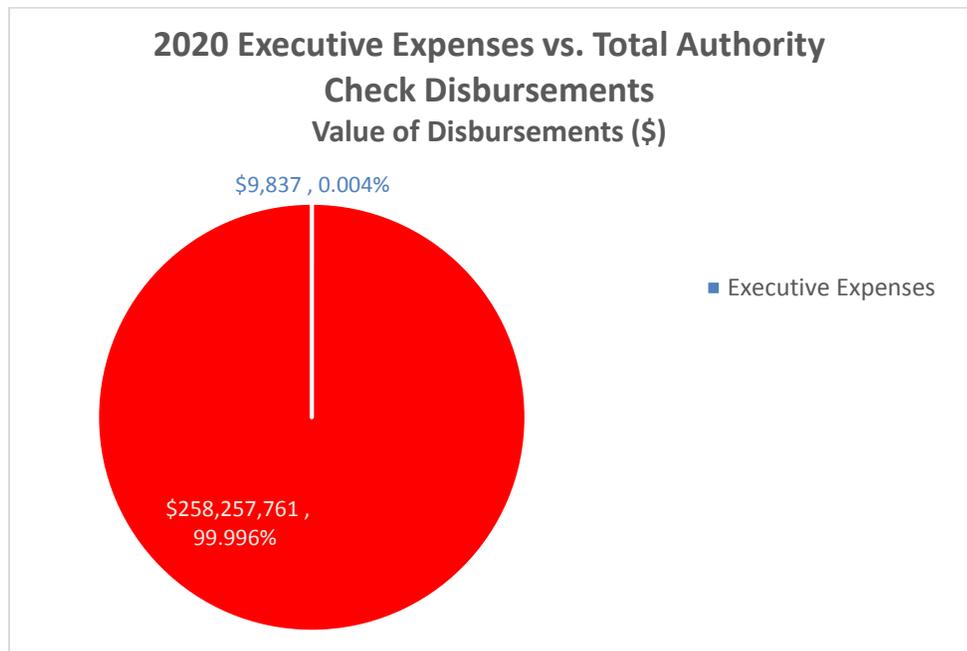
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Policy #400, *Expense Reimbursement for Employees and Board Members* was referenced by OIG to evaluate and determine compliance-based objectives. This policy was updated effective February 22, 2019. During the Year 2020, 17 executive level employees submitted and received expense reimbursements. 2020 executive expenses were associated with 35 transactions, valued at \$9,837 and were deemed minimal (less than 1%) in comparison to the total transactions processed by the Authority (see *Charts A and B below*).

