
May 2, 2006
Ms. Suzanne J. Peck, Chief Technology Officer
Office of the Chief Technology Officer
441 4th Street, NW, Suite 930 South
Washington, D.C. 20001


Dear Ms. Peck:

Pursuant to the authority vested in the District of Columbia Auditor (Auditor) by Section 455 of the District of Columbia Home Rule Act, as amended, I am presenting my findings regarding the payment of relocation and other related expenses to two former employees of the Office of the Chief Technology Officer (OCTO). A review concerning other OCTO employees paid for relocation and related expenses is ongoing. A report of these findings will be submitted to you when it is complete.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the examination was to determine whether OCTO adhered to applicable laws, regulations, rules, policies and procedures that govern the payment of relocation and related expenses made to two former OCTO employees A and B. This examination covered relocation, housing, and related payments made to employees A and B between 2002 and 2003 as well as their repayment of these funds to the District government. The examination covered fiscal years (FY) 2001 through 2003.

In conducting the examination, the Auditor reviewed District of Columbia personnel regulations (DPM) governing travel expenses incidental to pre-employment interviews, relocation and related expenses, and temporary housing allowances; procurement policy and procedure directives governing the use of a District travel card; personnel records of employees receiving relocation and related payments; and documentation supporting relocation and related expenses. The Auditor also interviewed officials within the District of Columbia Office of Personnel (DCOP) and OCTO regarding this matter.

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1 See the District of Columbia Home Rule Act, as amended, 87 Stat. 803, approved December 24, 1973, Pub. L. No. 93-198, section 455 (b), D.C. Code §1-204.55 (b): “The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe.” See also, section 455 (c), D.C. Code §1-204.55 (c): “The Auditor shall have access to all books, accounts, records, reports, findings and all other things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit.”
The examination was conducted in accordance with generally accepted government auditing standards and included such tests of documentation as deemed necessary and appropriate under the circumstances.

BACKGROUND

Employee A was hired by OCTO as a Program Manager, in the Excepted Services DS-340-15, Step 9, effective August 12, 2002, at a starting salary of $91,114. Employee B was appointed as Fiscal Director for OCTO/Office of the Chief Financial Officer (OCFO), MSS-16, Step 1, effective August 26, 2002, at a starting salary of $98,926.2 Neither of the employees’ offer letter included language indicating OCTO/OCFO’s intent to pay for relocation and other related expenses.

District government personnel rules permit the payment of reasonable travel expenses incurred incidental to pre-employment interviews.3 The rules also allow payment of relocation expenses and a temporary housing allowance for an individual and his/her immediate family appointed to a position in the District government which the Director of the DCOP has designated as “hard-to-fill.” The relocation must be to the District of Columbia from outside the Greater Washington Metropolitan Area.5

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2 Employees A and B are a married couple and employee B is related to OCTO’s Director of Operations.

3 See DPM § 911.1 for Excepted Service and DPM Instruction No. 38-7, Section 2 (a) - (c), (e), and (f) for Management Supervisory Service “Payment of Pre-Employment Travel Expenses and Relocation Expenses in Connection with Management Supervisory Service Employment” dated October 29, 2003. Note that there is no cap on payment of pre-employment expenses under the Management Supervisory Services. [Subsequent to the audit period, DPM Instruction No. 38-7 dated October 29, 2003, was rescinded on March 22, 2005. It was adopted under the DPM regulations at § 1142 Pre-Employment Travel and Relocation Expenses.]

4 See DPM §§ 911.2 and § 911.3 for Excepted Service and DPM Instruction No. 38-7, Section 2 (a) - (d), (f), and (g). Note that there is no cap on payment of pre-employment expenses under the Management Supervisory Services. Also beginning June 2003, the previous cap of $10,000 for relocation expenses and temporary housing allowances was eliminated for both Excepted and Executive services.

