



STATE OF NEW YORK
OFFICE OF THE STATE INSPECTOR GENERAL
April 3, 2008
Final Report

Inspector General Finds Travel Abuse by Department of Health Official

SUMMARY OF FINDINGS/RECOMMENDATIONS

The Inspector General conducted an investigation of a Department of Health (DOH) executive who was allegedly abusing travel expense reimbursements. The investigation substantiated the abuse and referred the executive, Luella Kelley, to DOH for disciplinary action. In addition, Kelley should reimburse the state for the \$3,093 she was wrongly issued. The Inspector General also recommended significant changes to combat internal control weaknesses within DOH's Travel Unit. DOH advised that it is implementing the Inspector General's recommendations.

ALLEGATIONS

On January 5, 2007, the Office of Inspector General (Inspector General) received an anonymous complaint alleging that Luella Kelley, Assistant Director at the DOH Bureau of Employee Relations and Staff Development, was abusing the agency's expense reimbursement policy when traveling on state business.

SUMMARY OF INVESTIGATION

Luella Kelley has been in her current position with DOH since 1995. In this position, Kelley performs traditional labor-relations duties, including the handling of grievances, counseling of employees for unacceptable performance, and disciplining employees for misconduct.

The Inspector General reviewed New York State travel guidelines, DOH travel policies and procedures, and DOH's Travel Training manual. The guidelines specify that an employee traveling on state business may only seek reimbursement for "**actual, necessary and reasonable business expenses.**" [Emphasis added.]

To determine if Kelley abused the travel expense reimbursement system, the Inspector General reviewed all travel vouchers and timesheets processed for Kelley from January 1, 2004 to December 30, 2006. For each reimbursement, auditors checked supporting information and documents, including hotel receipts, tolls, parking and car rentals, to verify that all reimbursements were properly granted. Additionally, auditors compared travel dates to Kelley's official time sheets. This review determined that there was an overpayment of \$3,093 to Kelley through the issuance of reimbursements for extra meals, the processing of duplicate claims and so-called "taxi fare in lieu of mileage." The audit also revealed that despite the inappropriate expense claims submitted by Kelley, the DOH Travel Unit staff failed to detect those errors and/or misstatements.

A. Reimbursement for Taxis Not Taken

The Inspector General's review revealed that each time Kelley traveled on state business via Amtrak, she drove her personal vehicle from her Rensselaer home to the Amtrak station in Rensselaer. (During the time period under review, Kelley lived at two different residences in Rensselaer. The first residence was 12 miles from the Amtrak station and her current residence is 2 miles from the Amtrak station.) Kelley parked her personal vehicle at the Amtrak station parking facility for the duration of her travel and drove it back to her residence upon completion of her trip. While Kelley sought and received reimbursement for her train station parking fee, she did not submit a mileage claim. Instead, she charged the state up to \$30 for "taxi fare in lieu of mileage." In other words, Kelley was reimbursed for the "estimated" taxi fare between her home and the train station, even though she took her own car, not a taxi. The \$30 submission – in addition to being impermissible -- was more than triple her actual mileage cost, which averaged \$9.

The Inspector General interviewed Kelley who admitted that she had been charging the state for "taxi fare in lieu of mileage" since sometime in the mid-1990s. She also claimed that she began the practice when she was "either told" or "saw it" in a "printed booklet with a blue cover." She further stated "I thought it was all right to do it and I was never told that I couldn't or shouldn't do that." At a subsequent interview, Kelley said that she was unable to locate the travel booklet with the blue cover, but she added that it was probably the DOH Travel Unit Supervisor who told her that she could charge the state for "taxi fare in lieu of mileage."

The Inspector General obtained copies of DOH's Travel Training Manual, revised in 2004, and the Office of the State Comptroller (OSC) Travel Manual, revised on October 1, 1998. Both manuals have blue covers and both state on page 9, under the heading "Expenses to and from Transportation Terminal," the following: "Employees may incur charges traveling to and from a transportation terminal, such as an airport, train or bus station. Employees will be reimbursed **actual costs** for taxi or common carriers between residence and transportation terminals, **or** for personal car mileage, in accordance with their bargaining unit. Agencies are responsible for determining if costs are reasonable and necessary." [Emphasis added.]

The Inspector General interviewed the DOH Director of Bureau of Accounts Management (Accounts Director) to determine if such instruction permitted an employee to request reimbursement for “taxi fare in lieu of mileage” when she didn’t take a taxi and also sought reimbursement to park her personal vehicle. The Accounts Director stated that reimbursement should be made only for the actual travel costs used by the employee.

