

**OFFICE OF
INSPECTOR GENERAL**

Inspection Report

**Farm Credit Administration's
Travel Compensation
and Incentives
I-17-03**

**Inspector
Ava Bell**

Issued March 30, 2018



FARM CREDIT ADMINISTRATION



March 30, 2018

The Honorable Dallas P. Tonsager, Board Chairman
The Honorable Jeffery S. Hall, Board Member
The Honorable Glen R. Smith, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Chairman Tonsager and Board Members Hall and Smith:

The Office of Inspector General (OIG) completed an inspection of the Farm Credit Administration's (FCA or Agency) Travel Compensation and Incentives. The objective of the inspection was to determine whether the Agency is effectively and efficiently administering the Travel Compensation Program and other travel incentives. We found FCA is effectively administering the program, with program controls that adequately limit risk for the Agency. This report contains no recommendations or agreed-upon actions.

We appreciate the courtesies and professionalism extended by FCA personnel to the OIG staff. If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in blue ink that reads 'Wendy R. Laguarda'.

Wendy R. Laguarda
Inspector General

Enclosure



EXECUTIVE SUMMARY

I-17-03

INSPECTION OF FCA'S TRAVEL COMPENSATION AND INCENTIVES

The objective of this inspection was to determine whether the Agency is effectively and efficiently administering the Travel Compensation Program and other travel incentives.

This report contains no recommendations or agreed-upon actions.

The Farm Credit Administration's (FCA or Agency) Travel Compensation Program provides additional compensation to employees who travel extensively throughout the year while on official FCA business to recognize the burden of extensive travel and encourage employee retention.

The Office of Inspector General (OIG) reviewed the Travel Compensation Program's administration and controls for efficiency and effectiveness. We also reviewed other travel incentives given through awards. Hence, we focused the scope of our review on travel compensation payments and other travel incentives paid during fiscal years (FYs) 2016-2017.

We found FCA is effectively administering the program, with program controls that adequately limit risk for the Agency, including a documented policy that outlines the process for submitting claims for reimbursement and required supervisory approvals.

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ACRONYMS

COO	Chief Operating Officer
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA	Farm Credit Administration
FCS	Farm Credit System
FY	Fiscal Year
OAS	Office of Agency Services
OCFO	Office of Chief Financial Officer
OE	Office of Examination
OIG	Office of Inspector General
PPM	Policies and Procedures Manual

BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent federal agency responsible for regulating, examining, and supervising the Farm Credit System (FCS) and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA ensures that FCS institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. To accomplish its mission, it is essential for FCA to recruit and retain skilled examiners who may be required to travel extensively on official business for the Agency.

FCA implemented a Travel Compensation Program (PPM 856) in July 2003 that provides additional compensation to employees who travel extensively throughout the year while on official FCA business to recognize the burden of extensive travel and encourage employee retention. This program is used almost exclusively by the Office of Examination (OE) where examiners travel extensively on official business to conduct examinations of FCS institutions.

FCA pays travel compensation to employees who travel on official business for the Agency in the amount of \$50 per night for every night on eligible travel that is in excess

of 50 nights in a calendar year. Employees file annual reimbursement claims in the year following the calendar year in which the excess overnight travel occurred.

Reimbursements are budgeted for, and paid during, the fiscal year (FY) following the calendar year of travel. For example, if an employee traveled 55 nights in calendar year 2016, the employee would be reimbursed in FY 2017 for \$250 (which is \$50 for each of the five nights of travel in excess of 50 nights during the previous calendar year).

We reviewed the Travel Compensation Program's administration and controls for efficiency and effectiveness and focused the scope of this review on FYs 2016-2017.

The Agency also provides other travel incentives through its awards program. FCA's Incentive Awards and Recognition policy (PPM 818) states that employees may receive a special act award for contributing to the economy and efficiency of the Agency, such as reducing costs for official business travel. Examples include an employee using frequent flyer miles to purchase a plane ticket for a business trip, or an employee staying with family or friends while on official business travel. We reviewed all special act awards given to employees during FYs 2016-2017 for other travel incentives through the awards program.

Prior Reviews

The OIG conducted two previous reviews related to this inspection's objective. In 2009, the OIG evaluated OE's budgeting process, usage and control regarding travel expenses (A-09-02, [OE Travel Expense Budgeting, Usage and Control](#)). The audit report contained no recommendations or agreed-upon actions. In 2017, the OIG audited the Agency's awards program and found that FCA had an adequate control structure in place for awards (A-17-01, [FCA's Awards Program](#)). However, the OIG identified opportunities to improve controls over the awards program and the audit report included four agreed-upon actions.

INSPECTION RESULTS

The objective of this inspection was to determine whether the Agency is effectively and efficiently administering the Travel Compensation Program and other travel incentives. During our review, the OIG found FCA is effectively administering the program with program controls that adequately limit risk for the Agency.

Program Administration

OIG reviewed budgeting, program payments, and reporting in FYs 2016-2017 to determine whether FCA is effectively administering the Travel Compensation Program.