5 See DPM §§ 911.2 and 999.1 for Excepted Service which defines “the Greater Washington Metropolitan Area,” as “the Consolidated Metropolitan Statistical Area which includes Washington, D.C. (Washington-Baltimore, DC-MD-VA-WV), as defined by the Office of Management and Budget, June 30, 1998, as revised, and which consists of the following:

(a) The Baltimore, MD Primary Metropolitan Statistical Area (PMSA), consisting of Anne Arundel County, Baltimore County, Carroll County, Harford County, Howard County, Queen Anne’s County, and Baltimore City;
(b) The Hagerstown, MD PMSA, consisting of Washington County; and
(c) The Washington, DC-MD-VA-WV PMSA, consisting of the District of Columbia; Calvert County, MD; Charles County, MD; Frederick County, MD; Montgomery County, MD; Prince George’s County, MD; Arlington County, VA; Clarke County, VA; Culpeper County, VA; Fairfax County, VA; Fauquier County, VA; King George County, VA; Loudoun County, VA; Prince William County, VA; Spotsylvania County, VA; Stafford County, VA; Warren County, VA; Alexandria city, VA; Fairfax city, VA; Falls Church city, VA; Fredericksburg city, VA; Manassas city, VA; Manassas Park city, VA; Berkeley County, WV; and Jefferson County, WV."
In order for agencies to provide reimbursement for relocation and related expenses, the position must be designated in advance as a “hard-to-fill” position by the Director of DCOP for subordinate agencies under the authority of the Mayor or the appropriate personnel authority for independent agencies. The Director of DCOP is the only official authorized to designate a position as “hard-to-fill” for subordinate agencies under the authority of the Mayor. Such designation is to be requested by a subordinate agency through memorandum to the Director of DCOP. The position description must accompany the request and clearly indicate that the position is of a policy determining, confidential, or policy advocacy character and one that reports directly to the head of an agency. As a subordinate agency under the authority of the Mayor, the Chief Technology Officer (CTO) is not authorized to make this designation.

The criteria for designating a position as “hard-to-fill” should be based on “demonstrated recruitment and retention problems inherent in the position due to the uniqueness of the duties and responsibilities and the unusual combination of highly specialized qualification requirements of the position.” Only after a position has been designated by the Director of DCOP as “hard-to-fill” may an agency pay an individual’s reasonable travel expenses, up to a maximum of $5,000, which were incurred incidental to pre-employment interviews held for the purpose of ascertaining the prospective employee’s qualifications. Once an applicant is appointed to a “hard-to-fill” position, an agency may pay reasonable relocation and temporary housing expenses not to exceed sixty (60) days, up to a maximum of $10,000, for the appointee and his/her immediate family if the relocation is to the District of Columbia from outside the Greater Washington Metropolitan Area.

An agency director may pay reasonable relocation expenses for an MSS position at grade levels MS-15 and MS-16 if the agency certifies that it has sufficient funds to pay these expenses. The agency must, however, notify the DCOP of its intent to pay relocation expenses in sufficient time for it to be memorialized in the prospective employee’s offer letter which is issued by the DCOP.

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6. See DPM § 911.4.

7. Id. See also DPM § 999.1 definition of “hard-to-fill” position:—“a position designated as a hard-to-fill position pursuant to §§ 911.4 on the basis of demonstrated recruitment and retention problems inherent in the position due to the uniqueness of the duties and responsibilities and the unusual combination of highly specialized qualification requirements for the position.”

8. See DPM § 911.1 for Excepted Service states that an agency may pay reasonable travel expenses up to a maximum of $5,000, incurred incidental to pre-employment interviews and section 2 (a) and (d) of DPM Instruction No. 38-7.

9. See DPM § 911.2 for Excepted Service and section 2 (a) and (d) of DPM Instruction No. 38-7. Note also that the DPM in force at the time of this audit provided for a cap of $10,000 for payment of reasonable relocation and temporary housing allowances. Beginning in June 2003, however, the $10,000 limit for relocation expenses and temporary housing allowance was eliminated for Excepted Service positions.

