

Department of Natural Resources

Special Review Noncompliance with State Travel Policies

January 1998

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**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Rodney Sando, Commissioner
Department of Natural Resources

The Office of the Legislative Auditor has conducted a special review of selected issues relating to expense reimbursement claims processed by the Department of Natural Resources. We conducted the review in response to a complaint filed with our office concerning the commissioner's mileage reimbursements during fiscal years 1995 and 1996.

Our objectives were to answer the following two questions:

- Did Commissioner Sando submit mileage reimbursement claims in accordance with state travel policies and procedures?
- Were any instances of noncompliance indications of weaknesses in the department's review and approval of employee mileage reimbursement claims?

This report presents the results of our review.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Natural Resources. This restriction is not intended to limit the distribution of this report, which was released as a public document on January 23, 1998.

James R. Nobles
Legislative Auditor

Claudia Gudvangen, CPA
Deputy Legislative Auditor

Report signed on: January 20, 1998

SUMMARY

State of Minnesota
Office of the Legislative Auditor
1st Floor Centennial Building
658 Cedar Street • St. Paul, MN 55155
(612)296-1727 • FAX (612)296-4712
TDD Relay: 1-800-627-3529
email: auditor@state.mn.us
URL: <http://www.auditor.leg.state.mn.us>

Department of Natural Resources Special Review Noncompliance with State Travel Policies

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No. 98-2

Scope and Objectives

The Office of the Legislative Auditor has conducted a special review of selected issues relating to expense reimbursement claims processed by the Department of Natural Resources (DNR) during fiscal years 1995 and 1996. We conducted the review in response to a complaint filed with our office concerning the commissioner's mileage reimbursements during that time.

Our objectives were to determine whether the commissioner submitted mileage reimbursement claims in accordance with state travel policies and procedures, and whether any instances of noncompliance indicated weaknesses in the department's review and approval of employee mileage reimbursement claims.

Conclusions

We found weaknesses in DNR's processing of employee expense claims as a result of our review. Generally, we found that the department did not ensure that its employees properly reported trip and local mileage. The department did not verify that trip mileage claimed by employees coincided with official state mileage amounts. In addition, employees were not required to provide specific destinations when incurring local mileage, and the department did not verify that employees reported the proper mileage when traveling to or from their homes. Finally, the department did not comply with the state's travel policy concerning the issuance of control numbers.

As a result of these weaknesses, we found certain instances where Commissioner Sando's mileage reimbursements did not comply with state travel policies and procedures. These instances resulted in our recommendation that the department seek a minimal repayment from Commissioner Sando. These weaknesses also may have resulted in inaccurate mileage reimbursements to other DNR employees.

In the response to the report, the department indicated that it agreed with our findings and recommendations. It acknowledged that there were several areas where the department was not following state travel expense reimbursement procedures. The department indicated that it has taken steps to correct and improve its mileage reimbursement procedures.

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Marla Conroy, CPA	Director of Investigations

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Chapter 1. Introduction

Background

The Department of Natural Resources (DNR) is responsible for managing public waters, lands, parks, forests, and minerals, as well as ensuring compliance with a broad range of regulations that affect natural resources. Mr. Rodney W. Sando has served as commissioner of the department since January 1991.

On April 4, 1997, a complainant contacted the Office of the Legislative Auditor with concerns regarding Commissioner Sando's travel expense reimbursement claims. Specifically, the complainant alleged the commissioner's mileage reimbursements were excessive. The complainant provided several expense reimbursement reports submitted by Commissioner Sando for reimbursement. We conducted a preliminary assessment, the purpose of which was to determine whether the situation warranted further review. Based on the documents submitted by the complainant and discussions with DNR personnel, we decided to pursue the matter further and issue a special report.

Objectives

In conducting our investigation, we asked the following questions:

- Did Commissioner Sando submit mileage reimbursement claims in accordance with state travel policies and procedures?
- Were any instances of noncompliance indications of weaknesses in the department's review and approval of employee mileage reimbursement claims?

