



Memorandum from the Office of the Inspector General

May 31, 2005

Kim R. Patterson, WT 4B-K

REQUEST FOR MANAGEMENT DECISION – INSPECTION 2005-512I – TRAVEL
EXPENSE REIMBURSEMENT

Attached is the subject final report for your review and management decision. As discussed with you on May 24, 2005, the subject report is being issued in presentation format. You are responsible for determining the necessary actions to take in response to our findings. Please advise us of your management decision within 60 days of the date of this report.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report which you recommend be withheld.

If you have any questions, please contact Rick Underwood, Senior Auditor, at (423) 751-3108 or R. Darryl Bryant, Manager, Inspections, at (423) 751-4415. We appreciate the courtesy and cooperation received from your staff during this review.

Ben R. Wagner
Assistant Inspector General
(Audits and Inspections)
ET 3C-K

RCU:SDB

Attachment

cc (Attachment):

Tom D. Kilgore, ET 12A-K
Richard W. Moore, ET 4C-K
Anda A. Ray, SP 6D-C
Michael E. Rescoe, ET 12A-K
Ellen Robinson, ET 12A-K
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OIG File No. 2005-512I



Travel Expense Reimbursement

2005-512I

May 31, 2005



Agenda

- ◆ Findings Summary
- ◆ Background
- ◆ Objectives
- ◆ Scope and Methodology
- ◆ Findings and Recommendations



Findings Summary

- ◆ We estimate the flat rate method cost TVA about \$115,475 or 5.8 percent more than the actual reimbursement method in the quarter reviewed.
- ◆ We identified the following weaknesses in the travel reimbursement process:
 - Twenty-two percent of the flat rate reimbursements exceeded the allowable reimbursement rates.
 - Additional costs due to payments to employees for direct billed hotel expenses.



Background

- ◆ The Chief Financial Officer (CFO) organization requested that we conduct an analysis to determine the cost effectiveness of the actual expense reimbursement and Chief Operating Officer (COO) flat rate programs.
- ◆ TVA currently has three methods of travel reimbursement:
 - Reimbursements based on actual expenses incurred.
 - Reimbursements based on flat rates established by the COO. (This program began in January 1999, with the intent of reducing employees' administrative workload and additional administrative costs associated with travel.)
 - Reimbursements based on flat rates arrived at during union negotiations.
- ◆ Travel Allowance and Reimbursement Accounting Procedure 15 states that, "When temporary duty travel periods are less than 24 hours and overnight lodging is not required, there is normally no reimbursement for meals and incidental expenses."

SENSITIVE INFORMATION



Background (cont'd)

- ◆ The COO flat rate method covers lodging (including lodging tax if not direct billed), meals, and incidentals (tips and fees to food servers or hotel personnel).
- ◆ All other allowable expenditures not covered by the flat rate may be claimed under the “Other Expenses” category.
- ◆ The program allows partial flat rate reimbursements if a travel assignment is more than 12 hours, but overnight travel is not required.
- ◆ Employees can also choose to be reimbursed based on actual expenses.



Objectives

- ◆ Our objective was to compare the cost of the COO flat rate reimbursement method versus the actual reimbursement method.
- ◆ Additionally, we evaluated both methods to identify any weaknesses that would allow abuse of the programs.



Scope and Methodology

- ◆ The scope of our work included travel reimbursements for subsistence* expenses incurred during fiscal year (FY) 2004 and the first quarter of FY 2005 within the TVA region. Reimbursements made to personnel who are reimbursed based on negotiated rates were excluded. This resulted in a population of 198,473 reimbursements totaling \$13,477,051.
- ◆ Interviewed key personnel in the CFO organization responsible for Expense Reimbursement System (ERS) in order to gain an understanding of the system, layout of the data, and to obtain information on system processing controls.
- ◆ Interviewed key personnel in the COO organization to ensure that our data analysis methodology was sound.
- ◆ Collected Data – We obtained the data used in our inspection from the ERS data files and the GSA approved rates and COO flat rates from those organizations' respective web sites.

*Subsistence is defined as lodging, lodging taxes, meals and incidental expenses related to subsistence.



Scope and Methodology (cont'd)

- ◆ Analyzed Data – The data obtained from ERS was analyzed in the following manner.
 - For our actual to flat rate methods comparative analysis we selected second quarter FY 2004 travel reimbursements for TVA region travel.
 - This resulted in a population of 43,712 reimbursements totaling \$3 million using both the flat rate and actual expense reimbursement methods.