10. DPM Instruction No. 38-7, Section 2 (c) for Management Supervisory Service “Payment of Pre-Employment Travel Expenses and Relocation Expenses in Connection with Management Supervisory Service Employment” dated October 29, 2003.
Reimbursement for pre-employment travel and relocation expenses must be supported by valid receipts or invoices, the original of which must be submitted with the request for reimbursement.\textsuperscript{11} Payment of relocation expenses may only be made after the appointee has signed a notarized agreement to remain employed with the District government for 12 months after appointment except for reasons beyond his/her control which are acceptable to the agency head (or to the Mayor in the case of an employee in the Executive Service).\textsuperscript{12} If, however, an individual violates the agreement, the money paid for relocation expenses and temporary housing allowances must be reimbursed to the District government.\textsuperscript{13}

Table I presents total relocation and related payments OCTO made directly to, or on behalf of, employees A and B during fiscal years 2001 through 2003.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Labor Category</th>
<th>Pre-employment Travel Expenses</th>
<th>Relocation Expenses</th>
<th>Temporary Housing Allowance</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees A and B</td>
<td>Excepted/MSS</td>
<td>$875.12</td>
<td>$5,971.40</td>
<td>$21,292.71</td>
<td>$28,139.23</td>
</tr>
</tbody>
</table>

Source: SOAR reports, travel card statements, and reports.

\textsuperscript{11}See DPM § 911.6 for Excepted Service which states: "Any expense for which reimbursement is sought pursuant to this section must be supported by valid receipts or invoices, the originals of which must be submitted with the request for reimbursement."

\textsuperscript{12}See DPM § 911.5 for Excepted and DPM Instruction No. 38-7, Section 2 (g), now DPM § 1142.5.

\textsuperscript{13}See DPM § 911.7 for Excepted and DPM.
Table II presents a breakdown of individual relocation and related payments, by category, that OCTO made directly to, or on behalf of, employees A and B.

Table II
Relocation and Related Payments Made
Directly to or on behalf of Employees A and B

<table>
<thead>
<tr>
<th>Item #</th>
<th>Employee</th>
<th>Type of Payment</th>
<th>Check Date</th>
<th>Purpose</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>Reimbursement</td>
<td>7/1/02</td>
<td>Pre-employment Travel (Interviewing Expense)</td>
<td>694.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7/8/02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>B</td>
<td>District Travel Card(^4)</td>
<td>7/25/02</td>
<td>Pre-employment Travel</td>
<td>181.00</td>
</tr>
<tr>
<td>3</td>
<td>A and B</td>
<td>District Travel Card</td>
<td>8/9/02</td>
<td>Temporary Housing Expense (August 15 through August 31, 2002)</td>
<td>1,850.89</td>
</tr>
<tr>
<td>4</td>
<td>A</td>
<td>District Travel Card</td>
<td>8/28/02</td>
<td>Lodging (August 11-15, 2002)</td>
<td>724.00</td>
</tr>
<tr>
<td>5</td>
<td>A and B</td>
<td>District Travel Card</td>
<td>8/29/02</td>
<td>Temporary Housing (August 15-September 15, 2002)</td>
<td>1,425.88</td>
</tr>
<tr>
<td>6</td>
<td>A</td>
<td>Advance Payment</td>
<td>9/12/02</td>
<td>Temporary Housing (August 15-September 15, 2002) and Moving expenses</td>
<td>10,000.00</td>
</tr>
<tr>
<td>7</td>
<td>A and B</td>
<td>District Travel Card</td>
<td>9/13/02</td>
<td>Moving Expenses</td>
<td>5,021.01</td>
</tr>
<tr>
<td>8</td>
<td>A</td>
<td>Reimbursement</td>
<td>10/23/02</td>
<td>Pre-employment Travel (Interviewing Expenses)</td>
<td>950.39</td>
</tr>
<tr>
<td>9</td>
<td>B</td>
<td>Reimbursement</td>
<td>2/24/03</td>
<td>Permanent Housing (October 1, 2002-January 31, 2003)(^5) and Storage Costs(^6)</td>
<td>7,291.94</td>
</tr>
</tbody>
</table>

Totals
$28,139.23

\(^4\)District travel card was assigned to OCTO’s Director of Operations.

\(^5\)Permanent housing costs were as follows: $1,515.00 for the month of October 2002, and $1,590.00 for the months of November and December 2002; and January 2003, for a total of $6,285.00.

