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NEWS RELEASE

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FOR RELEASE January 18, 2011

Auditor of State David A. Vaudt today released a report on relocation benefits for the period July 1, 2005 through June 30, 2009. The review included benefits provided by State agencies and Regent institutions and was conducted in conjunction with the audit of the financial statements of the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa* to determine whether State and Regent institution officials have implemented effective procedures and controls to ensure relocation benefits are issued in accordance with State and Regent institutions' relocation regulations.

Relocation benefits aid state agencies and Regent institutions in attracting and retaining qualified individuals. Policies and procedures have been developed by the Department of Administrative Services (DAS) and 4 of the 5 Regent institutions to identify allowable and unallowable relocation expenses. However, each state agency and Regent institution has the discretion to limit the type and amount of benefits provided to employees. The policies and procedures require supervisory approval and supporting documentation for expenses and include limitations on benefits provided for lodging, meals and incidental expenses.

Between July 1, 2005 and June 30, 2010, the cost of relocation benefits, referred to as relocation expenses, for state agencies and Regent institutions totaled \$8,473,692, as illustrated in the following table.

Fiscal Year	Relocation Expenses		
	State Agencies	Regent Institutions	Total
2006	\$ 624,891	1,059,223	1,684,114
2007	714,237	1,235,269	1,949,506
2008	1,003,331	874,316	1,877,647
2009	683,469	1,017,773	1,701,242
Subtotal	3,025,928	4,186,581	7,212,509
2010*	254,150	1,007,033	1,261,183
Total	\$ 3,280,078	5,193,614	8,473,692

* - Fiscal year 2010 information is presented for informational purposes only. Benefits selected for testing were issued during fiscal years 2006 through 2009.

Of the 41 state agencies providing relocation benefits during the period of review, 24, or 59%, were selected for testing. Each of the remaining 17 had total relocation expenses of \$42,500 or less during the period. In addition, the 3 State Universities, the largest of the 5 Regent institutions, were selected for testing. For the 24 state agencies and 3 Universities selected for testing, 513 claims totaling \$3,993,659, or 55% of the \$7,212,509 total relocation expenses, were reviewed for compliance with applicable policies, proper approval and sufficient supporting documentation. During our review of the 513 claims, we identified:

- Supporting documentation was incomplete or not included for 43 claims.
- Certain expenses for a Department of Public Safety (DPS) employee were processed twice by accounting staff. As a result, the employee was improperly reimbursed \$34,041 prior to June 30, 2008 for the expenses included on 3 claims and \$501 of related federal payroll tax was paid by DPS on behalf of the employee. During September and October 2008, the employee returned the \$34,041 for the duplicate expenses reimbursed. According to a DPS representative, the federal payroll tax had already been paid directly to the Social Security Administration (SSA) by DPS on behalf of the employee and obtaining a refund is very difficult. As a result, DPS neither pursued a refund from SSA nor asked the employee to repay it.
- In accordance with DAS policy, employees must have prior approval if moving less than 25 miles. For 6 employees, prior approval was received and relocation expenses totaling \$122,629 were paid for employees moving 22.5 miles or less. Of the 6 employees, 2 relocated 4 miles or less. DPS requires certain employees to reside within 30 straight-line miles of the “city of assignment.” Their “city of assignment” is not always the city in which their new post is located. As a result, DPS is occasionally granted exceptions to the DAS policy.

Vaudt recommended DAS, State agency and University representatives ensure relocation benefits provided to employees are proper and in compliance with the appropriate guidelines. Vaudt also recommended sufficient supporting documentation be maintained and a person independent of the payment process periodically review relocation benefits to ensure they comply with appropriate guidelines and are properly supported. Additional recommendations to review policies for consistency among Regent institutions and establish limits for relocation expenses for individual employees are included.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State’s web site at: <http://auditor.iowa.gov/specials/0960-8990-B0P2.pdf>.

**A REVIEW OF RELOCATION BENEFITS
OF STATE AGENCIES AND REGENT INSTITUTIONS**

**FOR THE PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2009**

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Auditor's Transmittal Letter

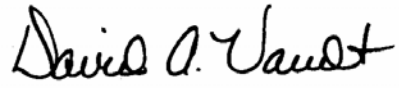
To the Governor, Members of the General Assembly,
Directors of State Agencies, Members of the Board of Regents
and Presidents of the Regent Institutions:

In conjunction with our audit of the financial statements of the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa*, we have conducted a review of the relocation benefits provided by State agencies and Regent institutions. We also reviewed the cost of certain relocation benefits, referred to as relocation expenses, paid on behalf of individuals relocating to the State of Iowa or within the State for the period July 1, 2005 through June 30, 2009 and tested compliance with policies established by the Department of Administrative Services (DAS) and the Regent institutions. In conducting our review, we performed the following procedures:

- (1) Reviewed the policies established by DAS and the 3 State Universities related to relocation to gain an understanding of the policies established, including, but not limited to, allowable expenses, unallowable expenses and expense limitations.
- (2) Obtained a listing of all disbursements recorded as relocation expenses in the State's accounting system, the Department of Transportation's (DOT) accounting system and the accounting system of the 3 State Universities to determine total relocation expenses paid by each state agency and Regent institution.
- (3) Selected the 3 State Universities and certain state agencies based on total relocation expenses to gain an understanding of the specific internal controls and procedures in place for processing claims to determine the adequacy of those internal controls and procedures.
- (4) Interviewed individuals responsible for processing claims at certain state agencies to determine if the agency followed the policy established by DAS or if the agency had developed its own policy. If an agency developed its own policy, we determined the adequacy of the policy and compared it to the policy established by DAS.
- (5) Scanned a listing of all disbursements recorded as relocation expenses in the State's accounting system, the DOT accounting system and the accounting system of the 3 State Universities from January 1, 2009 through June 30, 2009 to determine if any expenses appeared unusual.
- (6) Examined supporting documentation for selected relocation expenses for July 1, 2005 through December 31, 2008 to determine compliance with procurement guidelines defined in the applicable relocation policy, whether the amounts were properly supported and properly approved, whether the claims and supporting documentation were mathematically accurate and whether an employee received multiple reimbursements for the same relocation expenses.

Based on these procedures, we developed certain recommendations and other relevant information we believe should be considered by the Department of Administrative Services, Board of Regents, all state agencies and universities, the Governor and the General Assembly.

We extend our appreciation to the personnel of the state agencies and universities reviewed for the courtesy, cooperation and assistance provided to us during our review.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 23, 2010

Executive Summary

Section 11-64.9(8A)(2) of the Iowa Administrative Code (IAC) was established by the Department of Administrative Services (DAS) in accordance with section 70A.16 of the *Code of Iowa* to address relocation benefits for reassigned state employees and/or newly hired or promoted state employees. To administer the regulations specified in the IAC, DAS developed Procedure 220.100, “Employee Expenses, Relocation Reimbursement Policy” (policy). Although the DAS policy applies to all state agencies, according to a representative of DAS, state agencies have the ability to set more restrictive limitations for new hires or employees being promoted. The Department of Transportation (DOT) has established a relocation reimbursement policy as part of its Policies and Procedures Manual. However, the policy adopted by DOT is identical to the DAS policy except the DOT policy requires prior approval from the Office of Employee Services within DOT rather than from DAS.