Methodology

In order to conduct the investigation, we examined certain travel expense claim forms submitted by Commissioner Sando for reimbursement. We reviewed 45 trips where Commissioner Sando drove his private vehicle and submitted requests for mileage reimbursement. These trips were taken during fiscal years 1995 and 1996 and resulted in DNR reimbursing the commissioner \$2,926 (10,837 miles at \$.27 per mile). We traced the mileage listed on the commissioner's expense claim forms to the official state mileage book or to the official state road map. We met with Commissioner Sando to discuss certain trips where discrepancies existed between the mileage claimed and the official state mileage. Commissioner Sando reviewed our analysis and provided additional information to clarify his travel activities during those trips. We also discussed existing DNR travel policies and procedures with the department's Human Resources and Financial Management Bureaus. Finally, we obtained information from the Department of Administration's Travel Management Division concerning DNR's use of travel control numbers.

Chapter 2. Noncompliance with State Travel Policies

Chapter Conclusions

We found weaknesses in DNR's processing of employee expense claims as a result of our review. Generally, we found that:

- The department did not ensure that its employees properly reported trip and local mileage.*
- The department did not verify that trip mileage claimed by employees coincided with official state mileage amounts.*
- The department did not require employees to provide details of specific destinations when incurring local mileage.*
- The department did not verify that employees reported the proper mileage when traveling to or from their homes.*
- The department did not comply with the state's travel policy concerning the issuance of control numbers.*

As a result of these weaknesses, we found certain instances where Commissioner Sando's mileage reimbursements did not comply with state travel policies and procedures. These instances resulted in our recommendation that the department seek a minimal repayment from Commissioner Sando. These weaknesses also may have resulted in inaccurate mileage reimbursements to other DNR employees.

The state has detailed policies and procedures concerning employee travel and expense reimbursements. They are contained within an operating policy and procedure issued by the Departments of Finance, Employee Relations, and Administration titled, "Employee Travel Expenses" (SEMA4 Number PAY0021). The state's various bargaining agreements also discuss certain employee reimbursements while in travel status.

Local and Trip Mileage

The state employee travel expense policy makes a distinction between trip and local miles. In documenting miles driven, state policy requires employees to report trip and local miles separately when requesting reimbursement.

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Trip miles are miles traveled from city to city. When requesting reimbursement for trip miles, state travel policies require employees to use the mileage from the official state mileage book published by the Minnesota Department of Transportation or an official state road map. State employees do not have to record their odometer readings; however, they may use odometer readings in cases where they cannot determine the mileage from the official sources.

Local miles are those traveled in the vicinity of the home work station and miles traveled to accomplish the purpose of the trip after reaching a business destination. When claiming reimbursement for local mileage, state travel policy requires employees to list all stops, specifying the building, its address, and other locations visited.

When claiming trip mileage, both the state travel policy and bargaining agreements require state employees to claim the lesser mileage when traveling to or from their home. Specifically, the state travel policy (SEMA4 Number PAY0021) provides that:

When an employee does not report to his/her office during the day or if he/she makes business calls before or after reporting to his/her office, his/her allowable mileage is the lesser of the mileage from his/her home to the first stop or from the office to the first stop, all mileage between points visited on state business during the day, and the lesser of the mileage from the last stop to his/her home or from the last stop to the office.

For example, if an employee whose work location is St. Paul, travels to Duluth on state business leaving from home, the state travel policy provides for mileage reimbursement for the miles from home to Duluth or from St. Paul to Duluth, whichever is less.

We discussed DNR's procedures for review of employee expense claims with department financial management staff. We noted weaknesses in DNR's processing of employee expense claims as a result of these discussions. We also found certain instances where Commissioner Sando's mileage reimbursements did not comply with state travel policies and procedures. The department's weaknesses in reviewing employee expense claims may have resulted in other DNR employees receiving inaccurate mileage reimbursements. However, since the original complaint specifically cited Commissioner Sando's mileage reimbursements, we limited our review of individual claims to his travel expense claims.

1. The department did not adequately review employee expense claims.

From our discussions with DNR financial management staff, we noted weaknesses in the department's process for review and approval of employee mileage reimbursement claims. State travel policies require agencies to develop internal policies and procedures to control and monitor travel expenses. These procedures should include a review to ensure that all expense reimbursement payments comply with state travel regulations, labor agreements, and compensation plans.

The department did not ensure that employees claimed the appropriate mileage when driving private vehicles for state business. DNR financial management staff did not demonstrate a clear understanding of the differences between trip and local miles. The department did not ensure

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that mileage claimed coincided with the official state mileage amounts. The department did not ensure that employees understood the difference between local and trip mileage and the need to report this mileage separately. In addition, the department did not require employees to provide the required detail to support local mileage reimbursements. Finally, the department did not ensure that employees only claimed the lesser mileage when traveling to or from their home.

