



Department of Veterans Affairs Office of Inspector General

Administrative Investigation Improper Locality Pay and Failure to Follow Federal Travel Regulations Technology Transfer Program VA Central Office

Redacted



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington, DC 20420

TO: Deputy Under Secretary for Health for Policy and Services

SUBJECT: Administrative Investigation, Improper Locality Pay and Failure to Follow Federal Travel Regulations, Technology Transfer Program, VA Central Office (VACO) (2011-03461-IQ-0083)

Summary

We substantiated that [REDACTED] Technology Transfer Specialist, Veterans Health Administration (VHA), Office of Research and Development (ORD), Technology Transfer Program (TTP), VACO, lived and worked in the [REDACTED] [REDACTED], area while receiving the higher locality rate of pay for employees assigned to the Washington, DC, area, resulting in him receiving \$19,080.00 in pay for which he was not entitled. We also found that Ms. Margaret Hannon, Director of Operations, ORD, was aware for 2 years that [REDACTED] resided in [REDACTED] but received the improper locality pay and did not seek guidance or initiate corrective action until July 2011. Further, we found that TTP employees failed to follow Federal travel regulations when they did not attach the required electronic scanned images of their travel receipts to their electronic travel claims and officials improperly approved payment on the travel claims without ensuring that the receipts were attached within the electronic travel system (ETS).

Introduction

The VA Office of Inspector General Administrative Investigations Division investigated an allegation that [REDACTED] received an improper locality rate of pay, resulting in a misuse of travel funds. We also investigated whether TTP employees failed to follow Federal travel regulations. To assess these allegations, we interviewed Dr. Holly Birdsall, Deputy Chief Research and Development Officer for Field Operations, ORD; Ms. Hannon; and other VA employees. We reviewed email, personnel, and travel records, as well as state and local government records. We also reviewed Federal laws, regulations, and VA policy.

Results

Issue 1: Whether [REDACTED] Received an Improper Locality Rate of Pay

Section 5304 of Title 5, United States Code, authorizes locality pay for General Schedule employees with duty stations in the United States and its territories and possessions. Federal regulations state that an agency determines an employee's locality rate by determining the employee's official worksite and that the official worksite is the location of an employee's position of record where the employee regularly performs his duties. 5 CFR §§ 531.604 and 531.605.

Federal law states that a Government employee, when traveling on official business away from his designated post of duty, is entitled to a per diem allowance, reimbursement of expenses actually and necessarily incurred, or a combination of the two. 5 USC § 5702. Federal travel regulations state that an agency may pay only those expenses essential to the transaction of official business; an employee must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business; and if an employee travels by an indirect route, the reimbursement will be limited to the cost of travel by a direct route and the employee is responsible for any added costs. 41 CFR §§ 301-2.2, -2.3, and -2.4. Regulations further state that an employee on a TDY assignment must travel to the TDY destination by the usually traveled route unless the agency authorizes a different route as officially necessary. *Id.*, at 301-10.7. Although an agency can authorize an employee to fly out of an airport not located near their permanent duty station for personal convenience, it does not have the authority to reimburse the employee for expenses incurred as a result of taking an indirect route for personal convenience. Comptroller General Decision, Matter of: *Lawrence O. Hatch*, B-211701, Nov. 29, 1983. The General Services Board of Contract Appeals stated that an employee who is engaged in commuting between his residence and official duty station is performing personal business, not official business for the Government, and the employing agency may not pay the transportation costs the employee incurs while commuting. In the matter of *Freddie G. Fenton*, GSBICA 13638-TRAV, 97-1 BCA 28,712 (1996).

Personnel records reflected that [REDACTED] was selected for a competitive service position within TTP, with an official duty station in Washington, DC, effective July 8, 2007; however, Maryland State records reflected that [REDACTED] sold his residence located within the Washington, DC, metropolitan area 1 month later, on August, 3, 2007. [REDACTED] records, dated July 30, 2007, reflected that [REDACTED] and his spouse purchased a home in the [REDACTED], metropolitan area. In a July 16, 2007, email with a subject line of "moving plans," [REDACTED] wrote to the addressee, "I wanted to let you know that we will be in [REDACTED] starting July 29. We are scheduled to close and move in July 30." In another email, dated August 9, 2007, [REDACTED] told the addressee, "I moved to [REDACTED] last week...I will commute to DC a couple days a week

for a few months.” VA personnel records reflected that [REDACTED]’s home of record and mailing address were the same [REDACTED] residence that he purchased in 2007. *d+9e+

