



# California State University, Chancellor's Office:

Failure to Follow Reimbursement Policies Resulted in  
Improper and Wasteful Expenditures

December 2009 Report I2007-1158



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Elaine M. Howle  
State Auditor  
Doug Cordiner  
Chief Deputy

# CALIFORNIA STATE AUDITOR

## Bureau of State Audits

555 Capitol Mall, Suite 300

Sacramento, CA 95814

916.445.0255

916.327.0019 fax

[www.bsa.ca.gov](http://www.bsa.ca.gov)

December 3, 2009

I2007-1158

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

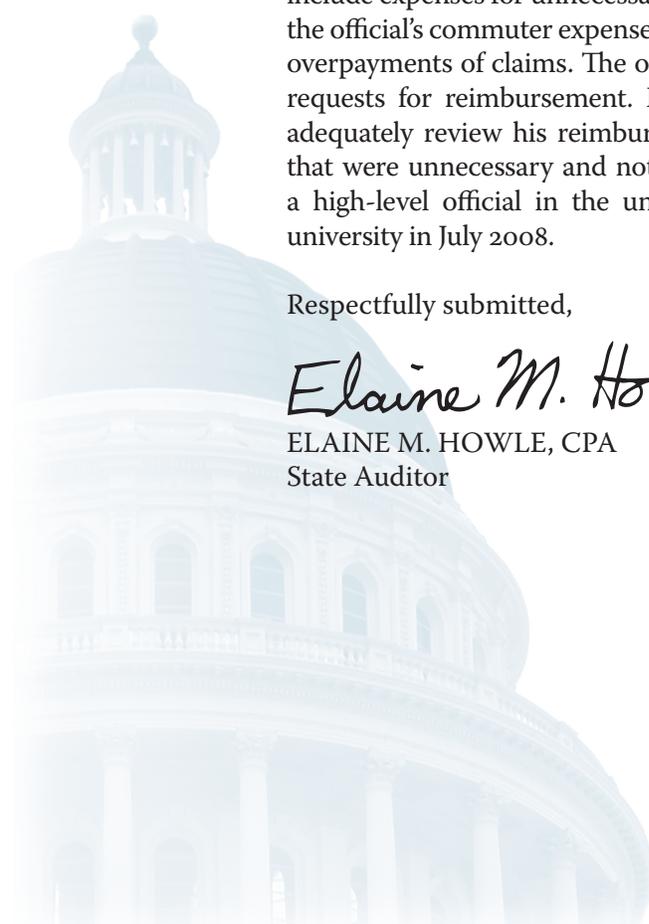
Pursuant to the California Whistleblower Protection Act, the California State Auditor presents its investigative report concerning improper expense reimbursements made by the California State University, Chancellor's Office (university), to a high-level official.

This report concludes that the official received \$152,441 in improper expense reimbursements over a 37-month period from July 2005 through July 2008. The improper expense reimbursements include expenses for unnecessary trips, meals that exceeded the university's reimbursement limits, the official's commuter expenses, 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 his reimbursement claims. As a consequence, the official incurred expenses that were unnecessary and not in the best interest of the university or the State. The employee, a high-level official in the university's Information Technology Services department, left the university in July 2008.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor



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## Investigative Results

### Results in Brief

The California Whistleblower Protection Act (Whistleblower Act) empowers the Bureau of State Audits (bureau) to investigate and report on improper governmental activities by agencies and employees of the State. Under the Whistleblower Act, an *improper governmental activity* is any action by a state agency or employee during the performance of official duties that violates any state or federal law or regulation; that is economically wasteful; or that involves gross misconduct, incompetence, or inefficiency.<sup>1</sup>

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 commuter 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.

### Background

The university is one of three public higher education systems in California. The university system consists of 23 campuses and serves about 450,000 students. The Chancellor's Office functions as the university system's administrative headquarters and serves as a centralized location for various university programs and administrative staff.

The Chancellor's Office is organized into several administrative departments, including systemwide Information Technology Services (ITS). The primary mission of ITS is to ensure that university students, faculty, and staff have universal electronic access to information resources. ITS has the primary management responsibility for university functions related to information

### 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.*

<sup>1</sup> For more information about the bureau's investigative authority, please refer to the Appendix.

technology, ranging from technology infrastructure and hardware to software acquisition, installation, and updates, as well as numerous other technology-related responsibilities.

