



**Memorandum from the Office of the Inspector General**

December 10, 2015

Diane T. Wear, WT 4B-K

**REQUEST FOR MANAGEMENT DECISION – AUDIT 2014-15228 – TVA CORPORATE CARD**

Attached is the subject final report for your review and management decision. 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 from 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 that you recommend be withheld.

If you have any questions or wish to discuss our findings, please contact Melissa M. Neusel, Audit Manager, at (865) 633-7357 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)  
ET 3C-K

MMN:BSC  
Attachment  
cc (Attachment):

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OIG File No. 2014-15228



Office of the Inspector General

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# *Audit Report*

To the Vice President  
and Controller,  
Corporate Accounting

## **TVA CORPORATE CARD**

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Audit Team  
Melissa M. Neusel  
Chasity W. Scantling

Audit 2014-15228  
December 10, 2015

## **ABBREVIATIONS**

Comdata	Comdata Network, Inc.
ERS	Employee Reimbursement System
MCC	Merchant Category Code
OIG	Office of the Inspector General
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority
VP	Vice President

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## Audit 2014-15228 – TVA Corporate Card

### EXECUTIVE SUMMARY

#### Why the OIG Did This Audit

On October 1, 2013, the Tennessee Valley Authority (TVA) transitioned from having separate credit cards for business expenses related to fuel and other travel expenses to having one corporate credit card (Corporate Card) for official, travel-related business expenses other than meals and incidentals. Implementing the current Corporate Card also moved accountability and liability from the employee to TVA. Previously, each employee received a statement for their TVA credit card purchases, paid the balance, and then requested reimbursement via the Employee Reimbursement System (ERS) for business expenses at actual cost up to the per diem limit. Under the new contract and process, TVA pays all Corporate Card charges via Automatic Clearing House payment within 15 days of the “posted” date. Therefore, Corporate Card expenses are not reimbursable to employees, but they must be associated (“tied”) to expense vouchers in ERS.

The Office of the Inspector General included an audit of the Corporate Card program on its annual plan because of the move from employee liability to TVA liability. We audited Corporate Card transactions of \$17.3 million for the period March 1, 2014, through August 31, 2014, to determine if appropriate policies and controls are in place to mitigate the risk of charge card fraud and abuse.

#### What the OIG Found

We found policies could be strengthened and appropriate controls were not in place to mitigate the risk of charge card fraud and abuse. More specifically, we found:

- \$595,678 of Corporate Card transactions were not in compliance with TVA policies including (1) \$540,675 in charges that did not include required receipts and (2) \$55,003 in charges for business meetings that did not include itemized documentation of the expenditures as required by TVA policy.
- \$221,511 of potentially duplicate vendor charges (\$65,011) and ineligible employee charges (\$156,500).
- Delegation of supervisory approval responsibilities led to inadequate segregation of duties and ineffective reviews of expense vouchers and corresponding credit card charges.
- Weaknesses in controls regarding limitations on charges within certain Merchant Category Codes.



## Audit 2014-15228 – TVA Corporate Card

### EXECUTIVE SUMMARY

- Over 38,000 Corporate Card transactions that had been paid by TVA and were not tied to an expense voucher for supervisory review to determine the appropriateness of the charge.
- Detailed Corporate Card data was not being provided for nonfuel transactions for supervisory review.
- Ineffective override controls on Corporate Card expenditure limits.

We also found there was no documentation to explain the various database tables utilized or the contents of Corporate Card data fields in ERS. Additionally, potential cost savings may not be achieved due to insufficient, tax-related data and confusion regarding TVA's tax status within the organization and among vendors.

#### What the OIG Recommends

TVA management addressed some of the weaknesses we identified during our audit by either implementing planned system enhancements or taking action to correct certain deficiencies. Other recommendations that would help provide better controls over the use of the Corporate Card are summarized below and are discussed in detail in the accompanying report:

- Requiring annual training for employees that make and approve Corporate Card purchases to reinforce awareness of purchasers' and approvers' responsibilities under TVA policies.
- Implementing multiple ERS modifications to strengthen automated controls and enhance compliance with policies.
- Reviewing the potentially duplicate and ineligible transactions identified during the audit and determine if TVA is due reimbursement from vendors or employees.
- Performing periodic reviews of ERS data to identify potentially ineligible charges and recover ineligible payments from employees.
- Evaluating the appropriateness of delegation of supervisory approval of expense vouchers and update TVA's Travel policy accordingly.
- Implementing additional controls to address weaknesses around Merchant Category Codes.
- Formally documenting ERS.
- Coordinating with Supply Chain and the Office of the General Counsel to determine which Corporate Card transactions are exempt from state and local taxes.



## Audit 2014-15228 – TVA Corporate Card

### EXECUTIVE SUMMARY

**TVA Management's Comments** – TVA management agreed to or has taken actions to address several of our recommendations to improve efforts to mitigate the risk of charge card fraud and abuse. However, TVA management decided to (1) accept the risks associated with other findings and (2) not take action on other recommendations. See Appendix C for management's complete response.

**Auditor's Response** – We concur with TVA management's actions, planned or taken, to address several of our recommendations. However, as discussed in the accompanying report, we do not agree with TVA management's decision to not take action on our recommendations to (1) implement modifications to ERS to strengthen automated controls and identify tax exempt transactions, (2) perform periodic reviews of ERS data to identify potentially ineligible charges, and (3) formally document ERS Corporate Card tables and data fields.

## **BACKGROUND**

On October 1, 2013, the Tennessee Valley Authority (TVA) transitioned from having separate credit cards (i.e., TVA Travel Citibank Card, TVA Gold Card, and TVA Fuel Card) for business expenses related to fuel and other travel expenses (lodging/meals) to having one corporate credit card (Corporate Card) for official, travel-related business expenses other than meals and incidentals, which are paid as out-of-pocket and then reimbursed to the employee. TVA had planned on implementing a new application, iExpense, to process the Corporate Card charges. However, the implementation was cancelled July 26, 2013, and the existing Employee Reimbursement System (ERS) was modified to accommodate processing Corporate Card purchases and reallocating those expenses to correct accounts for financial reporting. According to TVA management, the Corporate Card transactions, now processed in the ERS, did not meet the materiality threshold for Sarbanes-Oxley testing in fiscal year 2014. Consequently, TVA management has not formally identified any controls in ERS as primary or secondary controls, and no internal control testing related to Corporate Card transactions has been performed.

Implementing the current Corporate Card also moved accountability and liability from the employee to TVA. Previously, each employee received a statement for their TVA credit card purchases, paid the balance, and then requested reimbursement via ERS for business expenses at actual cost up to the per diem limit. Under the new contract and process, TVA pays all Corporate Card charges via Automatic Clearing House payment within 15 days of the “posted” date to Comdata Network, Inc. (Comdata).<sup>1</sup> Therefore, Corporate Card expenses are not reimbursable to employees, but they must be associated (“tied”) to expense vouchers in ERS by employees. To allow employees the ability to “tie” their Corporate Card transactions to vouchers, the Corporate Card transactions are loaded into ERS tables daily, and the individual’s default work group account is charged.

TVA’s contract terms with Comdata include a percentage rebate on eligible purchases and removal of state fuel taxes from eligible fuel purchases in states where Comdata is allowed to do so. Currently, the only states that Comdata can remove fuel taxes from fuel purchases are Tennessee, Alabama, and North Carolina. During our audit period, March 1, 2014, through August 31, 2014, TVA paid \$17.3 million in Corporate Card charges, received \$214,440 in rebates, and Comdata removed \$271,327 in state fuel taxes from fuel purchased in the three states. Disbursement Services personnel have also obtained state tax exemption letters for nonfuel purchases in Tennessee, Alabama, and Kentucky, and are working to obtain state tax exemption letters for nonfuel transactions in other states.

