

Kiedinger



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Leonard L. Garofolo - Real Estate Expenses - Home
and Pool Inspection Fees

File: B-219258

Date: June 10, 1988

DIGEST

A transferred employee claimed reimbursement for the costs of a home inspection and a pool inspection, both of which were recommended by his real estate agent. His claim for reimbursement for those fees, on the basis that once they were inserted in the contract they qualified as "required services," is denied. The term "required" as used in the applicable statute and regulations relates only to those services which are imposed on the employee by state or local law or by the lender as a precondition to the sale or purchase of a residence.

DECISION

This decision is in response to a request from the Assistant Secretary for Administration and Management, U.S. Department of Labor, concerning the entitlement of one of its employees to be reimbursed certain real estate inspection fees incurred incident to a permanent change of station. We conclude the employee is not entitled to reimbursement, for the following reasons.

BACKGROUND

Mr. Leonard L. Garofolo, an employee of the Department of Labor, purchased a residence in connection with his transfer. Among the expenses claimed were a house inspection fee (\$225) and a pool inspection fee (\$125). Both items were disallowed by the agency on the basis that they were not services required by the employee's mortgage lender and were not otherwise identified in the Federal Travel Regulations as reimbursable.

Mr. Garofolo asserts that there is nothing in the law or regulations which would bar reimbursement for these fees. He argues that the decisions of this Office denying reimbursement do so only where the fees charged were not

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for a "required service customarily paid by the seller or buyer." He contends that the real estate experts in the Northern California area recommend home inspections and consider it imprudent for residential buyers to purchase property without them. Based on that recommendation, Mr. Garofolo had such terms incorporated into his purchase agreement. It is his view that once such terms are inserted into a purchase agreement, they thereafter become "required" elements in the agreement and the costs incurred are reimbursable.

OPINION

Section 5724a of title 5, United States Code (1982), provides, in part, that an employee may be reimbursed various expenses associated with a transfer including,

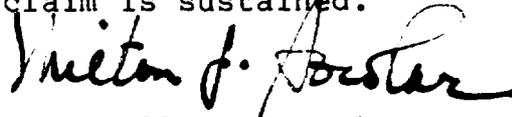
"(a)(4) Expenses of the . . . purchase of a home at the new official station required to be paid by him . . ."

The regulations implementing this provision are contained in chapter 2, part 6 of Federal Travel Regulations (FTR) (Supp. 4, Aug. 23, 1982), incorp. by ref., 41 C.F.R. § 101-7.003 (1985). Paragraph 2-6.2d(1) of the FTR lists various miscellaneous expenses which may be reimbursed in connection with real estate transactions while paragraph 2-6.2d(2) lists those items which may not be reimbursed. These inspection fees are not specifically listed as either reimbursable or nonreimbursable fees under these two provisions of the FTR. Additionally, FTR para. 2-6.2f, which authorizes reimbursement for other incidental charges, limits reimbursement to those expenses which are imposed for required services on the seller or the buyer to the extent they do not exceed the customary rate in the locality of the residence.

Mr. Garofolo has suggested that the concept behind the word "required" as used in the law and regulations has been satisfied if at any point in the process of selling or purchasing a residence the employee is required to incur an expense. We disagree. Other than those specifically itemized expenses listed in FTR para. 2-6.2d(1) as reimbursable, reimbursement for the cost of incidental charges under FTR para. 2-6.2f depends upon whether they are "required services." We have ruled that of those services which are imposed on the employee as purchaser or seller, only those services which are required by a lending institution or by state or local law and which are imposed

as a precondition to the purchase and sale of a residence may be reimbursed. See Wesley J. Lynes, B-182412, May 14, 1976 (appraisal and inspection fee-lender requirement); Robert E. Grant, B-194887, Aug. 17, 1979 (termite inspection fee-local law, roof inspection fee-lender requirement); Robert J. Holscher, B-215410, Nov. 14, 1984 (weatherization inspection fee-state law). Where the service performed was not imposed by law or a mortgage lender we have uniformly denied reimbursement. Robert D. Good, B-224765, Aug. 17, 1987; Wayne J. Girton, B-185783, Apr. 29, 1976; John H. Martin, B-184594, Feb. 12, 1976 (home inspection fees).

In the present case, even though a home and pool inspection were recommended, there was no requirement by the mortgage lender or by state or local law that they be inserted in the purchase agreement as a condition of the purchase. Accordingly, since Mr. Garofolo could have consummated the transaction without these inspections, they did not qualify as required services, and the agency disallowance of his claim is sustained.

for 
Comptroller General
of the United States