Travel records reflected that [REDACTED] requested and was approved for official travel originating from [REDACTED] to each of his temporary duty assignments, seeking reimbursement for transportation, lodging, and per diem, to include any travel to the Washington, DC, area, his purported duty station. For example, in October 2007, 2008, 2009, 2010, and 2011, he traveled to Washington, DC, and sought reimbursement for lodging, meals, transportation, parking, taxes, and fees. A TTP employee told us that [REDACTED] traveled to Washington, DC, “almost twice a month.” Travel records reflected that on July 5, 2011, [REDACTED] traveled to Washington, DC, for 3 days to renew his Government PIV identification card; however, according to a program analyst at VACO’s badge office, a new identification card could have been issued in [REDACTED].

Travel records also reflected that between January 2011 and December 2011, [REDACTED] traveled from [REDACTED], to Washington, DC, 22 times at an average cost of over \$1,440 per trip for transportation, lodging, meals, and miscellaneous expenses. Travel records reflected that [REDACTED] took the following travel to Washington, DC, in 2011:

- January 4–6, [REDACTED] to Washington, DC \$1,451.38
- January 18–20, [REDACTED] to Washington, DC \$1,347.38
- February 1–4, [REDACTED], [REDACTED], to Washington, DC \$1,689.13
- February 15–17, [REDACTED], [REDACTED], to Washington, DC \$1,402.38
- March 15–17, [REDACTED], [REDACTED] to Washington, DC \$1,452.36
- March 29–31, [REDACTED], [REDACTED] to Washington, DC \$1,677.77 *d+9e+
- April 19–21, [REDACTED] [REDACTED], to Washington, DC \$1,621.80
- May 17–19, [REDACTED] [REDACTED], to Washington, DC \$1,596.83
- June 9–10, [REDACTED] [REDACTED] to Washington, DC \$ 980.99
- July 5–7, [REDACTED] [REDACTED], to Washington, DC \$1,390.04
- July 20–22, [REDACTED] [REDACTED], to Washington, DC \$1,382.42
- August 2–4, [REDACTED], [REDACTED], to Washington, DC \$1,363.62
- August 15–17, [REDACTED] [REDACTED], to Washington, DC \$1,424.23

- August 30–September 1, [REDACTED], [REDACTED] to Washington, DC \$1,389.17
- September 14–16, [REDACTED], [REDACTED], to Washington, DC \$1,527.83
- September 28–30, [REDACTED], [REDACTED], to Washington, DC \$1,527.83
- October 12–13, [REDACTED], [REDACTED], to Washington, DC \$ 824.83
- October 17–19, [REDACTED], [REDACTED], to Washington, DC \$1,556.71
- November 1–3, [REDACTED], [REDACTED], to Washington, DC \$1,640.16
- November 15–17, [REDACTED], [REDACTED], to Washington, DC \$1,470.96
- November 28–30, [REDACTED], [REDACTED], to Washington, DC \$1,474.94
- December 13–15, [REDACTED], [REDACTED] to Washington, DC \$1,494.94

Personnel records reflected that [REDACTED] continued receiving the Washington, DC, locality rate of pay even after moving to [REDACTED], [REDACTED], in 2007. The Office of Personnel Management (OPM) internet website reflected that the locality pay for Washington, DC, was 2 percent more than for [REDACTED], [REDACTED], in 2007; about 4 percent more in 2008; about 5 percent more in 2009; and over 5 percent more in 2010, 2011, and 2012. In using OPM's accepted method of computing hourly pay rates and calculating the difference between the [REDACTED], [REDACTED] and Washington, DC, hourly rates of pay, we determined that [REDACTED] was overpaid the following amounts:

- 08/19/2007–10/13/2007 – 320 Hours X \$0.90/hour = \$288.00 overpaid
- 10/14/2007–01/05/2008 – 480 Hours X \$1.00/hour = \$480.00 overpaid
- 01/06/2008–10/11/2008 – 1600 Hours X \$1.47/hour = \$2,352.00 overpaid
- 10/12/2008–01/03/2009 – 480 Hours X \$1.52/hour = \$729.60 overpaid
- 01/04/2009–10/10/2009 – 1600 Hours X \$2.04/hour = \$3,264.00 overpaid
- 10/11/2009–01/02/2010 – 480 Hours X \$2.11/hour = \$1,012.80 overpaid
- 01/03/2010–10/09/2010 – 1600 Hours X \$2.40/hour = \$3,840.00 overpaid
- 10/10/2010–02/24/2012 – 2880 Hours X \$2.47/hour = \$7,113.60 overpaid

Based on our review, taking into account [REDACTED]'s within grade and any cost of living and locality rate of pay increases, we determined that between August 19, 2007, and

February 24, 2012, when [REDACTED] resigned his VA position, he received a total of \$19,080.00 in pay for which he was not entitled.

Ms. Hannon told us that she learned of [REDACTED]'s improper locality rate of pay in "July or August of 2009." She said that "[she] didn't know for certain exactly how to treat this," and "there's not a lot available that tells you what is appropriate and what isn't." Standards of Ethical Conduct for Employees of the Executive Branch states that employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities. 5 CFR § 2635.101(b)(11). Ms. Hannon said that sometime in 2011 she reached out to VA's Office of General Counsel and that they told her that they advised her "to relocate [REDACTED] to [REDACTED]." Personnel records reflected that Ms. Hannon requested that [REDACTED]'s duty station be changed on July 21, 2011. Dr. Birdsall told us that she spoke to [REDACTED]'s supervisor, Ms. Amy Centanni, former (resigned) TTP Director, regarding [REDACTED]'s improper locality pay during management meetings and that she "may have mentioned it to [REDACTED] in passing, as an issue." Ms. Hannon told us that she never spoke to Ms. Centanni about [REDACTED]'s locality pay.

In another administrative investigation (OIG report 10-02858-07, dated October 14, 2010), we found that an Office of Information & Technology (OI&T) employee received over \$40,000 in pay for which he was not entitled, due to an improper duty station and locality rate of pay. In a follow-up assessment, OI&T identified 15 other employees who received a higher than entitled locality rate of pay. A U.S. Government Accountability Office (GAO) decision stated that an employee who is on notice of an overpayment of pay and who thereafter accepts payments known to be erroneous cannot reasonably expect to retain them and should make provision for eventual repayment. Matter of: *Billy P. Clayton*, B-260912, 1995 U.S. Comp. Gen. LEXIS 853, October 17, 1995.

Personnel records reflected that [REDACTED] resigned his VA position, effective February 23, 2012, the day before we were scheduled to interview him; therefore we were unable to elicit his cooperation in this matter. At that time, personnel records still reflected his official duty station as Washington, DC.

Conclusion

VA is authorized to pay employees a locality rate of pay based on their official worksite. For official travel, VA may only pay for expenses essential to official business; and they cannot pay the transportation costs that an employee incurs while commuting between his residence and official duty station. In July 2007, [REDACTED]'s official duty station was designated as Washington, DC, and he received the proper Washington, DC, locality rate of pay. However, a month after [REDACTED]'s appointment, he moved to [REDACTED] yet, he continued to receive the Washington, DC, locality pay. From August 2007 to January 2012, he submitted travel claims for TDY travel originating from [REDACTED] to his purported duty station in Washington, DC. Moreover, Ms. Hannon was aware for 2 years that [REDACTED] resided in [REDACTED] but received the improper locality pay and

did not seek guidance or initiate corrective action until July 2011. As of February 2012, when ██████ resigned his position, the corrective action still had not been taken.

VA did not have the authority to pay ██████ the Washington, DC, locality rate of pay and also reimburse him for travel expenses to commute to and from his assigned duty station. He did not regularly perform his duties in Washington, DC; therefore, it was improper for that to remain his duty station. His official duty station and locality pay should have been changed to ██████ effective the first pay period after he relocated there. We are not asking that ██████ reimburse VA for the cost of his travel to Washington, DC, because if ██████'s duty station was properly changed at the time of his move to the ██████ area, his travel to Washington, DC, would be permitted. "d+9e+

Recommendation 1. We recommend that the Deputy Under Secretary ensure that ██████ is issued a bill of collection for \$19,080.00 to recoup locality pay improperly paid to him.

