



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

September 11, 2019

Diane T. Wear, WT 4B-K

**REQUEST FOR FINAL ACTION – AUDIT 2018-15573 – EXECUTIVE TRAVEL**

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, please contact Maria V. Edwards, Senior Auditor, at (865) 633-7380 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.

A handwritten signature in black ink that reads "David P. Wheeler".

David P. Wheeler  
Assistant Inspector General  
(Audits and Evaluations)  
WT 2C-K

MVE:KDS  
Attachment

cc (Attachment):

TVA Board of Directors  
Clifford L. Beach Jr., WT 7B-K  
Robertson D. Dickens, WT 9C-K  
Janet D. Jones, WT 4A-K  
Jeffrey J. Lyash, WT 7B-K  
Justin C. Maierhofer, WT 7B-K  
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John M. Thomas III, MR 6D-C  
OIG File No. 2018-15573



Office of the Inspector General

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# *Audit Report*

To the Vice President and  
Controller, Corporate  
Accounting

# EXECUTIVE TRAVEL

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Audit Team

Maria V. Edwards  
Jennifer R. Bogus  
Stephanie L. Simmons

Audit 2018-15573  
September 11, 2019

## **ABBREVIATIONS**

CEO	Chief Executive Officer
CFR	Code of Federal Regulations
ERS	Expense Reimbursement System
FTR	Federal Travel Regulation
GSA	General Services Administration
M&IE	Meals and Incidentals Expense
OTC	Other Than Coach Class
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority
TVA Board	TVA Board of Directors
U.S.	United States

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DAVID P. WHEELER



## Audit 2018-15573 – Executive Travel

### EXECUTIVE SUMMARY

#### Why the OIG Did This Audit

We included an audit of Tennessee Valley Authority's (TVA) executive travel expenses in our annual audit plan because of issues of noncompliance with TVA policies and procedures identified during the annual testing of TVA executive officers' expenses as part of the year-end external audit. Our audit objective was to determine if executive travel expenses complied with Federal Travel Regulation (FTR) and TVA policies and procedures. Our audit scope included TVA executive<sup>i</sup> travel occurring from October 1, 2016, through July 31, 2018. We also reviewed (1) transactions placed on administrative assistants' credit card accounts and the credit card accounts of TVA police assigned as executive protection to determine if those charges were made on behalf of an executive and (2) executive travel costs charged on the credit card accounts for the Chief Executive Officer and his direct reports that were reported to the TVA Board of Directors.

#### What the OIG Found

Between October 1, 2016, and July 31, 2018, TVA had 67 executives and paid approximately \$1.8 million for executive travel expenses. Our review found several instances where TVA executives did not comply with the FTR and/or TVA policies for travel, business meetings, and hospitality including:

- Overpaid meal and incidental expenses per diem.
- Excessive meal costs incurred while in travel status.
- The use of “car services” instead of less expensive modes of transportation in certain locations.<sup>ii</sup>
- Foreign travel expenses that did not comply with the FTR and TVA policies.
- Lodging that was not always in compliance with the FTR and TVA policies.
- Some travel costs that were not reported to the TVA Board of Directors.

<sup>i</sup> Executives were identified according to the job family listed in TVA's Human Resources system, People Lifecycle Unified System. For this audit we selected all employees with the code “EXE”.

<sup>ii</sup> Car services consisted primarily of a service that put a chauffeur at the executives' disposal at an hourly rate.



## Audit 2018-15573 – Executive Travel

### EXECUTIVE SUMMARY

Additionally, we found domestic airfare was generally in compliance with the FTR, but an area for improvement was identified.

In summary, the actions by some TVA executives indicate a “Tone at the Top” that could send a message to TVA employees that management is not committed to the TVA Code of Conduct and compliance with the FTR and TVA policies and procedures.

#### What the OIG Recommends

We made 14 recommendations to TVA management to strengthen controls around executive travel by reinforcing the existing TVA travel policy and developing additional guidance to ensure compliance with the FTR.

#### TVA Management’s Comments

TVA management stated they take very seriously the commitment to be good stewards of the resources they are given and appreciate the Office of the Inspector General helping identify areas where they can improve their processes, procedures, and training. TVA management also stated they had concluded that there are opportunities for improvement in (1) documentation and approval surrounding travel expenditures, (2) clarification of policies and expected procedures, and (3) training around the specific expectations regarding the policies and procedures. TVA management provided actions they plan to take to address each of our recommendations. See Appendix B for TVA management’s complete response.

#### Auditor’s Response

We agree with TVA management’s stated plans for addressing our recommendations.

## **BACKGROUND**

Our annual testing of Tennessee Valley Authority's (TVA) executive officers' expenses, which is performed as part of the year-end external audit, identified issues of noncompliance with TVA policies and procedures. As a result, we included an audit of TVA's executive travel expenses in our annual audit plan.

Between October 1, 2016, and July 31, 2018, TVA had 67 executives<sup>1</sup> and paid approximately \$1.8 million for executive travel expenses. Table 1 shows the totals spent by executives by expense travel category based on how the transactions were coded in TVA's systems.

<b>Executive Travel Expenses October 1, 2016 – July 31, 2018</b>	
<b>Category</b>	<b>Amount</b>
Lodging	\$747,132
Air Transportation*	429,931
Ground Transportation	348,498
Meals & Incidentals Expense (M&IE)	253,018
Other Miscellaneous Expense	1,986
Reimbursements for Personal Expenses	(14,924)
<b>Total</b>	<b>\$1,765,641</b>
* Air transportation refers to airfare purchased on commercial carriers and does not include travel by executives on TVA owned aircraft.	

**Table 1**

### **Applicable Law and Regulations**

Federal Travel Regulation (FTR) Title 41, Code of Federal Regulations (CFR), Chapters 300 through 304 (41 CFR § 300-304), implements statutory requirements for travel by federal civilian employees and others authorized to travel at government expense. The FTR has two principal purposes to:

1. Interpret statutory and other policy requirements in a manner that balances the need to assure that official travel is conducted in a responsible manner with the need to minimize administrative costs.
2. Communicate the resulting policies in a clear manner to federal agencies and employees.

Title 41 CFR § 301-2.3 of the FTR states a traveler must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business. Title 41 CFR § 301-2.4 states the traveler is responsible for expenses over the reimbursement limits and excess costs resulting from circuitous routes, delays, or luxury accommodations or services unnecessary or unjustified in the performance of official business.

<sup>1</sup> Executives were identified according to the job family listed in People Lifecycle Unified System, TVA's Human Resources system. For this audit, we selected all employees with the code "EXE".