\(^6\)Temporary storage costs were as follows: $198.00 and $107.94 for October 2002; $189.00 for November 2002; $256.00 for December 2002; and $256.00 for January 2003, for a total of $1,006.94.
FINDINGS

AUDITOR IDENTIFIED $5,826.28 IN ADDITIONAL FUNDS THAT MUST BE REPAID TO THE DISTRICT GOVERNMENT BY EMPLOYEES A AND B

A memorandum dated April 7, 2003, issued by the Office of the Chief Financial Officer’s Office of Integrity and Oversight (OIO), initially determined that relocation and related payments made to employees A and B were not authorized in accordance with governing regulations and that $22,312.95 should be reimbursed to the District government.

Specifically, based on an analysis of payment records and examination of personnel documents, the OIO found the following: (1) there appeared to be an overlap in temporary housing costs for employees A and B in the month of October 2002 ($2,975.00 and $1,515.00); (2) there was no evidence that DCOP authorized reimbursement of relocation expenses to employee A, however OCTO paid employee A a total of $11,644.51 in relocation and related expenses; (3) OCFO records related to the hiring of employee B as OCTO’s Fiscal Director indicated that reimbursement for relocation expenses was not part of the employee’s offer letter and should not have been paid. Employee B should not have been paid $7,291.94 for relocation expenses; and (4) there was no rental agreement for employee B’s temporary housing at a Beacon Square address, although OIO was provided canceled checks totaling $6,285 for rental payments from October 2002 through January 2003.

OIO recommended that employee B repay the District $7,291.94 because the OCFO had not established personnel rules permitting reimbursement for relocation expenses. Similarly, OIO recommended that employee A repay $11,644.51 because reimbursement of relocation expenses was not included in DCOP’s employment offer letter to employee A.

DCOP also conducted a review of relocation and related expenses paid by OCTO to employee A. On May 15, 2003, DCOP found that there was no documentation in its records indicating that OCTO submitted information required by DPM § 911.4 to designate the position filled by employee A as “hard to fill.” Based upon information provided by the OCFO and a review of personnel records, DCOP concluded that OCTO failed to request the position be designated as “hard-to-fill” and failed to provide information and documentation to demonstrate that the position was indeed “hard-to-fill.” DCOP also recommended that employee A be required to repay the money received for relocation expenses.


18 OIO determined that payment of relocation expenses was not part of the CFO’s employment offer to employee B at the time of hiring.

19 See D.C. Code §1-609.03 (g) which provides for the payment of reasonable pre-employment travel expenses and relocation expenses if the person is being interviewed for a “hard to fill” position.
As a result of the examinations and determinations by OIO and DCOP, employees A and B repaid $22,312.95 of the total $28,139.23 paid to, or on behalf of, these individuals. Table III presents amounts repaid by employees A and B to the District government.

Table III

<table>
<thead>
<tr>
<th>Table II Item #</th>
<th>Date Repaid</th>
<th>Amount</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>06/20/03</td>
<td>$10,000.00</td>
<td>Advance to Employee A</td>
</tr>
<tr>
<td>7</td>
<td>03/01/03</td>
<td>5,021.01</td>
<td>Moving Expense for Employees A and B</td>
</tr>
<tr>
<td>9</td>
<td>04/09/03</td>
<td>7,291.94</td>
<td>Permanent Housing and Storage Costs for Employee B</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td><strong>$22,312.95</strong></td>
<td></td>
</tr>
</tbody>
</table>

As a result of the subsequent review of questionable payments made by OCTO to employees A and B, the Auditor determined that the following additional payments totaling $5,826.28 from Table II must also be reimbursed to the District government by employees A and B. Expenses of this nature may only be paid to an individual appointed to a "hard-to-fill." An Excepted Service (should not be MSS) employee may only receive relocation expenses if he or she relocates to the District. The Auditor found that employee A never relocated to the District and was an Excepted Service employee at the time he received payment. Table IV presents those additional amounts that the Auditor determined must be repaid.