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<sup>1</sup> The date Comdata receives data indicating a purchase was made is the “posted” date. The “posted” date may not be the same date as the purchase was made (i.e., the day the card was swiped). For example, an item could be purchased on day 1 (the date the card was swiped), but if Comdata does not receive information about the transaction until day 3, then the “posted” date is day 3.



## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The Office of the Inspector General (OIG) included an audit of the Corporate Card program on its annual plan because of the move from employee liability to TVA liability. We audited Corporate Card transactions for the period March 1, 2014, through August 31, 2014, to determine if appropriate policies and controls are in place to mitigate the risk of charge card fraud and abuse.

Our audit scope included analyzing and testing Corporate Card transactions for compliance with applicable TVA Standard Programs and Processes (SPP); specifically, TVA-SPP-13.022, Travel; TVA-SPP-13.063, Business Meetings & Hospitality; and TVA-SPP-11.208, Employee Relocation Allowances. A complete discussion of our audit objective, scope, and methodology is included in Appendix A.

## **FINDINGS AND RECOMMENDATIONS**

We found TVA's policies could be strengthened and appropriate controls were not in place to mitigate the risk of charge card fraud and abuse. We also found (1) TVA did not have formal system documentation for ERS, and (2) TVA's knowledge base regarding maintenance of ERS was limited. Additionally, potential cost savings may not be achieved due to insufficient, tax-related data and confusion regarding TVA's tax status within the organization and among vendors. TVA management addressed some of the weaknesses we identified during our audit by either implementing planned system enhancements or taking action to correct certain deficiencies. However, other recommendations, if implemented, would help provide better controls over the use of the Corporate Card.

### **PRIMARY CONTROL WEAKNESSES**

TVA management has not formally identified any controls in ERS as primary or secondary controls. Therefore, we used our review of TVA's Travel policy and discussions with Disbursement Services personnel to identify TVA's primary controls for ensuring Corporate Card transactions comply with policies and procedures and are business appropriate. Our analysis identified the primary controls as the (1) employee making the charge in accordance with policies and (2) employee's supervisor/manager reviewing the charges for compliance with policies. As discussed in detail below, we found (1) transactions that were not in compliance with TVA policies, (2) potential duplicate and other questionable charges, and (3) potential control issues with delegation of supervisory responsibilities.

## Transactions Not in Compliance With TVA Policies

Our review of data in ERS for the audit period noted several transactions, with a total dollar value of \$595,678, where the employee making the charge and the individual reviewing the charges did not ensure the charges were in compliance with TVA policies. The transactions included (1) \$540,675 in charges that were missing required receipts and (2) \$55,003 in charges that did not include additional required support.

- Missing Receipts – TVA’s Travel policy states certain transactions must be supported with a receipt (i.e., all lodging transactions and purchases over \$35) for (1) car rental and (2) individual expenses other than meals and incidentals (i.e., nonfuel transactions). We identified 1,624 nonfuel Corporate Card transactions (with a dollar value of \$540,675) in excess of \$35 that were approved without a receipt.<sup>2</sup> We also noted \$57,128 of the identified vouchers were created and approved by the same individual.
- Business Meetings Not Properly Supported – According to the TVA Business Meetings & Hospitality policy, “when an itemized receipt is not available, the receipt should be noted to indicate whether or not alcohol was provided and the receipt is to be signed by the hosting employee.” We selected a nonstatistical, random sample of 36 Corporate Card transactions in the amount of \$122,170 identified in ERS as Business Meetings and reviewed the receipts and supporting documentation. Although all of the sampled items had receipts, 7 of the 36 receipts were not itemized, and there was no evidence indicating whether or not alcohol was served. The total value of the 7 receipts was \$55,003. In addition, 5 of the 7 receipts (totaling \$54,828) did not include the hosting employee’s signature as required when an itemized receipt is not provided. Because this was not a statistical sample, we cannot project the results to the population.

## Potential Duplicate Transactions and Ineligible Charges

We identified several types of questionable transactions where we could not determine if the transaction was business appropriate based on the data available within ERS. Although the transactions were approved and allocated to various accounts for financial reporting, they appeared questionable in terms of potential (1) duplicate transactions by vendors and/or (2) ineligible charges by employees.

### Potential Duplicate Transactions by Vendors

We identified 354 transactions (out of 138,853) totaling \$65,011 that appeared to be duplicates. We identified the potential duplicates based on card number, date, vendor, and amount. Disbursement Services personnel informed us ERS has the capability of reporting potential duplicates; however, an error currently exists in the reporting tool that prevents it from running. Disbursement Services

<sup>2</sup> We actually identified 1,658 transactions in excess of \$35 (with a dollar value of \$549,884) that were approved without a receipt. However, after taking associated employee receivable transactions into account, the net number of transactions without required receipt(s) totaled 1,624 with a dollar value of \$540,675.

personnel also stated the plan is to fix the error, then attempt to improve and implement the reporting on a monthly basis; however, a time frame for implementing this plan has not been determined.

#### Potential Ineligible Charges by Employees

We identified \$156,500 in potentially ineligible Corporate Card purchases made by employees. We provided details of the potentially ineligible charges listed below to Disbursement Services personnel:

- \$60,759 in Corporate Card purchases for meals for employees on the same day the individuals also received a full day's per diem.
- \$50,773 that appeared to be made on dates individuals were paid for annual, sick, or other types of leave.
- \$41,407 for lodging or other ineligible items in addition to individuals' relocation expenses.
- \$2,903 for lodging, either 2 days before or after a training event, was not properly supported, or appeared to be personal.
- \$658 that appeared to be made on holidays.

#### **Delegation of Supervisory Responsibilities**

At the beginning of the audit, Disbursement Services personnel informed us the responsibilities for both the cardholder creating a voucher with Corporate Card transactions and the manager approving the voucher could be delegated to another individual, and both delegates could be the same person. However, TVA's Travel policy states:

The responsible approving official is the traveler's immediate supervisor or another person as designated by the organization who is familiar with the employee's travel assignment. The supervisor/manager reviewing and authorizing expenses on behalf of TVA assumes joint responsibility with the initiating employee for the integrity and validity of the expense.

The policy does not clearly state a delegate's responsibility, or what should be done, to ensure a delegate is familiar with an employee's travel assignment. Also, there are no automated controls in ERS to prevent an individual from creating and approving the same voucher; however, there is a control to prevent an individual from approving their own voucher, which we tested and verified.

#### Inadequate Segregation of Duties

Our analysis of ERS data found 64 individuals had created and approved 8.67 percent (totaling \$863,944) of the vouchers with Corporate Card transactions during the audit period. Only 1 of the 64 individuals was a supervisor/manager who created and approved a single \$94 voucher; the

remaining 63 individuals were administrative personnel that created and approved vouchers for the remaining \$863,850.

Allowing the same individual the ability to create and approve the same voucher, with no other supervisory oversight, significantly increases the risk of fraud. In addition, transactions that are inappropriate or wasteful could be processed because the person creating and approving the voucher may not have knowledge of the cardholder's transactions. We consider this weakness in segregation of duties to be significant because the same individuals both created and approved over 8 percent of all Corporate Card transactions during the audit period.

#### Delegation of Supervisory Approval to Nonsupervisory Personnel

We obtained a list of the managers and their authorized approval delegates and determined there were 280 delegates, of which the majority was administrative personnel. Our analysis showed 165 administrative personnel approved, but did not create, vouchers with Corporate Card transactions in the amount of \$2,655,946. When combined with the vouchers both created and approved by administrative personnel mentioned above, administrative personnel approved \$3,519,796, or 35 percent, of all vouchers with Corporate Card transactions during the audit period. In addition, we found delegates could be authorized to approve vouchers for multiple managers. We noted one administrative individual was a delegate for 13 managers and approved vouchers with Corporate Card transactions in the amount of \$221,749 during the audit period.