The Board of Regents (BOR) has also established its own policy manual. Chapter 4, section 26, of the manual addresses relocation benefits. According to the BOR policy, Regents institutions and BOR may reimburse full-time employees for reasonable relocation benefits in accordance with State and/or institutional policies for packing and moving an individual’s household goods and other personal effects. The employees covered under this policy include faculty and institutional officials, professional and scientific staff and other employees who are comparable in rank to an assistant professor or above. The policy also states reimbursement of relocation expenses is not to include the cost of relocating animals. According to a BOR representative, the DAS policy is followed for BOR employees and employees at the Iowa School for the Deaf (ISD). However, the 3 State Universities and the Iowa Braille and Sight Saving School (IBSSS) have developed separate policies applicable to their respective entities.

Table 1 summarizes total relocation expenses for fiscal years 2006 through 2010 for all state agencies, including the BOR and the 3 State Universities. Although the IBSSS has developed a separate reimbursement policy, no reimbursements were made by IBSSS during fiscal years 2006 through 2009. Our review included the expenses paid during fiscal years 2006 through 2009. Fiscal year 2010 has been included in the **Table** for comparative purposes only. **Schedule 1** also summarizes total relocation expenses by individual entity for fiscal years 2006 through 2010.

Table 1

Fiscal Year	State Agencies	State Universities	Total
2006	\$ 624,891	1,059,223	1,684,114
2007	714,237	1,235,269	1,949,506
2008	1,003,331	874,316	1,877,647
2009	683,469	1,017,773	1,701,242
Subtotal	3,025,928	4,186,581	7,212,509
2010	254,150	1,007,033	1,261,183
Total	\$ 3,280,078	5,193,614	8,473,692

Of the 41 state agencies providing relocation benefits during the period of our review, 24, or 59%, were selected for testing. Total relocation expenses were \$42,500 or less at each of the remaining 17 state agencies. In addition, the 3 State Universities were selected for testing. The other 2 Regent institutions, ISD and IBSSS, also provide relocation benefits. However, neither ISD nor IBSSS paid any relocation expenses for the period reviewed. Therefore, neither was included in the procedures performed which are discussed in the remainder of the report.

For each entity tested, a sample of claims was selected based on the total amount of relocation expenses paid for each fiscal year reviewed. As a result, 513 claims totaling \$3,993,659, or 55% of the \$7,212,509 total relocation expenses, were reviewed for compliance with applicable policies, proper approval and sufficient supporting documentation. During our review of the 513 claims, we determined:

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- 43 (8.4%) did not have supporting documentation or documentation was incomplete. The unsupported claims totaled \$145,527.20.
- Certain expenses for a Department of Public Safety (DPS) employee were processed twice by accounting staff. As a result the employee improperly received \$34,041.44 of reimbursements prior to June 30, 2008 and \$500.86 of related federal payroll tax was paid by DPS on behalf of the employee. However, the employee repaid the State (in September and October 2008) the expenses which were paid twice, except the portion of the related federal payroll tax. According to a DPS representative, the federal payroll tax had already been paid directly to the Social Security Administration (SSA) and obtaining a refund is very difficult. Therefore, DPS neither pursued a refund from SSA nor asked the employee to repay it.
- In accordance with DAS policy, employees must have prior approval if moving less than 25 miles. For 6 employees, prior approval was received and the employees identified were reimbursed a total of \$122,629 to move 22.5 miles or less. Of the 6 employees, 2 relocated 4 miles or less. In addition, 2 employees of the University of Iowa were reimbursed a total of \$5,003 to move less than 20 miles.
- Several control and policy weaknesses were identified, such as allowing employees to move 25 miles or less, not limiting the amount spent to relocate employees and inconsistencies between the Board of Regents and the Regent institutions policies.

The results and recommendations included in this report will enhance administration of relocation benefits provided by the State of Iowa and the Regent institutions. Concerns identified include ensuring:

- all agencies and Universities are in compliance with established policies,
- supporting documentation is sufficient and contains proper approvals and
- established policies are reasonable and adequate for the needs of the agencies and Universities.

Objectives, Scope and Methodology

Our review was conducted to determine whether:

- DAS provided necessary guidance to state agencies and ensured compliance with relevant policies and procedures.
- State agencies have implemented effective internal controls and procedures to ensure relocation benefits provided to employees were in compliance with the relocation reimbursement policy established by DAS.
- The 3 State Universities established necessary policies related to relocation of employees and ensured compliance with the policies established.

To gain an understanding of relocation benefits, we:

- Reviewed the policies established by DAS and the 3 State Universities related to relocation to gain an understanding of the policies established, including, but not limited to, allowable expenses, unallowable expenses and expense limitations.
- Obtained a listing of all disbursements recorded as relocation benefits in the State's accounting system, the Department of Transportation's (DOT) accounting system and the accounting systems of the 3 State universities to determine total relocation benefits provided by each state agency and Regent institution.
- Selected the 3 State Universities and certain state agencies based on total relocation benefits provided to gain an understanding of the specific internal controls and procedures in place for processing claims to determine the adequacy of those internal controls and procedures.

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- Interviewed individuals responsible for processing claims at certain state agencies to determine if the agency followed the policy established by DAS or if the agency had developed its own policy. If an agency developed its own policy, we determined the adequacy of the policy and compared it to the policy established by DAS.
- Examined supporting documentation for selected expenses to determine compliance with procurement guidelines defined in the applicable relocation policy, whether the amounts were properly supported and properly approved, whether the claims and supporting documentation were mathematically accurate and whether an employee received multiple reimbursements for the same relocation expenses.
- Scanned a listing of all disbursements recorded as relocation benefits in the State's accounting system, the DOT accounting system and the accounting system of the 3 State Universities from January 1, 2009 through June 30, 2009 to determine if any expenses appeared unusual.

The findings of our review are presented in the following sections of this report. Because the relocation reimbursement policies used by the entities tested vary, our findings have been categorized by the policy followed. State agencies, including the DOT and BOR, are presented in the next section and each University is presented in a separate section.

Entities Following DAS Policy

In accordance with the DAS policy, a reassigned state employee is eligible for reimbursement of relocation and related expenses. In addition, if approved by the appointing authority, a newly hired or promoted employee may be reimbursed for relocation and related expenses using the same allowable expenses and established limits as those of an employee who was reassigned. According to the DAS policy, eligibility for reimbursement occurs when all of the following conditions exist:

- the move is for the primary benefit of the State,
- a permanent change in duty station is required and
- the employee must change his/her place of personal residence beyond 25 miles.

After an agency decides to hire, promote or reassign an employee, the individual receives a letter of hire or reassignment from agency officials. The letter specifies the employee's new job title, annual salary and whether relocation expenses will be reimbursed.

Upon obtaining prior approval from DAS, an employee may be reimbursed for expenses for relocations of less than 25 miles. The DAS policy also identifies the following expenses as allowable and fully reimbursable without limit:

- Costs associated with moving household goods.
 - Movement of household goods by a moving company includes insurance, the cost of packing and unpacking and storage charges for up to 90 days. For employees who hire a moving company, the individual must obtain and provide 2 signed moving company bid sheets.
 - Self-move of household goods includes mileage reimbursement for the vehicle used, trailer and trailer hitch rental, truck rental plus cost of fuel, insurance and day labor (maximum of \$12 per hour) for hired help.
 - Movement of mobile home includes preparation for move, moving of the home, set-up expenses and insurance.
- Real estate commission on the sale of the employee's former residence.
- Marketing expenses of the residence without a realtor.
- Subsistence expenses (temporary living expenses).

