

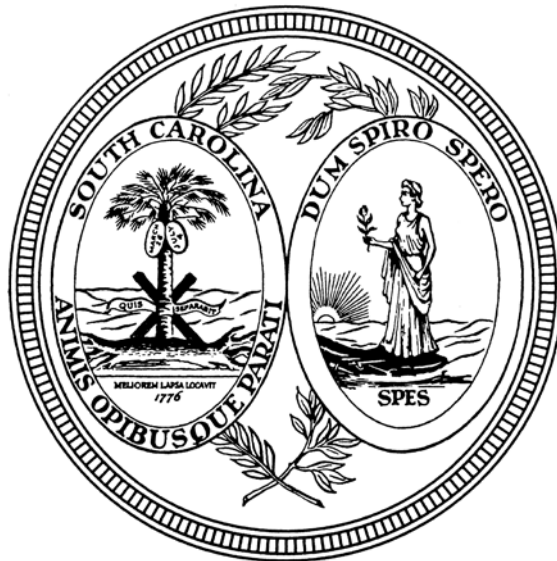


SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

February 2010

STATE AIR TRAVEL: A REVIEW OF THE USE OF STATE AIRCRAFT AND THE PURCHASE OF COMMERCIAL AIRLINE TICKETS



LEGISLATIVE AUDIT COUNCIL

1331 Elmwood Ave., Suite 315
Columbia, SC 29201
(803) 253-7612 VOICE
(803) 253-7639 FAX

Public Members

Philip F. Laughridge, CPA, Chairman
Thomas F. Hartnett
S. Jahue (Jake) Moore, Esq.
C. Dorn Smith, III, M.D.

Members Who Serve Ex Officio

Raymond E. Cleary, III
Senate Judiciary Committee
Michael L. Fair
Senate Finance Committee
Rex F. Rice
House Ways & Means Committee
Walton J. McLeod
House Judiciary Committee

Director

Thomas J. Bardin, Jr.

Authorized by §2-15-10 *et seq.* of the South Carolina Code of Laws, the Legislative Audit Council, created in 1975, reviews the operations of state agencies, investigates fiscal matters as required, and provides information to assist the General Assembly. Some audits are conducted at the request of groups of legislators who have questions about potential problems in state agencies or programs; other audits are performed as a result of statutory mandate.

The Legislative Audit Council is composed of five public members, one of whom must be a practicing certified or licensed public accountant and one of whom must be an attorney. In addition, four members of the General Assembly serve ex officio.

Audits by the Legislative Audit Council are conducted in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Copies of all LAC audits are available at no charge. We encourage you to visit our website to view and print copies of LAC reports.

LAC.SC.GOV

*State Air Travel: A Review of the Use of State Aircraft and the
Purchase of Commercial Airline Tickets* was conducted by the following audit team.

Audit Manager
Marcia A Lindsay

Auditor
Kristina A. Carefelle

Typography
Candice H. Pou
Maribeth R. Werts

Legal Counsel
Andrea Derrick Truitt

Legislative Audit Council

STATE AIR TRAVEL: A REVIEW OF THE USE OF STATE AIRCRAFT AND THE PURCHASE OF COMMERCIAL AIRLINE TICKETS

Contents

Chapter 1 Introduction

Audit Objectives	1
Scope and Methodology	1

Chapter 2 Use of State Aircraft

Flights	3
Proviso and Policies and Procedures	6
Flight Charges	10

Chapter 3 Purchases of Airline Tickets

Voucher Review	13
Seven Agencies With Highest Air Travel Expenditures	14
Purchases of Business Class Tickets	15
Contract Airfares/Monitoring Travel Expenditures	16

Appendix

Agency Comments	17
-----------------------	----

Contents

Introduction

Audit Objectives

The President Pro Tempore of the South Carolina Senate requested that the Legislative Audit Council review the usage of state aircraft and the purchase of airline tickets. Our audit objectives were to:

- Review policies and procedures in place at the Division of Aeronautics (S.C. Budget and Control Board), the South Carolina Law Enforcement Division (SLED), and the S.C. Department of Natural Resources (DNR) regarding the use of state aircraft by state officials to determine if there are appropriate safeguards and protocols in place to ensure that aircraft are only used for official state business.
- Determine if flight logs and required documentation have been completed, according to policies and state law, when state officials have used state-owned aircraft.
- Determine if state officials are purchasing airline tickets in accordance with state law and provisos.
- Follow-up on applicable recommendations regarding air travel previously made by the LAC to determine if they have been implemented.

