

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF LSC's
BOARD MEMBER TRAVEL
During Fiscal 2004**

**November 2004
Report No. AU05-01**

www.oig.lsc.gov



Inspector General
Kirt West

MEMORANDUM

TO: Helaine Barnett
President

FROM: Kirt West *Kirt West*
Inspector General

SUBJECT: Audit of Board Member Travel

DATE: November 18, 2004

Attached is our final report on our audit of Board Member Travel. Your comments on the draft are included in Appendix I. You have agreed to implement the two recommendations. By December 17, 2004, please provide this office with a timetable for taking the steps to implement the recommendations. In addition, please advise the OIG when all agreed actions have been completed.

If you have any questions, please contact David Gellman on extension 1665 or me on extension 1650. Thank you and your staff for the cooperation and courtesy extended to the OIG auditors.

Attachment

cc: John Eidleman
Acting Vice President for Compliance and Administration

Victor Fortuno
Vice President for Legal Affairs/General Counsel/Corporate Secretary

David Richardson
Treasurer and Comptroller

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INTRODUCTION

The Legal Services Corporation (LSC), Office of Inspector General (OIG) conducted this audit to determine whether travel expenses claimed by LSC Board members during fiscal year 2004 were properly supported and complied with LSC travel policies and procedures.

BACKGROUND

Chapter 6 of LSC's Administrative Manual outlines the official travel policy of LSC. Travel by any Board member, regardless of whether payment is made directly or by reimbursement, is governed by the provisions of this chapter. Travel arrangements and forms for Board members are processed through the Office of Legal Affairs. Travel expense reports for LSC's Board of Directors must be signed by the Corporate Secretary/General Counsel or designee.

There are currently 11 individuals on LSC's Board of Directors. During the period of our audit, these LSC Board members submitted 44 travel expense reports totaling \$12,702 for reimbursement of their travel expenses. In addition, LSC directly paid \$ 38,613 for travel expenses related to these trips.

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of this audit was to determine whether travel expenses claimed by LSC Board members were supported by receipts and other documentation and complied with Chapter 6 of LSC's Administrative Manual which covers the LSC policies and procedures for business travel. The audit work was performed from October 6, 2004 to November 4, 2004. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

To gain an understanding of the review and approval process for Board member travel, the OIG interviewed the Corporate Secretary designee, Comptroller, and officials in the Comptroller's office. The OIG also reviewed LSC's travel policies and procedures in Chapter 6 of LSC's Administrative Manual and various forms and travel-related documents prepared for use by the Board.

The OIG reviewed 44 travel expense reports submitted by Board members which represented all Board member travel expense reports for the audit period. We reviewed documentation supporting all reimbursable travel expenses included on these expense reports and documentation supporting travel expenses directly billed to LSC for two of the seven Board meetings during the audit period.

RESULTS OF AUDIT

Our audit revealed that travel expenses claimed by LSC Board members during fiscal year 2004 were properly supported and generally complied with LSC travel policies and procedures. However, the following two areas need attention to prevent future problems from occurring.

- LSC needs to establish written policies and procedures for reimbursing the actual cost of Board dinners.
- LSC needs to periodically provide feedback to the Board on travel expense report policies and discrepancies.

Board Dinners

The actual cost of Board member dinners was claimed on travel expense reports. This method of reimbursement is not covered in the LSC travel policies and procedures.

Chapter 6, Part 3 of the LSC travel policies and procedures states that reimbursement for meals should be based on the IRS Per Diem guidelines for standard meal allowances. The chapter states that the standard meal allowance can be waived by the Comptroller in advance of the meal and that the waiver should cover actual costs of all meals for the entire trip. When the standard meal allowance is waived, receipts must be provided for each meal for the entire trip. The chapter does not provide for one traveler claiming costs incurred by another traveler.