Delegating voucher approval to individuals who are not familiar with the cardholder's transactions, or may not be aware of approver responsibilities, increases the risk of not identifying ineligible or inappropriate charge card transactions and the risk of fraud and abuse.

#### Delegation Functionality Can Be Bypassed

Through our review of ERS and discussions with Disbursement Services personnel, we noted ERS allows individuals to search for, select, and submit their voucher to any TVA manager with direct reports for approval. According to Disbursement Services personnel, this functionality allows an employee that is on loan or working on other projects to select a manager who is more familiar with their expected expenses and work schedule. However, ERS provides managers the ability to authorize multiple delegates to approve vouchers for them. Therefore, functionality that allows individuals to submit a voucher to any TVA manager with direct reports bypasses the delegation functionality and reduces the probability of vouchers being approved by an individual who is familiar with the individual's expected expenses related to work schedule or travel assignment.

**Recommendations**

We recommend TVA's Vice President (VP) and Controller, Corporate Accounting:

1. Require annual refresher training for all cardholders and individuals with approval authority, including all delegates. This training should reinforce the responsibilities of both purchasers and approvers and specifically address items identified during the audit.

**TVA Management's Comments** – TVA management agreed to develop annual refresher training by September 30, 2016. TVA management noted TVA-SPP-13.022 will be updated to include the required training and added that failure to complete the required training will result in card revocation. See Appendix C for management's complete response.

2. Implement controls to ensure compliance with TVA policies regarding documentation for purchases over \$35 and business meeting support.

**TVA Management's Comments** – TVA management stated the approving official's responsibilities are outlined in TVA SPPs and require the manager to ensure all documentation is attached to the voucher at the time of approval. However, the approving manager has the discretion to approve valid expenses in the event a receipt is lost. TVA management also stated a business decision had been made to rely on approving manager review as the control; therefore, no adjustment will be made to ERS. See Appendix C for management's complete response.

**Auditor's Response** – While it is TVA management's prerogative to accept any risk as a business decision, currently there is no formal monitoring or periodic review process in place, either automated or manual, to ensure supervisors/managers or delegates are performing their responsibilities in accordance with the SPP (i.e., no review of the control). Therefore, if the supervisor/manager or approval delegate does not perform their responsibility to ensure transactions are valid business expenses and receipts are attached, there is no consequence (i.e., no one is accountable).

3. Review the potentially duplicate and ineligible transactions identified during the audit and determine if TVA is due reimbursement from vendors or employees.

**TVA Management's Comments** – TVA management stated they reviewed the potential duplicate vendor transactions and ineligible charges by employees and provided comments regarding the questioned items as follows.

- Potential Duplicate Transactions by Vendors Totaling \$65,011  
Management stated 56 fuel transactions appeared to be legitimate, and 2 nonfuel transactions did not have sufficient documentation to determine

if the charges were duplicates. Management also stated TVA is following up with all subject employees for resolution.

- Potential Ineligible Charges by Employees Totaling \$156,500  
Management stated their review of potentially ineligible charges by employees found:
  - a. The maximum value, if every transaction was in violation and all meals were provided for employees that day, was \$13,500 instead of \$60,759 as identified by the audit.
  - b. \$2,830 of the remaining \$95,741 identified by the audit appeared to be potential ineligible charges.

See Appendix C for management's complete response.

**Auditor's Response** – Management did not provide enough information to explain how they had determined which charges were valid and which were potentially duplicates or ineligible transactions. Accordingly, we will follow up with management to determine the reasonableness of the methodology management used to determine which charges were valid transactions.

4. Perform periodic reviews of ERS data to identify instances where employees have received a full day's per diem and made Corporate Card charges for meals and recover ineligible payments from employees.

**TVA Management's Comments** – TVA management stated a business decision was made in 2014 to eliminate the second level of review by Disbursement Services. Accountability remains within organizations at the cardholder level for data and the approving official level for proper review. See Appendix C for management's complete response.

**Auditor's Response** – We asked TVA management for clarification of its response about reviewing potential per diem exceptions and were informed identification of employees who receive meals and a full day's per diem cannot be monitored systematically. Therefore, the list of potential per diem exceptions provided by the OIG was used as a baseline review, and other methods (e.g., feedback from training sessions and communication with high-level ERS users) will be used to identify exceptions and update training.

5. Evaluate the appropriateness of having employees with no supervisory responsibilities perform the supervisory function of approving purchases.

**TVA Management's Comments** – TVA management stated that Disbursement Services assumes the risk associated with nonsupervisory employees and other delegates approving expense vouchers. TVA management also stated that TVA-SPP-13.022 will be revised no later than January 15, 2016, to outline and clarify roles and responsibilities within ERS. See Appendix C for management's complete response.

**Auditor's Response** – While it is TVA management's prerogative to accept any risk as a business decision, we believe control over the Corporate Card program could be enhanced if voucher approval were the responsibility of a supervisor/manager knowledgeable of the employee's travel/expenses rather than that responsibility being delegated to nonsupervisory individuals. This applies to all of our recommendations addressing delegation of approval to nonsupervisory personnel.

6. Modify ERS to prevent individuals from having the ability to both create and approve the same voucher.

**TVA Management's Comments** – TVA management stated (1) system controls are in place to prevent an individual from creating and approving his/her own voucher, and (2) delegating approval function does not absolve the manager's responsibility. TVA management proposed an enhancement to ERS that sends an e-mail notification to the approval delegate, the manager of record in PLUS, and the approving manager if an alternate approver was selected. The projected implementation date is June 30, 2016. See Appendix C for management's complete response.

**Auditor's Response** – While we agree with TVA management's comments regarding the controls currently in place, TVA management did not address the separation of duties issue associated with delegating the ability to both create and approve a voucher to the same individual. We maintain that allowing the same individual to both create and approve a voucher does not mitigate the risk of charge card fraud and abuse.

7. Consider discontinuing the practice of allowing individuals to select any TVA manager with direct reports to approve their voucher other than those delegated for approval. Managers with employees on loan or working on other projects should delegate approval authority to the appropriate manager.

**TVA Management's Comments** – TVA management stated allowing employees to select another manager allows approval by personnel most knowledgeable of the employee's current assignment. TVA management proposed an enhancement to ERS that sends an e-mail notification to the approval delegate, the manager of record in PLUS, and the approving manager if an alternate approver was selected. The projected implementation date is June 30, 2016. See Appendix C for management's complete response.

8. Update TVA's Travel policy to specifically state an authorized delegate's responsibilities regarding creating and approving Corporate Card transactions/vouchers for another individual.

**TVA Management's Comments** – TVA management agreed to update TVA-SPP-13.022, by January 15, 2016, to outline and clarify roles and

responsibilities to ensure supervising managers and delegates understand responsibilities associated with delegating the role of approving vouchers. TVA management also stated the annual refresher training will include a roles and responsibilities section. See Appendix C for management's complete response.

9. Modify ERS to:

- a. Implement the potential duplicate reporting function. Consideration should be given to reporting on a more frequent basis than monthly in order to provide employees time to address questionable issues since vendors typically require action on erroneous transactions within 30 days.
- b. Send automated e-mails to both the cardholder and their manager stating potential duplicate transactions need to be reviewed and addressed.

**TVA Management's Comments** – TVA management stated (1) employees are responsible for reviewing their transactions in ERS in a timely manner to identify potential duplicate transactions and contact the applicable vendor, (2) TVA-SPP-13.022 will be updated and annual refresher training will include the process for remediation of duplicate transactions, and (3) no further system enhancements related to these recommendations will be proposed at this time. See Appendix C for management's complete response.

