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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
8112 FEDERAL OFFICE BUILDING
FIFTH AND MAIN STREETS
CINCINNATI, OHIO 45202

AUG 23 1972

Colonel Mitchel Goldenthal, Commander
U. S. Army Garrison
Fort Sam Houston, Texas 78234

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Dear Colonel Goldenthal:

The General Accounting Office has reviewed all Army civilian relocation allowance payments made by the Finance and Accounting Office, Fort Sam Houston, during the period January through November 1971. During that period, 935 claims totaling \$365,674 were paid in connection with the relocation of 212 Army civilian employees. Of those claims, 183 contained errors in entitlement which resulted in overpayments of \$12,267 and underpayments of \$812 (See appendix I).

Civilian Government employees transferred to new stations are entitled to reimbursement for certain expenses in connection with the sale and purchase of residences, temporary subsistence, the travel of the employee and dependents, shipment and storage of household goods, house hunting trips, and other miscellaneous expenses. The policies governing the reimbursement of these expenses are contained in Office of Management and Budget Circular Number A-56 and in Volume 2 of the Joint Travel Regulations. In many instances, the policies and implementing instructions are complex and are difficult to apply to specific claims. We believe, however, that improvements can be achieved in the administration of relocation allowance claims at your station through the actions recommended below.

For the most part, the erroneous payments noted in our review involved claims for expenses in connection with (1) sale and purchase of residences, (2) temporary quarters subsistence, and (3) employee and dependent travel.

Sale and Purchase of Residences

In our examination of 65 sales claims and 65 purchase claims, we found 62 errors totaling about \$10,500. Fifty-six of those errors totaling about \$8,700 were due to unauthorized reimbursement of finance charges such as loan origination, transfer, and commitment fees.

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Colonel Mitchel Goldenthal

Bureau of the Budget (currently Office of Management and Budget) Circular No. A-56, revised June 26, 1969, discontinued entitlement to reimbursement of finance charges. That Circular removed lender's loan origination fees from the listing of reimbursable expenses and provided that no fee, cost, charge, or expense is reimbursable which is determined to be a part of the finance charge under the Truth in Lending Act and Regulation Z issued pursuant thereto by the Board of Governors of the Federal Reserve System. That provision was incorporated in the Joint Travel Regulations by Change 52, dated January 1, 1970. These references to finance charges, in our opinion, should have alerted the Finance and Accounting Office to obtain legal assistance in determining which types of real estate transaction fees were reimbursable.

The remaining errors totaling about \$1,800 involved unauthorized reimbursement such as insurance premiums for other than title policies; escrow fees other than reimbursable closing costs; legal fees for representation, delivery costs and structural alterations in connection with the purchase of a house trailer; and duplicate payment for otherwise proper items.

In addition to the monetary errors discussed above, we found 36 instances where the legal fees claimed were not itemized in a manner that would permit determination of entitlement under Circular A-56. Itemization furnished in response to our informal inquiries frequently included an itemization of the services rendered but failed to include the charges applicable to each item. Your attention is invited to Comptroller General's decision B-167985, dated October 15, 1969 (See appendix II) wherein a reimbursement supported by similar itemization was disallowed. Future reimbursements of legal fees should be properly supported by an itemization of the services rendered together with the charges applicable to each item in order that determination can be made as to the reasonableness of the charges and whether the service rendered meets the criteria for reimbursement established in Circular A-56.

Temporary Quarters Subsistence Expense

Our review of 157 temporary quarters subsistence expense claims disclosed 53 errors totaling about \$1,600. Those errors primarily resulted from (1) the use of incorrect periods, rates, and number of dependents in computing entitlements, (2) overlapping claims for travel per diem, and (3) lack of authorization or documentation.

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Employee and Dependent Travel

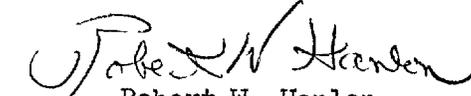
We found 64 errors totaling about \$850 in our review of 200 employee and 149 dependent travel claims. Those errors resulted from incorrect computation of per diem entitlements, the use of erroneous distance in computing travel allowances, and incorrect computation for circuitous travel authorized for the traveler's convenience.

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We are bringing these matters to your attention to provide information that you and your internal review staff can use to identify areas where improvement in management control may be necessary. We believe that the accuracy of relocation allowance payments can be improved. Accordingly we recommend that you require that (1) legal assistance be obtained in determining the propriety of real estate transaction reimbursements, and (2) all relocation allowance claims be reviewed prior to payment to assure that all claims are correct and documented in accordance with Circular A-56 and the Joint Travel Regulations.

We would appreciate being advised on actions taken or planned in connection with the matters discussed herein. We also request your assistance in obtaining replies to about 45 informal inquiries issued by this office between February and June 1972 for which no responses have been received to date.