Scope and Methodology

The period of this review was generally July 1, 2007, through June 30, 2009, with consideration of earlier or more recent periods when relevant.

Information used in this report was obtained from a variety of sources including:

- Interviews with Aeronautics, SLED, DNR, and other state agencies.
- Aircraft usage policies and procedures of Aeronautics, SLED, and DNR.
- State laws, provisos, and regulations.
- Flights logs and manifests maintained by Aeronautics, SLED, and DNR.
- Travel vouchers and supporting documentation processed by the S.C. Comptroller General's Office.
- Telephone interviews and documentation from S.C. Department of Health and Environmental Control, S.C. Department of Social Services, S.C. Department of Parks, Recreation, and Tourism, S.C. Department of Labor, Licensing, and Regulation, S.C. Department of Commerce, S.C. Department of Revenue, and the S.C. Department of Education.
- Notice of Hearing – S.C. Ethics Commission.

Criteria used to measure performance included state laws and regulations and policies of the agencies reviewed. To determine if statutory provisions concerning the use of state aircraft were complied with by the three agencies under review, we examined every flight log for the two-year period of our scope. To determine if state agencies were expending public funds for first class or business class airline tickets, we conducted a nonstatistical sample, the results of which cannot be applied to the whole population. This sample is described in the audit report. We reviewed internal controls in several areas including maintenance of records and authorization of commercial travel at selected agencies. Our findings are detailed in the report.

When addressing one of our objectives, we relied on computer-generated data maintained by the S.C. Comptroller General's Office. We compared the data maintained by that office with the supporting documentation. The majority of other data used was from source documentation. We believe that the data used in this report is reliable.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of State Aircraft

We were asked to review the usage of state aircraft – specifically at the Division of Aeronautics, the South Carolina Law Enforcement Division (SLED), and the S.C. Department of Natural Resources (DNR) to determine if the state aircraft are being properly used. We found no significant violations of state law or regulation regarding the usage of the state aircraft for the two-year period reviewed. We did, however, find instances where the nature or purpose of the flight may have been questionable. From our review of the process and documentation, we found that some improvements can be made by these agencies. Also, amending the current proviso that governs the use of state aircraft could help increase transparency and accountability.

Flights

We reviewed all the flight logs for years FY 07-08 and FY 08-09 for the use of state aircraft at the Division of Aeronautics, DNR, and SLED. Approximately 1,600 flight logs were reviewed to determine if the appropriate information and documentation was maintained by these agencies, as required by law. We found that, overall, there were no significant problems with the use of the aircraft. We did question two partisan flights taken by the Governor on the Aeronautics’ airplane and some law enforcement flights flown by DNR aircraft.

Division of Aeronautics

During the two-year period of our review, Aeronautics owned one aircraft and flew approximately 150 flights, including training and maintenance flights. The agency maintained all flight logs and passenger manifests, which include the sworn statement regarding the nature of the trip, for these flights. Flight logs and manifests are also posted on Aeronautics’ website and are updated on the first and sixteenth of each month.

As of July 1, 2009, Aeronautics was moved administratively from the S.C. Department of Commerce to the S.C. Budget and Control Board. For the period of our review, the majority of passenger flights taken on the Aeronautics’ airplane were for the Governor’s Office and the Department of Commerce.

For flights where the description of the nature of the trip was unclear, we contacted the state official who authorized the flights to obtain more information. We contacted the Governor’s Office for documentation of several flights. In these cases, the Governor’s Office provided appropriate documentation showing the trips were made for official state business. Two other flights appeared to serve a partisan purpose. The Governor’s Office stated that the Governor attended both functions in his official capacity as

Governor. One flight was to a reception/meeting with the South Carolina House Republican Caucus in August 2007 and the other was to a national Republican primary debate in January 2008. According to documentation provided by his office, the Governor also attended a national Democratic primary debate.

We found that, overall, for all three agencies reviewed, there were no significant problems with the use of state aircraft.

Most of the flights by the Department of Commerce listed the nature of the trips as “economic development.” The agency is primarily responsible for recruiting new businesses to the state. Often these businesses’ interests in our state are kept confidential until finalized plans are made for them to locate in South Carolina. State law allows the Department of Commerce to certify its passengers as “confidential” if the agency deems it a necessity and the legal names of the passengers are not listed. To ensure that confidential passengers could be identified in case of an emergency, we reviewed a sample of flight documentation at the Department of Commerce and found that the legal names of the confidential passengers were maintained at that agency.