This inspection was conducted in accordance with the quality standards for inspections.



Finding 1 - Flat Rate vs. Actual Expense Reimbursement Program

COMPARISON OF REIMBURSEMENT METHODS

TVA would have saved approximately \$115,475 in second quarter FY 2004 if expenditures reimbursed under the flat fee method had been reimbursed under the actual method.

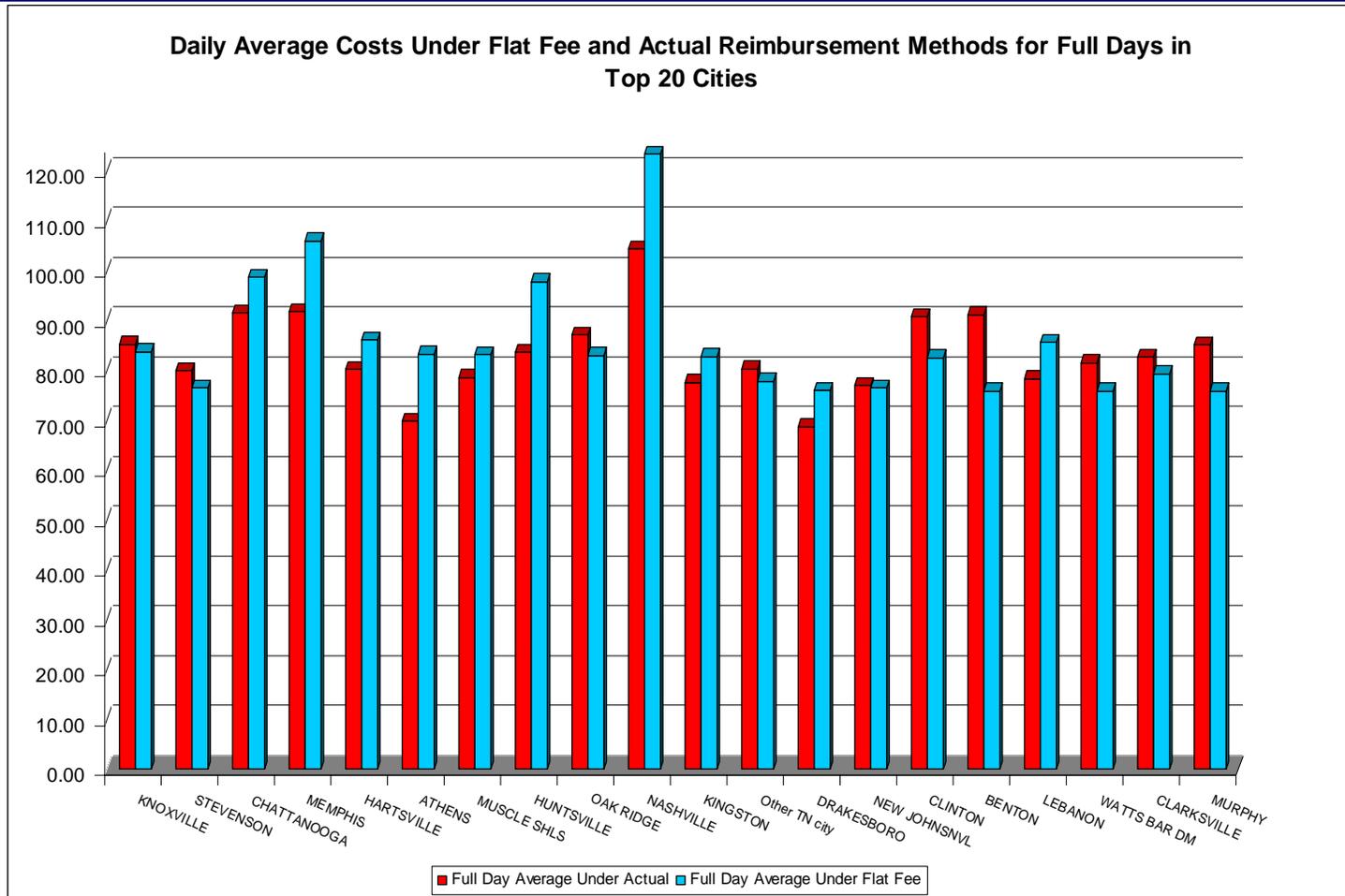
- Flat fee full day* reimbursements cost an average of \$1.21 more per full day.
- Flat rate partial day** reimbursements cost an average of \$10.45 more per partial day.