Table IV

Additional Relocation and Related Payments Made Directly to or on behalf of Employees A and B that must be repaid to the District government

<table>
<thead>
<tr>
<th>Table II Item #</th>
<th>Payment Date</th>
<th>Amount</th>
<th>Employee</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7/01/02</td>
<td>$694.12</td>
<td>A</td>
<td>Pre-employment travel expenses</td>
</tr>
<tr>
<td></td>
<td>7/08/02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>7/25/02</td>
<td>181.00</td>
<td>B</td>
<td>Pre-employment travel expenses</td>
</tr>
<tr>
<td>3</td>
<td>8/09/02</td>
<td>1,850.89</td>
<td>A and B</td>
<td>Temporary Housing expenses (August 15-August 31, 2002)</td>
</tr>
<tr>
<td>4</td>
<td>8/28/02</td>
<td>724.00</td>
<td>A</td>
<td>Lodging (August 11-15, 2002)</td>
</tr>
<tr>
<td>5</td>
<td>8/29/02</td>
<td>1,425.88</td>
<td>A and B</td>
<td>Temporary Housing expenses (September 1 - September 15, 2002)</td>
</tr>
<tr>
<td>8</td>
<td>10/23/02</td>
<td>950.39</td>
<td>A</td>
<td>Travel expenses</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$5,826.28</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RECOMMENDATIONS

1. The Chief Technology Officer and Chief Financial Officer ensure that employees A and B reimburse the District government $5,826.28 within 60 days of the date of this report.

2. The Chief Technology Officer provide the District of Columbia Auditor evidence that employees A and B have repaid the additional $5,826.28 in improper payments within 90 days of the date of this report.

OCTO’S DIRECTOR OF OPERATIONS, A RELATIVE OF EMPLOYEE B, APPEARED TO VIOLATE DISTRICT EMPLOYEE STANDARDS OF CONDUCT BY FACILITATING OR EXERCISING MANAGEMENT CONTROL OF OCTO OPERATIONS THAT INITIATED PAYMENTS TO OR ON BEHALF OF EMPLOYEES A AND B

Section 1800.1 of the DPM states that: “Employees of the District government shall at all times maintain a high level of ethical conduct in connection with the performance of official duties, and shall refrain from taking, ordering, or participating in any official action which would adversely affect the confidence of the public in the integrity of the District government.” Further, section 1800.2 of the DPM states that: “The maintenance of unusually high standards of honesty, integrity, impartiality, and conduct by employees is essential to assure the proper performance of government business and the maintenance of confidence by citizens in their government.”

Section 1803.1 of the DPM also addresses the ethical responsibilities of District government employees as follows: “An employee shall avoid action, whether or not specifically prohibited by this chapter, which might result in, or create the appearance of, the following: (a) using public office for private gain; (b) giving preferential treatment to any person; (c) impeding government efficiency or economy; (d) losing complete independence or impartiality; (e) making a government decision outside official channels; or (f) affecting adversely the confidence of the public in the integrity of government.

OCTO’s Director of Operations is responsible for developing, directing, and administering policies relating to all phases of OCTO’s operations. Employees A and B are a married couple and employee B is related to OCTO’s Director of Operations. Although approved by the Chief Technology Officer (CTO), payment of expenses to related parties by OCTO’s Director of Operations created an “adverse appearance.” The Auditor noted that employee B, OCTO’s Chief Financial Officer (CFO), was responsible for the custody and maintenance of OCTO’s financial records. Family relationships between OCTO’s Director of Operations and employees A and B may have resulted in tainted financial transactions and violations of the District’s employee ethics standards.

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20 See D.C. Code § 1-618.01 (a) which states: “Each employee of the District government must at all times maintain a high level of ethical conduct in connection with the performance of official duties, and shall refrain from taking, ordering, or participating in any official action which would adversely affect the confidence of the public in the integrity of the District government.”

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In this case, the Auditor found a lack of effective financial and accounting controls and a lack of management impartiality and accountability. The relationship between these two employees and their official connection to these payments and access to supporting records compromised the integrity of the transactions.

The financial transactions benefitting employees A and B created a real and/or perceived appearance of favoritism within OCTO. It appeared that there were routine management violations and circumvention of well established policies, procedures, and rules which had a deleterious affect on the morale of other OCTO employees. The Auditor’s review revealed OCTO management’s deviation from these standards. Specific deviations from applicable standards and examples of transactions that could possibly be perceived as creating the appearance of impropriety are presented below.