### Applicable TVA Policies and Procedures

The main TVA Standard Programs and Processes (SPP) that addresses executive travel is TVA-SPP-13.022, *Travel*.<sup>2</sup> The stated purpose of the Travel Policy is to provide TVA guidance and instructions related to travel expense management and reimbursement. It covers roles and responsibilities, defines the process for reporting travel expenses and obtaining expense reimbursement, and provides general travel information. It also defines the expenses that should be paid using the TVA corporate card and the reimbursable expenses to be paid out-of-pocket by the employee. The Travel Policy also incorporates the FTR standards identified above for exercising the same care as a prudent person when incurring expenses and the employee's responsibility for excess costs.

In accordance with the Travel Policy, TVA employees create expense vouchers in the Expense Reimbursement System (ERS) and ensure the accuracy of expenses by describing the business reason for travel; reconciling (matching) all expenses charged to the TVA corporate card with each travel day; and uploading all required travel-related documentation. In addition to ERS, travel expenditures were also paid through miscellaneous vouchers and reimbursements to outside companies for travel booked on behalf of TVA executives.

Under the Travel Policy, TVA supervisors and managers have an oversight role and are responsible for:

- Informing employees of the responsibility to understand and comply with all aspects of the Travel Policy.
- Reviewing and approving expense vouchers, verifying that (1) expenses are reasonable and in agreement with the Travel Policy, travel authorizations, supervisor's instructions, and other associated records such as leave and time reports; and (2) required travel-related documentation, including receipts and preauthorization(s), are provided with the expense vouchers.
- Counseling employees and taking necessary corrective action relative to any unreasonable or questionable expenses.
- Denying approval for any expenses that are not allowable in accordance with the Travel Policy.

In addition to travel expenditures, TVA executives may also conduct business meetings and hospitality events while in travel status which are not coded as travel expenditures in ERS. These events typically occur at a restaurant and attendees may also include external guests. If an executive is in travel status and meals are provided by TVA or any outside entity, those respective meals are to be deducted from the daily M&IE per diem. TVA-SPP-13.063, *Business Meetings & Hospitality*, requires all employees responsible for planning a business meeting or hospitality activity to ensure the (1) business need is justified; (2) expense is a reasonable, proper, and efficient use of TVA resources;

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<sup>2</sup> TVA-SPP-13.002, *Travel*, is referred to as the Travel Policy throughout this report.



and (3) cost is appropriate to the occasion or circumstance. The SPP also states all planning should be consistent with the need to maintain public confidence that TVA resources are used only for the benefit of the public that it serves.

TVA-SPP-11.801, *Business Ethics*, states:

Employees must assure that TVA's resources, including money, materials, information, employee time, and the TVA name, are used efficiently and economically - and only for TVA business and not for private gain. In addition, public perceptions must be considered in the use of TVA resources.

### **Internal Control and Tone at the Top**

The main internal control associated with travel expenditures and corporate card charges is management review and approval of expenses. The Travel Policy allows the assignment of an approval delegate. The accountability of the approval remains with the manager from whom the voucher approval was originally requested, regardless of who approved the voucher.

United States (U.S.) Government Accountability Office Standards for Internal Control in the Federal Government (known as the Green Book), provide the overall framework for establishing and maintaining an effective internal control system. Principle No. 1 of the Green Book states (1) the oversight body and management should demonstrate a commitment to integrity and ethical values; (2) "Tone at the Top" is an attribute that contributes to the design, implementation, and operating effectiveness of this principle and is fundamental to an effective internal control system; (3) the oversight body and management demonstrate the organization's values, philosophy, and operating style by setting the tone at the top and throughout the organization; (4) management establishes standards of conduct to communicate expectations concerning integrity and ethical values; and (5) the standards of conduct guide the directives, attitudes, and behaviors of the organization in achieving the entity's objectives.

TVA's Code of Conduct also reinforces the importance of doing the right thing and knowing what the right thing is through leadership at all levels that helps sustain a culture in which ethical conduct is expected, valued, and exemplified by employees. The TVA Code of Conduct provides additional responsibilities for management stating TVA executives, supervisors and managers (1) will exhibit the highest standards of ethical conduct at all times and avoid behavior that could reasonably be perceived as improper, (2) must maintain a workplace environment that stresses commitment and adherence to the Code of Conduct and compliance with laws and regulations, and (3) are required to ensure that employees receive appropriate training in the meaning and application of the Code of Conduct and in the laws and regulations related to their work area.

### **Oversight of Executive Expenditures**

All TVA Corporate Card expenditures for the Chief Executive Officer (CEO) and the CEO's direct reports are annually reported to the TVA Board of Directors (TVA Board). According to the Chief Financial Officer, this practice was put into place in 2012 to add an additional level of oversight for expenditures. The former CEO delegated approval of his direct report expenditures to the Corporate Controller who reports to the Chief Financial Officer. This results in the Corporate Controller reviewing her manager's expenditures, but the Board review of those expenditures is meant to add an additional level of review.

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

Our audit objective was to determine if executive travel expenses comply with FTR and TVA policies and procedures. Our audit scope included TVA executive travel occurring from October 1, 2016, through July 31, 2018. We also reviewed (1) transactions placed on administrative assistants' credit card accounts and the credit card accounts of TVA police personnel assigned as executive protection to determine if those charges were made on behalf of an executive and (2) executive travel costs charged on the credit card accounts for the CEO and his direct reports that were reported to the TVA Board. A complete discussion of our audit objective, scope, and methodology is included in Appendix A.

## **FINDINGS AND RECOMMENDATIONS**

Our review found several instances where TVA executives did not comply with the FTR and/or TVA policies for travel, business meetings, and hospitality including:

- Overpaid M&IE per diem.
- Excessive meal costs incurred while in travel status.
- The use of "car services" instead of less expensive modes of transportation in certain locations.
- Foreign travel expenses that did not comply with the FTR and TVA policies.
- Lodging that was not always in compliance with FTR and TVA policies.
- Some travel costs that were not reported to the TVA Board.

Additionally, we found domestic airfare was generally in compliance with the FTR, but an area for improvement was identified.

In summary, the actions by some TVA executives indicate a "Tone at the Top" that could send a message to TVA employees that management is not committed to the TVA Code of Conduct and compliance with the FTR and TVA policies and procedures. The following provides a detailed discussion of our findings.

## OVERPAID M&IE PER DIEM AND EXCESSIVE MEAL COSTS INCURRED WHILE IN TRAVEL STATUS

According to the Travel Policy, M&IE are to be paid for out of pocket by employees and later reimbursed by TVA based on the General Services Administration (GSA) schedule for M&IE per diem. If meals are provided by TVA or any outside entity, then those respective meals are to be deducted from the daily M&IE per diem. The per diem dollar value of each meal is automatically calculated by ERS.

### Overpaid M&IE Per Diem

We identified 51 hospitality events and business meetings attended by executives on days when travel expenses were also charged during our audit period and found executives did not always reduce their M&IE per diem when meals were provided at the events/meetings. Specifically, for 41 percent (21 of 51) of the events/meetings, one or more executive attendees did not reduce their M&IE per diem reimbursement.

