

Office of the
INSPECTOR GENERAL



REPORT OF INVESTIGATION

File Number: 08-012

Agency: Georgia State Financing and Investment Commission

Basis for Investigation: Agency Request

Allegations: Fraudulent Travel Expense Statements

Date Opened: February 18, 2008

Investigated By: Deborah W. Copeland
Deputy Inspector General

Date of Report: May 20, 2008

Elizabeth P. Archer, Inspector General

OFFICE OF THE INSPECTOR GENERAL



File Number: 08-012

EXECUTIVE SUMMARY

In February 2008, the Georgia State Financing and Investment Commission (GSFIC) officials requested investigative assistance regarding fraudulent travel expense statements submitted by an employee in the Construction Division. Specifically, the Office of the State Inspector General (OIG) investigated whether Doug Storm, a Contract Compliance Specialist, falsified his expense statements when filing for reimbursement.

OIG conducted interviews with GSFIC employees and reviewed policies, official files, and standard operating practices. We also interviewed the owner of a Recreational Vehicle (RV) Park and Campground in Milledgeville, Georgia, where Storm temporarily resided while assigned to a project.

OIG's investigation confirmed that between February 2007 and February 2008, Storm submitted false information on his Travel Expense Statements resulting in reimbursements for expenses he did not incur in the amount of \$4, 210.00. During the course of our investigation, GSFIC terminated Storm on February 19, 2008. In addition, the agency recouped overpayment from Storm's annual leave balance via withholdings from his final check.

On March 18, 2008, OIG referred the matter to Georgia Bureau of Investigation's Region VI Office in Milledgeville, Georgia, for further criminal investigation.

OIG offers the following recommendations to the Georgia State Financing and Investment Commission. OIG requests that GSFIC provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

- 1) Ensure the agency clearly articulates any understanding in regards to an employee's "special assignment," particularly when any type of agreement is made between the employee and the agency detailing lodging and reimbursement arrangements. Agreements such as these should be memorialized in the form of a Memorandum of Understanding or similar official document. The agency should ensure widest dissemination among supervisors, project managers, division directors, personnel, and the finance offices.

- 2) Consider establishing an agency specific policy for travel and reimbursement expenses while adhering to Statewide Travel Regulations. A number of other agencies have elected to do so in order to deal with their own unique travel circumstances.
- 3) Identify and pursue training needs for all employees in the area of State Travel Regulations. Persons approving expense statements for payment must become familiar with the provisions presented in procedures and apply them in the review and audit of each expense statement.
- 4) Consider conducting periodic reviews of processed expense statements and immediately address any identifiable weaknesses.



Report of Investigation

File No. 08-012

TABLE OF CONTENTS

I.	Basis for Investigation	1
II.	Action Taken in Furtherance of Investigation	1
III.	Narrative	1
	A. Background	1
	B. Investigation	2
IV.	Additional Matters	6
V.	Conclusion	6
VI.	Recommendations	6
VII.	Referral	7

Summary of Actions
Georgia State Financing and Investment Commission
File Number 08-012

I. BASIS FOR INVESTIGATION

In February 2008, the Georgia State Financing and Investment Commission (GSFIC) officials requested investigative assistance regarding fraudulent travel expense statements submitted by an employee in the Construction Division. Specifically, the Office of the State Inspector General (OIG) investigated whether Doug Storm falsified his travel expense statements when filing for reimbursement.

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

OIG conducted interviews with GSFIC employees and reviewed policies, official files, and standard operating practices. We also interviewed the owner of a recreational vehicle (RV) park and campground in Milledgeville, Georgia, where Storm resided during the period in question.

III. NARRATIVE

A. BACKGROUND

GSFIC is responsible for the proper application of proceeds from general obligation debt and the issuance of all public debt by the state. No agency or authority can incur debt or employ other financial or investment advisory counsel, without Commission approval. GSFIC consists of the Financing and Investment Division and the Construction Division.

The Construction Division provides construction management services on capital outlay projects for the various state agencies and other entities. The division's management of projects involves receiving bids for the selection of a contractor to construct the facility, monitoring the progress of the projects, and providing the accounting services associated with disbursements of payments.

State Property Officer Steve Stancil has served as GSFIC's Executive Director since February 15, 2008. In addition to GSFIC, he oversees State Properties Commission and Georgia Building Authority.

Doug Storm, a Contract Compliance Specialist in the Construction Division, began his employment with GSFIC in 2006. His duties included monitoring the day-to-day progress of construction projects and conducting quality inspections of stored materials, job site conditions, and workforce.