**CHART A**

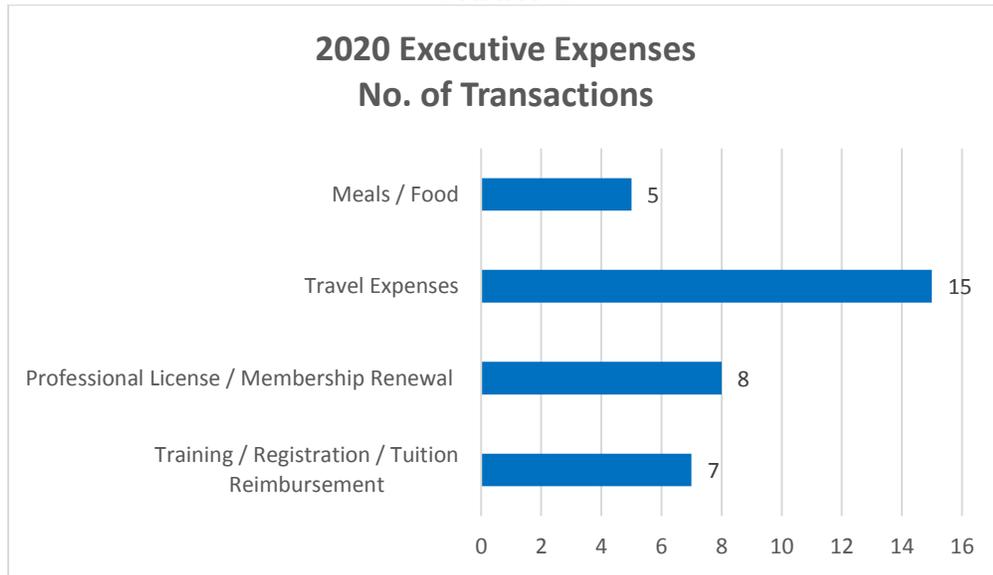


**CHART B**

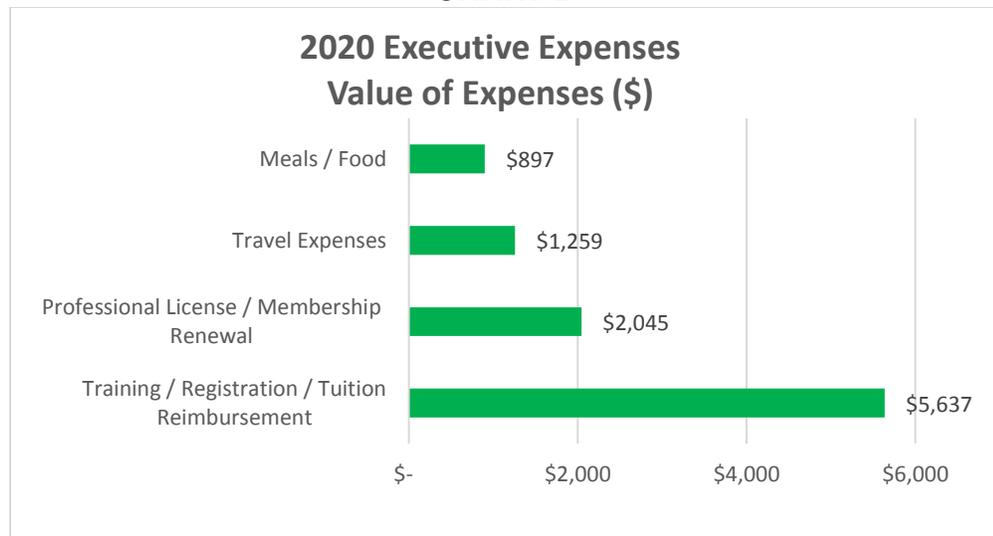


2020 executive expenses were primarily related to travel expenses (ex. mileage, parking, tolls, hotel, etc.) for the number of transactions and registration for professional training / tuition reimbursement for total amount spent. Other expenses are related to renewal of professional licenses / memberships and meals/food (see *Charts C & D below*).

**CHART C**



**CHART D**

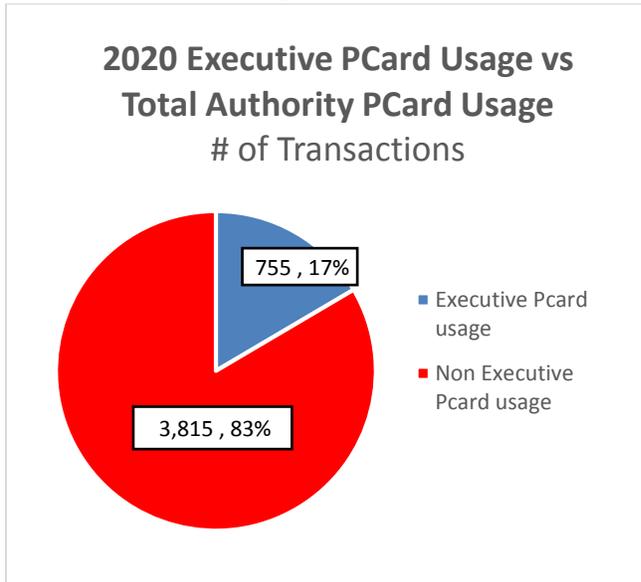


In general, as would be expected, total expenses were significantly reduced during 2020 due to the COVID19 pandemic and associated safety protocols and restrictions, as well as an increased Authority focus on cost containment. There was a significant decrease in travel expenses from 2019 to 2020 due to the curtailment of travel at the onset of the pandemic. The total amount of travel expenses was 107 transactions totaling \$9,370 in 2019. In 2020, there were only 15 travel related transactions totaling \$1,259. All travel related expenses in 2020 occurred from January 1, 2020 to March 9, 2020, prior to pandemic related safety protocols and restrictions. The total