TVA's Travel Policy assigns responsibility to supervisors and managers for verifying expenses are in agreement with the procedure and denying approval for any expenses not allowable. The explanations given for failure to reduce per diem included (1) accidental omission by the executive and (2) administrative assistants who entered the travel vouchers were unaware of the meetings. Although these were both plausible explanations, the executives travel approval process failed to prevent the overcharges. As a result, the executives were paid M&IE per diem for expenses they did not incur and TVA incurred expenses for both the M&IE per diem and the hospitality or business meeting. (Note: The M&IE per diem overpayments were subsequently corrected after we communicated the information to the executives.)

### Excessive Meal Costs

We also noted that for 25 of the 51 hospitality events and business meetings occurring during executive travel, the average cost per person exceeded the M&IE per diem allotted for an entire day in the respective cities. The average cost per person ranged from \$58 to \$304. TVA-SPP-13.063, *Business Meetings and Hospitality*, states:

Any activity which due to its nature, location, timing, participants, expense or other factors, would likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources is not permitted.

It also states receptions or meetings held at unnecessarily lavish locations or settings are also not permitted. The hospitality events and business meetings

were held at restaurants, with some noted as fine dining restaurants.<sup>3</sup> Eight of the transactions were business meetings held outside of the Tennessee Valley with no external parties in attendance. All TVA executives would have been in travel status receiving M&IE per diem. Table 2 provides details for the most expensive business meetings and hospitality event transactions identified in our testing of the 51 events/meetings (based on average cost person).

Most Expensive Business Meetings and Hospitality Events Based on Average Cost Per Person					
Date	Restaurant	Location	Total Cost	Average Cost Per Person	Daily GSA M&IE Rate
<b>Business Meetings</b>					
10/06/2016	Del Friscos	Washington, D.C.	\$1,157	\$231	\$69
1/29/2018	Gary Danko◇	San Francisco, CA*	984	164	74
10/5/2017	Fiola Mare	Washington, D.C.*	470	157	69
9/21/2017	Fiola	Washington, D.C.*	834	139	69
10/17/2017	Fig & Olive	Washington, D.C.	963	120	69
<b>Hospitality Events</b>					
5/30/2018	Daniel◇	New York, NY	\$911	\$304	\$74
12/6/2017	Del Friscos Grille	New York, NY	1,134	189	74
3/30/2017	Fiola Mare	Washington, D.C.	1,023	171	69
1/31/2017	Ristorante Tosca	Washington, D.C.	848	141	69
9/11/2017	Ristorante Tosca	Washington, D.C.	699	140	69
* All Attendees were TVA executives/employees			◇ Five diamond rated restaurant		

Table 2

TVA-SPP-13.063 states the approving supervising manager is responsible for “Ensuring that requests for business meeting or hospitality expenses are reasonable.” In addition to the guidance from TVA-SPP-13.063, the TVA Code of Conduct requires management to avoid behavior that could reasonably be perceived as improper. Each of the transactions in Table 2 would likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources.

We also found that for the 48 hospitality event and business meeting transactions over \$75, 32 transactions totaling \$15,956 did not have an itemized receipt in ERS. TVA-SPP-13.063 states, “All expenses over \$75 require an itemized receipt uploaded in the expense reimbursement system. 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.”<sup>4</sup>

<sup>3</sup> For purposes of our report, fine dining is considered as five diamond restaurants as defined by AAA. AAA Diamond ratings for restaurants represent a combination of the overall food, service, décor, and ambiance offered by the establishment. A five diamond restaurant offers leading-edge cuisine of the finest ingredients, uniquely prepared by an acclaimed chef, served by expert service staff led by maître d’ in extraordinary surroundings.

<sup>4</sup> Of the ten items shown in Table 2, only two had itemized receipts.

- The December 6, 2017, hospitality event had a total bill charge of \$2,168 which included (1) \$550 for four bottles of wine (costing \$130 to \$145 each), (2) \$663 for an unmet food and beverage minimum, and (3) a 15% gratuity. (TVA and a vendor each paid half the bill and TVA added \$50 to their payment for an additional tip.)
- The October 5, 2017, business meeting receipt included two bottles of wine costing \$105 and \$110. However, the wine was paid for by an attendee other than TVA.

The executive with the majority of expenses without an itemized receipt indicated he was unaware of the requirement. TVA-SPP-13.063 requires the approving supervising manager to verify that backup documentation such as receipts or signed contracts are attached to the expense voucher.

Finally, TVA-SPP-13.063 states, “the highest ranking TVA official hosting the activity should charge the expenditure to his/her TVA Corporate Credit Card.” We noted 36 out of the 51 hospitality events and business meetings were not placed on the corporate card of the highest ranking official in attendance. For 10 of the 36 transactions this resulted in the expense being approved by a higher ranking executive also in attendance at the event or meeting.

**Recommendations** – We recommend TVA’s Vice President and Controller, Corporate Accounting reinforce to TVA executives:

1. The requirements (a) to reduce M&IE per diem when meals are provided by TVA or any outside entity and (b) for approving officials to be familiar with the employee’s travel assignment and the responsibility to deny approval of expenses not in compliance with the Travel Policy.

**TVA Management’s Comments** – TVA management stated they agreed with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants. Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted. See Appendix B for TVA management’s complete response.

2. The requirement that all employees are responsible for planning a business meeting or hospitality activity to ensure (1) the business need is justified, (2) the expense is reasonable, proper, and efficient use of TVA resources, and (3) the cost is appropriate to the occasion or circumstance.

**TVA Management’s Comments** –TVA management stated annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted. See Appendix B for TVA management’s complete response.

3. Approving officials have the responsibility to deny approval for any expenses that are not reimbursable in accordance with TVA-SPP-13.063, *Business Meetings and Hospitality*, including any activity which, due to its nature, location, timing, participants, expense or other factors, would likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources.

**TVA Management’s Comments** –TVA management stated annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted. See Appendix B for TVA management’s complete response.

4. The requirements that (a) itemized receipts be uploaded in ERS for business meeting and hospitality expenses over \$75, and (b) approving officials are responsible for verifying that backup documentation such as receipts are attached to the expense voucher.

**TVA Management's Comments** – TVA management stated they agreed with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants. Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted. See Appendix B for TVA management's complete response.

5. The requirement that charges for business meetings and hospitality events be placed on the highest-ranking official's card.

**TVA Management's Comments** – TVA management stated they agreed with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants. Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted. See Appendix B for TVA management's complete response.

6. 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.

**TVA Management's Comments** – TVA management stated they agreed with the recommendation and that this wording is in the current Travel Policy. Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted. See Appendix B for TVA management's complete response.