**OCTO Paid a Total of $28,139.23 in Relocation, Temporary Housing Allowance, and Pre-Employment Travel Expenses for OCTO Employees A and B, or $18,139.23 in Excess of the $10,000 Limit and in Violation of Governing Personnel Regulations**

Governing regulations in effect during the period of the audit provide for a maximum of $10,000 for relocation expenses and temporary housing for an employee and his/her immediate family when the relocation is from outside the Greater Washington Metropolitan Area to the District of Columbia. The Auditor found that payments to employees A and B exceeded the $10,000 limit by $18,139.23. Table V illustrates amounts paid to employees A and B.

**Table V**

<table>
<thead>
<tr>
<th>Employees A and B</th>
<th>Pre-employment Travel Expenses</th>
<th>Relocation Expenses</th>
<th>Temporary Housing Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$694.12</td>
<td></td>
<td>$10,000.00</td>
</tr>
<tr>
<td>B</td>
<td>$181.00</td>
<td></td>
<td>$7,291.94</td>
</tr>
<tr>
<td>A and B</td>
<td></td>
<td>$5,021.01</td>
<td>$1,850.89</td>
</tr>
<tr>
<td>A and B</td>
<td></td>
<td></td>
<td>$1,425.88</td>
</tr>
<tr>
<td>A</td>
<td></td>
<td>$950.39</td>
<td>$724.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$875.12</strong></td>
<td><strong>$5,971.40</strong></td>
<td><strong>$21,292.71</strong></td>
</tr>
</tbody>
</table>

Source: SOAR reports
OCTO Advanced Employee “A” $10,000 For Apartment Rentals and Estimated Moving Costs Before Incurring Actual Expenses

Payment for related expenses should be supported by valid receipts or invoices, and services must be rendered before payments are made. Requiring a receipt also supports the principle that disbursement of government funds are made on a reimbursable basis, not in advance of incurring the expense except as specifically authorized by law. The Auditor, however, found that $10,000 for relocation and temporary housing expenses were made in advance of actually incurring the expense. No documentation was available to fully verify that employee A utilized the advanced funds for relocation and temporary housing.

On July 18, 2002, OCTO’s Director of Operations entered into a rental agreement at the Grosvenor House on behalf of employees A and B for temporary housing. Though the term of the agreement was for one month between August 15 through September 15, 2002, at a cost of $2,975 per month, OCTO’s Director of Operations approved $8,925, ostensibly to cover a ninety (90) day rental period. Documentation was submitted on behalf of employee A for expenses totaling $13,912.47, which included the $8,925 in advance rent payments and the $2,975 for rent for the months of August through October 2002. Also submitted was a written estimate cost of $4,987.47 for relocation services. Because related expenses at the time were capped at $10,000 under District rules and procedures, the CTO approved the advance for only $10,000 (see Item 6 in Table II).

The rental agreement, along with a written estimate for moving expenses totaling $4,987.47, was submitted for payment to OCTO’s Operations Budget Manager by the CTO on September 9, 2002, to support the $10,000 advance to employee A.

While District regulations require that related expenses should be accompanied by valid receipts or invoices to support a reimbursement, employee A nevertheless received a $10,000 advance on September 12, 2002, supported only by a $2,975 one-month lease signed by OCTO’s Director of Operations, in addition to a written estimate of $4,987.47 for moving expenses.

OCTO’s Director of Operations Reimbursed Employee B $7,291.94 For Relocation Expenses in Addition to the $10,000 Previously Advanced to Employee A for Relocation Expenses

In August of 2002, employees A and B submitted an application to another apartment house at a different location (Beacon Place) than the one cited above, ostensibly to establish permanent residence. Information obtained by the Auditor revealed that on September 7, 2002, employees A

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21 See DPM § 911.6.

22 At the time, § 911.5 of the DPM imposed a $10,000 cap that specified that payment of relocation expenses and temporary housing allowances to appointees shall not exceed ten thousand dollars ($10,000).

