



Memorandum from the Office of the Inspector General

March 17, 2025

Diane T. Wear

REQUEST FOR FINAL ACTION – AUDIT 2024-17501 – TVA ONE CARD

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding audits that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Stephanie L. Simmons, Senior Auditor, at (423) 785-4820 or Rick C. Underwood, Director, Financial and Operational Audits, at (423) 785-4824. We appreciate the courtesy and cooperation received from your staff during the audit.

David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)

SLS:FAJ

Attachment

cc (Attachment):

TVA Board of Directors
Buddy Eller
David B. Fountain
Janet Denise Jones
Jeffrey J. Lyash
Jill M. Matthews
Thomas C. Rice
Ben R. Wagner
OIG File No. 2024-17501



Office of the Inspector General

Audit Report

To the Vice President,
Corporate Accounting

TVA ONE CARD

Audit Team
Stephanie L. Simmons
Andrew A. Bailey

Audit 2024-17501
March 17, 2025

ABBREVIATIONS

IT	Information Technology
MCC	Merchant Category Code
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority

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- B. MEMORANDUM DATED MARCH 12, 2025, FROM DIANE WEAR TO
DAVID P. WHEELER



Audit 2024-17501 – TVA One Card

EXECUTIVE SUMMARY

Why the OIG Did This Audit

The Tennessee Valley Authority (TVA) provides credit cards, known as the TVA One Card, to its employees to make purchases for TVA business, such as materials and supplies, travel, meetings and events, fuel for rental vehicles, management expenses, and services. TVA transitioned from separate corporate credit cards and purchasing cards to the TVA One Card in 2022 and implemented a new expense management system. For the 12-month period of May 1, 2023, through April 30, 2024, purchases made on the TVA One Card totaled \$86.6 million.

We conducted an audit of TVA One Card purchases due to the recent introduction of the program and amount of annual spending. Our objective was to determine if purchases made using the TVA One Card complied with TVA policies and procedures. Our audit scope included approximately \$59.2 million of TVA One Card purchases, which excluded those for travel/transportation, business meetings, and external relationship events, made during the 12-month period of May 1, 2023, through April 30, 2024.

What the OIG Found

We reviewed supporting documentation uploaded in the expense management system for a sample of 139 purchases made using the TVA One Card and determined all but one of the purchases appeared to be for TVA business purposes. However, we determined the review and approval process was not operating effectively and did not ensure purchases made with the TVA One Card complied with TVA policies and procedures. Specifically, we found instances where (1) management approved purchases that did not fully comply with TVA policies and procedures, and (2) management's review of purchases prior to expense report approval did not include reviewing the attached receipts. Additionally, we determined cardholders were not consistently submitting purchases for approval in the expense management system within the required time frame.

What the OIG Recommends

We made five recommendations to TVA management to reinforce existing requirements and strengthen controls related to (1) developing training for expense approvers and (2) processing expenses.



Audit 2024-17501 – TVA One Card

EXECUTIVE SUMMARY

TVA Management's Comments

In response to our draft, TVA management provided actions they plan to take, and have taken, to address each of our recommendations. See Appendix B for management's complete response.

Auditor's Response

We agree with TVA management's planned actions and actions taken.

BACKGROUND

The Tennessee Valley Authority (TVA) provides credit cards, known as the TVA One Card, to TVA employees to make purchases for TVA business, such as materials and supplies, travel, meetings and events, fuel for rental vehicles, management expenses, and services. The TVA One Card is managed by TVA's Corporate Accounting and Supply Chain organizations. TVA transitioned from separate corporate credit cards and purchasing cards to the TVA One Card in 2022 and implemented a new expense management system. All charges made on the TVA One Card are loaded in the expense management system for the cardholder to review for accuracy and validity, allocate to proper expense accounts, attach required documentation such as receipts, and submit on an expense report for manager approval. We conducted an audit of TVA One Card purchases due to the recent introduction of the program and amount of annual spending.

For the 12-month period of May 1, 2023, through April 30, 2024, purchases made on the TVA One Card totaled \$86.6 million. Table 1 shows the totals spent by category based on how the expenses were classified in TVA's expense management system.