**Auditor's Response** – We followed up with TVA management regarding the implementation of a potential duplicate reporting function. TVA management informed us IT is working to develop an automated job that will identify potential duplicate transactions and send those transactions via e-mail to the cardholder and his/her supervisor for their review. The projected implementation date is September 30, 2016.

## SECONDARY CONTROL WEAKNESSES

ERS has limited automated controls to ensure compliance with policies with respect to the appropriateness of business charges (i.e., what is purchased and the amount charged). Since TVA management has not identified Sarbanes-Oxley controls for corporate cards, we used our review of TVA's Travel policy and discussions with Disbursement Services personnel to determine secondary controls. We determined there was one "key" secondary control designed to restrict specific categories of purchases to certain Merchant Category Codes (MCCs). Other secondary controls were designed to (1) notify cardholders that transactions need to be associated ("tied") with a voucher and sent for approval and (2) provide detail transaction data for management review of transactions.

As discussed further below, we found weaknesses in each of these secondary controls. TVA management subsequently took action to implement system improvements to correct some of the weakness. However, other weaknesses we identified still need improvement.



**Overrides to Merchant Category Codes Not Consistently Documented**

We determined the “key” secondary control for Corporate Card transactions is the use of MCCs, numeric codes vendors select to classify their business (e.g., MCC 7011 is “Lodging, Hotels, Motels, Resorts”). TVA created 3 categories for purchases, Fuel, Travel, and Management Expense, and determined for each MCC whether a vendor should be “open” or “closed” in each of the 3 categories. This list of MCCs was provided to Comdata so that transactions at vendors under the “closed” MCCs would be declined. As of January 12, 2015, there were 706 MCC codes TVA had directed Comdata to have “open” in one or more of the 3 categories, and 166 were closed in all 3 categories.

During the audit, we provided Disbursement Services a list of open MCCs that appeared questionable for business purposes based on the product description such as “Electrical Contractors,” “Cruise Lines,” and “Recreation Services Not Elsewhere Classified.” Disbursement Services subsequently reviewed all MCC’s and closed 10 MCCs we questioned in one or more of the 3 categories and also informed the OIG a semiannual review will be performed to verify cards are limited to the correct MCCs for the 3 categories. However, we reviewed the updated list and found 44 of the remaining open MCC codes that appear questionable based on the product description, such as “Royal Kona Resort,” “Game Toy and Hobby,” and “Recreation Services.”

During the audit period, \$320,016 in Corporate Card charges were made to 22 MCCs that were “closed” in all 3 categories. Disbursement Services personnel stated these charges were authorized “overrides,” which can only be allowed and completed by Disbursement Services personnel after the transaction was determined to be business appropriate. However, there was no documentation or evidence in the system to verify these were “override” transactions. During the exit meeting, we were informed a spreadsheet had been created for tracking the MCCs related to overrides, which would help determine if a MCC should be “opened,” but the spreadsheet was not used consistently. We reviewed the “override” spreadsheet maintained by Disbursement Services and noted (1) there were only 3 transactions that occurred during our audit period, and (2) the MCC number was not one of the data elements recorded on the spreadsheet.

**Managers Are Not Notified of Employees’ “Untied” Transactions**

Transactions that are over 30 days old but have not yet been associated (“tied”) to a voucher are designated as “untied.” Neither the validity of the charge for business purposes nor the allocation to the account for financial reporting has been verified for “untied” transactions. However, since TVA has already paid Comdata for these transactions, a default account has been charged.

Each week an automated job runs against the ERS data to identify “untied” transactions. Afterwards, an automated e-mail is sent to each applicable cardholder stating they have “untied” transactions that need to be reviewed, “tied” to a voucher, and submitted for approval. The number of “untied” transactions

decreased from 62,007 to 38,182 during the audit period. However, only the employee receives the “untied” transaction(s) notification. If the approving manager was notified by e-mail as well, it could allow for more timely review of Corporate Card transactions for (1) business appropriateness and reasonableness or the need to prepare an Employee Receivable voucher to reimburse TVA, (2) required receipts, and (3) proper account allocation.

### **System Improvements Made During Audit**

During our fieldwork, TVA management took action to implement system improvements to correct some other secondary control weaknesses that should enhance controls over card transactions.

#### Level 3 Data for Nonfuel Transactions Now Available

TVA receives level 3 (i.e., detail) data<sup>3</sup> for all transactions when a vendor provides level 3 data to Comdata. However, during our fieldwork, level 3 data was only imported into ERS for fuel transactions because ERS could not accommodate and process level 3 data for nonfuel transactions. Therefore, all nonfuel transactions had only level 1 (i.e., summary) data in the system. This lack of detail limited managers’ ability to ensure appropriate charges were made for business purposes or identify where requests for refunds from vendors or reimbursement to TVA should be made.

Subsequent to our fieldwork, Disbursement Services personnel informed us loading level 3 data into ERS was in process. We requested screenshots showing the level 3 information displayed via the web application and documentation indicating the field names, descriptions, and tables applicable to the level 3 information. Disbursement Services personnel provided the screenshots but did not provide documentation of the level 3 information as it is still in progress. We concur with management modifying ERS to accommodate level 3 data for all transactions as it should enhance managers’ ability to ensure corporate card charges are appropriate.

#### “Recycle Card Limit” Privilege Removed

Disbursement Services personnel contacted Comdata to answer our question about why an individual exceeded their monthly card limit and were informed four Disbursement Services individuals had “recycle card limit” privilege. Whenever one of these four Disbursement Services individuals called Comdata to approve and allow a transaction to exceed the card’s monthly limit (override), the cardholder’s monthly spend amount was reset to \$0. This caused the entire amount of the monthly spend limit to be available to the cardholder for the remainder of the month, regardless of how much had already been charged. Disbursement Services notified the OIG that as of March 17, 2015, the “recycle card limit” privilege was removed from all four Disbursement Services personnel,

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<sup>3</sup> Level 3 data lists each specific item and the price (e.g., for a meal, each food or drink item, tax, and gratuity and the amount for each) whereas level 1 data lists only the total of all items purchased (e.g., for a meal, the total of all food, drinks, taxes, and gratuity).

which will prevent this issue from recurring in the future. We concur with management's actions.

### Recommendations

We recommend TVA's VP and Controller, Corporate Accounting:

10. Formally document the semiannual reviews of the MCCs.

**TVA Management's Comments** – TVA management stated Disbursement Services will formally document the MCC review process and implement it in December 2015. See Appendix C for management's complete response.

11. Review MCCs identified as questionable during audit (e.g., "Royal Kona Resort," "Game Toy and Hobby," and "Recreation Services.") and close any TVA management determines to be inappropriate for TVA business purpose.

**TVA Management's Comments** – TVA management stated the examples cited were reviewed and deemed TVA appropriate expenses based on business needs. See Appendix C for management's complete response.

**Auditor's Response** – We believe controls would be strengthened if questionable MCCs were closed and charges approved on an exception basis rather than leaving questionable MCC's open to allow charges.

12. Ensure all "override" transactions are recorded on the manual spreadsheet and include the MCC number related to each override transaction to help identify MCCs that should be "opened" to allow charges.

**TVA Management's Comments** – TVA management stated Disbursement Services implemented the override documentation process in September 2015. See Appendix C for management's complete response.

13. Modify ERS to include the cardholder's manager in the distribution of notification e-mails related to "untied" transactions.

**TVA Management's Comments** – TVA management stated on October 12, 2015, Disbursement Services implemented a weekly automated e-mail job that sends an e-mail with all transactions that are 30 days or older to the employee's manager. See Appendix C for management's complete response.