Recommendation 2. We recommend that the Deputy Under Secretary confer with the Offices of Human Resources (OHR) and General Counsel (OGC) to determine the appropriate administrative action to take against Ms. Hannon and ensure that action is taken.

Recommendation 3. We recommend that the Deputy Under Secretary confer with OHR to ensure that ██████'s official personnel records are adjusted to reflect the lower salary for years 2007 through 2012, adjust any improper payments to his retirement annuity and Thrift Savings Plan contributions, and make any other necessary corrections.

Recommendation 4. We recommend that the Deputy Under Secretary confer with OHR to determine if there are other ORD employees with similar situations and take appropriate corrective action to determine their duty stations, recoup any monies improperly paid to them, adjust any improper payments to their retirement annuity and Thrift Savings Plan contributions, and make any other necessary corrections.

Issue 2: Whether Technology Transfer Program Employees Failed to Follow Federal Travel Regulations

Federal travel regulations require employees to have written or electronic authorization prior to incurring any travel expense and state that agencies can pay only travel expenses that are essential to official business. 41 CFR §§ 301-2.1 and -2.2. Further, regulations state that employees must use the electronic travel service (ETS); provide receipts for lodging and any other expense costing over \$75; and that reviewing officials must have full knowledge of an employee's activities and ensure that the required electronic scanned images of receipts, statements, justifications, etc., are attached to the electronic travel claim. Id., at 301-52.3, -52.4(b) and -71.201(e).

We found that TTP employees' travel claims did not have the required electronic scanned images of receipts, statements, justification, etc., attached to the electronic travel claims, yet they were approved for payment. Below are a few examples.

- October 4–6, 2011, Ms. Centanni claimed 2 nights lodging for official travel from Washington, DC, to Cambridge, MD; however, the travel claim did not contain a receipt for lodging.
- October 17–19, 2011, ██████████ claimed 2 nights lodging and \$779.38 for transportation for official travel from ██████████ ██████████ to Washington, DC; however, the travel claim did not contain receipts for lodging and airfare.
- January 4–7, 2012, ██████████ claimed 2 nights lodging and \$732.80 for transportation for official travel from Washington, DC, to Portland, OR; however, the travel claim did not contain receipts for lodging or airfare.
- March 14–18, 2012, ██████████ claimed 3 nights lodging for official travel from Washington, DC, to Anaheim, CA; however, the travel claim did not contain receipts for lodging and airfare.

A TTP employee, who is an alternate travel preparer, told us that once a TTP employee completed their travel claim, she submitted it with the hardcopy receipts to the ORD Finance Department. Another TTP employee told us that he submitted his original travel receipts to the ORD Finance Department and did not retain a copy for himself. An ORD organizational chart reflected that the ORD Finance Department fell under Ms. Hannon's authority, and Ms. Hannon told us that the ORD Finance Department "falls sort of under the Director of Operations so I guess it is my responsibility." She said that the TTP employees did not put their travel receipts into ETS and that the finance officer processed the travel claims in paper format.

Another TTP employee told us that the finance department approved their travel claims, and yet another TTP employee said that Ms. Centanni first signed their travel claim and then a finance department employee approved it. Travel records reflected that Ms. Maureen Carroll, Director of Finance, and her subordinates approved travel authorizations and claims for TTP employees; however, Ms. Hannon told us that she also approved travel claims. She said that the "direct supervisors direct the travel to come to [her] so that [she] can sign it." She further said, "[The supervisors] don't sign the forms, but I guess I make an assumption, maybe it's an unwarranted assumption, that the direct supervisor has approved the travel."

Conclusion

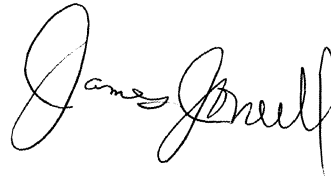
We concluded that TTP employees failed to follow Federal regulations when they did not attach the required travel receipts to their travel claims in ETS and that approving

officials improperly approved those claims for payment outside of ETS. We also found that finance office employees who would not have full knowledge of TTP employees' activities improperly approved travel claims for employees who did not fall within their chain of supervision. Further, Ms. Hannon, who has oversight of the ORD Finance Department, did not ensure that travel claims were properly processed or that they were approved by the proper authorizing officials.

