

California State University, Chancellor's Office

Failure to Follow Reimbursement Policies Resulted in Improper and Wasteful Expenditures

REPORT NUMBER I2007-1158, DECEMBER 2009

California State University, Chancellor's Office response as of December 2009

An official at the California State University (university), Chancellor's Office, received \$152,441 in improper expense reimbursements over a 37-month period from July 2005 through July 2008. The improper reimbursements included expenses for unnecessary trips, meals that exceeded the university's limits, the official's commute expenses between his home in Northern California and the university's headquarters in Long Beach, living allowances, home office expenses, duplicate payments, and overpayments of claims. The official consistently failed to follow university policies in submitting requests for reimbursement. In addition, the official's supervisor and the university failed to adequately review the official's expense reimbursement claims and follow long-established policies and procedures designed to ensure accuracy and adequate control of expenses. As a consequence, the university allowed the official to incur expenses that were unnecessary and not in the best interest of the university or the State.

Finding #1: The official received improper reimbursements for expenses related to travel, business meals, commute, and personal expenses.

Our investigation found that the official often engaged in travel that appeared to offer few tangible benefits or advantages to the university and was not in the State's best interest. The official traveled regularly throughout the 37-month period we analyzed. Much of his travel related to his duties in the university's Chancellor's Office. However, reimbursements for some of the official's trips were not for university events and resulted in \$39,135 in unnecessary costs to the State.

In addition, the official regularly organized, hosted, and attended meals involving a variety of university staff, as well as other individuals serving on working groups or boards with the official. Over the period we examined, the official claimed \$26,455 in reimbursements for these meals, which exceeded the amounts allowed for meal reimbursements.

We also calculated that the official improperly received reimbursements totaling \$43,288 in expenses resulting from commuting between his home in Northern California and headquarters in Long Beach, despite university policies clearly prohibiting employees from claiming reimbursement for expenses incurred within 25 miles of their designated headquarters or at their residence. The \$43,288 represents a variety of prohibited expenses, including dozens of flights on commercial airlines between his

Investigative Highlights . . .

Our investigation of expense reimbursement claims made by an official at the California State University (university), Chancellor's Office, revealed the following:

- » *The official received \$152,441 in improper expense reimbursements over a 37-month period from July 2005 through July 2008.*
- » *The official consistently failed to follow university policies in submitting requests for reimbursements.*
- » *The official's supervisor and the university failed to adequately review the official's expense reimbursement claims and follow long-established policies and procedures.*

residence in Northern California and his headquarters in Long Beach, hotel lodging, airport parking, rental car charges, and reimbursement for the personal use of his vehicle between his home and the airport.

Finally, the official improperly received reimbursements totaling \$17,053 for personal expenses incurred while purportedly conducting university business from his home in Northern California. Many of these expenses appeared to be for equipment, supplies, and services to his residence, including multiple telecommunications services often totaling hundreds of dollars per month. The university no longer employs the official.

We recommended that the university take the following actions:

- Reexamine its preapproval and reimbursement review process for all high-level university employees, and require staff at all organizational levels to submit correct and complete claims along with detailed documentation supporting those claims, subject to thorough and appropriate review by the university accounting staff.
- Specify upper monetary limits for its food and beverage policy and specify when this policy applies.
- Revise its travel policy to establish defined maximum limits for reimbursing the costs of lodging and to establish controls that allow for exceptions to such limits only under specific circumstances.

Chancellor's Office Action: Partial corrective action taken.

Although the university agreed that it should reexamine its reimbursement procedures for high-level employees, as well as require complete and thorough documentation of the expenses for which reimbursement is being sought, it disagreed with our finding that the official's travel appeared to offer few tangible benefits or advantages to the university. The university broadly asserted that the official's trips and associated activities were part of an effort to protect, maintain, and enhance the university's investment in software. More specifically, the university asserted that many of the trips were necessary to maintain a relationship with a particular vendor in whose software the university had made a substantial investment. Nonetheless, the university still failed to clearly identify how the official's extensive travel provided it concrete and measurable benefits.