TVA One Card Purchases May 1, 2023 – April, 30, 2024	
<u>Category</u>	<u>Amount</u>
Operations/Purchasing	\$ 54,993,496
Travel	14,190,091
Meetings and Events	8,576,061
Transportation	4,659,297
Training and Conferences	2,298,422
Other	834,626
Vehicle/Equipment Expenses	489,582
Office Expenses	369,290
Professional Fees	<u>205,032</u>
Total	\$ 86,615,897

Table 1

Applicable TVA Policies and Procedures

TVA Standard Programs and Processes (SPP) 13.023, *TVA Credit Card Usage* (TVA One Card Policy), governs the usage of the TVA One Card. The TVA One Card Policy outlines the roles, responsibilities, and requirements for TVA One Card usage. Cardholders and approving managers are responsible for ensuring TVA One Card expenses are reasonable, for official TVA business use, and in accordance with TVA policies and procedures.

In accordance with the TVA One Card Policy, TVA employees create expense reports and save appropriate documentation (such as itemized receipts and approvals) in the expense management system. All TVA One Card purchases

are required to be submitted on expense reports and approved in the expense management system within 30 days of the transaction date.

Under the TVA One Card Policy, the manager reviewing and approving purchases on behalf of TVA assumes joint responsibility with the cardholder for the integrity and validity of the purchase. Approving managers are responsible for:

- Reviewing each purchase on the expense report to ensure compliance with TVA policies and procedures.
- Ensuring there is adequate business justification for the purchase in the comment field of the expense management system or in attached documentation.
- Verifying all receipts are compliant, legible, accurate, and are attached to the expense report.
- Verifying costs are allocated to the appropriate account.
- Ensuring that employees complete corrective actions in a timely manner.
- Counseling employee(s) and taking necessary corrective action relative to any unreasonable or questionable expenses.

The allowability of purchases is determined by the appropriate expense type and related SPP where applicable. Additional SPPs addressing specific requirements for expense types include the following:

- Materials and Services – TVA-SPP-04.003, *TVA VISA Purchasing Card Procedure* (Purchasing Policy), establishes the requirements for using the TVA One Card to purchase goods and services for TVA. Purchasing privileges may be added to a user's TVA One Card to facilitate purchases of small-dollar materials and services up to and including \$5,000. Larger transactions may be approved when circumstances warrant.
- Information Technology (IT) Equipment – TVA-SPP-12.405, *IT Asset Procurement & Management*, establishes business practices for the purchase and use of software, software subscriptions/services and hardware that interacts with or touches the TVA Corporate network. Purchase data, such as purchase date, cost, supplier information, warranty, and maintenance information, should be maintained for IT hardware, software, and enterprise applications. Items such as computers, tablets, cloud-based services, software, mobile applications, and virtual reality must be purchased through TVA's Technology and Innovation group.
- Employee Recognition – TVA-SPP-11.418, *Employee Recognition and Acknowledgement*, provides governance for employee recognition practices. Employee recognition is designed to improve engagement, performance, and retention of employees by acknowledging their dedication and contributions towards organizational goals and success. The TVA One Card is the preferred method of acquisition/payment of employee recognition expenses.

Written manager preapproval must be attached to the expense in the expense management system for employee recognition expenses above specific tiered cost thresholds.

Internal Control

The key internal control associated with TVA One Card purchases is management review and approval of expenses. To reduce the risk of unauthorized credit card charges, the cardholder's approving manager is responsible for reviewing and approving expenses in the expense management system for all purchases. Approving managers are responsible for ensuring purchases are reasonable, for official TVA business use, within the organization's approved budget, and in accordance with TVA policies and procedures. The TVA One Card Policy allows the assignment of an approval delegate; however, the accountability of the approval remains with the manager from whom the expense approval was originally requested, regardless of who approved the expense report.

