
Temporary Change In Station

The Scenario

The auditor was working on a review of temporary change in station (TCS) payments to service members. The review disclosed that the agency's spending on TCS had increased significantly since 2001, although, this pattern was consistent with expenditures at other Department of Defense agencies. During the review, the auditor conducted a data query to determine whether TCS personnel claimed the correct per diem rates. When analyzing the query results, the auditor noted that numerous service members were claiming monthly per diem lodging expenses for extended periods.

The auditor conducted a follow up query to determine whether any of the service members were rooming together and splitting the monthly rental costs. This query showed repeat occurrences of service members reporting to live at the same location; however, they were claiming the maximum allowable lodging per diem costs each month. At one property location, the Government incurred monthly per diem costs of \$10,000 for reimbursements paid to renters claiming to live in the same single family home.

As the audit progressed, the auditor examined lease agreements, rental receipts, local advertisements for similar rental properties in suspect locations, and court records to determine legal ownership for some of the rental properties. Prior to submitting the draft audit report, the auditor also conducted interviews with lessees claiming to reside at the same rental property addresses. Audit findings included in the draft report included the following information:

- One data query showed five service members residing at the same rental property. The service members each claimed the maximum allowable monthly per diem lodging expenses of \$1,500 per month. The average cost to rent a similar property in the same neighborhood was \$1,200 per month.
- Lease agreements for the rental property stated that the service member would be charged a monthly rental fee of \$1,500, payable to Mr. XYZ.
- Mr. XYZ provided and signed monthly rental receipts for each service member's lodging expenses. The phony rental receipts were submitted with the monthly requests for lodging reimbursement.
- Review of local court records showed that the rental property was purchased one year earlier by Mr. XYZ and his wife.
- One of the renters told the auditor that he first learned about an available bedroom at Mr. XYZ's rental property when he was sent on an extended TCS and needed an inexpensive place to live. One of the other renters briefed him on how to submit the phony lease agreements and file phony invoices for his monthly lodging expenses. The renters each paid the Mr. XYZ \$1,000 per month as a

rental fee, and the remaining profit from the per diem claims were split among the renters.

- Court records showed that a service member and his girlfriend owned another suspect property. The service member created a phony lease agreement and monthly rental receipts and was reimbursed for bogus per diem lodging expenses for six months. In this scheme, the Government paid over \$9,000 of the service member's mortgage costs.

Mr. Comments / Lessons Learned. Since 2001, the number of service members sent on extended TCS assignments has significantly increased. As a result, numerous fraudulent schemes have been developed to defraud the Government and receive inflated reimbursements for per diem lodging costs. One of the most common schemes is the submission of phony lease agreements and monthly rental receipts. In many of these schemes, service members worked together and provided their colleagues with guidance on how to defraud the Government for their personal gain.

FRAUD INDICATORS

- **Service member is on TCS for an extended period.**
- **Several service member's claim to reside at the same address.**
- **Lodging reimbursement claims exceed the cost of renting comparable property in the same area.**
- **Court records indicate that the rental property is owned by another service member or close associate of the renter such as a spouse, girlfriend, boyfriend, etc.**
- **Court records show that the service member is listed as owner or co-owner of the property.**
- **Another service member or spouse, girlfriend, boyfriend, etc. sign lease agreements and monthly rental receipts.**