We found several instances where the manifest (showing the passengers and nature of the trip) were not completed properly or completely. After contacting the agencies involved, we determined that the trips were for state business.

South Carolina Law Enforcement Division

During the two-year period of review, SLED owned four helicopters, but no airplanes. SLED flew 930 missions during this time, primarily for marijuana eradication, manhunts, locating escapees, search and rescues (children and vulnerable adults), surveillance, and assisting sheriffs’ offices around the state. We found documentation that SLED flew missions for 42 of the 46 county sheriffs’ departments. SLED also flew missions to assist other state agencies, including DNR, the Department of Public Safety, the Department of Corrections, and the Department of Health and Environmental Control. Missions were also flown for the U.S. Coast Guard, the Bureau of Alcohol, Tobacco, Firearms, and Explosives, the U.S. Secret Service, and the Federal Bureau of Investigation.

We did not find any material issues with the use of SLED’s helicopters for the two years reviewed. There were few flights with passengers; however, SLED did not have documentation of sworn statements for passengers from other agencies flying in its helicopters, as required by state law.

S.C. Department of
Natural Resources

DNR owned and operated three airplanes during the period of our review and flew approximately 500 flights. While DNR maintained flight logs for all of these flights, it did not have documentation of sworn statements (manifests) regarding the nature of the trips for passenger flights, as required by state law (see p. 7). The logs did contain a brief description of each flight and listed the names of any passengers.

The majority of the DNR flights were for missions regarding natural resources such as eagle surveys, turtle surveys, night patrols, stork surveillance, “dove bait,” “turkey bait,” shellfish harvesting enforcement, and search and rescues on the state’s rivers and lakes. DNR’s mission is to serve as the principal advocate for and steward of South Carolina’s natural resources. While most flights were directly related to DNR’s mission, we identified approximately 20 (4%) flights which appeared to be for law enforcement unrelated to DNR, for agencies including SLED, the Department of Corrections, the Highway Patrol, and local county sheriffs’ departments.

We contacted DNR officials to determine why their aircraft were used for non-DNR law enforcement missions. According to the agency, when SLED transferred its fixed-wing aircraft (airplane) to DNR and DNR transferred its helicopter to SLED at the request of the Governor at the beginning of his first term, SLED continued to have a need for use of an airplane. For example, we found several instances where a DNR airplane was assisting with the extradition of prisoners. According to a DNR official, this would have been accomplished by SLED, if SLED had maintained an airplane. Since it no longer has an airplane, the two agencies have informally agreed to share aircraft on a mission-by-mission basis.

While it is practical for SLED to request DNR’s aircraft ... flights for local law enforcement agencies would best be handled by SLED instead of DNR.

We also found instances where DNR assisted local law enforcement agencies by flying missions listed as assistance during a cock fighting raid, marijuana eradication, or a manhunt. According to a DNR official, DNR considers assisting other law enforcement agencies as its duty since all of DNR’s law enforcement officers are also state law enforcement officers, who have the authority to enforce all state laws.

We determined that it is practical for other state agencies, such as SLED, to request DNR’s aircraft if the mission requires a fixed-wing aircraft. However, having DNR fly strictly law enforcement (non-DNR related) flights for local law enforcement agencies would probably best be handled by SLED. If SLED is unable to fly a particular mission, then DNR should be able to fly it.

There is no specific legislative authority allowing DNR to fly any law enforcement flights, excepting its own law enforcement. In order to clarify whether DNR may fly law enforcement flights for SLED or other law enforcement agencies, the General Assembly should amend the proviso concerning state-owned aircraft. Also, a written agreement between SLED and DNR should be developed which outlines when these flights would be appropriate.

Recommendations

1. If it is the intent of the General Assembly to allow the S.C. Department of Natural Resources to fly non-DNR law enforcement flights, the proviso regarding the usage of state-owned aircraft should be revised to specifically authorize these flights.
2. If the proviso is amended to authorize the S.C. Department of Natural Resources to use its aircraft for non-DNR law enforcement purposes, the South Carolina Law Enforcement Division and the S.C. Department of Natural Resources should implement a written memorandum of agreement regarding the use of aircraft owned by each agency.

Proviso and Policies and Procedures

In order to determine if there are appropriate safeguards in place to ensure that state aircraft are only used for official business, we interviewed staff and reviewed policies and procedures in place at the Division of Aeronautics, SLED, and DNR. We also reviewed state law regarding the usage of state aircraft. We found that some improvements could be made to agency policies, and revisions to state law could help increase transparency and accountability.