## CAR SERVICE CHARGES WERE NOT COST EFFECTIVE

As summarized previously in Table 1, TVA incurred \$348,498 in ground transportation costs for executives during our audit period. We found \$46,232 of the costs (89 transactions) were for payments to “car service”<sup>5</sup> companies. Neither the FTR nor the TVA Travel Policy explicitly address the use of car services. The methods of transportation authorized under §301-10.3 of the FTR are common carrier, government automobile, rental car, privately owned vehicle, taxis, transportation network company,<sup>6</sup> or innovative mobility technology company.

According to the TVA Travel Policy, TVA travelers are expected to use the most cost-effective mode of transportation available. The Travel Policy also states to determine the cost benefit of one option versus another option of travel, the travel time incurred should also be taken into consideration. Employees are encouraged to share transportation when logistics of the travel assignment make sharing arrangements feasible, with the objective of achieving the lowest cost to TVA. Except in situations where the methods of transportation identified in the FTR were not available, the use of car services was not the most cost-effective mode of transportation available.

Examples of car service charges included:

- A June 29, 2017, transaction where TVA’s former CEO and another executive were picked up by a car service at Atlantic Aviation, a fixed base operator offering private jet services at the Peachtree Dekalb Airport. The executives were driven approximately 13 miles to a meeting where the chauffeur waited approximately three hours then drove the executives the 13 miles back to Atlantic Aviation at a cost of \$935. Rental car service was available at the Peachtree Dekalb Airport.
- A June 20, 2017, transaction where one executive, one TVA employee, and two TVA Police personnel assigned to executive protection hired a car service at a cost of \$1,039 to be transported from Reagan International Airport to three locations in Washington, D.C., and then returned to the airport approximately 11 hours later. The total distance traveled during the day was approximately 10 miles and all points visited were near Metro subway stops. When asked for information regarding this transaction the executive provided the following:

***Justification to use Ground Transportation:*** The decision to use ground transportation was based on two factors. Safety was our

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<sup>5</sup> Car services consisted primarily of a service that put a chauffeur at the executives’ disposal at an hourly rate. The website for one of the vendors TVA used stated, “No destination is required to book this type of reservation, though certain minimum time restrictions may apply. You provide the pickup information and select your travel destinations.”

<sup>6</sup> An entity that uses a digital network to connect riders to drivers affiliated with the entity in order for the driver to transport the rider using a vehicle owned, leased, or otherwise authorized for use by the driver to a point chosen by the rider. Uber and Lyft are examples of transportation network companies.

first consideration, especially in a city that has one of the highest crime rates in the U.S. Carey International has provided services to our TVA organizations and has a reputation for being dependable and on time. Their drivers are familiar with local traffic patterns, and in taking the most efficient routes to various locations. We felt it would be a safety risk to TVA employees, and other drivers, to ask our TVAP [TVA Police] Executive Protection team to navigate through a congested city in which they were unfamiliar. Furthermore, being dropped off eliminated the need for expensive parking in the metro area. The day involved point-to-point stops from Regan [sic] International, TVA Washington Office, EEI [Edison Electric Institute] Office and EPA [Environmental Protection Agency] Office, and then back to the airport in the afternoon. Availability and cost of services was our second consideration. The ground transportation company the CEO's office recommended and previously used was contacted (by telephone) and the decision was made to use Carey International because they were more cost effective and reliable.

- Several transactions for car services when executives traveled to New York City. The car service costs were for use of SUVs at a base rate of \$82/hour plus gratuity, taxes, and other charges. According to the executives making the expenditures, the decision to use a car service was based on efficiency and safety concerns. The transactions which totaled \$33,034 included:
  - 16.5 hours for \$2,040
  - 15.75 hours for \$1,833
  - 11 hours for \$1,360
  - 10 hours for \$1,237
  - 6.5 hours for \$767
  - 4.75 hours for \$563

TVA's Travel Policy does not address safety as a consideration for type of ground transportation used. The only time safety is a consideration under the FTR is when selecting the class of rental car. The FTR allows an exception for renting another class of vehicle rather than the least expensive compact car available when it is determined to be necessary for safety reasons, such as during severe weather or having to travel on rough or difficult terrain.

Multiple TVA executives visited the Washington, D.C., area during our audit period and relied on ground transportation methods such as taxi, shuttle service, subway, and rental cars. There were 137 corporate card transactions for these forms of ground transportation in the D.C. area during our audit period and the average total charge for these was \$34. The former CEO informed us the larger reason he used car services was for safety and security. However, he stated this should only apply to the CEO and senior officers.

If safety is a criteria for using car services over other less expensive modes of ground transportation, the proper "Tone at the Top" would require these services be available to all TVA employees in travel status. Accordingly, if TVA



management determines the use of car services is allowable as a safety consideration in certain locations, the policy should not discriminate against employees based on their job classification.

**Recommendation** – We recommend TVA’s Vice President and Controller, Corporate Accounting:

7. Clarify in the Travel Policy that employees are to use methods of transportation identified in the FTR unless cost savings or an exceptional business justification can be identified, documented, and approved prior to travel. If TVA decides car services are an acceptable form of transportation instead of other modes of ground transportation, the Travel Policy should be revised to provide guidance on the use of the services.

**TVA Management’s Comments** –TVA management stated Disbursement Services will perform benchmark analysis and clarify guidance in the Travel Policy for the methods of transportation allowable and guidelines to consider when selecting the mode of transportation, as appropriate. See Appendix B for TVA management’s complete response.

## FOREIGN TRAVEL DID NOT COMPLY WITH FTR AND TRAVEL POLICY

TVA executives incurred \$121,247 in foreign travel costs during our audit period (see Table 3).

Foreign Travel	
Category	Amount
Air Transportation **	\$88,463
Lodging	20,514
Per Diem	7,830
Ground Transportation	4,290
Foreign Cellular Data Plans	150
<b>Total</b>	<b>\$121,247</b>
** Included flights for two executives scheduled for August 2018 to Seoul, South Korea totaling \$12,680.	

Table 3

Our audit of the documentation for the costs incurred by the executives during foreign travel found several instances where the executives did not comply with the FTR requirements and TVA’s Travel Policy for flying other than coach class (OTC). Additionally, we found the executives did not (1) always follow TVA’s procedure for obtaining and documenting authorization for international travel, and (2) adequately document business versus personal days when traveling internationally.

### International Flights Where Executives Flew OTC

Three executives flew OTC on eight international flights with costs totaling \$64,653. Title 41 CFR § 301-10.123 of the FTR allows the authorization and approval of first class airfare for a medical disability or other special need. OTC is also allowed by FTR §301-10.125 when the origin and/or destination are outside of the continental U.S.; the scheduled flight time, including nonovernight stopovers and change of planes, is in excess of 14 hours; and the employee is required to report to duty the following day or sooner. The FTR also allows travelers to upgrade to OTC class accommodations at the traveler's personal expense, including through redemption of frequent flyer benefits.