## ERS NOT DOCUMENTED AND TVA KNOWLEDGE BASE LIMITED

We found there was no formal system documentation to explain the new Corporate Card/ERS transaction flow, the various database tables utilized, or the contents of data fields in the tables at the beginning of our audit. In response to our draft audit report, TVA provided system documentation that was updated in

June 2015, near completion of our field work, to include descriptions of the Corporate Card transaction flow and some system controls over Corporate Card transactions. At the time of our audit, there was only one software engineer responsible for maintaining and updating the ERS. We were informed that after the decision to cancel implementation of iExpense, modifications to allow ERS to process the Corporate Card transactions had to be made within 2 months. No data dictionary explaining the content of data fields in the tables associated with the system was generated at that time. However, at our request, the software engineer created a spreadsheet describing various data fields in several of the tables we would need for our audit.

Having only one software engineer responsible for modifying and maintaining the program increases TVA's risk of not being able to process the Corporate Card data timely and accurately should there be a personnel change. Knowledge transfer is much easier if the program and system are properly documented. Based on discussions with the software engineer and personnel in Disbursement Services, we created a flowchart indicating the major process flow and the primary tables involved in our audit in order to document our understanding of the system. We also provided Disbursement Services a copy of our process flowchart at their request. See Appendix B for an abbreviated version of the process flowchart.

The flow for processing Corporate Card transactions within the system is complex. There were two independent process flows (paths) an individual was supposed to follow in order to fully complete the processing of a Corporate Card transaction: (1) accepting or disputing fraudulent charges and (2) creating a voucher, "tying" Corporate Card charges to a voucher, and submitting the voucher for approval. If an individual only selected the path to accept or dispute fraudulent charges then the transaction(s) would be "untied." Based on our suggestion to review the complex transaction flow and, if possible, make changes to improve efficiency and effectiveness, Disbursement Services agreed, reviewed the process, and later notified the OIG that changes had been made. As of June 9, 2015, the two separate paths were combined resulting in only one path to dispute the Corporate Card charge, create the voucher, accept and "tie" the Corporate Card transaction(s) to the voucher, and submit the voucher for approval. We concur with the changes made to improve the efficiency and effectiveness for processing the Corporate Card transactions in ERS because the number of "untied" transactions should be reduced.

### **Recommendation**

We recommend TVA's VP and Controller, Corporate Accounting:

14. Formally document and update documentation as changes occur to the:
  - a. Current Corporate Card/ERS transaction flow.
  - b. Data dictionaries for the various database tables utilized to process Corporate Card transactions.

- c. Controls in place to ensure Corporate Card data is complete and processed accurately.

**TVA Management's Comments** – TVA management stated (1) IT maintains the System Design Specification to reflect changes in the system, (2) IT maintains the data dictionary and is working to create a format that is accessible across different audiences, and (3) files are validated by Disbursement Services before being loaded into ERS ensuring the balances match Comdata's records before processing. See Appendix C for management's complete response.

**Auditor's Response** – We requested to see the System Design Specification and data dictionary referred to in TVA management's response. We noted that based on the revision dates in the System Design Specification, it was not updated to reflect the addition of Corporate Card transactions to ERS for over 20 months after it was added to ERS processing. In addition, according to the software engineer, the data dictionaries currently maintained do not include definitions of the ERS tables nor data fields.

## **TAX DATA INSUFFICIENT AND TAX STATUS UNCLEAR**

Based on our analysis and testing, we concluded (1) ERS data is insufficient to verify that taxes were removed by Comdata from all transactions where it was appropriate, and (2) there are conflicting opinions between TVA accounting and legal personnel as to what taxes TVA is actually obligated to pay.

### **Fuel Tax Data Insufficient to Verify Taxes Were or Were Not Paid**

TVA's contract with Comdata requires taxes to be removed from fuel purchases in states where Comdata is allowed to do so, which is currently Tennessee, Alabama, and North Carolina. Based on a list of fuel MCCs provided by Disbursement Services personnel, ERS data for the audit period showed 73,589 transactions totaling \$5,746,822 for fuel purchased in Tennessee, Alabama, and North Carolina. The ERS data also showed 9,226 of these fuel transactions totaling \$1,328,677 did not have taxes removed.

Certain types of fuel (e.g., bulk, dyed fuel) do not have taxes applied to the transaction (i.e., tax exempt); therefore, these fuel transactions would not need to have taxes removed. There is a data field in one of the ERS tables that contains the amount of taxes removed; if the value in this field is "0" for a transaction, the indication is no taxes were removed. However, ERS tables lack a data field that indicates whether the purchase was for tax exempt fuel or not. Consequently, a value of "0" in the "tax" field for fuel purchased in Tennessee, Alabama, or North Carolina, does not necessarily mean taxes were not removed, it could mean the transaction did not need to have taxes removed because taxes were never applied. We determined the transaction file Comdata sends to TVA includes a data field that indicates whether the transaction was tax exempt; however, this information is not loaded into the ERS tables.

**Conflicting Opinions on Taxes TVA Is Obligated to Pay**

According to § 13 of the TVA Act, TVA is “expressly exempted from taxation in any manner or form by any State, county, municipality, or any subdivision or district thereof.” According to OIG Legal Counsel, this applies to situations when the burden of the tax falls on TVA. While this is a simple rule, its application is more difficult. For example, state and local taxes are sometimes initially paid by a supplier before the sale to TVA. This may place the incidence of the tax on the supplier, rather than TVA, even though the costs may ultimately be passed to TVA. Determining which entity bears the incidence of a state or local tax can be complicated. Consequently, we obtained differing opinions from Corporate Accounting, Supply Chain, and Legal Counsel personnel about whether TVA is exempt from certain state or local taxes.

Our review of receipts during our audit work indicated taxes were being paid on nonfuel transactions. To help employees prevent payment of taxes when purchases are made, Disbursement Services personnel have obtained state tax exemption letters on nonfuel purchases in Tennessee, Alabama, and Kentucky, and are working on obtaining state tax exemption letters on nonfuel transactions in other states. Disbursement Services informed us it plans to post these letters on its internal site so employees can obtain a copy; however, as of our report date this had not yet been done.

**Recommendations**

We recommend TVA’s VP and Controller, Corporate Accounting:

15. Modify ERS tables to indicate if taxes were:

- a. Paid and, if so, the amount paid.
- b. Removed from fuel transactions before Comdata sends the daily file to TVA (i.e., stripped).
- c. Not included because the fuel transaction was tax exempt.

**TVA Management’s Comments** – TVA management stated (1) ERS currently displays level 3 data, which can include tax information, if provided by vendors; (2) ERS displays taxes on fuel transactions if provided by vendors; and (3) IT is not able to determine if a transaction was tax exempt; the file passed to TVA from Comdata does not provide tax exemption data. Therefore, no further modification to ERS is feasible. See Appendix C for management’s complete response.

**Auditor’s Response** – We do not agree with TVA management’s comment that the file passed to TVA from Comdata does not provide tax exemption data. We verified the daily file received from Comdata contains the field “TaxExemptIndicator,” and the field contains data indicating whether or not a transaction was tax exempt. As stated in the report, although the tax exempt information exists on the daily file, it is not loaded into a field/table in ERS. We were informed the ERS tables were not configured to accommodate the tax exempt field.

16. Coordinate with the VP, Supply Chain and Facilities, and the Office of the General Counsel to:
- a. Determine from which Corporate Card transactions TVA is exempt from state and local taxes and review the cost benefit of taking the identified exemptions.
  - b. Develop a formal listing of Corporate Card transactions from which TVA should take exemptions and update the formal listing as necessary.
  - c. Communicate the results of management's decisions to all employees so they know which Corporate Card transactions are tax exempt when making purchases and can act accordingly.