Current State Law

The primary law regulating the use of state aircraft is found in a proviso in each year's appropriations act. The proviso is titled "State-Owned Aircraft – Maintenance Logs." The proviso, which has been amended over the years, basically requires the following:

- State agencies with aircraft shall maintain a continuing log of all flights open for public inspection. For FY 09-10, the proviso was amended to require that the logs be posted online.
- State-owned aircraft shall be used only for official business.
- Any agency owning aircraft may furnish transportation to the Governor, constitutional officers, members of the General Assembly, members of state boards, commissions, and agencies and their invitees.

- State officials using aircraft of the Division of Aeronautics must file with Aeronautics, within 48 hours after the time of departure of the flight, a sworn statement certifying and describing the official nature of the trip.
- If a state official flies on an aircraft owned by an agency other than Aeronautics, a sworn statement from the highest ranking official of the agency certifying that the trip was for official business of the agency is required.
- Official business does not include routine transportation to and from meetings of the General Assembly or committee meetings for which mileage is authorized.
- All logs must be signed by all passengers using their legal names, excepting confidential passengers designated by SLED or Commerce.
- Violation of these provisions is prima facie evidence of a violation of the ethics law and shall subject a violating member of the General Assembly to the ethics procedure of his appropriate house.

Additional Information Needed on Aeronautics' Manifests

In addition to flight logs, all agencies owning/operating state-owned aircraft should complete manifests for passenger flights, which include the nature or purpose of the trip. From our review of manifests maintained by Aeronautics, we determined additional requirements are needed on all manifest forms. This additional information would help ensure that state aircraft is used only for official state business and increase transparency:

Flight Contact Information

In addition to the name and agency of the person authorizing the flight, there should be a statement such as: "For more information about this flight, call (phone number of authorizing official)."

Requiring direct contact information for the person authorizing the flight will make it easier to obtain information on the flight if the public questions the legitimacy of a flight based on the information provided online.

Passenger Affiliation

In addition to the name and signature of all passengers (excluding confidential passengers), the agency or organization with which each passenger is affiliated should be added.

Requiring information regarding a passenger's affiliation to a particular agency or organization would offer the public more information about the flight.

Printed Name of Authorizing Official

The authorizing official's name should be printed or typed so that it is legible.

In our review, we found that it was difficult to read some names of the authorizing person. This information is important for the public to know in case there are questions about the flight.

Recommendation

3. The Division of Aeronautics should revise its manifest form, with the sworn statement regarding the nature of the flight, to include specific contact information for the authorizing person, passengers' affiliations, and typed or printed names of those authorizing the flights.
-

Manifests Certifying Nature of Trip

The Division of Aeronautics maintained flight logs and manifest forms for all flights reviewed. It also posts the manifests online. Neither SLED nor DNR completed manifest forms with sworn statements for the period of our review; however, both agencies collected some of the needed information, such as passenger names and the general nature of the trips.

State law requires a sworn statement certifying and describing the official nature of the trip to be filed with Aeronautics within forty-eight hours after the time of departure of the flight. If officials are flying on aircraft owned by another agency, a sworn statement from the highest ranking official of the agency must be prepared and maintained certifying the trip was for official business of the agency.

According to a DNR official, the agency was not aware of the proviso relating to state-owned aircraft. As of July 1, 2009, it developed a manifest form which requires the agency director's signature for passenger flights.

During our exit with SLED, the agency provided an outdated form which required the purpose of the trip, the public officials who flew, and a sworn statement by the agency director that the trip was in conjunction with the official business of the agency. However, SLED acknowledged that this form was not implemented during our period of review. The agency stated that it is modifying the form to include additional information.

Currently, the proviso requires that this information be maintained by agencies; however, it does not require that this document and/or its contents be posted online. To ensure full disclosure regarding the nature of trips for passenger flights taken on state-owned aircraft, manifest documents should be posted online, excepting strictly law enforcement flights.

Recommendations

4. The General Assembly should amend the proviso regarding the usage of state-owned aircraft to require that manifest forms be maintained and posted online by all agencies owning/operating state-owned aircraft for passenger flights, excluding strictly law enforcement flights.
5. The South Carolina Law Enforcement Division should implement a manifest form for all applicable passenger flights.