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- Expenses start the day prior to the employee's first day at the new duty station and end the day after the employee's household goods are delivered to the new residence or the end of 90 calendar days, whichever occurs first.
- Subsistence expenses for the employee include daily meals reimbursed to a maximum of \$28 per day and lodging reimbursed at \$50 plus tax. In addition, 10 minutes each day of long distance or cellular phone calls to the former residence are allowed.
- Income tax assistance equivalent to 50% for reimbursable taxable relocation expenses is included on each claim paid. Effective July 1, 2009, DAS reduced the income tax assistance percentage provided to 35%.

Prior to July 1, 2009, the employee was also eligible to receive reimbursement up to \$15,000.00 for incidental expenses. Effective July 1, 2009, DAS reduced the amount of allowable incidental expenses from \$15,000.00 to \$5,000.00. Incidental expenses include the following:

- Costs associated with the sale or purchase of a residence.
- Utility disconnection and connection charges, not including refundable deposits.
- Residence disposal and location expenses (identified as house hunting expenses).
- Expenses during move of household goods, such as meals and lodging, for the employee and each member of the immediate household for up to 5 days and 4 nights while household goods are in transit.
- Costs incurred in settling a lease, not to exceed 3 months' rent.
- Mortgage interest differential if the mortgage interest rate on the new residence exceeds that of the former residence.
- Market value differential if the actual sale price obtained for the former residence is less than the estimated market value based on appraisal, not to exceed 50% of the difference.

The DAS policy also identifies unallowable relocation expenses, such as the cost of transporting vehicles, costs related to moving livestock, refundable apartment and utility deposits and cable, satellite or other TV or radio installation or disconnection charges.

If the employee is to receive relocation benefits, the employee is also provided an "Agreement for Recouping Recruitment, Retention, Education and Relocation Payments." This agreement documents the amount of benefits to be provided to the employee, as well as the period for which the employee must continue employment with the agency, ranging from 12 to 36 months depending on the hiring agency. Should the employee separate from the agency prior to the end of the specified period, the employee is required to repay the agency for a pro-rated share of the relocation benefits received.

During the relocation, the employee is responsible for maintaining all invoices and receipts related to the relocation, such as lodging, vehicle rental or moving company invoices. According to the DAS policy in effect during the period reviewed, the employee was not required to submit meal receipts. Effective July 1, 2009, the DAS policy requires all meal receipts be maintained and submitted.

The employee is also responsible for completing the "Travel Payment for Relocation Expenses" form, which is a daily log requiring the employee to document each meal amount (i.e., breakfast, lunch, etc.) incurred during the relocation. As previously stated, the DAS policy has been revised to require the provision of meal receipts along with all other supporting documentation. In addition, the employee is required to document the number of miles driven to the new location for each personal vehicle, up to 2 vehicles.

All expenses related to mileage, meals or lodging are reimbursed at authorized rates established by DAS for all state employees. Any amounts exceeding the established rates are the responsibility of the employee. **Table 2** summarizes the authorized rates established by DAS for meals and lodging.

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Table 2

Description	Authorized Rate
Lodging (including tax)	\$ 56.00
Meals:	
Breakfast	5.00
Lunch	8.00
Dinner	15.00

All completed forms and supporting documentation are submitted to the accounting personnel of the employee's agency for review. The accounting personnel are responsible for reviewing the employee's supporting documentation for compliance and completeness. A Travel Payment (TP) form is created by accounting personnel and submitted to the State Accounting Enterprise within DAS (DAS-SAE) for further review, along with copies of all related supporting documentation.

According to the DAS policy, TPs containing taxable items are processed through the State's payroll system to ensure the amounts are properly reported on the employee's W-2. The TPs are recorded in the accounting system as relocation expenses for proper recordkeeping and a reimbursement is issued to the employee.

Although each agency is responsible for ensuring compliance with the DAS policy and reviewing all supporting documentation submitted, DAS is responsible for final approval of all relocation benefits provided to state employees, except for employees of DOT and Regent institutions. All travel claims for relocation expenses are submitted to DAS along with the appropriate supporting documentation. During our period of review, the DAS policy specified the following minimum supporting documentation required to process a relocation claim:

- Original invoice or bill of lading furnished by the shipper,
- Completed travel claim document for relocation expenses,
- Originals or fax copies of the moving company bid sheets (minimum of 2),
- Completed Internal Revenue Service (IRS) tests for preparing relocation expense claims, including distance between work locations, effective date of relocation, date the expenses were incurred and whether the relocation is a condition of employment,
- Completed relocation expense recap summarizing all relocation expenses and the appropriate accounting codes,
- Completed corrective journal voucher, if the expense is to be processed through payroll due to withholding and taxable items being reimbursed,
- Official letter of hire or reassignment received by the employee from the department,
- Mortgage interest differential calculation,
- Market value differential calculation,
- Completed and signed agreement for recouping recruitment, retention, education and relocation payments between the employee and the hiring department. As previously stated, this agreement states if the employee discontinues employment prior to 12-36 months of service after the relocation (depending on the hiring department), the employee is responsible for reimbursing the hiring department a pro-rated amount of the relocation expenses incurred and
- All other receipts submitted for reimbursement, excluding food.

After DAS has received all required documentation, an employee within DAS-SAE reviews and approves the reimbursement request and a payment is issued to the employee.

Because DOT maintains a separate accounting system, DOT accounting personnel process relocation benefits rather than submitting them to DAS-SAE. A DOT employee requesting

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reimbursement for relocation expenses submits the TP and receipts to the applicable Department Head for approval. The requests may be submitted at the end of each 2-week pay period if the employee wishes, but they must be submitted within 60 days following the date the expenses were incurred. After approving the TP, the Department Head provides the TP and supporting documentation to the DOT Payroll Department for processing and payment. In addition, according to the DOT policy, if an employee uses a moving company, the moving company is to submit its invoice directly to the DOT accounting department.

We identified 41 state agencies which paid relocation expenses totaling \$3,025,928 for the period July 1, 2005 through June 30, 2009. Of the 41 agencies, we selected 24 to perform detailed transaction testing. The agencies were selected based on total relocation expenses paid in comparison to the other state agencies for the period reviewed. Of the \$2,951,411 paid by the 24 state agencies selected, we tested \$2,365,026, or 80%, of total expenses.

For the 24 state agencies selected, **Table 3** summarizes the number of claims tested, the amount of relocation expenses tested, each agency's total relocation expenses and the percent tested.

Table 3

State Agency	Relocation Expenses			Percent Tested
	Number of Claims Tested	Amount Tested	Total	
Administrative Services	8	\$ 19,281	20,416	94%
Agriculture and Land Stewardship	3	12,316	12,316	100
Blind	8	35,410	35,410	100
Commerce, Utilities Division	1	6,000	11,791	51
Corrections:				
Central Office	5	37,802	45,732	83
Fort Madison	4	19,867	19,867	100
Oakdale	3	16,031	24,226	66
Newton	1	7,257	7,257	100
Fort Dodge	7	15,175	15,175	100
Economic Development	2	2,500	5,500	45
Vocational Rehabilitation	9	34,232	39,159	87
Energy Independence	1	11,041	11,041	100
Iowa Workforce Development	4	9,823	14,492	68
Human Rights	1	2,000	6,631	30
Human Services:				
Central Office	9	15,798	21,154	75
Glenwood	6	10,789	10,863	99
Citizens' Aide/Ombudsman	1	2,500	2,500	100
Management	5	14,121	14,121	100
Natural Resources	15	30,094	81,852	37
Public Health	5	31,855	41,030	78
Public Safety	81	1,732,282	1,910,934	91
Regents	4	12,037	12,845	94
Revenue	5	32,163	42,308	76
Transportation	28	254,652	544,791	47
Total	216	\$ 2,365,026	2,951,411	80%

We reviewed the DAS policy to determine allowable and unallowable expenses. In addition, we reviewed supporting documentation for certain claims for each of the 24 state agencies selected to determine if they were in compliance with the DAS policy and were properly approved.