Although state regulations provide rules for travel reimbursements for state employees, the rules do not apply to university employees. The university developed and implemented its own policies governing travel expense reimbursement and the provision of meals and beverages during the course of university business activities. University travel policies provide that it is the responsibility of the approving officer to determine if the travel is necessary and reasonable and that all excessive or unreasonable expenses be disallowed. In determining what constitutes travel by an employee, it is necessary to establish the employee's headquarters location. University travel policy generally defines headquarters as the place where an official or employee spends the largest portion of his or her regular workdays or working time, or where the official or employee returns upon completion of special assignments or as the Chancellor's Office defines in special situations. This policy also specifies that travel expenses are not allowed at any location within 25 miles of an employee's headquarters as determined by normal commute distance.

University policy also prohibits reimbursement for expenses incurred at an employee's residence. In addition, university travel policies stipulate that reimbursement for transportation expenses is made only for the method of transportation that is in the university's best interest and disallows expenses related to travel between home and headquarters.

### **Facts and Analysis**

Our investigation revealed that the official received at least \$152,441 in improper expense reimbursements from July 2005 through July 2008. The employee, a senior official in the university's ITS department since 1995, traveled regularly as part of his managerial role overseeing the university's technology programs and infrastructure. The improper reimbursements for the official's travel included costs associated with his numerous trips, business meals, commuting, and monthly living allowance. For example, the official received \$39,135 in travel reimbursements that appeared to offer the university few tangible benefits. The official left the university in July 2008. Table 1 summarizes the improper expenses we identified.

**Table 1**  
**The Official Claimed Improper Expenses from July 2005 Through July 2008**

EXPENSE CATEGORY	IMPROPER EXPENSE AMOUNT
Travel*	\$39,135
Business meals†	26,455
Commute‡	43,288
Living allowance§	24,676
Personal	17,053
Duplicate payments or overpayments	1,834
<b>Total</b>	<b>\$152,441</b>

Source: Bureau of State Audits' analysis of the official's travel records.

- \* Travel expenses include reimbursements for transportation, lodging, meals, parking costs, and incidental and other miscellaneous expenses occurring during the course of the official's travel more than 25 miles from the official's headquarters. This amount does not include \$520 for airfare paid directly by the university.
- † Business meals include events for which the official paid meal expenses or provided refreshments for groups of two or more people, including the official.
- ‡ Commute expenses include reimbursements for transportation, lodging, meals, and other expenses occurring within 25 miles of the official's headquarters or at his residence. This amount does not include \$5,423 for airfare paid directly by the university.
- § Living allowance expenses consist of the total amount the official received in the form of a monthly payment to cover "long-term subsistence" expenses. The official claimed in an interview that these payments were used to defray the official's lodging and other costs while working at the university.
- || Personal expenses include reimbursement for telecommunication services for the official's home, wireless device accessories, home office supplies, and membership to an airline's executive club.

**The Official Claimed Travel Expenses That Provided Little or No Value to the University**

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. The trips occurred both within and outside of the United States. The Figure on the following page shows the extent and costs of improper international travel the official incurred.

We found the official took trips that did not appear to have a clear or demonstrable benefit to the State or university. In addition, there was no need for the official to regularly attend nonuniversity events, particularly given the costs involved. For example, as shown in the figure, the official attended a nonuniversity event in Amsterdam, the Netherlands, and was reimbursed \$3,131 for the five-day trip,

**Figure**  
Improper Reimbursements Made to the Official for Trips to Attend Nonuniversity Events Outside of the United States



Source: Bureau of State Audits' analysis of the university's travel expense claim reimbursement records.

which included a four-day hotel expense of \$411 per day. On another occasion the official received \$4,660 in reimbursements for attending a six-day nonuniversity event in Shanghai, China, including reimbursement for a four-day hotel stay costing \$475 per day and transportation expenses totaling \$2,136. University policy clearly states that it is the responsibility of the officer approving the travel claim to ascertain the necessity and reasonableness of the expenses for which reimbursement is claimed, and that the principal campus business officer will disallow excessive or unreasonable lodging expenses.

The stated purpose of the official's trips to Amsterdam and Shanghai was to attend meetings sponsored by a private company that was a vendor of the university. When interviewed, the official and other university officials stated that it was necessary to attend such meetings in order to maintain relationships and foster an open dialogue with the private company and other attendees. However,

we found no evidence indicating that the official's attendance at these events provided a significant business advantage or strategic value for the university.

