Travel Fraud Indicators
Presented By:
Internal Audit Section
Arkansas Department of Health
Purpose

To become more thoughtful about the travel reimbursement (TR-1) process.

You are a steward of the Tax Payers money, that means your money too. As a travel administrator or travel supervisor, it is your responsibility to make sure travel is reimbursed according to policy and procedures protecting against fraudulent practices.
Prevent Fraudulent Activities

• Know and follow policy and procedures
  • It is the responsibility of the traveler, the Travel Administrator / Supervisor and the ADH Accounts Payable Office to know and understand the ADH travel policies and procedures and to verify that any travel signed and submitted is correct and complete.

• Test and verify documentation through sampling
  • Monthly random sample testing is currently being completed by the Centers as directed by Internal Audit. Upon suspicion of questionable activities, the Travel Administrator / Supervisor should perform additional investigation to determine validity of travel. (More regarding the sampling is discussed later in this presentation.)

• Report discrepancies and concerns
  • It is very important to report any findings that you feel are not correct. Later in this presentation you will be advised who you should contact.
Travel Administrator / Supervisor Responsibilities

- If approving travel, the travel administrator / supervisor must know the workload and schedule of the employee
- Know the ADH Travel Policy and forms
- If an immediate supervisor is not a travel supervisor, request them to review travel and initial prior to submitting to the travel administrator / supervisor for approval
It is permissible for the travel administrator / supervisor to be more restrictive regarding travel than the ADH Travel Policy. Remember that the travel administrator / supervisor and the traveler are accountable for what they sign. Review all of the travel prior to signing / approving.
ADH Travel Policy & Procedures can be found using the link following link:
http://appl-02/information/Documents/General%20Travel.doc

OR

Access the Intranet using the following instructions:
• Go to the Agency Intranet Page
• Click on Policy and Procedures (left side)
• Click on ADH Policy and Procedures (left side)
• Click on Administration
• Click on Finance
  • Click on Travel (This gives you the travel policy)
  • Click on Forms and Instructions (This gives you the travel forms and the instructions)
Review

• Know the forms and how to fill them out.
• Original receipts in the name of traveler is required.
• Meal receipts are not required unless the travel supervisor has requested the receipts for supporting documentation when there are concerns about the reimbursements claimed for meals.
  • It is the responsibility of the travel supervisor to maintain the receipts for an audit, and
  • to ensure that the TR-1 reflects these receipts.
WARNING!

It is considered fraudulent activity if the maximum allowable rate is claimed for meals when the maximum allowable rate was not spent.
Meals can be reimbursed for actual expenses only, not to exceed the maximum allowable amount found in ADH travel policy and procedures.
Not Allowed!

- Meals at official station
- Private entertainment, gifts, any alcohol, gratuities, tips (except for meals), valet services, etc...
- Travel cost incurred by someone other than the traveler (One traveler cannot pay the expenses of another traveler per State policy.)
- Lodging and meals within 50 miles of official work station or residence
Not Allowed
(Cont.)

• Meals without an overnight stay
• Purchasing items on State contract or normally purchased items
• Ground transportation from hotel to restaurant and/or official station/home to airport
• Rental Cars without prior approval
• Payment for apparent personal items
(1) This copy of the TR-1 shows that the traveler’s official station is in Little Rock.
(2) Their residence is in Warren. (3) The traveler “stayed with friends” in Monticello and El Dorado. The mileage between Little Rock (Official Station) and Monticello is 91 miles and between Little Rock and El Dorado is 116 miles. The mileage between Warren (Residence) and Monticello is 17 miles and between Warren and El Dorado is 50 miles. (4) The traveler should not have received reimbursement for their meals (in the amount of $135.81) because they were 50 miles or less from their residence.
This copy of the TR-1 shows that a traveler’s official station is in Little Rock
Their residence is in Hot Springs Village.
The traveler “stayed with family” in Hot Springs. The mileage between Little Rock (Official Station) and Hot Springs is 53 miles. The mileage between Hot Springs Village (Residence) and Hot Springs is 14 miles.
The traveler should not have received reimbursement for their meals (in the amount of $169.56) because they were 50 miles or less from their residence.
The Office of Internal Audit generates a random sample list of reimbursed TR-1(s) each month.

This list along with copies of the paid TR-1 and supporting documentation is provided to each Center.

The Center Designee audits and verifies the claims paid to each traveler.

A verification log is completed by the Center Designee and returned to Internal Audit by the end of each month.
Test and Verify Documentation through Sampling (Cont)

The samples generated by Internal Audit help to protect against fraudulent activities, however, it is your responsibility to request or perform any additional investigation on any employee that is suspected of misconduct.
Receipt Verification

Hotels:

• Verify the arrival (check-in date and time) and the departure (check-out date and time). First night charged should reflect the same date as the arrival date.

• Verify that the correct rate was charged on the receipt.

• On a random basis, call / fax the hotel and verify dates and amounts claimed by traveler.

• Compare hotel invoices / receipts from separate travelers that stayed in same hotel to make sure there are no discrepancies.
Receipt Verification (Cont.)

• Does invoice look professional and as expected? (Example - abbreviations used when you would expect the full words.)

