

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**COLONIAL SCHOOL DISTRICT**

**SUPERCARD USE**

**SPECIAL INVESTIGATION**

**FIELDWORK END DATE: JULY 6, 2009**

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State of Delaware  
Office of Auditor of Accounts  
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**At a Glance**

*Working Hard to Protect YOUR Tax Dollars*

#### Why We Did This Review

The Office of Auditor of Accounts (AOA) received an allegation that the Superintendent of Colonial School District improperly used his State SuperCard.

#### Background

Colonial School District (the District) is located in New Castle County and serves approximately 10,000 students in grades K-12. The District is comprised of one high school, three middle schools, seven elementary schools, and two special schools to serve a portion of the city of Wilmington and its southeastern suburbs including the towns of New Castle, Delaware City, and St. Georges.

The State of Delaware, through the Office of Management and Budget, Government Support Services, contracted with PNC Bank (PNC) through March 31, 2008 and JPMorgan Chase & Co. (JPMC) thereafter during Fiscal Year 2008 to provide State agencies and school districts with a VISA card program for procurement and/or travel purchases. The program is called the SuperCard Program: one card with purchasing and/or travel options, on the same card.

**For further information on this release, please contact:**

**Christopher Cooper**  
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## COLONIAL SCHOOL DISTRICT SUPERCARD USE

### What We Found

AOA determined:

- During the period of July 1, 2007 through May 30, 2009, the District's Superintendent made 163 purchases totaling \$10,094.15 on his State SuperCard. Purchases included conferences, gas, car washes, and meals. Meals included breakfasts to conduct business with District board members, educational foundation members, members of the public, and employees of the District as well as other school districts. One hundred thirty-two (132) transactions for \$7,500.55 were for in-state meals.
- The District's Business Manager reviews and approves the Superintendent's SuperCard purchases. The review is not performed by a level higher than the Superintendent, such as by the Board.
- The District did not have receipts or detailed invoices for six of the Superintendent's SuperCard transactions totaling \$3,113.18.

### What We Recommend

- The District should consider further limiting the purchase of in-state meals.
- The Board should perform, at a minimum, an annual review of the Superintendent's SuperCard spending and personal expense reimbursements. This could be performed in conjunction with the Superintendent's annual performance review.
- The Superintendent should comply with District policy and obtain receipts and detailed invoices for SuperCard transactions.

**Please read the complete report for a full list of findings/recommendations and to review the District's response to our findings.**

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# AUDIT AUTHORITY

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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.

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# ALLEGATION AND BACKGROUND

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## **ALLEGATION**

The Office of Auditor of Accounts (AOA) received an allegation that the Superintendent of Colonial School District improperly used his State SuperCard.

## **BACKGROUND**

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# OBJECTIVES, SCOPE, & METHODOLOGY

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## **OBJECTIVES**

The objective of the investigation was to determine the propriety of SuperCard purchases made by the Superintendent.

## **SCOPE**

The scope of the investigation included a review of 100% of the Superintendent's SuperCard purchases from July 1, 2007 through May 30, 2009.

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.

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# CONCLUSIONS

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During the period of July 1, 2007 through May 30, 2009, the District's Superintendent made 163 purchases totaling \$10,094.15 on his State SuperCard. Purchases included conferences, gas, car washes, and meals. Meals included breakfasts to conduct business with District board members, educational foundation members, members of the public, and employees of the District as well as other school districts.

Local funds were used to pay for the SuperCard purchases. As a result, the purchases were not subject to requirements of Delaware Law that include specific limitations for in-state meal purchases. The District's Travel Policy prohibits the purchase of in-state meals during normal working hours. In total, there were 132 transactions for \$7,500.55 for in-state meal purchases; however, the meals did not start during business hours. AOA did find 27 breakfast meals that ended after the beginning of normal working hours. Many of these purchases were made at a restaurant within the district.