The official's improper travel expenses were not confined to travel outside the United States. In one instance the official attended an "executive summit" sponsored by a large telecommunications company at a resort in Pebble Beach, California, and claimed reimbursement of \$2,049 for the two-day trip. Included among the official's costs were lodging expenses of \$672 per day for two days and \$662 for air travel. The official apparently attended the event in order to participate in a panel discussion about information technology. We found no evidence that the official's supervisor reviewed the necessity and reasonableness of this expense, as required by the university. Furthermore, the official's trip provided no apparent benefit to the university; thus, the university's reimbursement was not justified. Consequently, these expenditures were not in the best interest of the State or university.

On another occasion, the official was reimbursed \$702 for lodging for two nights in Half Moon Bay, California, while attending another nonuniversity event facilitated by the same vendor that sponsored the meetings in Amsterdam and Shanghai. Although the official received prior approval for this trip, he combined it with other travel as well. Thus, the costs associated with the trip were not readily apparent. Nevertheless, the university again failed to exercise an adequate degree of scrutiny regarding the necessity of the official's expenses.

In addition, even when the official's travel was appropriate, we found instances of wasteful expenses among his transportation and parking costs. For example, the official claimed a \$448 reimbursement as part of a trip to a conference in New Hampshire. Rather than choosing the less expensive option of renting a car, the official chose instead to incur a \$448 charge for shuttle services to travel between an airport in Boston, Massachusetts, and the conference site, a distance of 50 miles each way. Moreover, we identified numerous occasions in which the official incurred needless additional costs for airport parking. Specifically, the official apparently parked his car in hourly lots at various airports on a regular basis when embarking on university-related trips. For example, the official parked his car at a Northern California airport during an eight-day trip to Washington, D.C. and San Antonio, Texas. The airport parking totaled \$192, or \$24 a day. Our review of the airport's fees indicated that it had alternative long-term parking available at about half the cost. Thus, we considered the excess cost as wasteful and therefore improper.

*The official claimed a \$448 reimbursement for shuttle services to travel between an airport in Boston, Massachusetts, and the conference site in New Hampshire, a distance of 50 miles each way.*

Finally, we found that the university's travel policy concerning lodging expenses lacks any limits on costs. As we previously cited in examples of the official's improper travel, we found instances in which the official's foreign and domestic lodging costs appeared to be excessive. We also identified numerous occasions in which the official's travel was appropriate, but his lodging costs again appeared to be too high. For example, our analysis revealed that for university-related travel in California alone, the official incurred hotel costs of \$6,468 for 22 occasions—an average of about \$294 per night—during the period we reviewed. University travel policy allows for the payment of actual lodging expenses incurred. However, the policy does not establish any defined upper limits for lodging costs. Without such limits, the university may have reimbursed the official for unnecessary and wasteful lodging expenditures.

#### **The Official Received Reimbursements for Business Meals That Exceeded the Maximum Allowable Amounts**

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 reimbursement. Thus, the university wasted public funds.

University travel policy states that a business-related meal is an allowable expense only if the circumstances surrounding the meal are beyond the employee's control and it is impractical to complete the business during normal working hours. When employees need to conduct official university business during a meal, they may be reimbursed only for actual meal expenses, up to a certain maximum amount per person, and the expenses must be substantiated by a properly itemized receipt. Our investigation found numerous instances in which the official failed to follow the university's travel policy regarding reimbursement for business-related meals. The extent of these violations raises serious concerns about the university's failure to exert controls over expenditures related to business meals. Table 2 provides examples of business meals the official hosted that significantly exceeded the university's allowable limits.

*The official was reimbursed for a business-related dinner in April 2007 attended by 14 university staff, at a per-person cost of nearly \$167, far more than the allowable \$25 person.*

The official regularly disregarded the university's limits on per-person business meal expenditures when he requested reimbursement for these meals. For example, as summarized in Table 2, we found that the official was reimbursed \$2,332 for a business-related dinner in April 2007 attended by 14 university staff, at a per-person cost of nearly \$167, far more than the allowable

cost of \$25 per person in effect at that time. For another dinner, the official claimed \$1,630 for 13 university staff with a per-person cost of \$125, or \$100 per person over the university limit.