B. INVESTIGATION

ALLEGATION: “Doug Storm falsified his Travel Expense Statements from February 2007 to February 2008, by claiming lodging costs greater than the actual costs incurred.”

In February 2007, GSFIC officials assigned Storm to work on a long-term construction project in Milledgeville, Georgia. Since the Milledgeville project was located several hours away from Storm’s permanent residence in Martinez, Georgia, GSFIC officials authorized Storm to stay in a Milledgeville hotel during the week. However, Storm elected to stay at the Scenic Mountain RV Park and Campground.

Storm negotiated a deal with the RV park owner to stay at the compound for \$350 per month. Storm paid this rate for ten months until the last two months of his stay, when he renegotiated a price reduction to \$200 per month. Although it was an RV park, Storm did not own a trailer during the first month of his stay. Instead, he rented an RV or a clubhouse room at the park. However, shortly thereafter, Storm purchased a used trailer and began staying in it at the park.

Our investigation revealed that during his assignment, Storm routinely left his home on Monday mornings and drove to Milledgeville. He would stay at the park until Wednesday evening. On Wednesday evenings, Storm would return to his home in Martinez. On Thursday mornings, he returned to Milledgeville to work through Friday afternoon. On Friday afternoons, Storm returned home. Storm engaged in this routine from February 2007 until February 2008.

In August 2007, the Construction Division was reorganized and Storm was assigned a new supervisor. It was during this time that the new supervisor questioned Storm about the validity of his lodging expenses. Storm became defensive and indicated that was the agency’s agreement. As GSFIC officials became increasingly suspicious of Storm’s lodging claims, they began to more closely review the matter and contacted Scenic Mountain RV Park where Storm resided. Their concern grew when park employees confirmed that a person staying long-term could do so for \$350 a month, although Storm’s expense statements had been reflecting a daily rate of \$60 to \$70 per night. Even after being confronted with this information, Storm continued to claim that the lodging costs depicted on his expense statements were his actual charges. In February 2008, Storm finally admitted to GSFIC officials that he had been submitting inflated expense statements.

From February 2007 to February 2008, GSFIC reimbursed Storm a total of \$8,135.00 as a result of expenses he claimed were incurred while working on the Milledgeville project.

Administrative Investigation

OIG interviewed Mr. John White, owner and manager of the Scenic Mountain RV Park, regarding Storm’s lodging arrangement. White recalled Storm informing him that as a state employee he would receive a certain amount of per diem each month. Storm stated that he needed to submit an invoice each month to his agency in order to be reimbursed for his personal expenses. Storm also stated that White would have to “break down” the invoice into daily rates.

According to White, Storm would email him several times a month, specifying how the invoices should read. Although the park was not accustomed to providing invoices to customers, White admitted that contrary to his routine business procedure, he prepared the invoices according to Storm's instructions.¹ However, White maintained that he told Storm, "I'm not gaining anything by doing these invoices this way for you, nor will I hide anything if asked by anyone at anytime." White confirmed that the established rate for Storm to stay at the park was \$350 a month.

White offered to forward to OIG all of his email correspondence with Storm including the invoices he was asked to prepare. The emails confirmed that Storm would indicate in advance, the number of nights and the daily rate that he wanted depicted on each weekly invoice. From March to August 2007, Storm requested that the invoice reflect a daily rate of \$60 per night. However, in August 2007, Storm requested that White adjust the invoice amount to \$70 per night. Storm did not provide an explanation to White for the increase.

Additionally, White furnished OIG with records relating to Storm's actual rental activity by querying the business's computerized records. The business records showed that Storm paid the RV park \$4,339 for lodging and miscellaneous expenses. This was in stark contrast to the \$8,135 amount that Storm submitted for reimbursement to GSFIC.

OIG interviewed staff in the agency's Finance Office to determine the procedures used for processing travel expense claims. Claims are reviewed to ensure the presence of two signatures: the employee's signature and the supervisor's signature. Additional details of the claim are reviewed to ensure the employee stayed within the State Travel Regulations for meal and lodging expenses, departure and arrival times, etc., and that required receipts are included. Provided the review meets with the above criteria and has been signed and approved by the employee's supervisor, the claim is entered into PeopleSoft for further reimbursement processing. All travel expense statements are maintained in GSFIC's Finance Office, along with original receipts, and copies of any additional paperwork that may have been attached by the employee. These files are maintained for several years within GSFIC before they are archived.