The following eight international flight transactions were not in accordance with the FTR and/or TVA's Travel Policy:

- The former CEO took five first class flights with costs totaling \$31,277 to Tokyo, Japan; Stockholm, Sweden; Paris, France; and London, England; to (1) meet with executives of a TVA customer, (2) meet with executives of a business expanding operations in the TVA service area, and (3) attend World Association of Nuclear Operators meetings. The justification given for the first class accommodations was a medical disability. The FTR requires a written statement by a competent medical authority stating that special accommodation is necessary. The written statement we were provided by a medical authority describing the disability and need for first class travel was dated after the five first class flights occurred. The former CEO informed us there was an earlier authorization, but it was lost and the medical practitioner that issued it was deceased so he could not get a copy.
- One executive (a direct report to the CEO) took two business class trips with flights totaling \$21,458.
  - The first was a flight to Stockholm, Sweden, with a cost of \$9,962 to meet with executives of a TVA customer. The arrival flight time and departure flight time to and from Sweden were both in excess of 14 hours. However, the executive added two personal days to the beginning of the trip and, therefore, did not report to duty on arrival the following day or sooner, disqualifying this flight from eligibility for OTC travel. (We noted two other executives made the same trip to Sweden and flew coach class at a cost of \$917 each.) It was the executive's personal preference to arrive in Sweden earlier than the other executives, which resulted in an additional cost to TVA of over \$9,000. (Note: the executive reimbursed TVA \$4,752 for the flight leg from Newark, New Jersey, to Stockholm, Sweden, after being notified by us.)
  - The second included flights to Tokyo, Japan; Seoul, South Korea; Beijing, China; and Hong Kong, China, to Tokyo, Japan, with total business class costs of \$11,496 for a TVA Investor Road Show.<sup>9</sup> The arrival flight time and departure flight time were both in excess of 14 hours. However, the

<sup>9</sup> TVA representatives flew to 5 countries to participate in 20 investor meetings with companies including insurance companies, banks, and asset managers.

executive did not report to duty on the following day or sooner for the return trip. Additionally, the duration of the three business class flights while in Asia to Seoul, South Korea; Beijing, China; and Hong Kong, China, averaged under three hours making them ineligible for reimbursement of OTC travel. TVA's official travel agency did not arrange the air transportation, which was not in accordance with the Travel Policy. (Note: the executive reimbursed TVA \$2,155 for the flight leg from Hong Kong, China, to Chicago, Illinois, after being notified by us.)

- One executive flew business class at a total flight cost of \$11,918 to participate in the TVA Investor Road Show noted above. As noted in relation to the previous executive, the third executive did not report to duty on the following day or sooner for the return trip. Additionally, the duration of the three business class flights while in Asia to Seoul, South Korea; Beijing, China; and Hong Kong, China, averaged under three hours. As noted above TVA's official travel agency did not arrange the air transportation, which was not in accordance with the Travel Policy.

**Recommendation** – We recommend TVA's Vice President and Controller, Corporate Accounting:

8. Incorporate guidance into TVA's Travel Policy for when OTC flights are to be used and document retention requirements for authorization of OTC such as medical needs and travel exceeding 14 hours.

**TVA Management's Comments** – TVA management stated the instances identified were due to lack of awareness of the specific requirements surrounding the 14-hour rule by the travel agency staff and the executives. The instances related to medical needs appear proper. TVA agrees with the recommendation for better recordkeeping and adherence to the 14-hour rule. TVA management also stated Disbursement Services will clarify the guidance in the Travel Policy and reinforce the rules to the travel agency vendor for advisement when such travel is booked. See Appendix B for TVA management's complete response.

#### **Insufficient Documentation of Authorization for International Travel**

The Travel Policy requires TVA Form 11605A, *International Travel Authorization*, to be completed, approved (in advance), and uploaded into ERS for reimbursement of foreign travel expenses. Form 11605A states it should be provided to TVA Police & Emergency Management (formerly TVA Security and Emergency Management) at least two weeks in advance of travel. Out of 17 trips made by 10 TVA executives the 11605A form was not completed for 1 trip, was not loaded into ERS for 4 trips, and was not completed until 5 days prior to travel for 2 trips.

**Recommendation** – We recommend TVA's Vice President and Controller, Corporate Accounting:

9. Reinforce the requirements that TVA Form 11605A (a) be completed at least two weeks in advance of foreign travel, and (b) loaded into ERS.

**TVA Management's Comments** – TVA management stated the two-week advance notice in the policy is for when a special passport or visa is required. In the circumstances noted, such passports or visas were not required. TVA agrees the forms should be loaded into ERS. TVA management also stated Disbursement Services will reinforce these requirements and responsibilities listed to TVA executives and their administrative assistants. See Appendix B for TVA management's complete response.

### **Lack of Documentation for Business and Personal Days**

We found Form 11605A did not contain sufficient information to document which days should be treated as business days or personal days. For example, four TVA executives traveled with their spouses to Stockholm, Sweden and claimed different MI&E per diem amounts and business days versus personal days. For shorter trips of two days or less, Form 11605A was sufficient to determine the trip was made completely for business purposes, but for longer trips the information provided in ERS did not allow us to verify the business versus personal portion of the trip. Five executives made notes on nine trips indicating days they considered were for business purposes and which days were personal; however, detailed itineraries were not provided.

**Recommendation** – We recommend TVA's Vice President and Controller, Corporate Accounting:

10. Incorporate guidance into TVA's Travel Policy that sufficient detail is included in Form 11605A to determine which travel days are business related versus personal, when applicable.

**TVA Management's Comments** – TVA management stated they agreed with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants. TVA management also stated Disbursement Services will reinforce this requirement as a note of emphasis in the policy document. See Appendix B for TVA management's complete response.

## **LODGING NOT IN COMPLIANCE WITH FTR AND TVA POLICIES**

We found multiple instances where executives did not comply with the FTR and/or the TVA Travel Policy including (1) 42 lodging stays totaling \$6,867 within 50 miles of the official duty station, (2) failure to obtain preapproval for 100 lodging stays totaling \$54,979 that were over 100 percent of the GSA locality rate, (3) two lodging stays in excess of the maximum of 300 percent of the GSA locality rate, and (4) one lodging stay in excess of the maximum foreign per diem rate set by the U.S. Department of State. In addition, we noted the former CEO provided "blanket" approvals for direct reports and four other executives to go up to 150 percent of the GSA locality rate without requiring a business justification or individual preapproval.