**Table 2**  
**The Official's Claims for Business Meal Reimbursements Often Exceeded the University's Prescribed Limit**

DATE	LOCATION	NUMBER OF ATTENDEES	TOTAL AMOUNT REIMBURSED	MAXIMUM ALLOWABLE REIMBURSEMENT*	IMPROPER REIMBURSEMENTS
July 2005	Nashville, Tennessee	10	\$1,012	\$200	\$812
December 2005	Burlingame, California	8	631	160	471
January 2006	San Diego, California	13	1,066	260	806
April 2006	San Francisco, California	7	594	140	454
June 2006	Monterey, California	12	1,163	240	923
October 2006	Monterey, California	5	508	100	408
October 2006	Healdsburg, California	13	856	260	596
October 2006	Santa Rosa, California	13	2,024	260	1,764
November 2006	Bakersfield, California	14	1,311	280	1,031
February 2007	Long Beach, California	13	1,630	325	1,305
April 2007	Woodland Hills, California	14	2,332	350	1,982
June 2007	Chico, California	11	830	275	555
October 2007	Bass Lake, California	15	1,167	375	792

Source: Bureau of State Audits' review of the university's travel records.

\* University policy allowed employees to be reimbursed up to \$20 per person for dinner through December 31, 2006. The maximum reimbursement rate for dinner as of January 1, 2007, is \$25 per person.

When interviewed, the official claimed that the costs of the business meals were justified because they typically were a way of thanking individuals who served on various university committees or other organizations. In addition, the official claimed that he was never aware of a defined limit to his expenditures for these meals, and that these expenditures were never seriously questioned or disallowed by university staff or management. We interviewed the

*The official paid \$1,453 for a July 2008 business dinner attended by 14 university employees and officials, at a per-person cost of \$104. Under the university's travel policy, each attendee would have been allowed a maximum reimbursement of \$25 for the dinner, far below the \$104 per person actually spent.*

official's immediate supervisor, who approved the reimbursements. He stated that the "working" meals were consistent with other university policies.

Our review of these policies—the university's hospitality policy in effect until December 2007 and the food and beverage policy subsequently instituted by the Chancellor's Office—found no defined limits for the expenses incurred at business meals. Moreover, our review of these policies and the travel policy indicate that the university has failed to clearly distinguish which policy about business meals applies in a given circumstance. In particular, in contrast to the university's travel policy, which as of January 2007 allows for reimbursement of business meals up to \$25, the hospitality policy in effect at the time lacked specifics about how business meals even fit within its guidelines. As for the more recent food and beverage policy, it indicates only that expenses "should not appear to be extravagant" and must meet the "overriding objective to be cost efficient." An example of the official's business meal expenses highlights the lack of clarity about which policy applies and what the related reimbursable amount is. In the example, the official paid \$1,453 for a July 2008 business dinner attended by 14 university employees and officials, at a per-person cost of \$104. Under the food and beverage policy, the Chancellor's Office determined that the full amount of this meal was an allowable expense, and it reimbursed the official for the entire cost of the dinner. However, under the travel policy, each attendee would have been allowed a maximum reimbursement of \$25 for the dinner, far below the \$104 per person actually spent.

Consequently, given the frequency and substantial expense of the reimbursements received by the official for business meals, combined with the lack of sufficient documentation to establish the necessity and appropriateness of the official's business meal reimbursements and the lack of clarity in its policies, we conclude that the university neither questioned the requests for reimbursement the official submitted, nor required the official to adhere to the expenditure limits for business meals contained in the university's travel policy. This resulted in a substantial waste of public funds.

### **The University Wasted Public Funds by Allowing the Official to Claim Commute Expenses in Violation of Its Policies**

We 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 in commuting expenses for which the official received reimbursement represents a variety of prohibited expenses, including dozens of flights on commercial airlines between his 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.

For example, the official was reimbursed improperly in March 2006 for \$1,088 in expenses he incurred over the course of seven days while working at his headquarters in Long Beach. Further, in June 2007, the official improperly claimed \$685 in expenses in just two days while again working from university headquarters in Long Beach. The pattern of expenses for these trips was similar to that of many additional trips the official took between his home and headquarters. According to university policy, the university should not have reimbursed any of the official's commuting expenses.

University policies define an employee's headquarters as the place where an official or employee spends the largest portion of his or her regular workdays or working time, or where the official or employee returns upon completion of special assignments. The official maintained a permanent office and support staff at the university's headquarters in Long Beach; his supervising authority was headquartered in Long Beach; and other officials of similar authority and scope of duties were officially headquartered in Long Beach. Additionally, the official consistently documented university headquarters in Long Beach as his official headquarters address on his travel expense reimbursement claims. Finally, the same travel expense reimbursement claims show a pattern of travel from the official's residence in Northern California to university headquarters and a subsequent return to the official's residence, which is clearly a commute as defined by Internal Revenue Service guidelines. These factors clearly demonstrate that the official's headquarters location was in Long Beach. Consequently, any expenses claimed for the official's commute between his headquarters and his residence were improper and should have been disallowed by the university.

