



Office of Inspector General
Legal Services Corporation

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FRAUD ALERT

19-0041-A-FA

TO: Executive Directors

FROM: Jeffrey E. Schanz
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DATE: March 7, 2019

SUBJECT: Local Travel

Background

The Office of Inspector General (OIG) for the Legal Services Corporation (LSC) is issuing this Fraud Alert to provide LSC grantee Executive Directors (EDs) with information obtained through OIG investigations involving grantee employees' local travel. By means of this Fraud Alert the OIG hopes to increase grantee awareness of issues relating to local travel and recommend best practices to prevent fraud, waste and/or the incurring of questioned costs.

Investigative Issue

Based on past OIG Fraud Vulnerability Assessment field visits and investigations, there appears to be a lack of guidance for grantee employees on allowable/reimbursable expenses for local travel. Grantee policies regularly provide guidance on employee business travel away from the official worksite, but many of the policies the OIG reviewed include limited or no guidance for local travel.

Creating a local travel policy can aid in preventing potential risks associated with employees engaged in local travel by detailing the applicable procedures, including

segregation of duties for travel approval and reimbursement; as well as by educating employees on when local travel reimbursement is appropriate and allowed. The distance an employee is required to travel from his or her official worksite typically determines whether expenses may appropriately be reimbursed as local travel expenses. LSC's own local travel policy defines local travel as travel occurring within the city/area of an individual's assigned duty station, and not requiring an overnight stay. LSC will reimburse expenses associated with local travel such as taxis, subways, buses, tolls and parking fees, so long as the traveling employee provides appropriate receipts.

For Federal employees, the Federal government defines the local travel area as being within 50 miles of an employee's worksite and imposes the following restrictions: no per diem or actual subsistence allowance (lodging or meals) will be paid for travel within an employee's local travel area; and reimbursement for local mileage travel is limited to the amount that exceeds an employee's regular roundtrip commuting costs, i.e., the commute from an employee's residence to his or her duty station.¹

The above examples are offered as a guide that EDs may find useful when crafting or enhancing their organizations' local travel policies. Bearing these general principles in mind, grantees should implement local travel policies that meet their unique needs and circumstances.

The following cases of unauthorized local travel expenses have led to questioned cost proceedings or criminal investigations.

Local Travel Related to Meals

Following an OIG referral, the Office of Compliance and Enforcement (OCE) issued a notice of questioned costs relating to \$22,247 in local travel meal purchases by a grantee employee over a five-year period.

The OIG determined the grantee's ED misapplied program funds by paying for local lunches during the work day. The ED would invite his staff to lunch in the same city where the program's administrative headquarters was located and direct one of his staff members to use their program credit card to purchase lunch for the group, although there was no discernible business purpose for the lunch. As the ED's credit card was the only one reviewed by the Board of Directors (BOD), the ED was able to evade detection of the lunch purchases.

¹ General Services Administration, *OAS 5770.1 GSA Order: Local Travel* (Jan. 28, 2015), available at https://www.gsa.gov/cdnstatic/OAS_5770.1_Local_Travel_%28Policy_Signed_on_January_28__2015%29.pdf

Local Travel Related to Mileage Reimbursement Fraud

The OIG investigated a case involving a grantee paralegal suspected of inflating his travel reimbursement claims. The OIG determined the paralegal, who had been allowed to approve his own travel, had created multiple fictitious local travel mileage reimbursement claims for his personal benefit. During its investigation, the OIG determined the paralegal's case files did not contain any activities or entries relating to the cases he claimed to be working on.

The OIG investigation determined the paralegal made fraudulent claims exceeding \$130,000 over a three-year period. The paralegal was sentenced to 54 months in prison and ordered to pay restitution to the grantee through forfeiture of real estate he owned.

Local Travel Related to Timekeeping Fraud

Another OIG investigation found that a grantee employee who claimed to be traveling locally for grantee-related duties on her timesheets and travel reimbursements was in fact pursuing a non-grantee-related educational certification during those hours. By submitting false mileage claims and time sheets over a three-year period the employee fraudulently obtained over \$90,000 from the grantee.

As the result of the OIG's investigation, the employee was sentenced to 10 months' imprisonment for Federal Program Fraud and ordered to pay \$85,327 in restitution to the grantee.

Local Travel Related to Lodging

The OIG has found instances of employees using grantee funds for lodging in the same location as their assigned duty station, which was a home office. In these instances, the OIG either referred the expenses for criminal prosecution because they had no business purpose and were for personal benefit, or referred them to LSC as potential questioned costs because they appeared unreasonable and unnecessary.

Best Practices

Based on our work in this area, the OIG recommends grantees formulate or enhance their local travel policies, using the following best practices:

- Create a detailed local travel policy that clearly defines allowable/reimbursable expenses for local travel, and clearly sets out the local travel area for each worksite;
- Require that all local travel reimbursement requests be submitted in the traveler's name;

- Ensure the appropriate supervisors approve local travel reimbursements;
- Ensure local travel reimbursements are delivered to travelers only, not to other staff members;
- Require receipts for local travel;
- Create a separate and detailed local travel form that captures key information relating to local travel, including business purpose and applicable case information; and
- Ensure all work product and case management system entries match travel reimbursement requests.

If you have any questions regarding allowable local travel expenses, please contact the Legal Services Corporation's Office of Compliance and Enforcement at fiscalquestions@lsc.gov.

This Fraud Alert is provided to assist you in protecting your program funds from fraud, waste and abuse. Reporting these matters to the OIG can further help protect grantee funds. We encourage you to distribute this fraud alert to your staff. In addition, we welcome requests for OIG training which is designed to increase awareness of potential fraud indicators at LSC programs.

I hope you find this Fraud Alert useful. Our Fraud Hotline telephone number is 800-678-8868 or 202-295-1670; our email address is hotline@oig.lsc.gov; our fax number is 202-337-7155.

If you have any questions concerning this Fraud Alert, please contact Dan O'Rourke, Assistant Inspector General for Investigations, LSC OIG, at 202-295-1651 or dorourke@oig.lsc.gov.