Posting Online

Proviso 89.27 of the FY 09-10 appropriations act added a requirement to post online the flight logs of these agencies. All three agencies now post their flight logs online. Aeronautics is the only one of the three that also posts its manifests with sworn statements regarding the nature of the flights. Aeronautics updates its website with this information on the first and sixteenth of each month. SLED updates its website as flights are taken. During our audit, we found that DNR had not regularly updated the flight logs on its website; however, it now updates its flight information monthly.

Recommendation

6. The General Assembly should amend the proviso related to the usage of state-owned aircraft to require agencies with state-owned aircraft to update its flight log information online at least monthly.

Law Enforcement Flights

Officials from SLED and DNR have indicated that due to the sensitive nature of many of their law enforcement flights, some flight information should not be required to be posted online. Many flights by SLED and some by DNR are for on-going law enforcement cases and surveillance. Posting this information online may endanger the agents and pilots flying the missions and allow the criminals to track which areas are under surveillance. It is important for each agency to maintain documentation of all flights, but strictly law enforcement flights may not need to be posted online.

Recommendation

7. The General Assembly should consider amending the proviso related to usage of state-owned aircraft to exempt agencies flying strictly law enforcement flights from posting this information online.
-

No Complaints to Ethics Committees in House or Senate

The proviso relating to the use of state-owned aircraft states that any member of the General Assembly who violates its provision shall be subject to the ethics procedures of his appropriate house. For the two years of our review, neither the House nor Senate Ethics Committee received any complaints regarding a member of the General Assembly for violating this proviso.

Flight Charges

The Division of Aeronautics does not charge the Governor, the Lieutenant Governor, or members of the General Assembly for the use of the state airplane. The Division of Aeronautics absorbs the cost of these flights from its budget. These officials can reserve the plane, without charge, and fly others without being on the flights themselves. Other constitutional officers and state agencies are charged \$1,100 per flight hour. Neither SLED nor DNR charges other state or local agencies for the use of their aircraft.

Charging for Flight Hours

Neither state law nor regulation addresses charges related to flights by the Division of Aeronautics' airplane. According to an official of the Division of Aeronautics:

The Aeronautics Flight Department's budget is supported by state appropriated funds enabling the Governor, Lt. Governor, and members of the General Assembly air transportation services to conduct state business. Therefore, it is a policy of the South Carolina Aeronautics Commission to provide air transportation and not a regulation or law to conduct such service. The Aeronautics Flight Department budget is based on 150 hours of flying as we are not authorized by budget proviso or provided the funds to support other state agency or constitutional officers (Agriculture Commissioner, Superintendent of Education, Controller General, State Treasurer, etc.) air travel needs.

An official of the Division of Aeronautics stated that it has always been the policy of his agency to exempt the Governor, Lieutenant Governor, and members of the General Assembly from being charged for flights while other

constitutional officers and state agencies are billed for their use of the aircraft. We could find no statutory authority that allows certain elected officers to be exempted from paying for flights on the Division of Aeronautics' aircraft.

Reserving the Plane for Others

If a legislator, the Lieutenant Governor, or the Governor reserves a flight for himself, or on behalf of other state officials or members of the public, the Division of Aeronautics pays for the flight out of its budget. These elected officials do not actually have to be passengers on the flights once the Division of Aeronautics' plane is reserved.

We found two examples where a now-former legislator reserved the Division of Aeronautics' airplane, but was not a passenger on either flight. From the flight documentation, it appears that the passengers on both of these flights were non-state employees and the nature of one trip was listed as "economic development" and the other was to request assistance for the state from Washington, D.C.

Charging all officials who authorize flights on the Division of Aeronautics' airplane, whether he be a passenger or not, could increase accountability when all state officials are required to pay for flights on the state airplane. It helps to ensure that flights are needed and these expenditures are in the best interest of the state.

If a legislator, the Lieutenant Governor, or the Governor reserves a flight for himself, or on behalf of other state officials or members of the public, the Division of Aeronautics pays for the flight out of its budget.

Recommendations

-
8. The proviso regarding the usage of state-owned aircraft should be amended to require that all entities authorizing flights on the Division of Aeronautics' aircraft be billed for flight hours used.
 9. If the General Assembly intends for only certain officials to be exempt from paying for the use of the state airplane, it should amend the proviso to identify those officials.

Chapter 2
Use of State Aircraft

Purchases of Airline Tickets

One of our objectives was to determine if state officials are purchasing first class or business class airline tickets. Business class airline tickets are a relatively new type of airline booking class positioned, both fare-wise and location-wise, between first class and economy. However, some business class tickets may cost the same as first class tickets.