### **Lodging Stays Within 50 Miles of the Official Duty Station**

During our review of travel documentation we noted a receipt in ERS for a hotel stay that was attached to a transaction not coded as lodging and which occurred at a hotel in the same city as the employee's official duty station. We performed additional analysis of transactions with lodging vendors that were not coded as lodging expenses and identified 42 instances, totaling \$6,867, where executives or TVA Police personnel on executive protection detail charged a hotel stay within 50 miles of their official duty station. We noted the lodging expenses were entered into ERS as "Business Meeting" expense or "Miscellaneous Expense" in addition to "Travel". ERS has an automated edit control built in that will not allow an employee to enter an expense for reimbursement where lodging is in the same city as the employee's official station. Additionally, 17 of the 42 instances were over 100 percent of the GSA locality rate and none received preapproval for exceeding the GSA locality rate. Of these 17, 4 of the transactions were 115 to 138 percent of the GSA locality rate, 12 transactions were 151 to 198 percent of the GSA locality rate, and 1 stay was 231 percent of the GSA locality rate. One hotel stay had no receipt loaded in ERS for us to determine the percentage of the GSA locality rate.

According to TVA's Travel Policy, "meals or lodging costs incurred while located within the boundaries of the employee's official station and its 50-mile radius, generally do not qualify as allowable travel expenses, unless for inclement weather or safety reasons. Such situations must be preauthorized by the organization's Officer and the Senior Manager of Disbursement Services, Corporate Accounting." None of the 42 instances received the required approvals prior to the stay. FTR §300-3.1 states an official station "may be a mileage radius around a particular point, a geographic boundary, or any other definite domain, provided no part of the area is more than 50 miles from where the employee regularly performs his or her duties or from an invitational traveler's home or regular place of business." There is no authority in the FTR for lodging for travel that is not considered to be away from an employee's official station. We requested TVA's General Counsel provide general information on the rationale and legal authority behind TVA paying for employees stays in lodging located within 50 miles of their official station at events such as Board committee meetings, employee off-sites, etc. TVA's General Counsel responded:

There are times where business or safety needs may require an employee to spend the night in the area of his or her official station. Examples may include: work that requires an employee to remain late into the night and return early the next day, making it unsafe for the employee to return home in between due to fatigue; emergency situations where TVA requires an employee to be present to perform work, but if the employee leaves the work site to go home, he or she may be unable to return due to weather conditions; or team building events where having employees remain together in one location furthers the goals to be achieved. In these situations, TVA may pay for the employee(s) in

question to stay overnight in the area of his or her official station, and the cost is treated as a business meeting expense, not travel. In these situations, it is preferred that TVA pay directly for the lodging for the impacted employees, although it is permissible for TVA to give the employees authority to pay for the lodging expenses themselves and categorize them as a business meeting expense.

TVA's General Counsel did not cite specific legal authority to support their position. Of these 42 transactions, only 1 provided documentation that identified a safety concern and none mentioned inclement weather. Also, when costs are entered as a business meeting, there are no identifying factors showing if the cost was associated with a restaurant, a hotel, or something else entirely. Characterization and documentation of these expenditures as anything other than travel is inherently confusing and may appear inconsistent with the FTR and TVA travel policies.

**Recommendation** – We recommend TVA's Vice President and Controller, Corporate Accounting:

11. Clarify legal authority for reimbursing lodging expenditures incurred within 50 miles of an employee's official duty station or halt this practice. If legal authority is clarified, develop guidance that includes specifying situations that would allow for a stay within 50 miles of the official duty station, what level of approval is required, and how those stays should be documented in ERS.

**TVA Management's Comments** – TVA management agreed with the recommendation to improve documentation in ERS and to clarify legal authority. TVA management also stated Disbursement Services will obtain a legal opinion from the Office of General Counsel to clarify the policies, and the policies will be updated as appropriate. The annual cardholder training will be updated to ensure these items are highlighted. See Appendix B for TVA management's complete response.

### **Failure to Obtain Preapproval for Lodging Stays Over 100 Percent of the GSA Locality Rate**

According to the TVA Travel Policy, lodging expenses are generally expected to not exceed 100 percent of the standard GSA lodging rate. Lodging expenses that exceed 100 percent but are less than 150 percent of the GSA rate require written preapproval stating the business justification. In unusual circumstances where the lodging rates exceed more than 150 percent of the GSA rate, written preapproval from the employee's organization Vice President that states the business justification must be obtained prior to travel. Additionally, lodging claims cannot exceed 300 percent of the GSA rate.

We selected a judgmental sample of 150 transactions from the \$747,132 coded as lodging for comparison to the applicable GSA locality rate. Table 4 below shows the results of our review.

<b>Domestic Lodging Transactions Tested</b>	
<b>Amount Over or Under Per Diem</b>	<b>Instances</b>
Over 300%	1
Between 250% and 300%	17
Between 200% and 250%	38
Between 150% and 200%	40
Between 100% and 150%	<u>31</u>
<b>Subtotal Over 100%</b>	<b>127</b>
100% or less of per diem	22
Business meeting misclassified as lodging	<u>1</u>
<b>Total</b>	<b>150</b>

Table 4

The 127 lodging transactions that exceeded 100 percent of the GSA locality rate totaled \$80,569. Table 5 shows the results of our review of these transactions for the required preapprovals.

<b>Approvals for Lodging Over 100 Percent of GSA Locality Rate</b>	
<b>Approval</b>	<b>Instances</b>
Not documented	66
Documented but approval occurred after travel	34
Documented and was obtained prior to travel	<u>27</u>
<b>Total</b>	<b>127</b>

Table 5

We found the former CEO provided “blanket” approvals for his direct reports and four other executives to go up to 150 percent of the GSA locality rate without requiring a business justification or individual preapproval. Title 41 CFR §301-70.201 of the FTR only discusses issuing a blanket authorization in the event of a Presidentially-Declared Disaster. In addition, TVA’s Travel Policy does not address blanket authorizations. We noted the former CEO’s blanket authorizations up to 150 percent would have applied in 6 of the 66 instances noted in Table 5; however, the blanket approvals were not documented in ERS.

We also reviewed the 127 records over 100 percent of the GSA locality rate to determine if a business justification for exceeding the rate was provided. The results are summarized in Table 6 below.

<b>Business Justification for Lodging Over 100 Percent of GSA Locality Rate</b>	
<b>Business Justification</b>	<b>Instances</b>
Was provided	50
Not provided when approval was requested	11
No request for approval	<u>66</u>
<b>Total</b>	<b>127</b>

**Table 6**

As stated above, in unusual circumstances where the lodging rates exceed more than 150 percent of the GSA rate, written preapproval from the employee's organization Vice President that states the business justification must be obtained prior to travel. For the 18 stays noted in Table 4 that ranged from 250 percent up to 308 percent of the applicable GSA locality rate, we found for 11 of the stays the executive did not obtain preapproval to exceed the GSA locality rate. TVA executives stated their business justification was the importance to stay at the location of the event or conference.

### **Lodging Costs Exceeding 300 Percent of Applicable Rate**

We found three instances where executives lodging expenses exceeded either 300 percent of the GSA locality rate or the foreign per diem rate set by the U.S. Department of State. TVA paid the costs although the FTR and TVA Travel Policy limit the payment for lodging costs to a maximum of 300 percent of the GSA locality rate or the foreign per diem rate set by the U.S. Department of State.