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Because DAS-SAE reviews all relocation expenses prior to payment, we discussed any findings identified with a representative of DAS-SAE to determine the reason unallowable expenses were reimbursed. According to a DAS representative, the Human Resources Enterprise (HRE) within DAS developed the policy and DAS-SAE personnel work with DAS-HRE personnel if an expense appears to be unallowable. As a result, the DAS representative stated there are exceptions to the unallowable costs specified by the DAS policy; however, these exceptions are not documented in the DAS policy. Exceptions identified include, but are not limited to, payment for internet access and basic cable for temporary housing and cable installation if required by an apartment complex. The discrepancies we identified are described in the following paragraphs.

Department for the Blind – We identified a \$4.99 claim for temporary internet access in temporary housing. This is identified as an unallowable expense in the DAS policy.

Department of Corrections – During the period of our review, 6 correctional facilities and the Central Office paid relocation expenses totaling \$115,542.65. Of the claims reviewed for the 4 correctional facilities selected, we identified the following discrepancies at 3 correctional facilities:

- Fort Madison State Penitentiary – Supervisory approval was not documented for 2 claims totaling \$5,000.00 and \$2,748.57, respectively. We also identified a claim for cable installation which is not an allowable reimbursable expense. The total amount of the installation was \$9.95.
- Oakdale Correctional Facility – Supporting documentation was not sufficient for 2 claims which totaled \$4,428.56 and \$10,346.07, respectively. In each case, the only documentation available was the vendor invoice from the moving company which did not contain a description of services provided.
- Newton Correctional Facility – Sufficient supporting documentation was not available for a \$7,257.00 claim. Because the employment letter could not be located, we were unable to determine the authorized reimbursement amount.

Department of Human Services (DHS) – During the period of our review, 6 DHS institutions and the Central Office paid \$49,092.03 of relocation expenses. During fiscal year 2010, an additional \$15,189.34 of relocation expenses was paid by the Central Office and an institution. We identified a discrepancy at the Central Office and a DHS institution, as follows:

- Central Office – Supporting documentation could not be located for a \$5,484.96 claim.
- Glenwood – For a \$2,433.52 claim, only 1 moving company bid was obtained and supervisory approval was not documented. The DAS policy requires bids from 2 vendors. We also identified 3 claims totaling \$203.19, \$186.30 and \$73.13, respectively, for which supervisory approval was not documented.

Department of Public Safety (DPS) – During the period of our review, DPS paid \$1,910,933.82 of relocation expenses for 81 employees. The expenses ranged from \$64.50 to \$55,699.10 per employee. During fiscal year 2010, an additional \$115,401.49 of relocation expenses were paid. For the expenses tested, we identified the following:

- We identified certain expenses for an employee which were processed twice by accounting staff. As a result, the employee was improperly reimbursed \$34,041.44 for certain relocation expenses and DPS paid an additional \$500.86 of related federal payroll tax on behalf of the employee. The improper payments total \$34,542.30. The relocation expenses were originally reimbursed to the employee in January 2008 and again in March 2008. **Table 4** summarizes the transaction dates, transaction numbers, descriptions and reimbursement amounts for the 2 reimbursements.

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Table 4

Description	1 st Payment		2 nd Payment	
	Transaction Date	Amount	Transaction Date	Amount
Real Estate Commission	01/22/08	\$ 15,900.00	03/17/08	\$ 15,900.00
Market Value Differential	01/22/08	6,500.00	03/31/08	6,500.00
Transfer Tax	01/22/08	423.20	03/17/08	423.20
Abstract	01/22/08	155.00	03/17/08	155.00
Deed Prep	01/22/08	50.00	03/17/08	50.00
Income Tax Assistance	01/22/08	11,514.10	03/17/08	8,264.10
Income Tax Assistance			03/31/08	3,250.00
Total		<u>\$ 34,542.30</u>		<u>\$ 34,542.30</u>

We also determined the employee issued 2 checks to the State for the duplicate payment received. On September 23, 2008, the employee issued a \$10,000.00 check to the State for duplicate payment of relocation expenses. The employee also issued a \$24,041.44 check to the State on October 24, 2008. The 2 checks total \$34,041.44.

As illustrated by **Table 4**, the duplicated relocation expenses totaled \$34,542.30; however, the amount returned to DPS was \$500.86 less than the duplicate payment. According to a DPS representative, the \$500.86 difference represents the FICA and Medicare tax DPS paid directly to the Social Security Administration (SSA) for the costs reimbursed to the employee and obtaining a refund is very difficult. Therefore, DPS neither pursued a refund from SSA nor asked the employee to repay the amount. The amount was properly included on the employee's W-2.

According to a DPS representative, the duplicate payment was not the fault of the employee but rather a lack of communication among DPS accounting personnel. The employee provided original receipts to accounting personnel who subsequently completed the appropriate forms. However, according to the DPS representative, the receipts submitted by the employee were photocopied after they were submitted and 2 different DPS staff members each completed a reimbursement request.

As a result of the duplicate payment, DPS subsequently changed its procedures to include a checklist summarizing all potential reimbursements an employee could receive. The checklist is now completed for each employee submitting a reimbursement request documenting which expenses have already been paid. The checklist is maintained in the employees' personnel files.

- We identified 2 employees who relocated less than 25 miles from their former residence without obtaining prior approval. As previously stated, the DAS policy requires prior approval from DAS for all relocations less than 25 miles. According to available supporting documentation, although the employees moved on September 10, 2005 and September 13, 2005, the relocations were not approved by a DAS employee until September 27, 2005.

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Table 5 summarizes the date of the relocation and the reimbursement amount received by each employee by date. As illustrated by the **Table**, the 2 employees received reimbursements totaling \$20,595.33.

Table 5

Date of Relocation	Total Reimbursement
09/10/05	\$ 19,844.58
09/13/05	750.75
Total	<u>\$ 20,595.33</u>

- We also identified 6 employees who relocated less than 25 miles from their previous post with prior approval from DAS. Of the 6 employees, 2 received significant reimbursements to relocate 4 miles or less. The number of miles for a relocation is defined by DPS as the miles moved from the previous post at which the employee was stationed, but the DAS policy defines the number of miles from personal residence, not the number of miles between posts. Therefore, DPS was not in compliance with the DAS policy regarding mileage calculation.

According to a DPS representative, mileage is calculated in accordance with the DAS policy. However, DPS requires certain employees to reside within 30 straight-line miles of the “city of assignment.” Their “city of assignment” is not always the city in which their new post is located. As a result, DPS is occasionally granted exceptions to the DAS policy.

Table 6 summarizes the relocation date, number of miles between posts and reimbursement amount by date for the 6 employees identified. As illustrated by the **Table**, the relocation expenses reimbursed ranged from \$439.05 to \$46,353.06 and the number of miles ranged from 3 to 22.5. The reimbursements for the 6 employees totaled \$122,629.03.

Table 6

Date of Relocation	Number of Miles	Total Reimbursement
06/17/05	10.0	\$ 16,132.25
05/19/06	14.6	1,797.45
12/29/06	4.0	439.05
10/19/07	22.5	26,464.28
04/18/08	3.0	31,442.94
05/30/08	20.0	46,353.06
Total		<u>\$ 122,629.03</u>

- Of the 81 DPS employees tested, 7 were reimbursed a total of \$17,826.38 more than allowed by the DAS policy. **Table 7** summarizes the amount in excess of the allowable reimbursement by type of relocation expense by employee.