In regards to the travel expense statements Storm submitted, staff in the Finance Office did not detect manipulation of the information, and, with one exception, did not have a reason to become suspicious of Storm's actions. However, when OIG examined the invoices Storm submitted, we found that he routinely submitted RV park **invoices** along with his expense statement, rather than **actual lodging receipts** as mandated by the State Travel Regulations.² In addition, we found that the invoice numbers were sometimes duplicated or the numeric arrangement was completely random rather than following a logical sequence. At times, Storm

¹ White informed OIG that when a customer pays their fees at the campground office, the staff provides a cash register type of receipt. The receipt basically depicts the customer's name and address, rental dates, rates, total charges, and type of payment; i.e. cash, check or credit card.

² Per State Travel Regulations: "Employees are also required to submit receipts for the following expenses: lodging, airline or railroad fares, rental of motor vehicles, supplies, and registration fees. Receipts for parking, toll way, mass transit/taxi/airport vans, and communications expenses are recommended. However, if receipts are not available employees are required to include an explanation of the expense of the travel expense statement. Receipts for meals are not required."

used an ink pen to cross out amounts and insert a different amount, and/or to alter dates. When questioned about these obvious alterations, staff in the Finance Office stated that although they recognized the irregularities, they assumed that Storm was “correcting” mistakes made by the RV park, because the handwritten amounts were less than the crossed-out amounts. Staff also recalled that on at least one occasion when Storm was questioned about an irregularity, he became defensive. Staff refrained from further questioning because Storm’s supervisors had reviewed the claims for reasonableness and accuracy.

When asked if there would have been any way to detect problems with the numerical order of the invoices, staff in the Finance Office stated that the PeopleSoft program used by the state only accepts certain fields of information, none of which includes invoice numbers. Therefore, they would not necessarily have been able to detect the discrepancies.

OIG interviewed Storm’s supervisors during the period in question. From February 2007 until August 2007, Storm was supervised by Contract Compliance Specialist Glynda Carr. In August 2007, after GSFIC reorganized the Construction Division, Storm was supervised by Central Region Quality Assurance Manager Don Centers.

Although Carr was Storm’s supervisor at the time GSFIC assigned him to the Milledgeville project, she was not involved in any of the travel arrangements. According to Carr, that decision was made by Construction Division Director D.C. Maudlin and Project Managers Greg Nash and Rob Davis, without her input. The only communication Carr received was a February 6, 2007, email that Storm sent to Nash, with a courtesy copy provided to her and Davis. She recalled that the email contained Storm’s estimated monthly expenses of \$35 per night for lodging and \$2,300 total per month in Milledgeville. However, as part of her duties, she reviewed Storm’s expense statements.

Since Carr only traveled to Milledgeville once a week, Storm mailed his statements to her residence. Upon receipt of his expense statements, Carr reviewed them for completeness, ensuring that the appropriate documentation was attached, and that his lodging expenses were within the \$70 maximum allowable rate for the Milledgeville area. She admitted that she had never been to Storm’s temporary residence at the RV park, and that she had no previous experience that would have alerted her to the fact that \$70 per night was rather excessive for such accommodations. Carr told OIG that she had no reason to question any of Storm’s claims, given that they did not exceed his estimated monthly expense rate referenced in the February 6, 2007, email. After approving his statements, she forwarded them to Atlanta for processing.³

During his interview, Don Centers stated he began questioning Storm about his expense statements as early as September 2007.⁴ Each time, Storm would respond, “This is how it has always been,” or “This is what was approved by D.C. Maudlin, the Director.” As his concerns grew, Centers spoke with his supervisor, Anne Littlejohn, and the two of them began to examine the issue more closely. Centers never directly questioned Director Maudlin, because he did not want Maudlin to think he was “questioning his [superior’s] decisions.”

³ Carr confirmed that she signed Storm’s expense statements from February 2007 until August 24, 2007.

⁴ Centers confirmed that he signed Storm’s expense statements from September 2007 until February 2008.

In February 2008, Storm finally admitted to Centers that he was trying to “recoup his expenses from having to buy a trailer and get repairs done on it.” In fact, Storm provided documentation such as cancelled checks and bank statements in an attempt to justify his actions.

When OIG interviewed Director Maudlin, he recalled that in late 2006/early 2007, the agency decided that Storm would be assigned to work on the Milledgeville project, and that he would be supervised by Senior Contract Compliance Specialist Glynda Carr. Carr, in turn, reported to Project Managers Rob Davis and Greg Nash.

Maudlin directed Davis and Nash to determine how Storm’s lodging and travel would be handled by the agency. Maudlin stated that he instructed them be fair and stipulated that if the State Travel Regulations allowed for an entitlement, Storm should receive it. He also instructed them to determine an arrangement that would be the least costly to GSFIC overall.