23 On April 9, 2003, employee A and B repaid the $7,291.94 to the District government. Also on June 20, 2003 employee A and B also repaid $10,000 to the District government.
and B executed a lease for nine months and 24 days, from September 7, 2002 to June 30, 2003 for $1,590 per month. Employee A made rental payments dated October 6, 2002 for $1,515 for the month of October 2002, and rental payments of $1,590 per month through January 2003. Rental payments for this apartment totaled $6,285.

On February 4, 2003, a reimbursement request for $7,291.94 was processed by the OCFO for relocation expenses incurred by employee B which was actually rent paid for the Beacon Square apartment. This amount was supported by four cancelled checks made payable to “Beacon Place,” not invoices or receipts, totaling $6,285, along with temporary storage fee invoices totaling $1,006.94. The $6,285 request for reimbursement was processed separately from the $10,000 advance made to employee A, ostensibly for relocation expenses. On February 24, 2003, employee B received a reimbursement check for $7,291.94 from the District government.

**OCTO’s Director of Operations Misused A District Travel Card by Making Payments for Temporary Housing and Relocation Expenses for Employees A and B**

The District’s travel card program was designed to cover costs associated with travel and travel-related expenses incurred only while on official government travel. Official travel includes travel for the purpose of attending an authorized conference, convention, annual meeting, seminar, or professional training session. Official travel also includes travel and travel-related expenses for interviewing prospective employees of the District government. In addition, lodging, and other allowable expenses, are defined as services from a hotel, motel, inn, guest house or other establishment within a jurisdiction that provides lodging to transient guests for overnight sleeping, baths, and personal use of a room during the day or evening.

During the period covered by the audit, OCTO’s Director of Operations was assigned a District travel card. The Auditor found that the Director of Operations used her District travel card to charge expenses of a personal nature and unrelated to the official business of the District government. The Auditor found $9,202.78 in payments for expenses associated with the relocation of employees A and B. **Table VI** presents the Director of Operations travel card transactions that did not comply with travel card policies.

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24 See OCP Directive 90001.01, Procurement Policy and Procedure Directive-District of Columbia Government Travel Card Program, eff. November 1, 2000 expiration. September 30, 2004, Section 4.3 which states: “An individual issued a card under the Government Travel Card Program shall use the travel card to pay for travel and travel-related expenses incurred while only on official government travel.” Section 4.3.3 defines “official travel” as including “travel for the purpose of attending an authorized conference, convention, annual meeting, seminar, meeting or professional training session. Official travel include travel and travel-related services for interviewing prospective employees of the District government.”
Table VI
Non Compliant Expenses Charged to OCTO Travel Card

<table>
<thead>
<tr>
<th>Table II Items</th>
<th>On Behalf of</th>
<th>Date</th>
<th>Payment</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Employee B</td>
<td>7/25/02</td>
<td>181.00</td>
<td>Pre-employment Travel expense.</td>
</tr>
<tr>
<td>3</td>
<td>Employees A and B</td>
<td>8/09/02</td>
<td>1,850.89</td>
<td>To pay rental company for temporary housing.</td>
</tr>
<tr>
<td>4</td>
<td>Employee A</td>
<td>8/15/02</td>
<td>724.00</td>
<td>For lodging (August 11-15, 2002).</td>
</tr>
<tr>
<td>5</td>
<td>Employees A and B</td>
<td>08/29/02</td>
<td>1,425.88</td>
<td>To pay rental company for temporary housing.</td>
</tr>
<tr>
<td>7</td>
<td>Employees A and B</td>
<td>09/13/02</td>
<td>5,021.01</td>
<td>To pay moving company.</td>
</tr>
<tr>
<td></td>
<td>Totals</td>
<td></td>
<td>$9,202.78</td>
<td></td>
</tr>
</tbody>
</table>

The Auditor also noted that OCTO’s Director of Operations inappropriately used the District travel card to pay expenses for which employee A had already received a $10,000 advance payment. The lack of documentation evidencing the actual use of the $10,000 advance to employee A and the payment of expenses on behalf of employee A by OCTO’s Director of Operations with the District’s travel card, facilitated improper duplicate payments or reimbursements to employee A and B as if it was a deliberate scheme to misappropriate public funds.