- Our judgmental sample identified one instance where lodging exceeded 300 percent of the GSA locality rate while an executive traveled within the continental U.S. The overpayment occurred because the executive referenced the wrong GSA locality rate when requesting expense reimbursement.
- We found one instance where lodging exceeded the 300 percent foreign per diem rate during a stay in Cambridge, Ontario. When we asked the former CEO why he had approved the reimbursement, he responded he understood the 300 percent limit but stated there are times when it is necessary to stay above that limit depending on the situation. (Note: the executive reimbursed TVA for the overage amount after being notified by us.)
- In a third instance, the former CEO booked lodging at 682 percent of the GSA locality rate in West Virginia and cancelled the stay to travel elsewhere, but TVA was still responsible for paying for that lodging.



**Recommendation** – We recommend TVA’s Vice President and Controller, Corporate Accounting:

12. Reinforce the requirement for obtaining preapproval for lodging stays exceeding 100 percent and the approving official’s responsibility to disallow any lodging reimbursement exceeding the GSA locality rate or the foreign per diem rate set by the U.S. Department of State without proper preapproval being documented.

**TVA Management’s Comments** – TVA management noted the Travel Policy allows for exceeding the 100 percent of GSA locality rate because GSA locality rates are set for a month at a time and hotels raise prices on specific dates when events such as conventions occur on specific dates. Additionally, TVA executives and staff attend industry meetings occasionally that would require stays at hotels above the GSA rate. These are the exception rather than the norm. TVA management also stated Disbursement Services will clarify the policy regarding the pre-approval and will review and update the annual cardholder training to highlight the policies. See Appendix B for TVA management’s complete response.

## **SOME EXECUTIVE TRAVEL COSTS WERE NOT REPORTED TO THE TVA BOARD**

The corporate card expenditures for the CEO and his direct reports are annually reported to the TVA Board. We found the former CEO’s administrative assistant’s charges were not included in the TVA Board report in fiscal year 2018 although all charges on the card were on behalf of the former CEO. We also found 62 instances totaling \$17,262 in charges made by TVA Police personnel and administrative assistants were primarily for the former CEO or his direct reports and were not included in the report to the TVA Board. Additionally, there were charges for car services used by the former CEO and his direct reports that were not placed on their charge cards and were not reported to the TVA Board. Finally, we noted TVA’s official travel agency did not arrange the air transportation for the foreign travel to Tokyo, Japan; Seoul, South Korea; Beijing, China; and Hong Kong, China, to Tokyo, Japan, for a TVA Investor Road Show,<sup>10</sup> which was also not in accordance with the Travel Policy. As a result, the information was not shown on the Board report.

**Recommendation** – We recommend TVA’s Vice President and Controller, Corporate Accounting:

13. Develop and implement a procedure to ensure all corporate card charges made on behalf of CEO and his direct reports are included in the annual CEO and Board of Directors Expense Review report.

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<sup>10</sup> The transportation was arranged by and paid for by Morgan Stanley. TVA reimbursed Morgan Stanley for the TVA executives’ flight costs.

**TVA Management's Comments** – TVA management stated they agreed with the recommendation and stated identified expenses associated with executive travel will be included in Board report. TVA management also stated periodic meetings will be held with administrative assistants to provide ongoing support to ensure that these items and other questions and emerging issues are handled in a timely and accurate manner. TVA staff will also include administrative assistant charges to the Board report to ensure all charges are reported. See Appendix B for TVA management's complete response.

## DOMESTIC AIRFARE

Executives spent approximately \$430,000 on airfare and related expenses (i.e., baggage and change fees) during the audit period. We tested 51 domestic airfare transactions totaling \$43,309 and found executives were generally complying with the FTR and Travel Policy. However, we noted an area where controls over airfare purchases could be improved.

Airfare booked through TVA's official travel contractor, World Travel, can be direct billed to TVA in some situations. While airfare purchased using the corporate card is automatically entered into ERS and tied to the purchasing employee, direct billed airfare is charged directly to TVA instead of flowing through ERS. Supervisors and managers are responsible for reviewing and approving expense vouchers in ERS, which includes verifying that expenses are reasonable and in agreement with the Travel Policy. However, since direct billed airfare is not entered into ERS and tied to employees, direct billed airfare is not reviewed or approved by supervisors or managers. As a result, TVA is at risk that airfare costs could be direct billed that are not in agreement with the Travel Policy and/or not associated with legitimate TVA business travel. Direct billed airfare expenses totaled approximately \$185,000 or 43 percent of all airfare expenses in our population.

**Recommendation** – We recommend TVA's Vice President and Controller, Corporate Accounting:

14. Implement a process to review direct billed airfare for accuracy and appropriateness.

**TVA Management's Comments** – TVA management stated TVA supervisors are provided budget details each month and are already able to see charges made by their employees, including these charges. This recommendation will enhance the current process. TVA management also stated Disbursement Services will investigate options for direct-billed airfare to be reviewed by approving managers or other designated personnel. See Appendix B for TVA management's complete response.

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

The objective of the audit was to determine if executive travel expenses comply with Federal Travel Regulations (FTR) and Tennessee Valley Authority's (TVA) policies and procedures. The audit scope included TVA executive<sup>1</sup> travel occurring from October 1, 2016, through July 31, 2018. To achieve our objective, we:

- Reviewed the FTR and TVA's Standard Programs and Processes (SPP), TVA-SPP-13.022, *Travel*,<sup>2</sup> to identify key requirements applicable to executive travel.
- Obtained Expense Reimbursement System (ERS) data for the audit period and performed data analysis to assess the reliability of the data.
- Obtained an understanding of internal controls associated with travel expenditures and corporate card charges. We identified the main internal control is management review and approval of expenses and designed our testing to ensure we tested this control.
- Performed data analysis to identify instances where executive travel expenses may not have complied with the FTR or TVA Travel Policy.
- Selected judgmental samples and reviewed supporting documentation to test compliance with key requirements of the Travel Policy. Because these were judgmental samples, the results of the samples cannot be projected to the population. We:
  - Reviewed all foreign travel expenditures consisting of 17 trips made by 10 executives totaling \$121,247 to determine if they complied with authorization and documentation requirements.
  - Selected 150 transactions totaling \$92,671 coded as lodging, from the population of 3,398 transactions that (1) appeared to exceed 150 percent of the General Services Administration (GSA) locality rate and (2) had known data errors such as incorrect number of travel days or incorrect GSA rates.<sup>3</sup>
  - Selected 51 transactions totaling \$43,309 from 1,232 airfare expenses in data received from World Travel and data contained in ERS. Transactions were selected based on (1) highest cost airfare which could indicate other than coach class travel and (2) amounts/dates of other transactions which could indicate excess baggage fees or seat upgrades.