Maudlin recalled that Nash created a spreadsheet which outlined Storm’s options. However, during OIG’s investigation, GSFIC was unable to produce a copy. He also recalled discussing with Nash and Davis that GSFIC should not pay for mileage and hotel stay on the same day. Maudlin referenced the email that Storm sent Nash in February 2007, estimating his monthly expenses.

When asked if he agreed to the inflated lodging rates, Maudlin stated that he never “agreed to anything.” He believes Storm took his comments literally when he stated that he “wanted this to be the least costly situation for the agency.” Maudlin said he “had no idea Storm had bought a trailer or was trying to recoup all of his expenses through false claims.” He trusted his supervisors to review Storm’s work arrangements, travel claims, etc. However, he acknowledged that he did not issue a Memorandum of Understanding, Letter of Agreement, or any other official correspondence clearly articulating Storm’s Milledgeville assignment, responsibilities, and/or travel/lodging arrangements. Maudlin believed that when Storm emailed Nash and Davis and did not get a response, he fell into “silence is consent thinking,” although that particular email “did not even begin to account for Storm’s purchase of a trailer and subsequent actions.”

GSFIC placed Storm on administrative leave February 15, 2008, and ultimately terminated his employment on February 19, 2008. In addition, on March 12, 2008, the agency recouped overpayment from Storm’s annual leave balance via withholdings from his final check.

OIG did not interview Storm once apparent criminal conduct was discovered during our administrative investigation. We promptly turned the matter over to the Georgia Bureau of Investigation’s Region VI Office in Milledgeville on March 18, 2008.

Based on the documents reviewed and interviews conducted, we substantiated the allegation that “Doug Storm falsified his Travel Expense Statements from February 2007 to February 2008, by claiming lodging costs greater than the actual costs incurred.”

IV. ADDITIONAL MATTERS

Interviews revealed variances in the level of training employees receive regarding the State Travel Regulations. Some stated they had received training through instances of “lunch and learn seminars” while others acknowledged receipt of training via “on the job training.” In addition, we learned that although the State Travel Regulations allow for an agency to establish more specific guidelines, GSFIC has not yet elected to do so.

We also learned that the agency has an informal practice wherein contract compliance specialists within the Construction Division “work from a home-base.” This means their office is their home, and GSFIC reimburses them for mileage from their home to wherever their job site is on a given day, without restriction. OIG contends it may be in the best interest of the agency to review this matter and establish written procedures.

V. CONCLUSION

The biggest vulnerability to travel and expense fraud exists in the approval process for reimbursement claims. OIG urges management to be constantly alert to the reality that if controls are weak or employees know that their managers are too busy to thoroughly review expense claims before submitting them, the opportunities for fraud are almost limitless. Enforcing tight documentation controls represents a critical step toward streamlining the review process and improving the chances that frauds, like the one Storm managed to orchestrate over the course of a year, will be quickly flagged.

While our investigation focused on what we believe was an isolated incident on Storm’s behalf, we saw no indications suggesting that travel and expense fraud is a widespread problem within the agency. However, since the Construction Division oversees projects statewide, there is a potential at any time for “special employee assignments” to be made. To prevent miscommunication, or even fraud or abuse of travel and expense reimbursement, any special assignment should be documented and widely communicated within the agency.

VI. RECOMMENDATIONS

OIG offers the following recommendations to the Georgia State Financing and Investment Commission. OIG requests that GSFIC provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

- 1) Ensure the agency clearly articulates any understanding in regards to an employee’s “special assignment,” particularly when any type of agreement is made between the employee and the agency detailing lodging and reimbursement arrangements. Agreements such as these should be memorialized in the form of a Memorandum of Understanding or similar official document. The agency should ensure widest dissemination among supervisors, project managers, division directors, personnel, and the finance offices.

- 2) Consider establishing an agency specific policy for travel and reimbursement expenses while adhering to Statewide Travel Regulations. A number of other agencies have elected to do so in order to deal with their own unique travel circumstances.
- 3) Identify and pursue training needs for all employees in the area of State Travel Regulations. Persons approving expense statements for payment must become familiar with the provisions presented in procedures and apply them in the review and audit of each expense statement.
- 4) Consider conducting periodic reviews of processed expense statements and immediately address any identifiable weaknesses.

VII. REFERRAL

On March 18, 2008, OIG referred the matter to Georgia Bureau of Investigation's Region VI Office in Milledgeville, Georgia, for further criminal investigation.