When interviewed, the official maintained that he had a long-standing agreement with previous university executive management allowing him to work from a university campus location near his home. Other current university officials we interviewed confirmed the existence of the agreement. We reviewed the agreement, dated October 1995, and a related memorandum written in April 2008. Both documents indicated that the official's permanent location was a university campus in

*The \$43,288 in commuting expenses for which the official received reimbursement represents a variety of prohibited expenses, including dozens of flights on commercial airlines between his 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.*

Northern California. Neither document showed that university executive management expressly allowed the official to claim his travel to Long Beach as a commute.

The other university officials we interviewed stated that they felt it was necessary to allow the official to continue the unorthodox arrangement in order to retain him in university employment, although one university official stated he took steps to eliminate these arrangements with other university employees because he believed it was important for employees to maintain a consistent work location. Nevertheless, by allowing the official to receive reimbursement for \$43,288 in commuting expenses he was not entitled to, the university appears to have failed in its obligation to ensure that public funds were used efficiently, effectively, and with adequate oversight.

#### **The University Paid the Official for Long-Term Living Expenses He Was Not Entitled to Receive**

*The official 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” and contained no additional supporting documentation or justification.*

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 on the official’s travel expense reimbursement claim forms as “long-term subsistence” payments and contained no additional supporting documentation or justification. When we questioned officials at the university about these payments, they told us the payments were part of the agreement made between previous university executive management and the official. This agreement, and the corresponding payments to the official, continued until he left the university in July 2008.

University policy allows for the payment of a per diem for 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. The official received reimbursement for both his commuting expenses and for long-term subsistence, so he effectively received multiple reimbursements to which he was not entitled. 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 expenses between his home and university headquarters, we were told that such an arrangement was necessary to retain the official. Nevertheless, the official eventually left the university. More important, the payment of these long-term living expenses violated the university’s policy and wasted public funds.

### **The University Inappropriately Reimbursed the Official for Personal Expenses**

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. For example, the official regularly received reimbursement for home telephone and fax service, satellite and landline Internet service, computer and printer supplies, and peripherals.

In addition, the official typically submitted a reimbursement request for the entire amount of monthly telephone bills and Internet access while providing little or no itemization or explanation of the charges, often submitting only a credit card statement containing the requested reimbursement charges. In November 2006, for example, the official submitted a request for reimbursement for \$565 he incurred in a single month on one of several telephone lines at his residence. The documentation he submitted contained little explanation or itemization of the expense. Instead, it merely noted that the cost was due to “high usage.” In another instance typical of the lack of specificity in the official’s reimbursement requests, he requested a \$200 reimbursement for wireless service and satellite Internet services in February 2007. However, the official included only a copy of a personal credit card statement, with no itemization of services provided or any other contextual information providing reasonable assurance that the expense claimed was for university purposes.

The official also received reimbursement for other personal expenses. For example, in July 2006, the official claimed and received reimbursement for \$212 for accessories for a wireless communications device. The official provided no justification for the purchase. University records also do not indicate that the official approving the reimbursement request for this item questioned the official’s claim. If the university issued the wireless device to him, he should have requested any accessories he needed through the university’s regular procurement process, which would have subjected the purchase to scrutiny and may have required the official to justify his request.

Moreover, in other examples of personal use, the official requested reimbursement in May 2006 for a \$99 annual subscription to a newspaper, and in three instances—in February 2006, January 2007, and January 2008—for annual membership to an airline’s executive club. Such purchases without proper authorization or justification provide little or no value to the university or the State.

*In November 2006, the official submitted a request for reimbursement for \$565 he incurred in a single month on one of several telephone lines at his residence. The documentation he submitted merely noted that the cost was due to “high usage.”*

The university did not maintain a formal telecommuting agreement that would have allowed the official to work from his residence and receive reimbursement for expenses incurred while working from his home. Our review of the official's reimbursement claims suggest that the university reimbursed the official for essentially any personal expense he submitted, regardless of its validity, lack of specificity, or omission of required supporting documentation, again demonstrating a lack of oversight and fiduciary responsibility by the university.