The Inspector General interviewed the Travel Unit Supervisor. The Supervisor was asked whether the DOH Travel Training Manual included language that permitted reimbursement for “taxi fare in lieu of mileage.” The Supervisor responded that such language “would never have been in it [the Manual] because it is not proper.” The Supervisor further denied that she ever informed Kelley that such a charge was permissible. The Supervisor was shown a travel voucher submitted by Kelley for which Kelley was reimbursed for “taxi fare in lieu of mileage,” while at the same time Kelley submitted a receipt from the Amtrak Train Station Parking Lot for reimbursement for the cost of parking her personal vehicle. The Supervisor admitted: “I did not pick up on that.”

Clearly, Kelley was not permitted to seek or receive reimbursement for “taxi fare in lieu of mileage,” when she did not actually incur the cost of a taxi. Nor was it reasonable for Kelley to charge the state for both “taxi fare in lieu of mileage” and for parking the vehicle she drove to the train station. During her interview with the Inspector General, Kelley stated that if she had to reimburse the state for either the taxi fare or the parking, she would “much prefer to pay the parking back [instead of] in lieu of the taxi” because the cost of parking is less than the taxi fare.

Because state employees are only entitled to actual costs incurred for travel, and because Kelley drove herself to the train station, Kelley was should only have been paid for the parking fee at the Amtrak station plus the standard state mileage reimbursement rate for the miles she drove to and from the station. The amount Kelley would have been reimbursed for mileage on her personal vehicle was less than a third of the \$30 she requested for the hypothetical taxi fare. The Inspector General examined travel records for the three-year period of 2004 through 2006 and calculated the difference between Kelley’s travel claims and what she was actually owed. The Inspector General determined that DOH improperly reimbursed Kelley for \$652.32 during that time period for expenses she did not incur.

The Inspector General’s Office calculated the amount previously overpaid to Kelly based on her statement that she began the practice in 1995 and that she traveled extensively during the period 1995 to 2003. The Inspector General’s Office utilized a standard accounting method, applying the annual average of the actual overpayments made to Kelley during the three years 2004 through 2006 to the earlier period, 1995 to 2003. By these means, the estimated overpayments made to Kelly from 1995 to 2003 were determined to be \$1,956.96. Thus, the total overpayment to Kelley for “taxi fare in lieu of mileage” from 1995 through 2006 was \$2,609.28.

B. Reimbursement for Extra Meals and Duplicate Claims

In the course of this review, the Inspector General also found five claims for which DOH reimbursed Kelley for meals to which she was not entitled, specifically three breakfasts (\$10 each) and two dinners (\$12 each) for a total of \$54.

DOH policies require travelers who receive a breakfast allowance to leave on a business trip at least one hour before their regular working time. A dinner reimbursement is paid to someone who returns from a trip at least two hours after their regular working time. Kelley, who works from 9 a.m. to 5:15 p.m., claimed a breakfast expense on a day when she departed at 1:00 p.m. In each of the above instances, Kelley's receipts for the Amtrak parking facility show that she departed too late for the breakfast allowances or arrived home too early for dinner reimbursements.

This review also found that DOH inappropriately overpaid Kelley \$430 by processing two travel expense claims twice. The Inspector General asked Kelley why she submitted copies of travel vouchers when she had already submitted the original vouchers. She blamed her secretary for having submitted duplicate claims. When interviewed, Kelley's secretary admitted to possibly submitting a duplicate claim.

The overpayments occurred because DOH Travel Unit staff, who process approximately 18,000 travel vouchers per year for approximately 2000 staff members who travel on state business, failed to identify the claims as duplicate claims. These duplicate claims are discussed below.

C. Internal Control Weaknesses

To determine how the double payments occurred, the Inspector General reviewed DOH's travel expense reimbursement process as described in the Travel Training Manual and interviewed the Accounts Director and the Travel Unit Supervisor. According to the Travel Training Manual, upon completing a trip, employees submit expense records with original supporting documentation (claims) to their immediate supervisor for approval and signature. The supervisor then forwards the original documentation to DOH's Document Control Unit (DCU). (With limited exceptions, policy requires employees to submit original signatures and original receipts.) Kelley stated that she gives her travel claims to her secretary, who submits them for processing. Kelley's secretary confirmed that when she receives a travel claim from Kelley, she obtains the approval and signature of the Director of Employee Relations (Kelley's direct supervisor), makes a copy for Kelley and hand delivers the original to the Travel Unit for processing.