Additional internal controls associated with TVA One Card purchases are:

- **Cardholders Cannot Approve Their Own Purchases** – The expense management system is configured to restrict cardholders from approving their own expenses.
- **Additional Review of Purchases Required by Audit Rule Triggers** – In the expense management system, various audit rule triggers will cause relevant expense reports to require Expense Administration personnel to perform an additional review for compliance/reasonableness before the expense report is fully approved.
- **Purchases Restricted Based on Merchant Category Code (MCC)** – TVA uses the vendor MCC classification to identify the type of business a merchant is engaged in. TVA One Card transactions are allowed at vendors based on their MCC. If the vendor's MCC is not allowed by TVA, attempted transactions are declined.
- **Annual Training Required** – All cardholders, approving managers, and entry or approval delegates are required to complete annual credit card training.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if purchases made using the TVA One Card complied with TVA policies and procedures. Our audit scope included approximately \$59.2 million of TVA One Card purchases, excluding those expensed as travel/transportation, business meetings, and external relationship events, made during the 12-month period of May 1, 2023, through April 30, 2024. Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Findings section of this report. A complete discussion of our audit objective, scope, and methodology is included in Appendix A.

FINDINGS

We reviewed supporting documentation uploaded in the expense management system for a sample of 139 purchases made using the TVA One Card and determined all but one of the purchases appeared to be for TVA business purposes. Our testing also noted (1) no instances where a cardholder approved their own expenses, (2) additional reviews/approvals by Expense Administration personnel were triggered by audit rules in the expense management system, (3) no exceptions based on MCC restrictions, and (4) annual training requirements were generally met. However, we determined the review and approval process was not operating effectively and did not ensure purchases made with the TVA One Card complied with TVA policies and procedures. In addition, we determined cardholders were not consistently submitting purchases for approval in the expense management system within the required time frame.

APPROVAL PROCESS NOT OPERATING EFFECTIVELY

As stated above, TVA relies upon managers reviewing and approving purchases to ensure those purchases are appropriate and comply with TVA's policies. Management's review and approval of purchases is a key internal control. However, the approval process did not appear to be operating effectively. We found instances where (1) management approved purchases that did not fully comply with TVA policies and procedures, and (2) management's review of purchases prior to expense report approval did not include reviewing the attached receipts.

Management Approved Purchases That Did Not Fully Comply With TVA Policies

We reviewed 139 purchases totaling \$676,003 and found 48¹ of the purchases totaling \$157,500 were approved by managers or their delegates although the purchases did not comply with one or more of the requirements of TVA policies. Specifically, we noted purchases were approved that (1) were split to avoid

¹ One reviewed purchase had two different types of policy violations and appears in two of the finding sections below.

transaction limits, (2) were disallowed on the TVA One Card, and (3) did not include all required documentation.

Purchases Split That Would Have Exceeded Transaction Limits

We found 10 instances consisting of 26 purchases, totaling \$88,559, where the purchase appears to have been split into multiple transactions to circumvent TVA One Card transaction limits. The TVA One Cards are assigned monthly spending limits and single transaction limits based on business needs. Credit/transaction limit changes can be requested and approved in the expense management system if an employee requires an increase to a credit card limit in order to meet business needs. One-time overrides for purchases over the cardholder's transaction limit may be approved with written approval from a Vice President. The TVA One Card Policy specifically states it is not acceptable to split a purchase amount to circumvent transaction limits.

Disallowed Purchases Made on the TVA One Card

We found 9 purchases, totaling \$36,655, were approved by managers or their delegates that should not have been made on the TVA One Card. Specifically, we identified the following:

- Seven purchases of IT related assets were made on the TVA One Card, which was not the appropriate procurement method. TVA-SPP-12.405, *IT Procurement & Management*, requires IT related assets to be purchased through TVA's Technology and Innovation group.
- One purchase of an equipment trailer was made on the TVA One Card, which was not the appropriate procurement method. The Purchasing Policy requires equipment trailers to be purchased with a purchase request to ensure trailers are registered appropriately.
- One purchase included a charge for a renewal of a personal membership to a discount club, which is disallowed by the Purchasing Policy.²

Documentation Requirements Were Not Fulfilled

Approving managers, or their delegates, did not ensure expense reports included all required documentation prior to approval for 14 purchases totaling \$32,286. Specifically, we found the following:

- Eleven purchases did not include itemized receipts in the expense management system. The TVA One Card Policy requires legible itemized receipts for all purchases over \$75, and all purchases of materials and supplies, regardless of amounts, be uploaded in the expense management system.
- One purchase did not include documentation for attendees as well as an itemized receipt. The Purchasing Policy allows for the TVA One Card to be used for safety meals but requires the number of attendees and amount for

² This purchase also included gift cards for employee recognition discussed in the finding below.

each attendee be documented and included in the expense management system.