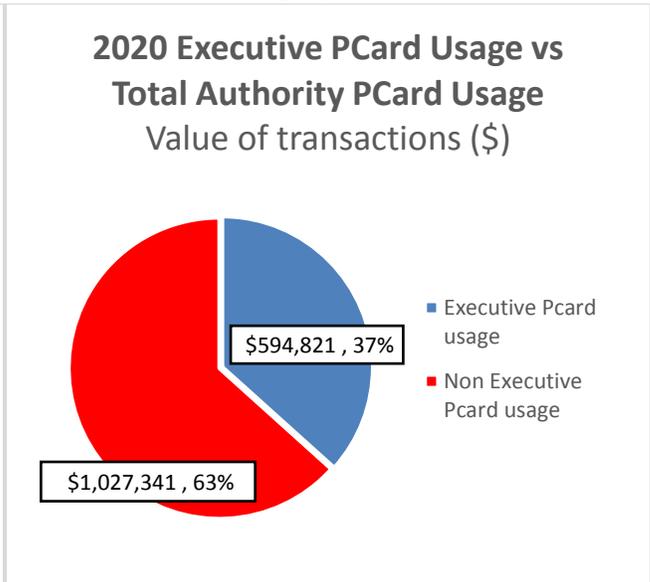
executive expenses decreased \$10,869 (52%) to a total of \$9,837 in 2020 from a total of \$20,706 in 2019. This is largely due to the decrease in travel related expenses as mentioned previously. Three expense transactions, totaling \$668, were used for Covid19 related purposes. The employee expense process was used for these purchases because the employee's PCard was not functioning. The Covid19 specific transactions reviewed were properly coded for accounting purposes.

2020 PCard usage for Director level and above PCardholders reflected 755 transactions valued at \$594,821, which represented 17% and 37% of the total 2020 Authority PCard transactions and transaction value, respectively. 2020 PCard activity reviewed exhibited a total volume decrease of 24% from the 998 transaction in 2019, and an increase in total value of 24% from the \$479,067 spent in 2019. The increase in value was primarily attributed to higher dollar Covid19 related executive transactions which accounted for 106 transactions valued at \$125,418. Again, the Covid19 specific PCard transactions reviewed were properly coded for accounting purposes. A total of 14 executive level employees who have authorized PCard privileges used their PCards during the year 2020. (see *Charts E & F below*).

