

DEPARTMENT OF INDUSTRIAL RELATIONS

Investigations of Improper Activities by State Employees, August 2002 Through January 2003

ALLEGATION I2002-605 (REPORT I2003-1), APRIL 2003

Department of Industrial Relations response as of April 2003

Investigative Highlight . . .

A Department of Industrial Relations official claimed reimbursement for more than \$17,000 in travel expenses to which he was not entitled.

We investigated and substantiated allegations that an official with the Department of Industrial Relations (department) improperly claimed reimbursements for relocation and commute expenses for travel between his residence near San Diego and his headquarters in San Francisco. We also found that the official improperly claimed payment for lodging and meals incurred within a close proximity of his headquarters. At the time we received the allegation, the department was already investigating these issues, and we asked that it report its findings to our office. The department concluded that the official improperly claimed \$5,726 in travel costs related to relocation and lodging expenses. After receiving the department's report, we performed some additional analysis and follow-up work and determined that the official had claimed an additional \$11,803 in improper travel expenses.

Finding #1: The official claimed relocation expenses but did not relocate.

The State reimbursed the official for relocation expenses when he neither relocated nor obtained the necessary approval for the reimbursement. The department found that \$4,939 of the official's \$4,982 claim for relocation expenses was improper, and it recommended disallowing these costs. However, the department allowed the remaining \$43, which represents a 9-cent-per-mile reimbursement for relocation travel between the official's home near San Diego and his headquarters in San Francisco. However, we determined that the State should not have paid the \$43 because the official did not relocate.

Department Action: Corrective action taken.

The department agrees with our finding and required the official to reimburse the State for improper relocation expenses totaling \$4,982.

Finding #2: The official submitted improper claims for lodging and meal expenses.

The official made improper claims for lodging and meals. The department reported that the official improperly received \$787 in reimbursement for unallowable lodging expenses that he incurred within 50 miles of his headquarters location. Our analysis determined that the official also improperly received \$1,082 in meal and incidental expenses incurred within 50 miles of his San Francisco headquarters.

Department Action: Corrective action taken.

The department agrees with our finding and required the official to reimburse the State a total of \$1,869 for lodging, meal, and incidental expenses incurred within 50 miles of his headquarters.

Finding #3: The official claimed and the department approved other unallowable and unnecessary expenses.

Of the \$47,790 in travel costs the official incurred between April 2000 and November 2001, the State paid \$2,334 for 24 days of lodging in San Diego, which is within 35 miles of the official's home, \$3,941 for flights between San Diego and his San Francisco headquarters, and \$3,768 more than he was entitled to receive for costs associated with flights between San Diego and Sacramento.¹

We also found that the official claimed unnecessary rental car expenses. A portion of the rental car expenses the official claimed was for weekend rentals for which he stated no business purpose. Although the department did not address the issue, we found that of the \$3,417 in rental car expenses the official incurred during the 20-month period we reviewed, \$635 related to vehicles he rented in San Diego on weekends.

¹ The \$47,790 includes \$31,831 in travel claims that the official submitted for reimbursement and \$15,929 in travel expenses not included on a travel claim, but that the State paid directly to a vendor. This figure does not include any relocation expenses.

Finally, we found that even though a majority of the \$31,831 in travel claims that the official submitted lacked sufficient explanations for his trips, as state regulations require, the department approved his claims. We spoke with two executives about the department's process for reviewing and approving travel claims, because they had approved a number of the official's claims. Both executives told us they do not or usually do not attempt to verify the purpose of each trip listed on the claims.

Department Action: Partial corrective action taken.

➡ The department reported that it will require an executive-level civil service officer familiar with state reimbursement rules to authorize all exempt employee travel claims before submitting them to the accounting department for processing. The department also reported that it will require a senior level (or higher) accounting officer to audit all exempt employees' travel claims before making payment. After the department began its investigation of the official's travel expenses, and well after the official had incurred the expenses and received reimbursement, the department decided that, for the purpose of determining which costs were valid and in compliance with state requirements, it would consider the official's San Francisco headquarters to be his "primary residence." This determination was based on the California Code of Regulations, Title 2, Section 599.616.1(b), which states that a place of primary dwelling shall be designated for each state officer and employee and that the primary dwelling shall be defined as the actual dwelling place that bears the most logical relationship to the employee's headquarters and shall be determined without regard to any other legal or mailing address.

➡ The department's determination that the official's primary dwelling was one and the same as the San Francisco headquarters allowed the official to travel between San Francisco and San Diego at state expense, based on the assumption that all such travel is for a business purpose. Consequently, the department did not recommend that the official repay the State for \$2,334 in lodging expenses and \$635 in rental car expenses he incurred in San Diego, the \$3,768 overpayment for trips the official took between San Diego and Sacramento, or the \$3,941 in airfare for flights between San Diego and San Francisco. Since the department determined that for the purpose of calculating travel expenses, the official's residence is his headquarters in San Francisco and not where he resides (near San Diego),

these expenses became allowable; however, we question this determination and find no indication that the official's headquarters is an "actual dwelling place." Moreover, the department does not appear to have used the best interests of the State as its guiding principle when making this after-the-fact determination that contradicted statements on the travel claims.