Below is a categorized listing of the Superintendent's purchases during the period of July 1, 2007 through May 30, 2009:

<u>Spending Category</u>	<u>Amount</u>
Breakfast Meetings with District Board Members	\$ 348.98
Breakfast Meetings with District staff	2,371.48
Breakfast Meetings with Community Members	158.89
Breakfast Meetings with Legislators	39.48
Breakfast Meetings with Education Foundation	828.78
Breakfast meetings with other District Employees	301.85
Breakfast Meetings with Board Member & Legislator	34.71
Breakfast Meetings with Board Members and District Staff	308.82
Breakfast Meetings with Community Member and Legislator	25.53
Breakfast Meetings with Attorneys	17.85
Dinner Meetings	577.41
Conferences	3,064.18
Conference Meals	873.98
Gas	310.60
Car Wash	359.60
Miscellaneous	472.01
Total	<u>\$10,094.15</u>

Conclusion: Substantiated

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# FINDINGS AND RECOMMENDATIONS

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## **Finding #1 – Approval of Expense Reimbursements**

### ***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission's report *Internal Control - Integrated Framework* (COSO) defines control activities as ". . . the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties."

Guidance based on the Statement on Auditing Standards No. 99 *Considerations of Fraud in a Financial Statement Audit*, issued jointly by several organizations including The American Institute of Certified Public Accountants and the Association of Certified Fraud Examiners, states, "The audit committee's (or the board of directors where no audit committee exists) . . . evaluation and oversight not only helps make sure that senior management fulfills its responsibility, but also can serve as a deterrent to senior management engaging in fraudulent activity."

### ***Condition***

The District's Business Manager reviews and approves the Superintendent's SuperCard purchases. The review is not performed by a level higher than the Superintendent, such as by the Board.

### ***Cause***

In total, the Superintendent's SuperCard purchases are not material to the District. The District's Board may have deemed the SuperCard activity to be immaterial and; therefore, not warranting specific Board review.

### ***Effect***

The Board may be unaware of the types of purchases made by the Superintendent, some of which could be inappropriate and/or deemed questionable by taxpayers.

### ***Recommendation***

The Board should perform, at a minimum, an annual review of the Superintendent's SuperCard spending and personal expense reimbursements. This could be performed in conjunction with the Superintendent's annual performance review.

### ***Auditee Response***

Previously, the Superintendent has discussed his expenses with the Board and is following their guidelines and directions in these matters. The Board receives a monthly budgetary update and is often a participant in the meetings that took place and resulted in the purchases on the Supercard. The Superintendent and Business Manager will discuss with the Board of Education leadership in what manner and method the Board would like to review and/or approve the Superintendent's expenses.

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# FINDINGS AND RECOMMENDATIONS

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## **Finding #2 – Expense Reimbursement Receipts**

### ***Criteria***

According to the District's Travel and Reimbursement policy, for approved business-related travel, "Credit card receipts are not adequate for claiming reimbursement. A detailed vendor invoice is required."

### ***Condition***

The District did not have receipts or detailed invoices for 6 of the Superintendent's SuperCard transactions totaling \$3,113.18. Further review of the Colonial School District documentation disclosed that these transactions were related to a seminar attended by the Superintendent and that the transactions were legitimate School District expenses.

### ***Cause***

Human error or oversight contributed to the lack of proper documentation.

### ***Effect***

Noncompliance with District policy resulted in \$3,113.18 of unsupported transactions.

### ***Recommendation***

The Superintendent should comply with District policy and obtain receipts and detailed invoices for SuperCard transactions.

### ***Auditee Response***

The District will remind all those who travel, including Board members, to submit receipts. In addition, Business Office staff will follow-up to obtain receipts that are not submitted timely. The receipts in question were legitimate business expenses incurred by the Board members during the National School Board convention. They were not solely charges incurred by the Superintendent.

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# DISTRIBUTION OF REPORT

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

The Honorable Jack Markell, Governor, State of Delaware

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

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

Officials of Audited Entities

Dr. George Meney, Superintendent, Colonial School District

Mr. Joseph T. Laws, Board President, Colonial School District