**TVA Management's Comments** – TVA management stated Disbursement Services will (1) coordinate a meeting with appropriate personnel to determine TVA's tax exempt status for both local and state taxes by December 31, 2015; (2) develop a listing for transaction types that are exempt from taxation based on the findings by March 31, 2016; and (3) make the findings available in ERS, the Disbursement Services SharePoint and TVA-SPP-13.022 by June 30, 2016. See Appendix C for management's complete response.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

Our audit objective was to determine if appropriate policies and controls are in place over the new Tennessee Valley Authority (TVA) corporate credit card (Corporate Card) program to mitigate the risk of charge card fraud and abuse. As this audit was performed to evaluate controls regarding charge card fraud and abuse, each of our audit findings is related to controls over Corporate Card charges in the context of the audit objectives and based upon the audit work performed. We performed the following to accomplish our objective:

- To gain an understanding of the processes and procedures related to administering the Corporate Card program (i.e., Employee Reimbursement System [ERS]), we:
  - Interviewed the Senior Manager of Disbursement Services and other relevant personnel (e.g., payroll operations analyst, payment analyst, and software engineer).
  - Reviewed TVA’s expense related policies and procedures, including TVA’s Standard Programs and Processes (SPP): TVA-SPP-13.022, Travel; TVA-SPP-13.063, Business Meetings & Hospitality; and TVA-SPP-11.208, Employee Relocation Allowances.
  - Reviewed relevant Federal Travel Regulation, including 41 Code of Federal Regulations, Chapters 301, and determined TVA’s Travel policy was in compliance.
  - Determined the process for managing the Corporate Card program by developing a flowchart showing the process flow from the receipt of Corporate Card transactions from Comdata Network, Inc. (Comdata) to the approval of the voucher containing the Corporate Card transactions, including specific tables that are involved.
- To identify “key” controls outside of ERS, we:
  - Reviewed policies and interviewed Disbursement Services personnel and determined the “key” secondary controls outside of ERS were the list of Merchant Category Codes (MCCs) TVA “disallows” and the monthly Corporate Card limits assigned to employees via their “profile.”
  - Analyzed ERS data to determine if purchases were made from disallowed MCC’s and/or monthly expenditure limits were exceeded.



- Tested and analyzed ERS data, including reviewing receipts where applicable. To determine if the data we obtained was complete, we compared the daily amounts of Corporate Card transactions for 9 days throughout our audit period to the daily report generated from Comdata's Web site. Allowing for adjustments, as long as the amounts did not vary more than 0.5 percent, we considered the data complete and, therefore, reliable. Specifically, we analyzed ERS data and any automated controls in place to determine if:
  - Employees were over-reimbursed for meals via per diem and Corporate Card charges or if duplicate charges were made for the same amount to the same vendor on the same day.
  - Controls around voucher approval were effective to prevent vouchers from being approved by unauthorized employees, vouchers were not prepared and approved by the same employee, and the number of vouchers one person approved per month were reasonable based on General Services Administration guidance.
  - Split transactions were made to circumvent monthly expense limits.
  - Disallowed expenses were charged (i.e., disallowed MCCs, nonbusiness travel/lodging, relocation, or nonfuel transactions by individuals with flat rate travel).
  - Charges were misclassified (i.e., expenses classified as business meetings should be classified as hospitality). We pulled a random sample of 36 out of 3,533 (1 percent of the population) business meeting transactions.
    - Initially, we generated 2 statistical samples: (1) 930 out of 3,533 (26 percent of the population) using a 95-percent confidence level and precision amount of \$5,000 and a presumed error rate of 5 percent and (2) 785 out of 3,533 (22 percent of the population) using a 90-percent confidence level and precision amount of \$5,000, and a presumed error rate of 5 percent. However, based on these results, we realized it would take much longer to manually review receipts for 930 or 785 transactions than originally estimated based on our available resources. Therefore, we decided to take a nonstatistical random sample of 36 items. Because we chose a nonstatistical sample, we could not project the sample results to the population.
  - Questionable expense types or MCCs (e.g., "Miscellaneous" and/or "Not elsewhere classified") were processed. We (1) designed a query to define the population of questionable MCCs and (2) pulled a random sample of 50 out of 3,331 (1.5 percent of the population) transactions with questionable MCCs.
    - Initially, we generated 2 statistical samples: (1) 1,403 out of 3,331 (42 percent of the population) using a 95-percent confidence level and precision amount of \$5,000 and a presumed error rate of 5 percent and (2) 1,254 out of 3,331 (38 percent of the population) using a 90-percent confidence level and precision amount of \$5,000 and a presumed error rate of 5 percent. However, based on

these results, we realized it would take much longer to manually review receipts for 1,403 or 1,254 transactions than originally estimated based on our available resources. Therefore, we decided to take a nonstatistical random sample of 50 items. Because we chose a nonstatistical sample, we could not project the sample results to the population.

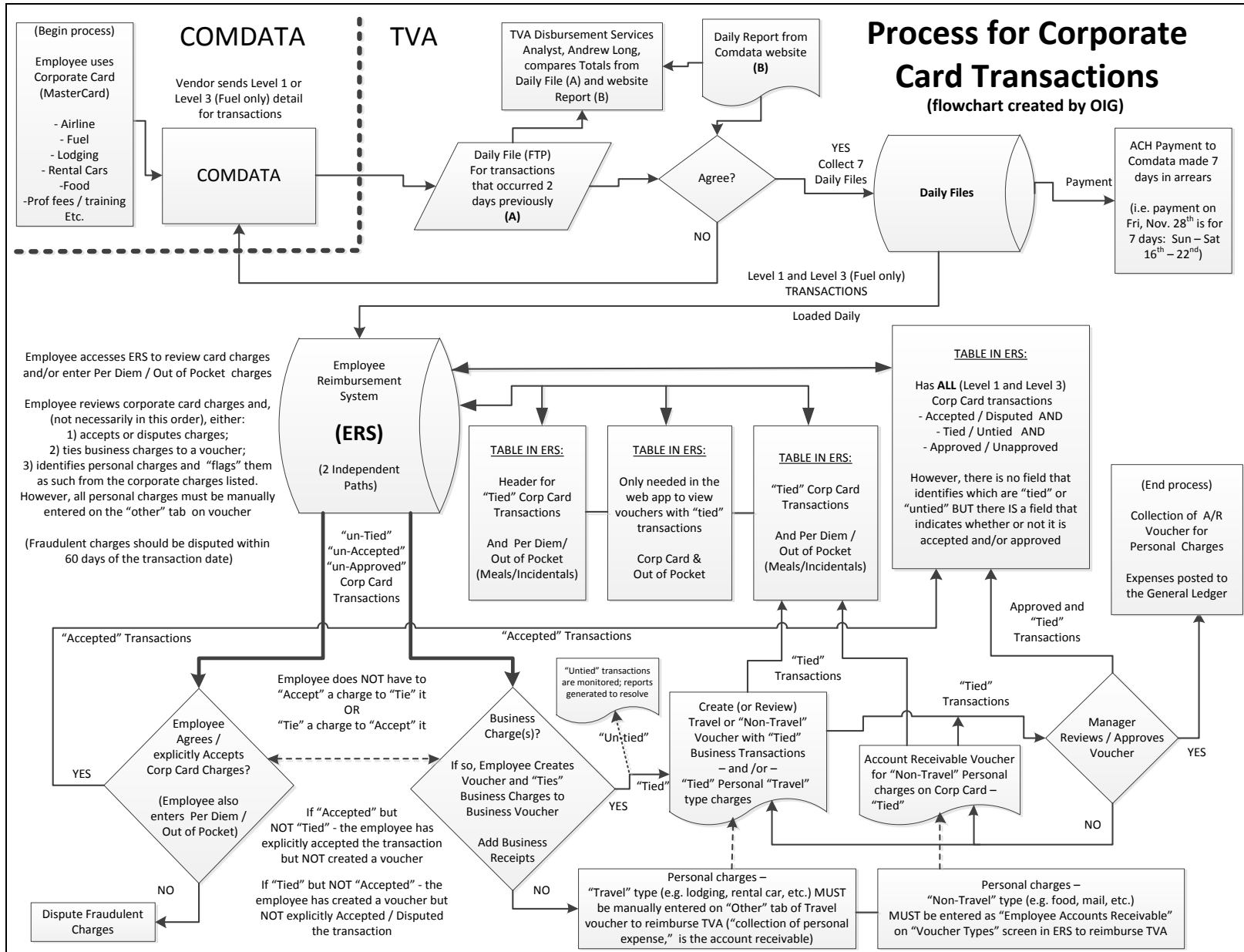
- Unauthorized employees made charges (e.g., when on leave or after termination).
- Taxes were paid on transactions that should be tax exempt.
- Charges required to have a receipt were approved without a receipt.