- Two purchases of gift cards for employee recognition did not meet documentation requirements. TVA-SPP-11.418, *Employee Recognition and Acknowledgement*, states (1) gift cards are allowable for employee recognition, awards/expenses, (2) preapproval is required for awards exceeding \$40, and (3) a form for employee taxable gifts/awards must be completed for gift cards of any amount. However, the required form was not completed for 2 purchases of gift cards; and for 1 of these purchases the required preapproval documentation was not uploaded in the expense management system for the gift cards exceeding \$40.

Receipts Were Not Viewed by Managers Prior to Expense Report Approval

Management's review of purchases prior to expense report approval did not include viewing the attached receipts in the expense management system. The expense management system records the processing steps for expense reports in its audit trail. The expense management system audit trail records when the receipts/documentation attached to an expense report are viewed, but the expense management system does not require viewing receipts to move forward with expense processing.

We reviewed the audit trail for the 139 purchases and found for 47 purchases, or 34 percent, the approving individual did not view any receipts/documentation attached to the expense report prior to approving the expense report. These 47 purchases totaled \$159,049. Expense reports routinely include multiple purchases, and the total for all expenses included on the associated expense reports was \$411,859. Approving managers, or their delegates, should review purchase receipts and other expense documentation to ensure compliance with TVA policies and procedures and to detect any unauthorized purchases.

PURCHASES NOT SUBMITTED FOR APPROVAL WITHIN REQUIRED TIME FRAME

We determined cardholders were not consistently submitting purchases for approval in the expense management system within the required time frame. Specifically, we found 31 of the 139 sampled purchases, totaling \$141,116, were submitted by the cardholder later than 30 days after the transaction date. To reduce the risk of unauthorized charges and to identify fraudulent charges, the TVA One Card Policy requires purchases to be submitted and approved in the expense management system within 30 days of the transaction date.

The expense management system is configured to send notifications by email to the cardholder and their manager when TVA One Card transactions have not been submitted for approval beginning at 30 days after the transaction date. Configuring the expense management system to send notifications prior to the 30 days could increase the likelihood of purchases being submitted for approval within the required time frame.

RECOMMENDATIONS

We recommend the Vice President and Controller, Corporate Accounting:

1. Include specific training for expense approvers (managers and delegates) as a part of annual TVA One Card training or as a separate module to be completed periodically.

TVA Management's Comments – In response to our draft report, TVA management stated Financial Shared Services will implement an appropriate training opportunity specific to expense approvers. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

2. Consider creating a report in the expense management system that Expense Administration personnel can use to periodically test for split transactions.

TVA Management's Comments – In response to our draft report, TVA management stated Financial Shared Services will review the feasibility of creating a report to periodically test for split transactions. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

3. For exceptions identified during the audit, contact the approving managers and reinforce their responsibilities for ensuring TVA One Card expenses are appropriate.

TVA Management's Comments – In response to our draft report, TVA management stated Financial Shared Services will contact the approving managers for exceptions identified during the audit and reinforce their responsibilities for ensuring TVA One Card expenses are appropriate. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

4. Configure the expense management system to require management review of purchase receipts/documentation prior to expense approval.

TVA Management's Comments – In response to our draft report, TVA management stated this request is not technically feasible. However, Financial Shared Services will address as part of the training recommendation. Additionally, a certification agreement with the approver certifying that receipts have been reviewed has been included in the expense management system approval process. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions and actions taken.

5. Configure the expense management system to notify cardholders when purchases are still pending submission prior to 30 days.

TVA Management's Comments – In response to our draft report, TVA management stated Financial Shared Services will send notifications of pending expenses prior to 30 days. See Appendix B for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if purchases made using the Tennessee Valley Authority (TVA) One Card complied with TVA policies and procedures. Our audit scope included TVA One Card purchases, excluding those expensed as travel/transportation, business meetings, and external relationship events, made during the 12-month period of May 1, 2023, through April 30, 2024. To achieve our objective, we:

- Obtained an understanding of internal controls, including information system controls, associated with the processing and approval of TVA One Card purchases.
- Reviewed TVA Standard Programs and Processes (SPP) 13.023, *TVA Credit Card Usage* (TVA One Card Policy), to identify key requirements applicable to the use of TVA One Cards.
- Reviewed TVA-SPP-04.003, *TVA VISA Purchasing Card Procedure*, to identify key requirements applicable to use of the TVA One Card for purchasing goods and services for TVA.
- Reviewed TVA-SPP-12.405, *IT [Information Technology] Asset Procurement & Management*, and TVA-SPP-11.418, *Employee Recognition and Acknowledgement* to key requirements applicable based on the expense type.
- Obtained expense management system purchase data for the audit period and performed data analysis to assess the reliability of the data.
- Performed data analysis to identify instances where purchases may not have complied with TVA policies.
- Selected a judgmental sample of 139 purchases totaling \$676,003 from the audit population of 125,418 purchases totaling \$59,190,448. We reviewed supporting documentation uploaded in the expense management system to test (1) compliance with key requirements of TVA policies; and (2) the design, implementation, and operating effectiveness of identified key controls where applicable. Since this was a judgmental sample, the results cannot be projected to the population. Purchases were selected based on the following:
 - Purchase amount
 - Vendor merchant category code
 - Multiple purchases made by the cardholder at the same vendor on the same day
 - Purchase date
 - Purchases approved by delegates

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

March 12, 2025

David P. Wheeler, WT 2C-K

RESPONSE TO REQUEST FOR COMMENTS - DRAFT AUDIT 2024-17501 - TVA ONE CARD

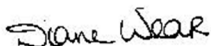
Our response to your February 12, 2025, request for comments regarding the subject draft report is attached.

TVA takes very seriously its commitment to be good stewards of resources. As such, TVA appreciates the Office of Inspector General helping us identify areas where we can improve our processes, and procedures. We are committed to a culture of continuous improvement at TVA, and this is another opportunity for us to improve.

We have concluded from our review of the recommendations that there are opportunities for improvement in the following areas:

- Include specific training for expense approvers (managers and delegates) as a part of annual TVA One Card training or as a separate module to be completed periodically
- Consider creating a report in the expense management system that Expense Administration personnel can use to periodically test for split transactions
- For exceptions identified during the audit, contact the approving managers and reinforce their responsibilities for ensuring TVA One Card expenses are appropriate
- Configure the expense management system to require management review of purchase receipts/documentation prior to expense approval
- Configure the expense management system to notify cardholders when purchases are still pending submission prior to 30 days

We would like to thank Rick Underwood, Stephanie Simmons, Andrew Bailey, and you for the professionalism and cooperation in conducting this audit. If you have any questions, please contact Diane Wear at (865) 368-2297.



Diane Wear
Vice President & Controller
Corporate Accounting

DTW:STB
Attachment
cc (Attachment):

David Fountain
Janet D. Jones
Thomas C. Rice

OIG File No. 2024-17501

ATTACHMENT
RESPONSE TO REQUEST FOR COMMENTS
DRAFT AUDIT 2024-17501 - TVA ONE CARD
PAGE 1

OIG RECOMMENDATION	TVA PLANNED ACTIONS	TVA COMMENTS
Include specific training for expense approvers (managers and delegates) as a part of annual TVA One Card training or as a separate module to be completed periodically.	Financial Shared Services will implement appropriate training opportunity specific to expense approvers (managers and delegates).	TVA Management agrees with this recommendation.
Consider creating a report in the expense management system that Expense Administration personnel can use to periodically test for split transactions.	Financial Shared Services will review the feasibility of creating a report to periodically test for split transactions.	TVA Management understands the recommendation and will review for feasibility.
For exceptions identified during the audit, contact the approving managers and reinforce their responsibilities for ensuring TVA One Card expenses are appropriate.	Financial Shared Services will contact the approving managers (For exceptions identified during the audit) and reinforce their responsibilities for ensuring TVA One Card expenses are appropriate.	TVA Management agrees with this recommendation.
Configure the expense management system to require management review of purchase receipts/documentation prior to expense approval.	Financial Shared Services will address as part of training recommendation. Additionally, a certification agreement (approver certifying that receipts have been reviewed) is included in expense management system approval process.	TVA Management understands this recommendation but this request is not technically feasible in the system.
Configure the expense management system to notify cardholders when purchases are still pending submission prior to 30 days.	Financial Shared Services will send notifications of pending expenses prior to 30 days.	TVA Management agrees with this recommendation.