The Travel Compensation Program is open to all employees in the Agency. However, OE is the primary user of the program since examiners are required to travel extensively throughout the year while on official FCA business. Outside of OE, we found only one employee in the Office of Regulatory Policy who was reimbursed for excess eligible travel in FYs 2016-2017. There were no other employees from other offices (outside of OE) who received compensation under the program during this period.

The Travel Compensation Program policy states that office directors will budget for compensation under this program. The program is included in the overall cash award budget for each office. We reviewed the budgeting methodology OE uses for the Travel Compensation Program and found that it is a reasonable methodology. OE uses the historical travel compensation paid in the prior fiscal year as a basis to set the amount allocated in the next fiscal year budget. For FY 2016, OE allocated \$30,000 for travel compensation, and paid out \$35,100. For FY 2017, OE again allocated \$30,000, and paid out \$24,950. Because travel compensation is paid from the overall award budget, this allows flexibility in program budgeting. The FY 2016 program deficit was covered by an adjustment from the overall award budget, and the FY 2017 program resulted in a surplus.

In our review, we found the Office of Agency Services (OAS) processed travel compensation reimbursement forms and the Office of Chief Financial Officer (OCFO) paid claims in a timely manner to employees. The Travel Compensation Program policy states that by April 1, employees will receive one annual payment representing their approved travel compensation claim for eligible travel that occurred during the prior calendar year. The OCFO provided documentation showing they processed travel compensation payments in pay periods ending on or before April 1 for both FYs 2016 and 2017, with one exception.

The Travel Compensation Program policy requires OAS to provide a summary report to the Chief Operating Officer (COO) and the Chief Executive Officer detailing the employees who were compensated, the number of nights in travel status, and the amount of compensation received under the program by March 31 of each year. We reviewed the annual reporting for FYs 2016-2017 payments and found OAS generated the required reporting by March 31 each year. Each report was provided to the COO.

Program Controls

We reviewed application forms, travel detail, and supervisory approvals to determine whether FCA has effective controls over the Travel Compensation Program and whether the Agency is consistently following the documented process for the program.

FCA's Travel Compensation Program policy requires employees to complete a travel compensation reimbursement form and submit it to their supervisor for review and approval by February 1 each year for eligible travel completed in the previous calendar year. The policy requires supervisors to review reimbursement claims for accuracy and certify that claims are for eligible official business travel.

The Travel Compensation Program policy describes types of eligible travel, including:

- on-site examinations,
- attending meetings related to FCA business,
- FCA job interviews,
- special projects, and
- other official FCA business (e.g., instructing, recruiting).

The policy also provides examples of ineligible travel, including:

- rotational assignments,
- relocation trips,
- additional nights out for personal convenience (e.g., early arrival or late departure), and
- weekend nights when the employee's supervisor would otherwise have authorized the employee's return to his/her residence.

We reviewed all 101 travel compensation reimbursement claims submitted for calendar years 2015-2016 travel and found all claims were submitted on or before February 1 of 2016-2017, respectively. We also found all travel compensation payments made during FYs 2016-2017 were supported by the required reimbursement form.

Additionally, we found reimbursement forms were accompanied by supporting documentation detailing eligible official FCA business travel, with one exception. All forms had supervisor approval certifying the travel compensation request was accurate, and OAS approval authorizing payment for the travel compensation payment.

Other Travel Incentives

The scope of our review also included other travel incentives paid to employees. The Agency's Incentive Awards and Recognition policy states that a travel incentive award may be paid to employees who contribute to the economy and efficiency of Agency operations by reducing travels costs. We reviewed all special act awards given to FCA employees during FYs 2016-2017 and found that no travel incentive awards were recommended for travel cost savings to FCA.

Conclusion

This report contains no recommendations or agreed-upon actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this inspection was to determine whether the Agency is effectively and efficiently administering the Travel Compensation Program and other travel incentives. We conducted fieldwork at FCA's headquarters in McLean, Virginia from June 2017 to March 2018. We limited our scope to review travel compensation and incentives paid during FYs 2016-2017 (travel compensation payments for travel nights from calendar years 2015-2016).

We completed the following steps to accomplish the inspection objective:

- Reviewed applicable laws and other guidance related to the inspection objective.
- Considered prior reviews related to the inspection objective.
- Reviewed applicable FCA policies and procedures.
- Reviewed all travel compensation reimbursement forms that were processed in FYs 2016-2017.
- Reviewed all special act awards paid to FCA employees in FYs 2016-2017.

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the inspection to obtain sufficient, competent and relevant evidence that supports a reasonable basis for our findings, conclusions and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data

collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objective. We assessed the risk of fraud related to our inspection objective while evaluating evidence. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

**FARM CREDIT ADMINISTRATION
OFFICE OF INSPECTOR GENERAL**



REPORT

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Phone: Toll Free (800) 437-7322; (703) 883-4316

Fax: (703) 883-4059

E-mail: fca-ig-hotline@rcn.com

Mail: Farm Credit Administration
Office of Inspector General
1501 Farm Credit Drive
McLean, VA 22102-5090