When evaluating the results of our audit work, we used both quantitative and qualitative factors when considering the significance of an item. The quantitative factor we considered in determining an item's significance was if the total dollar value of exceptions were greater than 5 percent of the population amount for any audit test performed. The qualitative factor(s) we considered in determining an item's significance were if:

- System controls were not designed and implemented that prevent TVA from paying card charges for nonbusiness purchases.
- Controls were circumvented or overridden to allow nonbusiness card charges to be paid by TVA.

Our audit scope initially included Corporate Card transactions for the period October 1, 2013, through August 31, 2014. However, during our initial discussions with Disbursement Services personnel to obtain an understanding of the system, we were informed changes were still being made to ERS. Therefore, we determined it would be best to test transactions that occurred for the 6-month period March 1, 2014, through August 31, 2014.

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



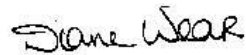
November 16, 2015

David P. Wheeler ET 3C-K

REQUEST FOR COMMENTS – DRAFT AUDIT 2014-15228 – TVA CORPORATE CARD

Our response to your request dated October 16, 2015, for comments regarding the findings of subject report is attached. Included is information for remediation activities.

We would also like to thank Melissa Neusel, Chasity Scantling, and you for the professionalism and cooperation in conducting this audit. If you have any questions please contact Denise Jones (865-632-4511) or Andrew Long (865-632-3663), Disbursement Services.



Diane Wear  
Vice President & Controller  
Corporate Accounting  
WT 4B-K

JAL:JDJ

Attachment  
cc (Attachment):

J. Denise Jones, WT 4A-K  
Dwain K. Lanier, MR 3K-C  
R. Windle Morgan, WT 4D-K  
Sherry A. Quirk, WT 6A-K  
John M. Thomas III, MR 6D-C  
OIG File No. 2014-15228

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In response to the request for comments dated October 16, 2015, a review of the draft audit has been completed.

The TVA Corporate Card is a TVA liability card that is issued to employees in order to pay for travel, fuel, management expenses, and other expenses approved by TVA policies (i.e., External Training, Professional Fees). Corporate Accounting ensures that employees are reimbursed or have a method of payment (i.e., Corporate Card) for approved expenditures. In addition, Corporate Accounting establishes policies and provides education and training regarding proper usage of the TVA Corporate Card.

TVA Corporate Card transactions are loaded into the Expense Reimbursement System daily by Corporate Accounting staff. Employees with a Corporate Card are responsible for creating expense vouchers, attaching Corporate Card transactions to those vouchers, and uploading appropriate documentation at the time of submittal. Approving managers are responsible for reviewing all expense vouchers and ensuring that related Corporate Card transactions and supporting documentation are included, in accordance with TVA SPP 13.022 Travel. Approving managers are able to delegate approval authority to other personnel as they deem appropriate to assist them in performing the function most accurately and efficiently. Delegation does not absolve the manager of responsibility for vouchers approved on his/her behalf.

Based on the findings and recommendations of the subject audit, Corporate Accounting addresses each recommendation below. In addition to the specific responses, Disbursement Services continues to evaluate and update training as appropriate based on exception reports and trends.

#### Recommendation 1

Require annual refresher training for all cardholders and individuals with approval authority, including all delegates. This training should reinforce the responsibilities of both purchasers and approvers and specifically address items identified during the audit.

*Response –Disbursement Services will develop an annual refresher training course and coordinate with Technical Training (e-Learning) to make the course available by September 30, 2016. The annual refresher course will be required for all cardholders, approval/entry delegates, and approving managers. The content will also be used for new cardholders. Failure to complete required training will result in card revocation. TVA SPP 13.022 will be updated to reflect this requirement when training has been made available.*

#### Recommendation 2

Implement controls to ensure compliance with TVA policies regarding documentation for purchases over \$35 and business meetings support.

*Response –The approving official's responsibilities to approve vouchers and validated required documentation are outlined in TVA SPP 13.022 Travel, Section 3.1.8 and TVA SPP 13.063 Business Meetings and Hospitality, Section 3.1.4. Both policies require that the manager verify all documentation is attached at the time of approval. TVA SPP 13.022 Travel, Section 3.2.3 E and TVA SPP 13.063, Section 3.2.3 Business Meetings & Hospitality requires all receipts for*

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*transactions over \$35 to be uploaded in the Expense Reimbursement System at the time of voucher submittal. Receipts are not required for fuel transactions on the Corporate Card per TVA SPP 13.022, Section 3.2.3 E since the receipt information is digitally passed to TVA. However, the approving manager has the discretion to approve valid expenses in the event a receipt is lost. TVA has made a business decision to rely on approving manager review as the control, therefore, no adjustment will be made to the Expense Reimbursement System. As an additional control, Disbursement Services will continue to include receipt requirements in training materials.*

**Recommendation 3**

Review the potentially duplicate and ineligible transactions identified during the audit and determine if TVA is due reimbursement from vendors or employees.

*Response –Disbursement Services reviewed the transactions identified during the audit and determined the following:*

Verification	OIG Finding	Disbursement Services
Vendor Duplicates - \$65,011 that appears to be duplicate transactions		<i>Disbursement Services reviewed the identified transactions. Of the 56 fuel transactions identified all appeared to be legitimate based on level 3 information (i.e., vehicle VIN, date of transaction, and odometer information). The non-fuel transaction report was also reviewed and 2 transactions for \$773.94 did not have sufficient documentation to determine if the charge was duplicated. Disbursement Services contacted all subject employees for resolution and will continue to follow up on responses.</i>
Per Diem & Purchased Meals with Corporate Card - \$60,759 in Corporate Card purchases for meals for employees on the same day the individuals also receive a full day's per diem.		<i>Disbursement Services reviewed the identified transactions. The dollar amount reflected on this report of \$60,759 was the total cost of all Corporate Card transactions associated with the vouchers, not just meals. However, after review it was determined that the intent of the report was to identify employees who received full per diem when meals were provided. The maximum value, if every transaction was in violation and all meals were provided for employees</i>

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	<p>that day, was \$13,500. In many cases, employees who were in violation only owed TVA for a single meal. Of the vouchers reviewed, it was determined that 21 charges required adjustment, resulting in a cost recovery of \$434. Disbursement Services continues coordination with 70 employees for the remaining transactions.</p>
<p><b>Corporate Card Charges While on Leave -</b> \$50,773 that appeared to be made on dates individuals were paid for annual, sick, or other types of leave.</p>	<p>Disbursement Services reviewed the identified transactions and found that \$1,393.85 of \$50,773 were potentially erroneous and contacted the subject employees to resolve. Disbursement Services will review SPPs and training material to ensure policies are clear.</p>
<p><b>Travel Expense While Receiving Relocation -</b> \$41,407 for lodging, or other ineligible items in addition to individual's relocation expenses.</p>	<p>Disbursement Services reviewed the identified transactions and found \$1,172.79 are possible relocation expenses due to TVA and subsequently contacted the potentially erroneous cardholder to resolve. All other transactions appear to be valid.</p>
<p><b>Personal Expenses Tied to Training -</b> \$2,903 for lodging, either 2 days before or after a training event, was not properly supported, or appeared to be personal.</p>	<p>Disbursement Services reviewed the identified transactions and found that one transaction for \$263.64 appeared to be potentially erroneous. Disbursement Services contacted the cardholder.</p>
<p><b>Corporate Card Transactions on Holidays -</b> \$658 that appeared to be made on holidays.</p>	<p>Disbursement Services confirmed the validity of charges posted on holidays. No additional action required.</p>

**Recommendation 4**

Perform periodic reviews of the Expense Reimbursement System data to identify instances where employees have received a full day's per diem and made Corporate Card charges for meals and recover ineligible payments from employees.