In responding to our recommendation that the university should specify monetary limits for its food and beverage policy, and specify when that policy applies to a given situation rather than the university's stricter travel reimbursement policy, the university stated that, prior to receiving the draft of the report, it separated business meal reimbursements under its travel policy from business meal reimbursements under its food and beverage policy through the use of different funding sources. Regardless, the university's response failed to indicate whether it would specify monetary limits for its food and beverage policy—particularly for business meals—and clarify when the policy applies. Consequently, even though the university stated that it “will continue to be vigilant” about its compliance with the food and beverage policy, we have received no indication that the university intends to address the waste of public funds for the unnecessary expenditures that we identified in our report.

Finally, the university commented that, given the variety of locations around the world where it does business, it would be “impractical” to establish defined limits for reimbursing the costs of lodging. Instead, the university stated that it asks its employees who travel frequently to “pay careful attention to lodging choices” and asks its managers to “scrutinize travel claims for wasteful expenditures.” However, the university's response highlights its failure to grasp the enormity of the problem created by its lack of defined limits on lodging costs. Without defined limits—and a control that allows for exceptions to the limits—the university has abdicated its oversight responsibility. Furthermore, the university is disingenuous in stating that it would be impractical to institute defined limits on lodging costs. The Department of Personnel Administration (Personnel Administration), which oversees the

travel rules and regulations for most other state employees, has clearly established limits on lodging costs incurred in California. In addition, Personnel Administration allows state agencies to authorize exceptions to the defined limits for lodging costs incurred for in-state and out-of-state travel, and further allows state employees who travel in foreign countries to claim actual expenses up to defined limits established by the U.S. Department of State.

Finding #2: The university paid the official for long-term living expenses he was not entitled to receive.

We found that the official requested and received a \$748 monthly payment for 33 of the 37 months we examined, totaling \$24,676. These payments were referred to as “long-term subsistence” payments on the official’s travel expense claims and contained no additional supporting documentation or justification. University policy allows for the payment of per diem expenses an employee incurs from the use of establishments that cater to long-term visitors. To qualify for this allowance, the employee must be on a long-term field assignment. However, the official was not on a long-term field assignment as defined by university policy, so he should not have received \$24,676 for long-term subsistence costs. When we asked university executive management why the official was allowed to claim long-term subsistence for such an extended length of time, even though he also was being reimbursed for commuting expense between his home and university headquarters, we were told that such an arrangement was necessary to retain the official.

We recommended the university terminate any agreements with university employees that allow them to work at a location other than their headquarters and expressly prohibit the making of such agreements.

Chancellor’s Office Action: Pending.

The university did not agree with our recommendation that it should terminate agreements with employees that allow them to work at locations other than their headquarters and expressly prohibit the making of such agreements. The university responded that it needed flexibility to recruit and retain highly skilled employees; thus, it would be counterproductive to terminate its flexibility in allowing employees to work from locations other than their headquarters. Although that may be the university’s view, it does not address the finding of our investigation that the university allowed an employee to work from home, at considerable expense, without having any obvious business need for the university to permit the arrangement. Moreover, the university permitted the arrangement through an informal agreement that did not include safeguards like those imposed by the university’s telecommuting policy, which requires that important issues including work schedules, equipment needs, costs, and accountability for work be addressed. Finally, as was the case with the official who was the subject of this investigation, such costly informal agreements are not necessarily successful in retaining employees.

Finding #3: The university paid the official for duplicate payment and overpayments.

The official improperly received reimbursements totaling \$1,834 that resulted from duplicate payments and overpayments made by the university. In particular, our analysis found that the official received \$1,072 in payments for which the university had reimbursed him previously and \$762 in payments that exceeded the amounts the university owed him.

We recommended that the university recover from the official the \$1,834 in duplicate payments and overpayments.

Chancellor’s Office Action: Pending.

The university agreed that it should seek reimbursement for any duplicate payments or overpayments.