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Table 7

Description	Excess Expenses Reimbursed	Excess Related Tax Assistance	Total
Incidental Expenses:			
Employee 1	\$ 7,006.31	3,503.16	10,509.47
Employee 2	1,795.29	897.65	2,692.94
Employee 3	3,050.11	1,525.06	4,575.17
Subtotal	11,851.71	5,925.87	17,777.58
Meals:			
Employee 4	3.58	1.79	5.37
Employee 5	28.00	14.00	42.00
Employee 6	.95	.48	1.43
Subtotal	32.53	16.27	48.80
Total	\$ 11,884.24	5,942.14	17,826.38

As previously stated, the DAS policy limited reimbursement of incidental expenses to \$15,000.00 prior to July 1, 2009. As illustrated by the **Table**, 3 employees received more than allowed for incidental expenses, including mortgage interest differential and market value differential. The overpayments ranged from \$1,795.29 to \$7,006.31.

Also as previously stated, meals are to be reimbursed at the authorized rate for all State employees. However, for the 3 employees identified in the **Table**, the rate used for the meal reimbursements exceeded the authorized rate. In addition, as illustrated by the **Table**, all 6 employees received more tax assistance reimbursement based on the excess expenses.

- Of the 81 employees tested, we identified a \$5,986.64 claim which did not contain the proper signature from a supervisor documenting approval.

Department of Transportation – We identified a claim for which the available supporting documentation, such as an invoice and bid, did not contain sufficient detail to determine compliance with established policies and procedures. The payment was issued directly to Arend’s Moving & Storage, Inc. and was not reimbursed to the employee. The supporting documentation was a \$6,500.00 invoice dated September 11, 2006 which stated the relocation was from New Hampton, Iowa to Bridgewater, Iowa. The description on the invoice did not itemize the moving charges. As a result, we are unable to determine if the expenses included unallowable relocation expenses.

Board of Regents (BOR) – The BOR has established its own policy manual. Chapter 4 of the manual addresses personnel issues and Section 26 specifically addresses relocation expenses. According to the BOR policy, all Regent institutions and BOR may reimburse full-time employees for reasonable relocation expenses in accordance with State and/or institutional policies for packing and moving of an individual’s household goods and other personal effects. The employees covered under this policy include faculty and institutional officials, professional and scientific staff and other employees who are comparable in rank to an assistant professor or above. The policy also states reimbursement of relocation expenses is not to include expenses for the relocation of animals.

There is no provision in the DAS policy for BOR to create its own policy. In addition, BOR policy does not specify criteria for relocation benefits, such as eligibility, limitations and required documentation. As a result, we used the requirements established by DAS to determine the propriety of the relocation benefits paid by BOR. We also confirmed with a BOR representative

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the relocation benefits provided by BOR are to comply with the DAS policy. We tested 4 claims for relocation benefits provided to BOR employees, which totaled \$12,037.41 (94%) of the \$12,844.91 total relocation expenses paid by BOR during the period of our review.

As previously stated, BOR submits all claims to DAS for review and final approval. Of the 4 claims tested, we identified 1 for which an employee received reimbursement for 91 days of temporary housing. Because the BOR policy does not address temporary housing, we used the limit of 90 days specified in the DAS policy. The excess amount reimbursed to the employee for the additional day totaled \$70.01.

The same employee also received excess reimbursement of relocation expenses in the amount of \$282.56 and excess tax assistance in the amount of \$141.26 prior to the employee’s effective date of employment. While the BOR policy does not address relocation expenses incurred prior to an employee’s effective date of employment, according to the DAS policy, any relocation expenses incurred prior to the employee’s effective date of employment are to be reimbursed at the same rate as that of an existing state employee. However, the rates used for calculating the lodging and meal reimbursements for the employee identified exceeded the limits established in the DAS policy. In addition, because the amount reimbursed for tax assistance was based on incorrect lodging and meal amounts, the employee received a greater amount than if the proper rates had been used.

According to a BOR representative, the additional day of temporary housing and the excess relocation benefits paid prior to the employee’s effective date of employment are both an error. Total unallowable expenses for BOR were \$493.83.

State Universities

As previously stated, each State University has established its own policies and procedures related to relocation benefits. Each State University’s policies and procedures are discussed in further detail in the following paragraphs. **Table 8** summarizes the number of claims tested, the amount of relocation expenses tested, the total relocation expenses and the percent tested for each State University.

Table 8

State University	Relocation Expenses			Percent Tested
	Number of Claims Tested	Amount Tested	Total	
Iowa State University	66	\$ 427,787	1,430,717	30%
University of Iowa	179	1,093,573	2,505,610	44%
University of Northern Iowa	52	107,273	250,225	43%
Total	297	\$ 1,628,633	4,186,552	39%

Iowa State University (ISU) – ISU developed the “Moving Expenses for New Employees” policy to provide guidance for the conditions under which relocation expenses incurred by new employees may be reimbursed.

According to the ISU policy, new employees can receive relocation benefits if the administration believes it is necessary to attract certain personnel. Specifically, institutional officials, faculty hired at the rank of assistant professor or above and professional and scientific (P&S) employees hired at or above a specified pay grade are eligible to receive relocation benefits. However, other full-time faculty and P&S employees may also receive relocation benefits if specific approval is obtained in advance from an authorized individual, such as the President, Executive Vice President or Provost.

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In addition to reimbursements for relocation expenses, ISU allows reimbursement for interviewing trips of prospective faculty and staff to be reimbursed in accordance with established travel policies. After the new employee accepts employment, travel expenses may be reimbursed for 1 trip for the new employee and his/her spouse for the purpose of arranging housing. However, subsequent house-hunting trips may require authorization to be reimbursed, which is determined on an individual basis by each department.

The new employee may also be reimbursed a maximum of \$7,500.00 for the cost of packing and moving household goods and other personal effects. The employee can receive more than the established limit if the amount over \$7,500.00 is reimbursed from the ISU Foundation or another self-supporting fund, which does not include State appropriated funds. However, individual ISU departments are allowed to establish more restrictive limits based on their budgetary limitations.

ISU has established a contract with a moving services vendor through competitive bidding which allows for significant discounts. Employees are encouraged to use the vendor on contract, but are not required to. If the employee does not choose the contracted vendor, he/she is responsible for obtaining a minimum of 2 guaranteed “not to exceed estimates” from Iowa-based moving companies. The 2 estimates are then submitted to the ISU Purchasing Department for review. If an employee chooses to perform a self-move, reimbursement for rental trucks and/or trailers may be authorized with sufficient supporting documentation. The employee must submit receipts for the truck rental and all gasoline purchases to receive reimbursement.

A new employee may also be reimbursed for personal travel or temporary living expenses for themselves and their immediate family. However, this reimbursement is limited to mileage for 2 vehicles and for travel using the most direct route.

ISU has also specified certain expenses which are not allowable for reimbursement, including:

- expenses associated with home sale or lease breakage,
- expenses associated with transporting plants or animals,
- payment of storage fees or costs associated with moving household goods from storage to the destination location and
- hiring of assistants to help with loading and/or unloading household goods or personal effects.

All supporting documentation, including copies of bills or invoices, is to be submitted to the employee’s Department for review and approval.