Payments for 173 Days of Temporary Housing Exceeded the 60 Day Limit Imposed by DPM § 911.3

According to DPM § 911.3, an agency may pay reasonable temporary housing allowance for a period not to exceed sixty (60) days for the individual and his/her immediate family. The Auditor found that OCTO paid temporary housing for employees A and B in excess of 60 day limit.

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25 Note that the temporary housing did not meet the criteria of lodging, as the payment was for rental of an apartment for one month as opposed to an overnight stay.

26 Note that the temporary housing did not meet the criteria of lodging, as the payment was for rental of an apartment for one month as opposed to an overnight stay.

27 Prior to June 2003, payment of relocation expenses and temporary housing allowance could not exceed $10,000. (See DPM § 911.5). However, beginning June 2003, that limit was eliminated. (See Transmittal Sheet Number 100) Also note that DPM Instruction 38-7 made no reference to payment of temporary housing allowance expenses.
Table VII
Total Number of Days Temporary Housing Was Paid To Employees A and B

<table>
<thead>
<tr>
<th>Employee</th>
<th>From</th>
<th>To</th>
<th>Total Number of Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>A and B</td>
<td>August 11, 2002</td>
<td>January 31, 2003</td>
<td>173</td>
</tr>
</tbody>
</table>

Source: Documentation supporting SOAR payments

Payments to Employees A and B Appeared To Be for Permanent Housing Not Temporary Housing

While qualified employees may be reimbursed for temporary housing expenses, the Auditor found that employees A and B received payments which appeared to be for permanent housing which is not permitted under applicable District laws, regulations, and rules. On September 7, 2002, employees A and B executed a lease agreement for $1,590.00 per month through June 30, 2003 (10 months). Prior to that, however, OCTO’s Director of Operations entered into a lease agreement on behalf of employees A and B on July 18, 2002, for a term of one month from August 15, 2002 through September 15, 2002, yet OCTO reimbursed employees A and B for the expenses related to the lease agreements entered into on September 7, 2002 for 10 months.

RECOMMENDATIONS:

1. That the CTO ensure that OCTO employees responsible for the recruitment of employees are fully aware of DPM rules, policies, and procedures regarding the advertisement of “hard-to-fill” positions and requirements for allowable travel and relocation reimbursements.

2. That the CTO ensure that OCTO strictly adhere to relocation expense reimbursement requirements and limits established by DPM rules, policies, and procedures for any future approved and allowable reimbursements.

3. OCTO’s Director of Operations and CTO take necessary steps to ensure that the required approvals are granted prior to paying relocation and related expenses for pre-employment travel, in accordance with District law and regulations.

4. OCTO’s Director of Operations and CTO avoid taking actions which create an “adverse appearance” and adhere to District government employee ethics standards.

5. OCTO’s Director of Operations discontinue the use of the District travel card for any expenses that do not comply with travel card rules.
SUMMARY

Information obtained by the Auditor indicates that OCTO utilized reimbursement of relocation and related expenses as a vehicle to attract individuals to fill OCTO positions in the information technology field based on the competitive nature of the profession and on the shortage of qualified personnel. While apparently a valid necessity, the Auditor found that OCTO operated in flagrant violation of applicable laws, regulations, and rules.

The Auditor found that OCTO Management circumvented applicable internal financial management and administrative controls thereby exercising unrestricted latitude in recruiting and relocating individuals residing outside the Greater Washington Metropolitan Area at the government’s expense without obtaining required approvals or presenting reasonable written justification. Also, while the Auditor found that some individuals might possess qualifications that are not available in the District of Columbia, the failure to adhere to governing regulations combined with the lack of controls increases the risk that those positions may be filled by individuals other than qualified District residents, and exposes District funds to abuse, misuse, waste, and potential fraud or misappropriation.

As always, please do not hesitate to contact me at 202/727-3600 should you have any questions regarding this matter.

Respectfully Submitted,

[Signature]
Deborah K. Nichols
District of Columbia Auditor