State law (proviso 89.24(N) of the FY 09-10 appropriations act) prohibits state funds from being used to purchase first class airline tickets. Regulation 19-101.03 states that travel by commercial airlines will be in coach or tourist class unless circumstances require otherwise. We found that there is some discrepancy between this proviso and state regulation.

Voucher Review

We reviewed a non-statistical sample of 59 vouchers for air travel (in-state, out-of-state, foreign) from FY 07-08 and FY 08-09. For 34 (58%) flights in our sample, the supporting documentation accompanying the vouchers maintained at the S.C. Comptroller General's (CG) office indicated "economy" or "coach" as the ticket class.

Twenty (34%) vouchers, however, did not have documentation showing what class the tickets were. Four (7%) vouchers indicated that business class tickets had been purchased (see p. 15). For the remaining voucher, the employee had purchased a first class ticket, but was reimbursed for an economy class ticket. There is no requirement that the class of the ticket be documented before the CG's office can process the voucher for payment.

In our sample, only the Department of Commerce had purchased business class tickets instead of economy/coach class.

Agencies purchase airline tickets by different methods including:

- An employee purchases the airline tickets with his/her own funds then submits receipts with a travel reimbursement form. If approved by the agency, reimbursement is made directly to the employee.
- The state agency uses its procurement card and requests payment from the CG's office for the entire card balance. In some cases, the individual employee purchases an airline ticket with a state credit card issued in the employee's name and submits the credit card statement for reimbursement.
- A state agency uses a travel agency to make the flight arrangements. Documentation from the travel agency is submitted for payment.

For further clarification, we reviewed documentation for vouchers identified in our sample at two state agencies. We reviewed the paperwork, verified what approvals were obtained, and followed the documentation through to payment. We found that agencies were not purchasing first class tickets with state funds; however, in one agency, we found that business class tickets had been purchased, which is a violation of state regulation (see below).

Seven Agencies With Highest Air Travel Expenditures

All seven agencies
acknowledged they were
aware of restrictions on airline
ticket purchases.

To determine if agencies were aware of the restrictions contained in state regulation and proviso regarding the purchase of commercial airline tickets and to determine what procedures are in place to regulate these purchases, we contacted the seven agencies (S.C. Department of Health & Environmental Control, S.C. Department of Commerce, S.C. Department of Education, S.C. Department of Social Services, S.C. Department of Labor, Licensing, and Regulation, S.C. Department of Revenue, and S.C. Department of Parks, Recreation, and Tourism), with the highest air travel expenditures during FY 07-08 and FY 08-09. We found the following:

Written Policies Regarding Air Travel

Six of the seven state agencies contacted have internal written policies regarding travel, and, specifically, air travel. Some of the policies state that only economy or coach class airline tickets may be purchased. A Department of Revenue official stated he was currently drafting a written policy on travel. All agencies acknowledged that they were aware of the restrictions.

Internal Approval Process for Air Travel

All the agencies contacted have either a pre-authorization process or a post travel review regarding out-of-state or foreign travel. Many of the agencies have authorization forms which require several levels of approval before airline arrangements may be made.

Purchases of First/Business Class Airline Tickets

Five of the agencies confirmed that no first class or business class airline tickets have been purchased for anyone in their agencies. One agency had an extreme extenuating circumstance which required the purchase of a one-way first class ticket to accommodate an employee who was injured while traveling. Otherwise, no first or business class tickets had been purchased by that agency.

Purchases of Business Class Tickets

In our sample, one agency, the Department of Commerce, purchased business class airline tickets for the Governor, the Commerce Secretary, the Deputy Secretary, and, on occasion, a legislator. While these purchases do not violate state proviso, which does not prohibit the purchase of business class tickets, the purchases do violate the intent of state regulation which states that commercial airline travel must be in coach or tourist class.

For some domestic legs of these international trips, the itinerary lists the seat classification as “first class” instead of business class. Commerce officials explained that on some smaller planes, there is no business class designation so the designation automatically assigns “first class” since it is not economy. We confirmed this with customer service of two airlines on which these flights occurred.

Because of the discrepancy between state proviso and regulation 19-101.03, the General Assembly may wish to amend the proviso to specify that neither first class nor business class tickets may be purchased with state funds. If, however, the General Assembly determines that top state officials should be allowed to fly business class for international flights, it may wish to amend the proviso to identify those state officials and types of flights for which individuals are allowed to travel with business class accommodations.