During review of the 66 claims selected for testing, we identified the following:

- An employee was reimbursed \$690.00 for packing, loading and unloading assistance. As previously stated, this is an unallowable expense.
- Benefits in excess of \$7,500.00 which were not paid by the ISU Foundation or another self-supporting fund, not including State appropriated funds, were received by 14 employees. According to an ISU representative, ISU personnel were not aware of the excess amounts and the University’s policy would be reviewed and adjustments made, as appropriate. **Table 9** summarizes the 14 claims identified by date, total expenses and the excess reimbursement amount. As illustrated by the **Table**, excess amounts identified totaled \$30,900.13.

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Table 9

Payment Date	Total Expenses	Excess Amount
05/31/06	\$ 7,539.54	39.54
06/30/06	25,956.61	12,267.98*
08/14/06	7,569.41	69.41
01/23/07	8,530.59	20.61*
03/14/07	10,956.51	3,456.51
04/17/07	8,611.87	1,111.87
06/22/07	9,358.70	1,858.70
06/27/07	11,853.42	4,353.42
05/12/08	8,081.24	581.24
06/25/08	8,000.00	500.00
06/30/08	7,636.66	136.66
09/11/08	7,657.53	157.53
10/24/08	10,833.22	3,333.22
11/21/08	10,513.44	3,013.44
Total	\$ 143,098.74	30,900.13

* - Excess amount is net of the allowable \$7,500.00 and funds paid by the ISU Foundation or other self-supporting funds, which do not include State appropriated funds.

University of Iowa (SUI) – SUI established a faculty and staff relocation policy in its policy manual, Part III – Human Resources, Chapter 9. This policy allows Department Heads to authorize reimbursement of relocation expenses for new faculty and staff members from departmental funds if available and designated for such use by the Department’s Dean or Vice President.

According to the SUI policy, the employee must rank at assistant professor or above and continue employment for a specified period of time to receive reimbursement for relocation expenses. SUI is the only State University which requires a minimum employment period to receive reimbursement. However, a Department may request an exception from any of the eligibility requirements from the Business Manager prior to approving reimbursement to an employee. The SUI policy does not specify the criteria to be used by the Business Manager when an exception is requested.

The SUI policy also specifies limitations on allowable expenses. The policy allows costs for certain packing, unpacking and insurance costs from the former residence to the new residence. In addition, allowable costs are limited to charges for transporting household goods, including the use of rental trucks, and does not allow for costs related to transporting pets, vehicles, boats or firewood. Storage fees have also been identified as unallowable.

SUI only allows a maximum of \$3,500.00 of relocation benefits to be issued from the University’s general fund. Any benefits exceeding \$3,500.00 require approval from a Dean or Vice President and must be issued from that Department’s account. In addition, the SUI policy does not apply to expenses for transport of laboratory and/or office equipment. According to SUI representatives, these expenses are addressed on a case-by-case basis. In addition, certain expenses, such as storage costs and transporting a vehicle, can be provided if the specific department requesting a deviation from established policy submits a letter to the Business Manager for approval.

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If an employee is determined to be eligible for benefits, the Department Head notifies the Business Manager by submitting the “Moving Authorization Form.” This form includes the employee’s name, address, telephone number, rank, date of appointment, amount of benefits and the Departmental account(s) from which the payments are to be issued. The Business Manager provides the employee with a copy of the SUI relocation policy and assists in coordination of the relocation, if necessary.

SUI contracts with the local offices of national moving companies for moving services and receives significant discounts, which range from 64% to 70%, depending on the vendor. It is the responsibility of the employee to obtain moving estimates from these companies. The Business Manager issues a letter of authorization to the moving company selected by the employee, which includes the allowed amount. The moving company invoices SUI directly for the amount authorized upon delivery of the employee’s belongings. Employees may choose other moving companies, but costs exceeding those of the contracted vendor are not paid. The Business Manager is responsible for arranging payment of the relocation expenses in accordance with the SUI policy.

During review of the 179 claims selected for testing, we identified the following discrepancies:

- Supporting documentation for 14 claims totaling \$84,608.44 did not contain a supervisor’s or Department Head’s signature. In addition, we identified 12 claims totaling \$55,373.94 for which an authorized amount could not be located on the available supporting documentation. We also identified 3 claims for which supporting documentation could not be located. The 3 unsupported claims totaled \$679.29.
- The required letter requesting deviation from the SUI policy did not accompany 2 claims for which employees received reimbursement for the cost of vehicle transportation or storage fees. The cost of moving the vehicles totaled \$1,884.00 and the storage fees totaled \$4,688.87.
- Benefits in excess of the authorized amount were received by 4 employees. As illustrated by **Table 10**, the excess benefits ranged from \$190.77 to \$7,149.97 and total \$13,026.69. According to an SUI representative, when an authorization is originally sent to the employee, the final costs of the relocation are unknown. Therefore, the authorized amount is an estimate of expected cost. Once the final costs are known, the employee may contact the Department Head to request an increase in the amount authorized. If the Department has funds available, a Department official may authorize the additional costs. For the 4 employees identified who received benefits in excess of the authorized amount, an increase was not requested.

Table 10

Payment Date	Authorized Amount*	Actual Amount	Difference
09/26/06	\$ 5,000.00	5,190.77	190.77
07/11/07	3,500.00	7,576.75	4,076.75
09/25/07	10,000.00	11,609.20	1,609.20
05/12/08	5,000.00	12,149.97	7,149.97
Total	\$ 23,500.00	36,526.69	13,026.69

* - Authorized amounts exceeding \$3,500.00 were approved by the Dean or Vice President.

- The discount from the moving company was not received for 1 claim. Had the discount been received, SUI would have saved \$11,917.03.

We also reviewed the expenses selected for reasonableness. As a result, we identified 2 payments to employees relocating less than 10 miles. Of the 2 claims, 1 employee moved from Iowa City to North Liberty and the other employee moved within Iowa City. According to an SUI

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representative, the 2 employees received relocation benefits as an incentive to remain with the University because the employees were being actively recruited by other institutions. Relocation expenses for the 2 employees totaled \$5,003.31.

University of Northern Iowa (UNI) – UNI has also established a separate policy addressing relocation expenses. According to the policy, UNI may provide benefits to a maximum of \$7,500.00 for packing and moving an individual's household goods and other personal effects. This policy applies to full-time employees, including faculty and institutional officials, P&S staff and other full-time employees who are comparable in rank to assistant professor or above. Relocation benefits may be provided for employees not specifically identified in the policy with approval of the appropriate Dean or Director.

A written agreement for relocation benefits which clearly states the maximum amount to be provided must be prepared in advance. The amount of benefits provided is to be limited to actual relocation expenses not to exceed the cost of packing and moving 10,000 pounds of household goods and other personal effects.

In addition, the UNI policy states relocation expenses will not include transportation of animals. The policy also specifies personal travel expenses of the employee and family during the relocation are not considered moving expenses and will not be reimbursed.

When employees choose to self-move, the employee must submit an estimate of relocation expenses from a commercial vendor. According to a UNI representative, employees may be reimbursed for food provided to individuals assisting with the relocation. In addition, costs associated with hiring assistants are allowable as well. However, this is not addressed by the UNI policy. If all receipts are provided and appear reasonable, the reimbursement is allowed on the basis hiring private individuals is less expensive than hiring professional movers.

The UNI policy also does not address expenses associated with house hunting. According to a UNI representative, house hunting expenses would have to be specified in the offer letter signed by the new employee and appropriate University personnel in order to be eligible for reimbursement. Generally, house hunting expenses are allowed to a new employee through the negotiation process.