Although employees should be aware of the travel policies and procedures, the department is also responsible to review these claims to ensure compliance with state policies and procedures. By not following these policies, the process of monitoring and reviewing employee mileage reimbursement becomes increasingly difficult.

Recommendation

- *The department should implement policies and procedures to verify that employees receive proper mileage reimbursements.*

2. The commissioner received inaccurate mileage reimbursements for some trips.

During our review, we found certain instances where Commissioner Sando's mileage reimbursement claims did not comply with state travel policies and procedures. We reviewed 45 trips where Commissioner Sando drove his private vehicle and submitted requests for mileage reimbursement. These trips were taken during fiscal years 1995 and 1996 and resulted in DNR reimbursing the commissioner \$2,926 (10,837 miles at \$.27 per mile). We traced the mileage listed on the commissioner's expense claim forms to the official state mileage book or to the official state road map.

Commissioner Sando claimed mileage which did not agree with the official state mileage amounts. In addition, the commissioner did not provide adequate detail to support certain local mileage claimed. Finally, Commissioner Sando reported actual mileage in some cases when leaving from his home, instead of claiming the lesser mileage when the distance from St. Paul to his first stop was shorter.

We asked the commissioner for additional information concerning trips where mileage variances were ten miles or more. In some cases, the commissioner was able to provide additional information, such as exact meeting locations, which explained some of the mileage discrepancies. We identified 12 trips totaling 363 miles for which Commissioner Sando could not provide sufficient detail to support the mileage variances. These miles represent questionable mileage reimbursement to Commissioner Sando of \$98.

Recommendation

- *The department should obtain repayment for the commissioner's mileage overpayments.*

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Control Numbers

To ensure that state employees use the most cost-effective method when traveling by vehicle, the Department of Administration's Travel Management Division administers a control number procedure. Since travel in a state owned vehicle is generally more cost effective, state travel policies require state employees to contact the Department of Administration's Travel Management Division to determine whether a state vehicle is available. When a state vehicle is not available, the Travel Management Division issues the employee a control number. The employee includes the control number on the expense report and is reimbursed at \$.27 per mile. When a state vehicle is available and an employee does not use it, the employee is eligible for mileage reimbursement at the lower rate of \$.21 per mile.

The control number procedure applies only to employees whose primary work location is within the seven county metropolitan area and who anticipate traveling more than 75 miles for a trip. In cases where an employee anticipates traveling 75 miles or less, the employee may drive a private vehicle and obtain reimbursement at the higher rate.

The Department of Administration's Travel Management Division generally issues control numbers on a trip by trip basis. However, the division may issue "annual" control numbers to employees who have specific needs or reasons for driving their own vehicles. To receive an annual control number, an employee must submit a written request to the division. The employee must reapply each year.

In addition to the state vehicles available through the Department of Administration, the DNR has its own fleet of state vehicles. The DNR manages its fleet with policies and procedures that are similar to the Department of Administration's Travel Management Division. The DNR's internal policy addresses the use of state versus private vehicles. The DNR encourages the use of state vehicles for official business to reduce its business travel costs. The internal policy states the DNR's Field Services Bureau is responsible for locating state vehicles for department employees.

3. The department inappropriately issued annual travel control numbers to its employees.

The DNR's Field Services Bureau inappropriately issued annual control numbers. The DNR implemented its own control number procedures to manage its fleet and provided guidelines in determining when employees, including those located in greater Minnesota, were eligible for mileage reimbursement at the higher rate of \$.27 per mile. The Field Services Bureau issued annual control numbers to the commissioner and seven of his management staff, allowing them to claim the higher mileage reimbursement of \$.27 per mile. These individuals worked within the seven county area and were subject to the control number policy administered through the Department of Administration's Travel Management Division. The Travel Management Division did not have a record of the DNR requesting annual control numbers for these individuals nor had they delegated the authority to issue control numbers (within the seven county metropolitan area) to the DNR.

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We did not determine whether the Department of Administration had state cars available on the days the commissioner or his staff traveled. It is possible that the Travel Management Division would have provided control numbers to these individuals in certain or all cases. Because of this, we are not recommending repayment for any mileage reimbursed at the higher rate based on DNR issued control numbers.