*Response - In 2014 a business decision was made to eliminate the second level of review for the Expense Reimbursement System. Accountability for data entered in the Expense*

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*Reimbursement System remains within organizations at the cardholder level and accountability for proper review also remains within the organizations at the approving official level.*

*Disbursement Services continues to evaluate and update training as appropriate based on exception reports and trends.*

#### **Recommendation 5**

Evaluate the appropriateness of having employees with no supervisory responsibilities perform the supervisory function of approving purchases.

*Response –Disbursement Services reviewed the appropriateness of employees with no supervisory responsibilities performing the function of approving expense vouchers and attached transactions. Within some organizations, a business decision was made to allow the responsibility of approving vouchers to be delegated to administrative support staff or other employees as determined necessary by management. After evaluation, Disbursement Services assumes the risk associated with non-supervisory employees and other delegates approving expense vouchers.*

*To ensure supervising managers and delegates understand responsibilities associated with delegating the role of approving vouchers, TVA SPP 13.022 will be revised no later than January 15, 2015, to outline and clarify roles and responsibilities within the Expense Reimbursement System. Additionally, the annual refresher training will include a roles and responsibilities section.*

#### **Recommendations 6 & 7**

Modify the Expense Reimbursement System to prevent individuals from having the ability to both create and approve the same voucher.

Consider discontinuing the practice of allowing individuals to select any TVA manager with direct reports to approve their voucher other than those delegated for approval. Managers with employees on loan or working on other projects should delegate approval authority to the appropriate manager.

*Response –System controls are in place to prevent any individual from creating and approving his/her own voucher. However, the system supports business processes which require or involve delegation of creating and approving vouchers. Additionally, delegation of the approval function to a delegate does not absolve the manager of responsibility for vouchers approved on his/her behalf. Allowing employees to select another manager allows approval by personnel most knowledgeable of the employee's current assignment.*

*Disbursement Services proposes an enhancement to the Expense Reimbursement System that sends an email notification to the approval delegate, the manager of record in PLUS, and the approving manager for the voucher if an alternate approver was selected, upon voucher submittal. This enhancement will allow the manager to have oversight of all vouchers submitted for approval from his/her employees. Projected implementation June 30, 2016.*



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**Recommendation 8**

Update TVA's Travel policy to specifically state an authorized delegate's responsibilities regarding creating and approving Corporate Card transactions/vouchers for another individual.

*Response –To ensure supervising managers and delegates understand responsibilities associated with delegating the role of approving vouchers, TVA SPP 13.022 will be revised by January 15, 2016, to outline and clarify roles and responsibilities within the Expense Reimbursement System. Additionally, the annual refresher training will include a roles and responsibilities section.*

**Recommendation 9a & Recommendation 9b**

- a. Implement the potential duplicate reporting function. Consideration should be given to reporting on a more frequent basis than monthly in order to provide employees time to address questionable issues since vendors typically require action on erroneous transactions within 30 days.
- b. Send automated emails to both the cardholders and their manager stating potential duplicate transactions need to be reviewed and addressed.

*Response –Employees are responsible for his/her transactions in the Expense Reimbursement System. Employees should review their transactions in a timely manner to identify potential duplicate transactions and contact the applicable vendor.*

*Disbursement Services will document and update TVA SPP 13.022, Section 3.1.9 "TVA Employees" and subsequent annual refresher training include the process for remediation of duplicate transactions. No further system enhancements related to these recommendations will be proposed at this time.*

**Recommendation 10**

Formally document the semiannual reviews of the MCCs.

*Response –Disbursement Services will formally document the MCC review process and implement December 2015. The MCC review process documentation will be maintained by Disbursement Services.*

**Recommendation 11**

Review MCCs identified as questionable during the audit (e.g., "Royal Kona Resort," "Game Toy and Hobby," and "Recreation Services.") and close any TVA management determines to be inappropriate for TVA business purposes.

*Response –Disbursement Services will formally document the MCC review process and implement December 2015. The MCC review process documentation will be maintained by Disbursement Services.*

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*The examples cited above – Royal Kona Resort, Game Toy and Hobby, and Recreation Services, were reviewed and deemed TVA appropriate expenses based on business needs.*

**Recommendation 12**

Ensure all "override" transactions are recorded on the manual spreadsheet and include the MCC number related to each override transaction to help identify MCCs that should be "opened" to allow charges.

*Response – Disbursement Services implemented the override documentation process in September 2015. MCCs are captured during the Manual Override process for tracking and trending purposes and will be used in the semiannual review of MCCs. The Manual Overrides are tracked in an Excel spreadsheet and stored on the Disbursement Services share drive.*

**Recommendation 13**

Modify the Expense Reimbursement System to include the cardholder's manager in the distribution of notification e-mails related to "untied" transactions.

*Response – Disbursement Services implemented functionality that sends the employee's manager an email which includes all transactions that are 30 days or older, one for each employee with aged transactions. E-mails were sent manually in September 2015 and Disbursement Services implemented an automated email job that runs on a weekly basis on October 12, 2015.*

**Recommendation 14**

Formally document and update documentation as changes occur to the:

- a. Current Corporate Card/the Expense Reimbursement System transaction flow.
- b. Data dictionaries for the various database tables utilized to process Corporate Card transactions.
- c. Controls in place to ensure Corporate Card data is complete and processed accurately.

*Response: a) IT maintains the System Design Specification to reflect changes in the system. b) IT maintains the data dictionary and is working to create a format that is accessible across different audiences. c) Files are validated by Disbursement Services staff before being loaded into the Expense Reimbursement System, ensuring the balances match Comdata's records before processing.*

**Recommendation 15**

Modify the Expense Reimbursement System tables to indicate if taxes were:

- a. Paid and, if so, the amount paid.

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- b. Removed from fuel transactions before Comdata sends the daily file to TVA (i.e., stripped).
- c. Not included because the fuel transaction was tax exempt.

*Response –a) The Expense Reimbursement System currently displays level 3 data, which can include tax information, if provided by vendors. When an employee reviews a charge, additional details are available for review. The details are limited to data that is passed to TVA from Comdata. b) The Expense Reimbursement System displays taxes on fuel transactions if provided by vendors. The employee can review the details in the application. c) IT is not able to determine if a transaction was tax exempt, the file passed to TVA from Comdata does not provide tax exemption data. Therefore, no further modifications to the Expense Reimbursement System is feasible.*

**Recommendation 16**

- a. Determine from which Corporate Card transactions TVA is exempt from state and local taxes and review the cost benefit of taking identified exemptions.
- b. Develop a formal listing of Corporate Card transactions from which TVA should take exemptions and update the formal listing as necessary.
- c. Communicate the results of management's decisions to all employees so they know which Corporate Card transactions are tax exempt when making purchases and can act accordingly.

*Response –a) Disbursement Services will coordinate a meeting with appropriate personnel to determine TVA's tax exempt status for both local and state taxes by December 31, 2015. b) Disbursement Services will develop a listing of transaction types that are exempt from taxation based on the findings by March 31, 2016. c) Disbursement Services will make the findings available in the "Need Help?" section of ERS, as well as the Disbursement Services SharePoint and TVA SPP 13.022 by June 30, 2016.*