According to the UNI policy, there is no general budget or fund from which relocation expenses are paid. The costs of such expenses are to be charged against the supplies and services budget of the hiring Department. Therefore, the hiring Department must submit a requisition for payment to the approving Department Head in order for relocation costs to be paid. The written relocation agreement must accompany the submitted requisition, as well as an itemized statement of actual relocation expenses and sufficient supporting documentation.

During our testing of the 52 claims selected, we identified the following discrepancies:

- Supporting documentation, such as a requisition request, written offer agreement or receipts, could not be located for 16 claims which totaled \$47,259.79.
- For 7 claims which totaled \$8,197.59, estimates from a commercial mover were not obtained or provided when the employees performed self-moves.
- A \$2,000.00 claim was supported by an offer agreement authorizing a maximum reimbursement of \$1,000.00. A note attached to the offer agreement stated, "Let's up the reimbursement to \$2,000.00, since he came in from another country." However, a signature authorizing the increase could not be located.
- An \$875.39 claim included charges for shipping books and papers from 1 office to another. The additional costs were incurred as a result of the employee not packing the books and papers on the moving truck initially.

According to a UNI representative, although obtaining estimates when performing a self-move is a requirement of the policy, it is the University's approach to not penalize a new employee if the hiring Department did not ensure the employee was aware of the requirement. The

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representative also stated the signor on the offer agreement was the Dean of the hiring Department, who would also have been the appropriate individual to authorize the increase from \$1,000.00 to \$2,000.00.

The UNI representative also stated the charges for shipping books and papers should not have been at the expense of the employee because the materials were more than likely for instruction. The representative we spoke with did not address the claims for which we could not locate sufficient supporting documentation.

Comparative Analysis

In comparing the BOR and 3 State Universities' policies, we determined the policies are not consistent, including the maximum amount of benefits to be provided, which range from \$3,500.00 to \$10,000.00, and the employees eligible for benefits. In addition, employees are able to receive reimbursements exceeding the maximum limit provided the "excess" is reimbursed from a Foundation fund. Also, each State University allows exceptions to the policy upon approval from a Department official and employees are encouraged, but not required, to use contracted moving services vendors.

Additional Information

As part of our procedures, we reviewed the relocation policies of 9 other states and 4 state universities outside Iowa. During our review, we determined some states have established limitations or criteria to be met to be eligible for relocation benefits.

- According to the State of Missouri's policy, employees are allowed up to 10% of their annual salary and are limited to 30 days of relocation benefits. In addition, real estate fees, airfare or meals during transportation are allowable relocation costs.
- The State of Wisconsin's policy states the employee must be ordered to move or promoted in order to receive relocation benefits. In addition, payment for incidental expenses is limited to \$1,000.00.
- According to the University of Missouri's policy, an employee must move at least 50 miles. In addition, the relocation benefits are not to exceed 10% of the employee's annual salary and the employee must continue employment for at least 2 years or the employee is to reimburse the University for the cost of relocation benefits. However, the employee cannot be reimbursed for meals during travel, costs associated with house hunting, the cost of temporary living quarters or the cost of purchasing a new residence.
- The University of Minnesota's policy states the employee must rank at instructor or above and the relocation benefits cannot exceed 1 month's salary or an agreed-upon amount.

As illustrated by the examples listed, the relocation benefits provided by other states and universities are more restrictive than the benefits allowed by DAS and the 3 State Universities in Iowa.

Overall Results

As previously stated, we identified:

- incidental expenses reimbursed at an amount greater than the \$15,000.00 limit established by the DAS policy,
- required supporting documentation which was not available,
- expenses reimbursed which were not in accordance with the DAS policy and
- individuals moving less than 25 miles who received relocation benefits.

Based on our review, the policies established by DAS and the 3 State Universities should be evaluated to determine the reasonableness of allowable relocation benefits. In addition, DAS

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should continually review limits on incidental expenses to determine reasonableness. Also, DAS should continually review the mileage threshold of 25 miles a move for relocations to determine if a true benefit is received by the State for moving such a short distance or if the threshold should be increased. Examples of moving 25 miles or less include moving from Waukee to Altoona or from Ankeny to Norwalk. Each of these cities is within the Des Moines metropolitan area.

Table 11 summarizes the number of employees by the number of miles relocated. A total of 37 employees received relocation benefits for moves of less than 90 miles.

Table 11

Number of Miles Relocated	Number of Employees
10-24	4
25-59	19
60-89	14
90+	110

In addition, during our review of the number of miles relocated, we determined DPS calculated the number of miles moved based on the distance between posts and not on the distance between personal residences as required in the DAS policy.

The BOR and the 3 State Universities should review their relocation policies to determine if lodging and meal limits should be specified. Also, SUI should review its policy to include language addressing the allowability of moving laboratory equipment and reimbursing employees for relocating within Iowa City or to local surrounding areas.

As a result of evaluating and revising the policies, the state agencies and Regent institutions could achieve potential cost savings, including limiting incidental expenses and increasing the mileage threshold to more than 25 miles.

Findings and Recommendations

As a result of our review, we identified the following findings and recommendations which should be considered by DAS, the BOR, the Regent institutions, the Governor and the General Assembly. While some of our findings result from testing at specific state agencies, we believe DAS, all state agencies, the BOR and the Regent institutions should consider these findings when developing and implementing controls for relocation benefits.

FINDING 1 – Policies and Procedures

As previously stated, DAS has developed a policy regarding relocation benefits which applies to the majority of state agencies. However, as allowed, the 3 State Universities and the IBSSS have developed separate relocation policies.

The policies reviewed clearly document allowable and unallowable relocation expenses and any applicable limits. During our review, we identified several instances of non-compliance with established policies and procedures for the state agencies selected for testing and the 3 State Universities, as follows:

- 43 claims totaling \$145,527.20 with incomplete or no supporting documentation,
- 26 claims totaling \$129,407.99 without proper approval,
- 8 claims totaling \$127,632.34 for employees moving less than 25 miles,
- 21 claims totaling \$61,704.40 which included amounts greater than the established limits of \$7,500.00 for moving household goods and other personal effects and \$15,000.00 for incidental expenses, including tax assistance,
- 1 claim for which the moving company discount in the amount of \$11,917.03 was not received,
- 4 claims totaling \$1,580.33 for unallowable relocation expenses, such as cable installation and hiring help to assist with the relocation and
- 6 claims totaling \$542.63 for lodging and meal expenses, including tax assistance, which exceeded the authorized rates.

Recommendation – DAS, State agency and University officials should ensure relocation benefits provided to employees are in compliance with the appropriate established policy. In addition, the appropriate personnel from DAS, DOT and the 3 State Universities should ensure sufficient supporting documentation is submitted and maintained to document compliance with the established policy.

FINDING 2 – Limitation of Relocation Benefits

We determined the relocation assistance policy established by DAS does not include a maximum amount of benefits to be provided to an individual employee. In addition, prior to July 1, 2009, DAS policy allowed employees to receive reimbursement up to \$15,000.00 for incidental expenses. Effective July 1, 2009, DAS reduced the amount of allowable incidental expenses from \$15,000.00 to \$5,000.00.

In addition, prior to July 1, 2009, DAS provided income tax assistance equivalent to 50% of reimbursable taxable relocation expenses included on each claim paid. Effective July 1, 2009, the amount provided was reduced to 35%.