* A full day was identified by lodging costs under the actual method or a flat fee paid for one travel day that was equal or greater than the COO full day flat rate for the city listed.

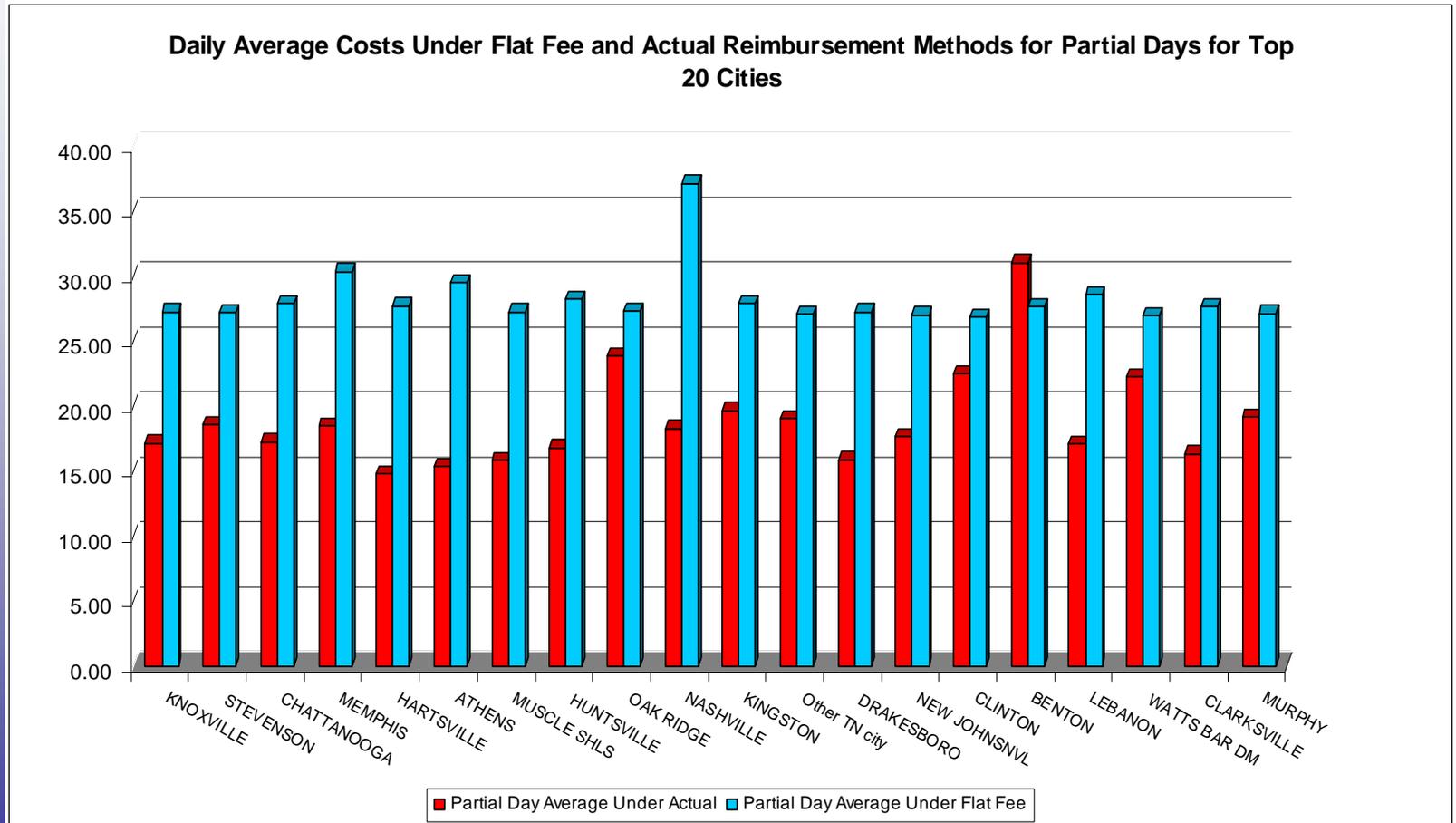
**A partial day was identified as one with no lodging expense under the actual method or a flat fee near or less than the COO partial day rate for the listed city.