Two Board members on three occasions claimed the entire cost of dinners attended by most Board members. There was no waiver granted in advance by the Comptroller. In addition, four members who attended the dinners claimed per diem on their expense reports rather than claiming actual meal costs for the entire trip, as required. These per diem claims were not for the same days as the dinners.

According to the Comptroller and the Manager of Board Operations & FOIA Officer, reimbursing for Board member dinners in this manner has been an established practice at LSC and that when an LSC staff member is present during a Board dinner, the LSC staff member normally picks up the tab and includes the entire cost of the meals on his/her travel expense report.

We did not identify an adverse cost effect of this practice since no Board member claimed per diem on the same day of a Board dinner. However, not having this practice documented could cause confusion over who is authorized to use this method and create the negative perception that high profile LSC officials are following unwritten travel rules.

Recommendation

1. LSC should incorporate written policies and procedures that address the reimbursement of Board member dinners (and other group meals claimed by LSC travelers) into LSC's travel policies and procedures.

Travel Expense Reports

Board member travel expense reports generally complied with the LSC travel policies and procedures. However, there were a number of minor exceptions that should be addressed to prevent the possibility of future problems.

Chapter 6 of the LSC policies and procedures covers the preparation and processing of expense reports. Travel expense reports have detailed instructions on the information that should be included in the reports.

We identified minor compliance discrepancies with these requirements on 34% of the Board member expense reports submitted during the audit period. The nature of these discrepancies included:

- Time Depart/Time Return not indicated on the reports.
- Direct Billing expenses not itemized on the reports.
- Alcoholic beverages in meal tab included on the report (LSC did not reimburse this claim).
- Expense reports not submitted timely.
- Receipts submitted that showed personal credit card numbers and date of card expiration.

Board members may not be entirely familiar with LSC travel policies. LSC management has taken positive steps to educate members of the Board regarding LSC's requirements by, among other things, providing a summary of LSC travel procedures and developing special forms for Board members. However, more education would lessen the degree of non-compliance.

The discrepancies that we identified were minor exceptions to the reporting requirements that did not include overcharges. Nevertheless, it would be prudent to prevent these types of discrepancies in the future to lessen any risk of errors, over-charges and negative publicity for the Board of LSC.

Recommendation

2. LSC should periodically educate Board members on LSC's travel policies and procedures. As part of this education, LSC should provide feedback to the Board on the nature of past discrepancies on prior claims.

LSC should also point out discrepancies on individual travel expense reports and have them corrected.

SUMMARY OF LSC COMMENTS ON DRAFT REPORT AND THE OIG'S RESPONSE

On November 16, 2004, the LSC President provided a written response to the draft report stating that LSC management agreed with the findings and describing the actions LSC management will take to implement the recommendations. The President's response is included in Appendix I.

The OIG believes that these actions, if taken, are responsive to our recommendations.



Executive Office

MEMORANDUM

TO: Kirt West

FROM: Helaine M. Barnett *HMB*

SUBJECT: Management's Comments on OIG Draft Report –
Audit of LSC Board Member Travel

DATE: November 16, 2004

Attached is LSC Management's comments on the OIG Draft Report on the Audit of LSC Board Member Travel.

Please feel free to call me if you have any questions.

cc: John Eidleman
Victor Fortuno
David Richardson
Patricia Batie

**LSC Management Comments on the
Office of Inspector General Draft Report
Audit of LSC Board Member Travel**

Results of Audit

Board Dinners – LSC Management agrees with the finding of the audit.

Response – Management will develop and include in the LSC travel policies and procedures more specific written policies and procedures that detail reimbursement of Board member dinners (and other group meals claimed by LSC travelers).

Travel Expense Reports – LSC Management agrees with the findings of the audit.

Response – Management will provide written materials to the Board at the February 2005 Board meeting detailing travel policies and procedures.

Management will also identify discrepancies on individual travel expense reports and request that they be corrected.

APPENDIX II

OIG Audit Team

Christopher Aballe
Richard Adkins