Recommendations

10. The General Assembly should amend the proviso regarding the purchase of first class airline tickets to prohibit the use of state funds to purchase any airline ticket excepting economy/coach/tourist.
11. If the General Assembly determines that certain state officials should be authorized to travel by commercial airlines in classes other than economy/coach/tourist, it should amend the proviso to specify those officials and circumstances.

Contract Airfares/ Monitoring Travel Expenditures

In our 1992 report, *Cost Savings for State Government: A Special Report*, we found that there was no single authority or state office responsible for monitoring travel by South Carolina state agencies to ensure that costs are minimized. This also made it difficult for the state to use its volume of travel to realize savings. Without this type of information on air travel expense patterns by all state agencies, it was difficult for the state to use its bulk purchasing power to obtain discount rates and contracts with airlines. We recommended that the General Assembly authorize the Budget and Control Board to develop a system to monitor and control state government travel expenditures and to collect travel information or to consider contracting with a single or regional private-sector travel agency. We also recommended that the Budget and Control Board contract with air carriers for government discounts on airfares.

In our 2002 report, *An Administrative Review of the Department of Commerce*, we again recommended that the General Assembly should direct the Budget and Control Board to contract for airfare for state agencies and employees and that the board should develop data necessary to determine savings from the airfare contracts. We made a similar recommendation in our 2005 report, *A Review of State Travel*. In its response to our 2005 audit, the Budget and Control Board responded that it had attempted to procure discount airfares throughout the years; however, it had been unable to make any awards.

While no central travel office has been established, in 2008, the Comptroller General's office introduced an online transparency reporting system which details expenditures of most state agencies, including travel. In FY 08-09, the state spent approximately \$23 million for all types of travel, excluding that of colleges and universities. Of that amount, \$943,825 was for air travel. This type of data may be useful in monitoring state spending on travel and allow the public to review total expenses incurred by state agencies.

Recommendation

12. The S.C. Budget and Control Board should determine if contracting with air carriers could provide cost-effective government discounts on airfares.

Agency Comments

Because of the scope of this audit, we obtained comments from five state agencies:

S.C. Aeronautics Commission (a division of the S.C. Budget and Control Board)
South Carolina Law Enforcement Division
S.C. Department of Natural Resources
S.C. Budget and Control Board
S.C. Department of Commerce

All of the above-listed agencies provided preliminary comments; however, the South Carolina Law Enforcement Division and the S.C. Department of Natural Resources chose not to provide final comments.

**Appendix
Agency Comments**

STATE OF SOUTH CAROLINA
SOUTH CAROLINA AERONAUTICS COMMISSION



PAUL G. WERTS
EXECUTIVE DIRECTOR

MARK SANFORD
GOVERNOR

January 20, 2010

Mr. Thomas J. Bardin, Jr., Director
South Carolina Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

AERONAUTICS
COMMISSION

Chairman
At-Large
Gregg A.
Malphus

District 1 &
Vice-Chairman
William M.
McKown

District 2 &
Secretary
Raymond E.
McKay, Jr.,
JD, CPA

District 3
Ira E. "Bud"
Coward II

District 4
Vacant

District 5
Barry G
Avent

District 6
Dennis L.
Dabney, CPA

Dear Mr. Bardin:

We wish to thank the Legislative Audit Council (LAC) for the professional and comprehensive review they conducted of the South Carolina Aeronautics Commission and the Division of Aeronautics of the State Budget and Control Board (SCAC) in conjunction with their State Air Travel Report dated January 2010. The SCAC is very pleased we were able to provide the documentation necessary for LAC to complete their report. The SCAC will continue to be as open and transparent to the general public in our endeavors as possible.

One suggestion by the LAC was that we type or print the name of the individual who reserves or authorizes a flight be on the manifest and we have already incorporated this change.

LAC's suggestion for a new proviso for billing flight hours should also include the South Carolina Department of Natural Resources and the South Carolina Law Enforcement Division. However, we do want to caution the LAC regarding cost share reimbursements.

The SCAC requests that our response to the LAC be included in the final report to the General Assembly.

Sincerely,

A handwritten signature in red ink, appearing to read "Paul G. Werts", is written over the typed name.