Sincerely yours,


Robert W. Hanlon
Regional Manager

Enclosures

cc: U. S. Army Finance Support Agency

DVL/bac

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AUDIT RESULTS - CIVILIAN RELOCATION ALLOWANCEPAID BYFORT SAM HOUSTON, TEXAS - JANUARY THROUGH NOVEMBER 1971

| <u>TYPE OF CLAIM</u> | <u>CLAIMS EXAMINED</u> | | <u>MONETARY ERRORS</u> | | <u>ERROR RATES</u> | |
|---|------------------------|---------------------|------------------------|--------------------|--------------------|----------------|
| | <u>NO.</u> | <u>AMOUNT</u> | <u>NO.</u> | <u>AMOUNT</u> | <u>NO.</u> | <u>DOLLARS</u> |
| Purchase of residence | 65 | \$ 13,825.45 | 54 | \$ 8,916.81 | 83.1% | 64.5% |
| Temporary quarters subsistence expense | 157 | 72,759.75 | 53 | 1,592.78 | 33.8% | 2.2% |
| Sale of residence | 65 | 137,758.61 | 8 | 1,635.22 | 12.3% | 1.2% |
| Dependents' PCS travel | 149 | 23,790.47 | 28 | 577.24 | 18.8% | 2.4% |
| Employees' PCS travel | 200 | 32,843.33 | 36 | 281.54 | 18.0% | .9% |
| Others | 299 | 84,697.08 | 4 | 76.52 | 1.3% | .1% |
| TOTALS | <u>1/ 935</u> | <u>\$365,674.69</u> | <u>183</u> | <u>\$13,080.11</u> | <u>19.6%</u> | <u>3.6%</u> |

1/ 212 transferees. Most transferees had more than one type of claim.

There were 183 errors found in 122 of the 212 transfers examined, resulting in a case error rate of 57.5%.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D C 20548

APPENDIX II

B-167985

October 15, 1969

Mr. T. F. Thulstrup
Authorized Certifying Officer
Chicago Operations Office
United States Atomic Energy Commission
9800 South Case Avenue
Argonne, Illinois 60439

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Dear Mr. Thulstrup:

We refer to your letter of September 5, 1969, concerning the reimbursement made to Mr. Andrew E. Mravca for the attorney fee he paid in connection with the purchase of a residence in Naperville, Illinois, incident to a change in his official duty station from Oak Brook to Weston, Illinois, in June 1968.

You question whether all or any part of the fee for legal services provided by Mr. Mravca's attorney is reimbursable under section 4.2c of Bureau of the Budget Circular A-56, authorizing reimbursement of legal and related costs. Section 4.2c provides that to the extent such costs have not been included in the broker's or similar services for which reimbursement is claimed under other categories, customary costs of researching title, preparing conveyances and other instruments, and preparing contracts, related notary fees, recording fees, making surveys, preparing drawings or plats when required for legal or financing purposes and similar expenses may be reimbursed either with respect to the sale of the residence at the old official station or purchase of a dwelling at the new official station, but the same type of costs shall not be paid at both stations.

In a letter of July 16, 1963, addressed to Mr. Mravca, his attorney describes the legal services rendered as follows:

"Examination and Approval of Real Estate Sales Contract, Examination and Approval of Mortgage and Promissory Note to Republic Savings and Loan Association; Examination and Approval of Chicago Title and Trust Company Commitment for Title Insurance; Conferences with Republic Savings and Loan Association, Loan Statement; Conference with Joseph A. Thorsen Co. [Realtors] Closing Statement and Surrender of Possession; Power of Attorney; Telephone Conversations to Princeton, New Jersey; Closing and Payment of Purchase Price; Examination and Approval of Chicago Title and Trust Co. Owner's Policy and Recorded Warranty Deed.....Minimum Chicago Bar Association Fee.....\$415."

Although the attorney did not give a breakdown on the \$415 legal fee, he has stated that he made certain changes in the sales contract for Mr. Mravca. These consisted of a change in the purchase price pursuant to agreement of the parties and deletion of various clauses in the standard form contract.

We recognize that the \$415 was a one percent charge suggested minimum fee for real estate transactions in the Chicago area as set by the Chicago Bar Association. However, a lump-sum fee schedule does not conform to the requirements for reimbursement of allowable items as specified in section 4.2c. B-163203, March 24, 1969. Furthermore, section 4.2c makes no provision for payment of all inclusive service "legal fees". B-163690, March 29, 1968.

The legal fees and charges reimbursable by the United States in cases such as this must be stated (itemized) within the guidelines of section 4.2c before a determination as to payment can be made. Thus, under these circumstances, reimbursement of the whole sum of \$415 is not allowable. We need not decide whether the changes in the real estate contract suggested and made by Mr. Mravca's attorney constitute "preparation" under section 4.2c because all services have been included in an all inclusive "legal fee" and, as stated above, section 4.2c makes no provision for payment of an all inclusive "legal fee".

Therefore, on the basis of the present record no part of the \$415 paid to Mr. Mravca was proper and he should be required to refund such amount to your agency.

Sincerely yours,

Lawrence J. Powers

For the Comptroller General
of the United States