Recommendation

- *The department should discontinue its practice of issuing control numbers to employees. Employees should obtain control numbers from the Department of Administration's Travel Management Division when needed.*

Other Observations

While conducting this investigation, an additional issue came to our attention, as listed below.

4. The department did not correctly code a travel related disbursement.

While reviewing Commissioner Sando's travel expense claims, it came to our attention that the department had reimbursed the commissioner for fiscal year 1996 travel expenses from fiscal year 1997 funds. In September 1996, the commissioner requested reimbursement for October 1995 expenses totaling \$566. State travel expense policies require all travel reimbursements for the fiscal year ending June 30, be paid before July 31 to ensure prompt payment from the proper fiscal year. In order for an agency to pay a prior year expense with current funds, the agency head must sign a special written explanation. Commissioner Sando indicated that he had conversations with accounting personnel requesting that they process his request using fiscal year 1997 funds.

Recommendation

- *The department should follow state policies when coding travel related disbursements.*



Minnesota Department of Natural Resources

OFFICE OF THE COMMISSIONER

500 Lafayette Road

St. Paul, Minnesota 55155-4037

January 15, 1998

Mr. James R. Nobles
Legislative Auditor
1XX Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to your Special Review of the Department of Natural Resources Compliance with State Travel Policies and Procedures. This review was conducted after a complaint was filed with your office regarding my mileage reimbursements.

As indicated in your findings, there were several areas where the department was not following state travel expense reimbursement procedures or the review of submitted claims was not as thorough as it should have been. Even as the review was proceeding, we took steps to correct and improve our procedures. These improvements are outlined below:

1. **FINDING:** The department did not adequately review employee expense claims.

RECOMMENDATION: The department should implement policies and procedures to verify that employees receive proper mileage reimbursements.

ACTION TAKEN: The department does use the Minnesota Department of Transportation mileage book when reviewing claims. Because of the location of many of our sites (state parks, forests, wildlife management areas, etc.), the mileage book cannot be used. In the past, claims have been questioned and corrected. There has been one staff person primarily responsible for this. Recently, the Financial Management Bureau and the Office of Planning have been reorganized into the Office of Management and Budget. As part of that reorganization, a Transaction Unit has been created. This will provide more staff with the opportunity to learn the special expense approval process. In addition, the policies and procedures have been updated as reflected below. The updated policies and procedures have been distributed electronically and in hard copy to Administrative Manual holders.

2. **FINDING:** The commissioner received inaccurate mileage reimbursements for some trips.

RECOMMENDATION: The department should obtain repayment for the commissioner's mileage overpayments.



ACTION TAKEN: Mileage reimbursements that remained in question have been reimbursed to the state treasury.

COMMENT: Because of the many diverse field activities of this department, I often need to divert from the most direct city-to-city route. I often stop to review issues and projects at field locations. Because of this, I have always kept odometer readings on all trips and submitted requests based on actual odometer readings. I am now recording all of these stops and will have much better documentation of the local miles I claim.

3. FINDING: The department inappropriately issued annual travel control numbers to its employees.

RECOMMENDATION: The department should discontinue its practice of issuing control numbers to employees. Employees should obtain control numbers from the Department of Administration's Travel Management Division when needed.

ACTION TAKEN: This practice has been discontinued. Field Services, which manages the department's fleet, has responsibility to work with Travel Management to obtain control numbers when needed. Our Administrative Manual has been changed to reflect this. The change has been communicated to affected staff.

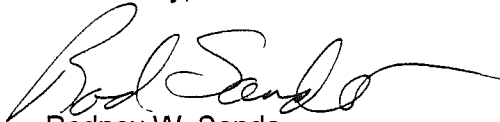
4. FINDING: The department did not correctly code a travel-related disbursement.

RECOMMENDATION: The department should follow state policies when coding travel-related disbursements.

ACTION TAKEN: This particular finding relates to paying from an incorrect fiscal year because of a late submittal of a claim. Prior to the end of the fiscal year we will notify all staff of the deadline for submission of claims.

I want to commend the professionalism of your staff. This was a sensitive review and they handled it professionally and fairly. This review pointed out practices of the department, which pre-dated my administration, which were not in keeping with state policy. I look forward to improved operations within the department. Thank you, again, for the opportunity to respond.

Yours truly,



Rodney W. Sando
Commissioner