We also determined the policies established by the 3 State Universities are not consistent, including the maximum amount of benefits to be provided which range from \$3,500.00 to \$10,000.00 and the employees eligible for benefits. In addition, employees are able to receive reimbursements exceeding the maximum limit provided the “excess” is reimbursed from a Foundation fund. Also, each State University allows exceptions to the policy upon approval

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from a Department official and employees are encouraged, but not required, to use contracted moving services vendors.

Recommendation – DAS and State University officials should review current relocation assistance policies to determine if limits on the total amounts claimed should be established. In addition, officials from the 3 State Universities should compare policies to identify inconsistencies and make necessary revisions.

FINDING 3 – Duplicate Payments

We identified duplicate payments made by DPS resulting in an overpayment of \$34,542.30. The overpayment was a result of DPS accounting staff processing the claims twice. However, DPS identified the duplicate payments and the employee reimbursed the State \$34,041.44. The remaining \$500.86 consisted of federal payroll tax paid on behalf of the employee.

Recommendation – DAS, State agency and University officials should ensure a thorough review of relocation benefits is performed. A person independent of the payment process should periodically review relocation claims and compare them to supporting documentation to ensure compliance and proper payment.

Items for Further Consideration

As a result of our review, we identified the following items for further consideration by DAS, the BOR and the Regent institutions.

- We determined the relocation policies of other states limit relocation expenses to either 10%, or some fraction, of the employee's annual salary. In addition, of the states reviewed, it appears the State of Iowa was the only one with an incidental expense limit of \$15,000.00 which, as previously stated, was reduced to \$5,000.00, effective July 1, 2009. DAS should periodically review this limit for reasonableness. The other states reviewed either had a \$1,000.00 limit or did not allow incidental expenses.

We also determined most states reviewed required the employee to relocate at least 50 miles from the former location to the new location. As previously stated, the State of Iowa allows employees to relocate beyond 25 miles without prior approval and less than 25 miles with prior approval from DAS.

When comparing the policies of the 3 State Universities in Iowa to those of other states, it appears the policies are very similar. However, the State Universities' policies could be improved by limiting relocation benefits to 10%, or some fraction, of the employee's annual salary rather than a fixed amount.

In addition, the BOR and the 3 State Universities should review their relocation policies to determine if they should be more specific regarding lodging and meals. Also, SUI should consider revising its policy to address the allowability of expenses for moving laboratory equipment and reimbursing employees for relocating within Iowa City or between local surrounding areas.

**A Review of Relocation Benefits
of State Agencies and Regent Institutions**

Schedule

A Review of Relocation Benefits
of State Agencies and Regent Institutions

Summary of Relocation Expenses
For Fiscal Years 2006 through 2010

Agency Number	Description	Fiscal Year		
		2006	2007	2008
State Agencies:				
005	Administrative Services	\$ -	1,135.68	17,280.69
009	Agriculture and Land Stewardship	-	8,815.94	3,500.00
131	Blind##	35,409.54	-	-
219	Utilities	-	6,000.00	-
Corrections:				
238	Central Office	-	-	9,834.11
242	Fort Madison	17,118.46	2,748.57	-
244	Oakdale	8,194.99	16,030.95	-
245	Newton	-	7,257.00	-
246	Mt. Pleasant	-	3,133.80	-
248	Clarinda	-	152.43	-
252	Fort Dodge	14,821.04	353.57	-
259	Cultural Affairs	1,109.06	885.04	-
269	Economic Development	3,000.00	2,500.00	-
270	Finance Authority	-	-	42,477.73
283	Vocational Rehabilitation	-	5,157.34	19,001.84
297	Elder Affairs	-	1,634.46	-
301	Office of Energy Independence	-	-	11,041.10
309	Workforce Development	-	10,710.77	1,787.50
350	Governor	4,106.64	3,085.98	-
379	Human Rights	4,168.92	2,000.00	462.30
Human Services:				
401	Administration	3,811.32	11,162.19	-
402	Community Service	4,390.44	1,789.95	-
405	State Training School	787.50	-	-
406	Commitment Unit for Sexual Offenders	-	3,113.05	-
407	Cherokee Mental Health Institute	-	1,505.36	2,150.78
408	Clarinda Mental Health Institute	201.72	-	-
410	Mt. Pleasant Mental Health Institute	-	2,089.20	-
411	Glenwood Resource Center	-	-	10,788.95
413	Assistance Program	3,684.68	-	-
444	Judicial Department	11.96	-	-
503	Citizens' Aide/Ombudsman	2,500.00	-	-
532	Management	-	14,121.41	-
542	Natural Resources	22,634.80	28,624.00	6,723.81
588	Public Health	5,000.00	31,854.65	4,175.16
595	Public Safety	450,997.78	396,559.15	672,211.77

2009	2010	Total
2,000.00	-	20,416.37
-	-	12,315.94
-	-	35,409.54
5,790.84	-	11,790.84
35,897.73	-	45,731.84
-	-	19,867.03
-	-	24,225.94
-	-	7,257.00
-	-	3,133.80
-	-	152.43
-	-	15,174.61
-	-	1,994.10
-	-	5,500.00
-	-	42,477.73
15,000.00	-	39,159.18
-	-	1,634.46
-	-	11,041.10
1,994.20	1,950.95	16,443.42
-	12,947.21	20,139.83
-	-	6,631.22
2,426.44	-	17,399.95
-	9,049.75	15,230.14
-	-	787.50
1,116.79	-	4,229.84
-	-	3,656.14
-	-	201.72
-	-	2,089.20
73.66	2,232.59	13,095.20
-	3,907.00	7,591.68
-	-	11.96
-	-	2,500.00
-	-	14,121.41
23,869.32	2,250.43	84,102.36
-	1,408.08	42,437.89
391,165.12	115,401.49	2,026,335.31

A Review of Relocation Benefits
of State Agencies and Regent Institutions

Summary of Relocation Expenses
For Fiscal Years 2006 through 2010

Agency Number	Description	Fiscal Year		
		2006	2007	2008
State Agencies:				
615	Regents	-	-	4,841.06
625	Revenue	24,797.28	-	17,510.25
627	Iowa Lottery Authority	-	285.75	-
635	Secretary of State	193.45	-	-
645	Transportation	17,584.99	151,531.09	179,543.99
655	Treasurer of State	366.00	-	-
	State Agency Total	<u>624,890.57</u>	<u>714,237.33</u>	<u>1,003,331.04</u>
Universities:				
-	Iowa State University	445,057.84	387,645.34	93,067.34
-	University of Iowa	557,673.28	784,445.50	730,676.07
-	University of Northern Iowa	56,492.24	63,178.64	50,572.29
	University Total	<u>1,059,223.36</u>	<u>1,235,269.48</u>	<u>874,315.70</u>
	Total	<u>\$1,684,113.93</u>	<u>1,949,506.81</u>	<u>1,877,646.74</u>

- Net of correction made by Department for the Blind to properly reflect relocation expenses.


2009	2010	Total
8,003.85	-	12,844.91
-	-	42,307.53
-	-	285.75
-	-	193.45
196,131.18	105,002.16	649,793.41
-	-	366.00
<u>683,469.13</u>	<u>254,149.66</u>	<u>3,280,077.73</u>
504,946.87	459,414.88	1,890,132.27
432,815.04	484,095.72	2,989,705.61
<u>80,011.40</u>	<u>63,522.00</u>	<u>313,776.57</u>
<u>1,017,773.31</u>	<u>1,007,032.60</u>	<u>5,193,614.45</u>
<u>1,701,242.44</u>	<u>1,261,182.26</u>	<u>8,473,692.18</u>

A Review of Relocation Benefits
of State Agencies and Regent Institutions

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