### **The Official Received Both Duplicate Payments and Overpayments From the University**

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.

*Seventeen days after the official submitted a claim for reimbursement for four days of travel expenses totaling \$729, he submitted a claim for \$722 for the same time period, location, and purpose as the first claim. His supervisor approved and the university paid both claims.*

For example, in February 2007 the official submitted a claim for reimbursement for four days of travel expenses totaling \$729. The official's stated purpose on his reimbursement claim indicated that he attended meetings in Long Beach and Los Angeles. The official's supervisor reviewed and approved the claim, and the university processed and paid it. Seventeen days later, the official submitted a claim for \$722 for the same time period, location, and purpose as the first claim. Again, the official's supervisor approved the claim and the university issued a payment. Thus, the \$722 received by the official duplicated the university's previous payment to him.<sup>2</sup>

In an example of an overpayment, in September 2007 the official submitted a claim to reimburse him for travel to attend a conference in San Francisco. Once again, the official's supervisor reviewed and approved the claim, and the university issued a payment. The official's claim indicated that he stayed in a hotel for four nights. However, the documents he provided to support his claim showed that he stayed in the hotel for only three nights. Thus, the university overpaid him by \$450, the one-night cost of a hotel room.

<sup>2</sup> The different amounts paid to the official resulted from slight differences in meal expenses, air travel costs, and parking charges included on the two claims.

The failure of the official's supervisor and the university to adequately review and approve the official's claims caused the university to pay him \$1,834 that it did not actually owe him. These actions wasted public funds.

### **Recommendations**

The university no longer employs the official, so it has limited ability to take disciplinary action against him. Nevertheless, to recover improper payments and improve its review process over travel claims submitted to its accounting department, the university should:

- Recover from the official the \$1,834 in duplicate payments and overpayments.
- 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.
- 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.
- 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.

We conducted this review under the authority vested in the California State Auditor by Section 8547 et seq. of the California Government Code and pursuant to applicable investigative standards.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: December 3, 2009

Legal Counsel: Steven Benito Russo, JD, Chief of Investigations

Investigative Staff: Russ Hayden, CGFM, Manager of Investigations  
Siu-Henh Canimo, CFE  
Beka Clement, MPA  
Richard Fry, MPA  
Justin McDaid, CFE

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

## Appendix

### THE INVESTIGATIONS PROGRAM

The California Whistleblower Protection Act (Whistleblower Act) contained in the California Government Code, beginning with Section 8547, authorizes the Bureau of State Audits (bureau), headed by the state auditor, to investigate allegations of improper governmental activities by agencies and employees of the State. The Whistleblower Act defines an *improper governmental activity* as any action by a state agency or employee during the performance of official duties that violates any state or federal law or regulation; that is economically wasteful; or that involves gross misconduct, incompetence, or inefficiency.

To enable state employees and the public to report suspected improper governmental activities, the bureau maintains a toll-free Whistleblower Hotline: (800) 952-5665. The bureau also accepts reports of improper governmental activities by mail and over the Internet at [www.bsa.ca.gov](http://www.bsa.ca.gov).

Although the bureau conducts investigations, it does not have enforcement powers. When it substantiates an improper governmental activity, the bureau confidentially reports the details to the head of the state agency or to the appointing authority responsible for taking corrective action. The Whistleblower Act requires the agency or appointing authority to notify the bureau of any corrective action taken, including disciplinary action, no later than 30 days after transmittal of the confidential investigative report and monthly thereafter until the corrective action concludes.

The Whistleblower Act authorizes the state auditor to report publicly on substantiated allegations of improper governmental activities as necessary to serve the State's interests. The state auditor also may report improper governmental activities to other authorities, such as law enforcement agencies, when appropriate.

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## Summary of Agency Response and State Auditor's Comments

The California State University (university), Chancellor's Office, generally agreed with the findings and recommendations of our investigation. In particular, the university agreed that it should seek reimbursement for any duplicate payments and overpayments. It also 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. However, the university's response did not clarify whether it would ensure that management consistently pre-approves travel and conducts a thorough and complete review of claims for reimbursement before forwarding the expense claims to its accounting staff.

The university 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 addition, 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.

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.

cc: Members of the Legislature  
Office of the Lieutenant Governor  
Milton Marks Commission on California State  
Government Organization and Economy  
Department of Finance  
Attorney General  
State Controller  
State Treasurer  
Legislative Analyst  
Senate Office of Research  
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