Paul G. Werts
Executive Director

PGW/rmr

cc: Gregg Malphus, Chairman, SCAC
Hugh Tuttle, Chief Pilot, SCAC

Post Office Box 280068
Columbia, South Carolina 29228-0068
2553 Airport Blvd., West Columbia, South Carolina 29170
Phone: 803-896-6260
Fax: 803-896-6266
Toll Free: 800-922-0574

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF THE EXECUTIVE DIRECTOR

MARK SANFORD, CHAIRMAN
GOVERNOR

CONVERSE A. CHELLIS III, CPA
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320
Fax: (803) 734-2117

HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

DANIEL T. COOPER
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

February 17, 2010

Thomas J. Bardin, Jr.
Director
S. C. Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Dear Mr. Bardin,

We appreciate the opportunity to provide comments on your report entitled *State Air Travel – A review of the Use of State Aircraft and the Purchase of Commercial Airline Tickets*. This response covers only the recommendation made directly to the S.C. Budget and Control Board. The Division of Aeronautics will respond separately concerning other items in the audit.

We have made numerous attempts over many years to contract for discount airfares. In the early 1980s we awarded a contract to Freedom Airlines, which eventually went bankrupt. Twice we solicited airfares for selected city pairs, but made no award because all responses were either non-responsive or not attractive financially. We attempted again in 1999 and 2002 with similar results. Our state's lack of a domestic airline hub clearly limits our ability to obtain special rates from airlines and there is no indication that this situation has changed. In addition, the advent of online airline ticket buying systems has dramatically increased price competition for air travelers.

Sincerely,

A handwritten signature in cursive script that reads "Frank W. Fusco".

Frank W. Fusco



Mark Sanford
Governor

SOUTH CAROLINA
DEPARTMENT OF COMMERCE

Joe E. Taylor, Jr.
Secretary

February 18, 2010

Mr. Thomas J. Bardin, Jr.
Director
Legislative Audit Council
1331 Elmwood Avenue, Ste. 315
Columbia, SC 29201

Dear Mr. Bardin:

Thank you for the opportunity to provide comments to the report entitled *State Air Travel – A Review of the Use of State Aircraft and the Purchase of Commercial Airline Tickets*.

We have reviewed the report and concur with the conclusions and recommendations of the Legislative Audit Council (“LAC”) with regard to the purchase of commercial airline tickets. As noted by the LAC, the guidance regarding whether or when the purchase of business class tickets is allowable is unclear. Accordingly, like the LAC, we believe that it would be helpful for the South Carolina General Assembly to clarify when and under what circumstances certain state officials are authorized to fly other than economy/coach/tourist class when on official state business.

We would recommend that the General Assembly consider adopting the same (or a similar) policy with regard to airline travel as that used by the North Carolina Department of Commerce for international overseas travel. That Travel Expense Policy, which is authorized by North Carolina’s State Budget Manual, states in pertinent part:

AIRLINE TRAVEL

- All travel utilizing a commercial airline (in-state, out-of-state, out-of-country) must receive prior approval through the BDA process approved by the Secretary or his/her designee. . . .
- Air travel is reimbursable at actual coach fare only and must be substantiated by a receipt and approved BDA. The only exception is air travel internationally on overseas flights may be reimbursed at the actual business class fare with an approved BDA. If there are unusual or extenuating circumstances, which should be considered, then a justification and explanation should be attached to the BDA seeking approval for an exception. . . .

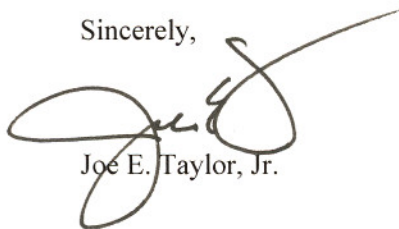
North Carolina Department of Commerce, Policy # FM 1 (Travel Expense Policy), at pp.10-11 (effective July 1, 2001 and last revised January 1, 2010). The complete policy can be located at http://intranet.nccommerce.com/policies/FM_1.pdf.

Mr. Thomas J. Bardin, Jr.
February 18, 2010
Page Two

Many overseas flights involve meetings with senior corporate executives who are considering making investments in South Carolina. These flights are lengthy, often overnight, and involve the review of highly confidential documents and, in some cases, security issues. Our view is that the North Carolina policy protects the state's interests and at the same time allows for discretion when needed with regard to travel overseas.

Please thank your staff for their courtesy and professionalism throughout the investigative process.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe E. Taylor, Jr.", with a large, sweeping flourish extending upwards and to the right.

Joe E. Taylor, Jr.

JET/km

This report was published for a total cost of \$44; 75 bound copies were printed at a cost of 59¢ per unit.