**Chart E**

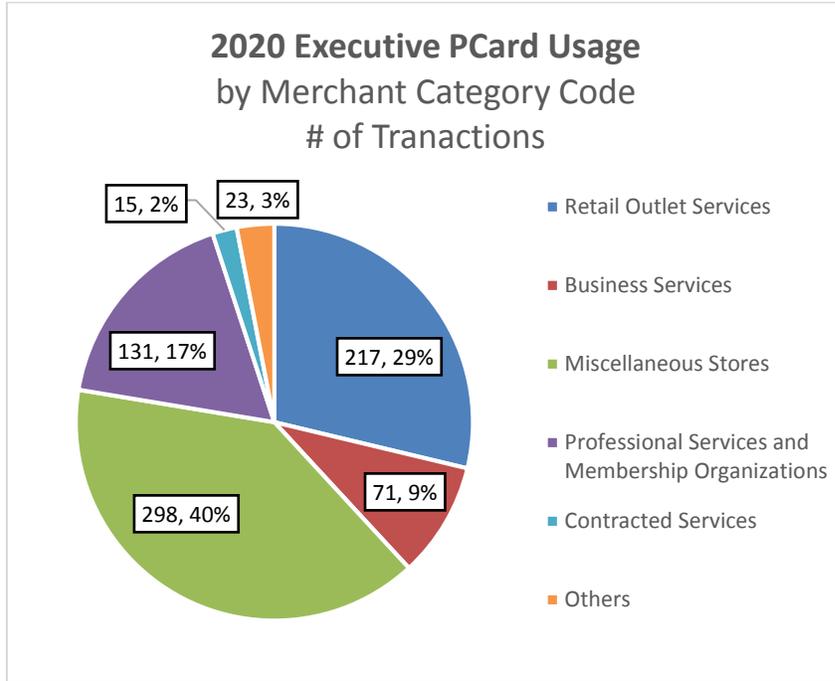


**Chart F**

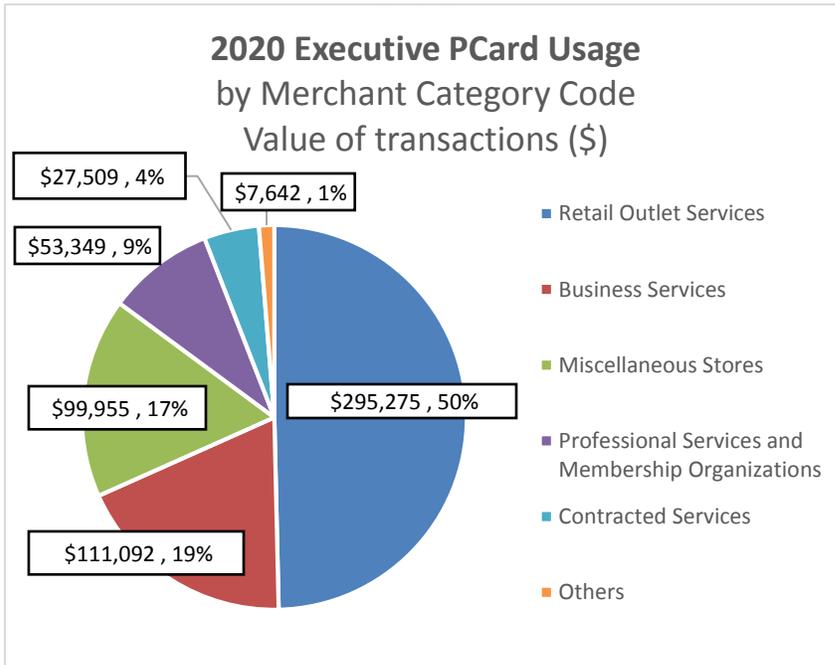


The 2020 executive level PCardholder transactions were primarily associated with low value procurement of materials or services within the established credit card merchant categories of Retail Outlet Services (i.e. industrial supplies, commercial equipment, electrical parts/equipment, automotive parts, computers/peripherals/software, etc.), Miscellaneous Stores (i.e. bookstores, continuity/subscription merchandise, electronic sales, eating places/restaurants, etc.), Business Services, Professional Services / Membership Organizations, and Contracted Services. (see *Charts G & H on the following page*).

**Chart G**



**Chart H**



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## C. Summary of Results

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Based on the completion of our review our Office determined that 2020 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 2020 by Authority Commissioners, Officers, Chiefs, and Directors (35 transactions, \$9,837) 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;
- executive expense reimbursement request forms were accurate, approved, and paid correctly;
- 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.

The following was noted and is communicated for informational purposes:

OIG observed one transaction reported as a business-related travel expense that was processed using a PCard (for PCardholders at Director level and above); three PCard transactions for travel were noted in total (valued at \$1,331). 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 transaction related to travel expenses, a pre-approved Overnight Travel Form (Form 040) was on record and all related expense documentation was on file. Additionally, documentation of the request sent to the Director, Procurement to authorize use of the travel Merchant Category Code (MCC) so the employees can charge the travel transactions to their PCards was on record.

In or around 2018, the Director, Procurement created a limited PCard Travel exception policy. According to this policy (dated February 24, 2020, as revised), two specific members of management were to be able to process travel related expenses for all employees with proper approval so the employee would not have to take on the financial burden of using their personal expenses and requesting reimbursement. The updated policy was never circulated, nor implemented, as it was determined to have issues with the two card holders providing their card information to the employees booking travel. The Director, Procurement has worked with the PCard issuing bank (PNC) to remove all previously authorized travel related MCC classifications from users’ PCards (with the exception of the PATCO General Manager).

As with all PCard prohibitions, should a valid and justified need for an exception arise, the Director, Procurement will consult with senior management, the OIG, and/or Deputy CEO and review and/or approve such exception requests on a case by case basis.

The reported positive results were communicated to CFO J. White, R. Mosback, Director, Procurement, M. Ciechon, Director, Finance (PATCO), O. Parker, Manager, Budget, and W. Andersen, Budget Analyst, in advance of this report's formal release.

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

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