Recommendation 5. We recommend that the Deputy Under Secretary ensure that TTP and ORD Finance Department employees receive appropriate training on Federal travel regulations and ensure that they fully comply with those regulations.

Comments

The Deputy Under Secretary for Health for Policy and Services was responsive, and her comments are in Appendix A. We will follow up to ensure that the recommendations are fully implemented.



JAMES J. O'NEILL
Assistant Inspector General for
Investigations

Deputy Under Secretary Comments

**Department of
Veterans Affairs**

Memorandum

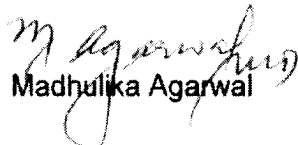
Date: June 20, 2012

From: Deputy Under Secretary for Health for Policy and Services
(10P)

Subject: **Administrative Investigation, Improper Locality Pay and
Failure to Follow Travel Regulations, Technology
Transfer Program, VA Central Office**

To: Assistant Inspector General for Investigations (51)

1. The draft report, including the findings and conclusions, has been reviewed carefully.
2. The attached corrective action plan describes how we will address potential administrative actions to remedy findings concerning locality pay and Federal travel regulations.
3. Thank you for the opportunity to review the draft report. If you have any questions, please contact Linda H. Lutes, Management Review Service (10AR) at (202) 461-7014.


Madhulika Agarwal

Deputy Under Secretary's Comments to Office of Inspector General's Report

The following Deputy Under Secretary's comments are submitted in response to the recommendation(s) in the Office of Inspector General's Report:

OIG Recommendation(s)

Recommendation 1. We recommend that the Deputy Under Secretary ensure that [REDACTED] is issued a bill of collection for \$19,080.00 to recoup locality pay improperly paid to him.

Comments: Based on guidance from appropriate fiscal officials, the Office of General Counsel (OGC), the Offices of Human Resources (OHR), as well as any other appropriate officials, appropriate action regarding the recommendation for an issuance of a bill of collection will be taken or a rationale for other action will be reported to you by September 30, 2012.

Recommendation 2. We recommend that the Deputy Under Secretary confer with OHR and OGC to determine the appropriate administrative action to take against Ms. Hannon and ensure that action is taken.

Comments: Based on guidance from OHR and OGC, the appropriate administrative action will be taken or rationale about why administrative action is not possible will be provided by September 30, 2012.

Recommendation 3. We recommend that the Deputy Under Secretary confer with OHR to ensure that [REDACTED]'s official personnel records are adjusted to reflect the lower salary for years 2007 through 2012, adjust any improper payments to his retirement annuity and Thrift Savings Plan contributions, and make any other necessary corrections.

Comments: Based on guidance from OHR and other appropriate offices, a report of actions regarding the official personnel record, improper payments to retirement annuity and Thrift Savings Plan contributions, and other corrections will be taken or rationale about why actions are not possible will be provided by September 30, 2012.

Recommendation 4. We recommend that the Deputy Under Secretary confer with OHR to determine if there are other ORD employees with similar situations and take appropriate corrective action to determine their duty stations, recoup any monies improperly paid to them, adjust any improper payments to their retirement annuity and Thrift Savings Plan contributions, and make any other necessary corrections.

Comments: Based on guidance from OHR and other appropriate offices, a report of actions regarding a review of other [ORD] employees to determine if any are in similar situations and actions are needed in regard to determining duty stations, recouping any monies improperly paid to them, adjusting improper payments to their retirement annuity and Thrift Savings Plan contributions, and making any other corrections will be taken or rationale about why actions are not possible will be provided by September 30, 2012.

Recommendation 5. We recommend that the Deputy Under Secretary ensure that TTP and ORD Finance Department employees receive appropriate training on Federal travel regulations and ensure that they fully comply with those regulations.

Comments: The Deputy Under Secretary for Health for Policy and Services will ensure that Technology Transfer Program and ORD Finance Department employees receive appropriate training on Federal travel regulations. To ensure that they fully comply with those regulations, documentation will be done through the Talent Management System (TMS) as mandatory training for these employees.

OIG Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Charles Knorr Christopher Holcombe

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