Once a claim is received by DCU, information is entered into DOH's Travel Reimbursement Processing System (TRIPS) database. If the TRIPS system "red-flags" the claim, the documents are forwarded to DOH's Travel Unit with a routing sheet that identifies the claim as a possible duplicate. All claims are forwarded to an auditor to review for accuracy, completeness and any necessary adjustments. According to the

Accounts Director, if the auditor determines that the claim is not a duplicate, he or she can override the red-flag and process the claim.

In contradiction to this statement, the Travel Unit Supervisor stated that only the DCU staff that enters the claim information will see a “red-flag” for a potential duplicate claim. She added that although the auditors have access to the screen that identified potential duplicate claims, the auditors do not normally access that screen because it is too time consuming.

The Inspector General’s investigation revealed that duplicate claims were processed on two occasions because DOH staff responsible for processing the claims did not follow proper procedures and were negligent while performing their duties. In both instances, DOH staff made multiple errors while processing the claims. For example, DOH staff ignored the fact that each duplicate claim packet was composed of copies rather than original documents. Also, on each duplicate claim, two separate auditors inconsistently applied the meal allowance guidelines. Specifically, one auditor allowed reimbursement for a meal where the other auditor disallowed reimbursement for the same meal. This inconsistency resulted in different claim amounts and prevented the TRIPS database from “red-flagging” one of the duplicate claims. Additionally, on one of the claims, the travel date was incorrectly entered, causing the duplicate claim to be processed under a different travel date and, once again, preventing the TRIP database from “red-flagging” the duplicate claim.

When the Inspector General interviewed the DOH auditors who reviewed and approved the two duplicate claims, one of them stated that the reason she made multiple errors when processing the claims was because she was new to her job with DOH. However, she had been on the job for five months by the time she processed those claims. The other auditor, when presented with the claim documents containing multiple mistakes replied, “I missed that.” Similarly, DOH auditors failed to pick up on the fact that Kelley repeatedly submitted requests for “taxi fare in lieu of mileage,” which is not a valid claim.

FINDINGS AND RECOMMENDATIONS

The Inspector General’s Office found that since at least 1995, Luella Kelley filed inaccurate travel expense claims. She improperly sought and obtained reimbursement for expenses she did not incur. The total amount that Kelley should reimburse DOH is \$3,093. In particular, Kelley’s seeking payment for “taxi fare in lieu of mileage” when, in fact, no taxis were taken, is obviously inappropriate and unsupported by state policy. The \$30 fare Kelley was routinely reimbursed per trip was more than triple the amount she was entitled to for mileage driven in her personal vehicle. All New York travel guidelines – readily available to Kelley – expressly state that employees traveling on official business will be reimbursed only for “actual, necessary and reasonable business expenses.”

Finally, the Inspector General found Kelley's statement that she "thought it was all right to do it and I was never told that I couldn't or shouldn't do that," disingenuous. From both common sense and her position as a supervisor who disciplines employees for misconduct, Kelley should have known the practice was improper. Based upon these findings, the Inspector General will refer this matter to DOH for appropriate disciplinary action.

In addition, the Inspector General found that DOH permitted Kelley to obtain reimbursement for "taxi fare in lieu of mileage" for more than 10 years, along with extra meals and duplicate claims, because the DOH Travel Unit failed to fulfill its responsibility of verifying that all travel expense charges are actual, reasonable and necessary. During this investigation, a DOH official stated that the agency is in the process of implementing a new information system that will strengthen the existing internal controls and will help prevent such conditions. However, the various deficiencies discovered by the Inspector General indicate neglect by DOH staff unrelated to any existing system failure. Failure to properly address these internal control weaknesses may lead to greater losses to the state. The Inspector General therefore recommends that DOH:

1. Audit a sample of processed vouchers to determine if other travelers are claiming reimbursement for "taxi fare in lieu of mileage" or any other improper charge.
2. Train DOH staff to ensure that those traveling on state business — and their supervisors — are aware of applicable rules.
4. Instruct supervisors to thoroughly review their staff's travel reimbursement claims prior to approving them.
5. Perform periodic audits of the processed claims and immediately address any identified weakness.

In its response to the Inspector General's report, DOH stated it is taking steps to implement the report's recommendations.