Finding 1 - Flat Rate vs. Actual Expense Reimbursement Program



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Recommendation

The TVA Controller, in consultation with the COO, should consider:

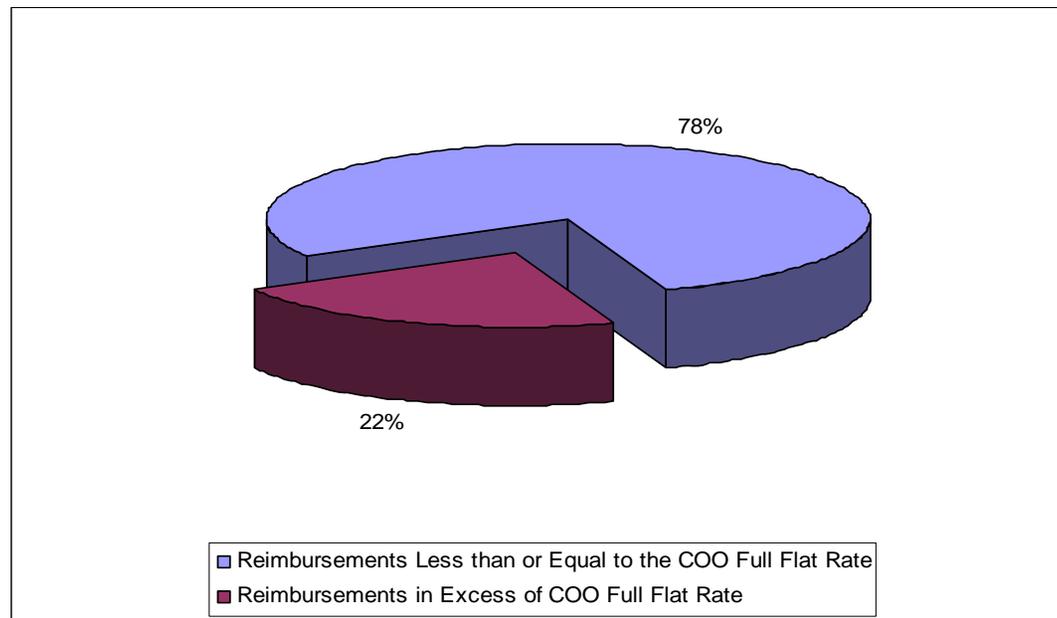
- Elimination of the flat rate program; and/or
- Lowering the rates in those cities where average full day and partial day rates are higher than the average amounts reimbursed under the actual expense method.



Finding 2 - Reimbursements Under Flat Rate in Excess of COO Full Day Rate

26,855 (22%) of the 121,933 flat rate reimbursements paid to employees plus any direct billed lodging exceeded COO allowable reimbursement rates by a total of \$205,976 during FY 2004 and first quarter FY 2005.

Specifics of the excess payments have been supplied to management for consideration and follow-up.



SENSITIVE INFORMATION



Finding 2 - Reimbursements Under Flat Rate in Excess of COO Full Day Rate

Recommendation

The TVA Controller, in consultation with the COO, should implement system edits to prevent employees from requesting more than the maximum daily amount in subsistence reimbursement for in-region travel under the flat rate program.



Finding 3 – Direct Bill Lodging

Duplicate Reimbursements for Direct Bill Lodging During FY 2004 and First Quarter 2005

Identified 663 (1.13%) instances under both reimbursement methods where employees were reimbursed for lodging in addition to the hotel being paid directly by TVA, resulting in \$36,197 in excess cost to TVA.

Direct Bill Lodging Without Corresponding Travel Reimbursement

Identified 122 transactions for direct billed lodging without a corresponding travel expense reimbursement in the ERS system. These items totaled \$6,532.

ERS Travel Voucher Entry Screens

There are two areas where the ERS screens for entering “Voucher Details by Day” may be confusing to some people.



Finding 3 – Direct Bill Lodging

Recommendations

The TVA Controller, in consultation with the COO, should improve monitoring by providing exception reports to responsible managers listing:

- Instances where employees are reimbursed for lodging in addition to a hotel being paid directly by TVA; and
- Direct billed lodging with no corresponding travel voucher.

We recommend consideration be given to modifying the “Enter Voucher Details by Day” screen to clarify the purpose of the GSA per diem rates that appear on the screen, and to allow employees to indicate that direct billed lodging charges were incurred.

The CFO organization should also follow-up on items identified in this finding and take any necessary corrective actions.