All Other Receipts:

• Be aware of duplicate reimbursements (Example – registration fee claimed on TR-1 and also paid by direct billing.)
• Verify the city, date and time of purchases for ice, postage, etc.
• Verify that the receipt is for official state business.
This is a copy of a hotel receipt.
(1) Please note that the billed for date (07/27/07) does not match (2) the check-in date (07/26/07). This was determined to be a forged receipt when the hotel was called to verify the stay.
This is a copy of a hotel receipt. (1) Please note that the billed for date (05/29/08) does not match (2) the check-in date (05/28/08). (3) The rate of $45.00 at the top of the receipt does not match the charged amount of $50.00 plus tax. (4) Also note the phone number was not a working number. When Internal Audit tried to verify this, they discovered that this hotel had been torn down about three months prior to this stay. This was determined to be a forged receipt.
This is a copy of a hotel receipt. (1) The letterhead shows Arkadelphia, however (2) the Thank You for Staying notice shows Pocahontas. (3) On the last line of the small print Minneapolis is spelled incorrectly. This was determined to be a forged receipt.
(1) This TR-1 shows that the traveler stayed in Alma on October 30, 2006.
(2) The travel status time is showing that they started their trip at 1430 hours (2:30 PM).
(3) They also show that they purchased something (as designated with an 8a incidental code) on that day.
This is the receipt for the item(s) bought on October 30, 2006. **(1)** The items bought were screwdrivers and batteries (must have an approval letter from the CFO). **(2)** Please note that these items were bought at 1807 hours (6:07 PM) in **(3)** Little Rock, however the traveler showed on their TR-1 that they stayed in Alma on October 30, 2006.

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHRIMP</td>
<td>1</td>
<td>1.64</td>
</tr>
<tr>
<td>MILK DUDS</td>
<td>1</td>
<td>2.00</td>
</tr>
<tr>
<td>WHOPPERS</td>
<td>1</td>
<td>2.00</td>
</tr>
<tr>
<td>SCREWDRIVERS</td>
<td>1</td>
<td>1.00</td>
</tr>
<tr>
<td>RAYOVAC BATT</td>
<td>1</td>
<td>3.87</td>
</tr>
<tr>
<td>SCREWDRIVERS</td>
<td>1</td>
<td>0.88</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>11.39</strong></td>
<td></td>
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<tr>
<td><strong>TAX 1</strong></td>
<td><strong>6.000 %</strong></td>
<td><strong>0.68</strong></td>
</tr>
<tr>
<td><strong>TAX 2</strong></td>
<td><strong>1.500 %</strong></td>
<td><strong>0.17</strong></td>
</tr>
<tr>
<td><strong>TAX 4</strong></td>
<td><strong>2.000 %</strong></td>
<td><strong>0.03</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12.27</strong></td>
<td></td>
</tr>
<tr>
<td><strong>VISA TEND</strong></td>
<td><strong>12.27</strong></td>
<td></td>
</tr>
</tbody>
</table>

**# ITEMS SOLD 6**

**TC# 1897 5753 8356 2067 6477**

Get 300+ generic scripts at $4 each, up to a 30 day supply. Select states: 10/30/06 18:07:23

**CUSTOMER COPY**
This TR-1 shows that the traveler stayed in Russellville on September 19, 2005 and Alma on September 20, 2005.

The travel status time is showing that they started their trip at 1000 hours (10:00 AM) on September 19, 2005.

They also show that they purchased ice on September 19th and 20th, 2005.
(1) This is a copy of the receipt for the ice that was purchased on September 20, 2005. (2) Please note that the ice was purchased in Clinton on September 20, 2005 at 6:18 PM (the traveler stayed in Russellville on September 19, 2005 and Alma on September 20, 2005). This should have set off an alarm when the travel administrator / supervisor was verifying the travel. Did the traveler stay in Russellville, then go to Clinton for ice, then go back through Russellville on their way to Alma?
Mileage

- Supervisors should have processes in place to verify mileage claimed.
  - Verify mileage shown on TR-1 with the ADH Mileage Chart.
  - Travel logs are encouraged to ensure accountability.
- If a state vehicle is used:
  - Verify mileage reported on vehicle logs with odometer readings.
  - Verify mileage driven is appropriate with the job duties performed and is for official business only.
Employee/Supervisor

- Employees should keep supervisors informed of unique workload issues.
- Supervisors should be aware of the workload of employees.
- Communication is the KEY!
Elements of Fraud

Below are several signs to watch for that may cause fraudulent activities.

• Financial Problems
  • Receiving “collection” calls at the workplace.

• Rationalization
  • Feel that something is owed to them.

• Opportunity
  • Knowing that items are not being verified by the supervisor.
Warning Signs
(Employee Behavior)

• Items that vary from the expected
  • Examples: customer complaints, unexpected phone calls, excessive travel, refusal to take leave, anything that would be perceived as deviation from the norm
Reporting Discrepancies & Concerns

• All ADH employees have a responsibility to report occurrences of ethical violations, fraud, waste, or abuse of ADH resources.

• All ADH employees shall be protected against any form of retaliation, as stated in the Arkansas Whistleblower Act (ACA §21-1-601–609).
Reporting Discrepancies & Concerns

- Report any items that fail any testing or verifying.
- Unacceptable reasons for not reporting:
  - Tendency to accept any explanation
  - Don’t want to believe or find Fraud
  - Too busy to adequately test and follow procedures
  - Don’t want to know.
Reporting Discrepancies & Concerns

- Failure to report could result in disciplinary action.
- The disciplinary action will be determined based on the severity of the actions by the appropriate authorities.
Reporting Discrepancies & Concerns

- Report discrepancies and concerns to any of the following:
  - Center / Branch / Section Chief
  - Chief Financial Officer
  - Deputy Director for Administration
  - Internal Audit Manager
  - Chief Operating Officer
  - Director

*Any reporting of discrepancies or concerns will be confidential!*
It is the traveler’s responsibility to submit accurate TR-1s.

It is the travel administrator/supervisor’s responsibility to verify that the TR-1s are accurate and truthful.
Please return to A-TRAIN to take the post-assessment in order to receive your certificate. Instructions for completing the post-assessment were e-mailed to you when you registered for this course.

If there are any questions regarding this training, please contact one of the auditors in Internal Audit.