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<sup>1</sup> Executives were identified according to the job family listed in TVA's Human Resources system, People Lifecycle Unified System. For this audit we selected all employees with the code "EXE".

<sup>2</sup> TVA-SPP-13.002, *Travel*, is referred to as the Travel Policy throughout this report.

<sup>3</sup> Neither the corporate card data from TVA's credit card provider nor data entered into ERS by TVA employees separates charges for lodging out into the component amounts (room rate, tax, parking, etc.) but only provides a lump sum charged by the lodging vendor on a daily basis. As a result, we were unable to test 100 percent of lodging transactions for compliance with GSA locality rates. To test transactions related to lodging costs we performed data analysis, selected judgmental samples based on that analysis, and reviewed supporting documentation for selected transactions.

- Reviewed all 27 out of pocket transactions over \$75 coded as rental vehicles, taxi/parking fees/tolls, and other transportation, totaling \$3,818. Additionally, we selected 158 travel transactions, totaling \$59,009, from the population of 2,199 transactions coded in the same categories. We selected these transactions for review in the following ways, after removing transactions under \$75:
  - Rental Vehicles – Reviewed 40 transactions after determining the average cost of the rental per day and reviewing only those over \$60.
  - Taxi/parking fees/tolls – Reviewed 14 transactions after removing those under \$100 that appeared to be airport transportation or taxi service.
  - Other transportation – Reviewed 104 transactions after removing those under \$100 that appeared to be airport transportation or taxi service.
- Reviewed all 113 transactions over \$75 made by both administrative and TVA Police personnel, totaling \$25,875, coded as rental vehicles, taxi/parking fees/tolls, and other transportation.
- Selected 61 transactions totaling \$61,762 from 812 hospitality and business meetings occurring on a day where travel expenses were also noted to determine if meals and incidentals expense per diem was appropriately reduced. Ten of these transactions were for a single day of travel where no per diem was applicable. Therefore, we only tested 51 of the transactions for per diem reduction. The 61 transactions were selected based on transaction amount, the frequency of business meeting and hospitality expenses occurring while on travel status by executive, and the appearance there may have been a higher ranking official in attendance that should have placed the charge on their corporate card.
- Selected 23 transactions totaling \$6,749 for travel expenses over \$75 that appeared not to be accompanied by a receipt in ERS.
- Selected 10 transactions totaling \$7,378 for corporate card transactions not tied to travel vouchers for approval in ERS.
- Reviewed all 161 instances identified as potential lodging within 50 miles of an employee's official station, totaling \$187,996.
- Selected 141 transactions totaling \$23,259 that indicated the corporate card may not have been used as required or for appropriate travel expenses. Transactions were selected based on (1) instances where the vendor merchant code indicated a type of transaction prohibited as a travel expense, and (2) out of pocket reimbursements for travel expenses that are required to be made using the corporate card.
- Reviewed all 53 transactions indicating the travel expense preparer and approver were the same person totaling \$7,618.
- Reviewed all 393 transactions where the approver was someone other than the employee's immediate supervisor or delegate totaling \$103,654.
- Reviewed miscellaneous vouchers and convenience checks that appeared to be lodging based on vendor name and remittance comments.

- Interviewed executives and reviewed supporting documentation for executive travel expenses to determine compliance with FTR and the Travel Policy.
- Reviewed documentation of required reports (e.g., Board presentation of Chief Executive Officer and Direct Reports Expense Review, GSA Premium-Class Travel Report, GSA Travel Reporting Information Profile Report).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that 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.

September 6, 2019

David P. Wheeler, WT 2C-K

RESPONSE TO REQUEST FOR COMMENTS - DRAFT AUDIT 2018-15573 - EXECUTIVE TRAVEL

Our response to your request for comments regarding the subject draft report is attached. Please let me know if your staff has any concerns with TVA's comments.

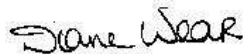
TVA takes very seriously its commitment to be good stewards of the resources we are given. As such, TVA appreciates the Office of Inspector General helping us identify areas where we can improve our processes, procedures and training. We are committed to a culture of continuous improvement at TVA and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

- Documentation and approval surrounding travel expenditures
- Clarification of policies and expected procedures
- Training around the specific expectations regarding the policies and procedures

In addition, TVA is performing an extensive review of all travel, hospitality, business meetings, and employee recognition to identify if there are any additional issues. Further, we will add an audit function to insure compliance with these policies and procedures. We will also be pursuing a new expense reimbursement system to provide better reporting and controls.

We would like to thank Maria Edwards, Jennifer Bogus, Stephanie Simmons, and you for the professionalism and cooperation in conducting this audit. If you have any questions please contact me at (865) 632-2075.



Diane Wear  
Vice President & Controller  
Financial Services  
WT4B-K

DTW:STB  
Attachment  
cc (Attachment):

Clifford L. Beach Jr., WT7B-K  
Robertson Dickens, WT 9C-K  
Janet D. Jones, WT 4A-K  
Jeffrey J. Lyash, WT 7B-K  
Sherry A. Quirk, WT 7C-K  
John M. Thomas III, MR 8D-C  
OIG File No. 2018-15573

OIG RECOMMENDATION(S)	TVA ACTIONS	TVA COMMENTS
(1) TVA's Vice President and Controller, Corporate Accounting should reinforce to TVA's executives the requirements (a) to reduce M&IE per diem when meals are provided by TVA or any outside entity and (b) for approving officials to be familiar with the employee's travel assignment and responsibility to deny approval of expenses not in compliance with the Travel Policy.	Disbursement Services will reinforce these requirements and responsibilities listed to TVA executives and their administrative assistants. Periodic meetings will be held with administrative assistants to provide ongoing support to ensure that these items and other questions and emerging issues are handled in a timely and accurate manner. Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted.	Vice President and Controller, Corporate Accounting agrees with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants.
(2) TVA's Vice President and Controller, Corporate Accounting should reinforce to TVA's executives the requirement that all employees are responsible for planning a business meeting or hospitality activity to ensure (1) the business need is justified, (2) the expense is reasonable, proper, and efficient use of TVA resources, and (3) the cost is appropriate to the occasion or circumstance.	Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted.	
(3) TVA's Vice President and Controller, Corporate Accounting should reinforce to TVA's executives approving officials have the responsibility to deny approval for any expenses that are not reimbursable in accordance with TVA-SPP-13.063 <i>Business Meetings and Hospitality</i> , including any activity which, due to its nature, location, timing, participants, expense or other factors, would likely be perceived by a reasonable member of the public as an improper or inefficient use of TVA resources.	Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted.	
(4) TVA's Vice President and Controller, Corporate Accounting should reinforce to TVA's executives the requirements that (a) itemized	Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted.	Vice President and Controller, Corporate Accounting agrees with the recommendation and will reinforce these requirements and responsibilities to TVA.

receipts be uploaded in ERS for business meeting and hospitality expenses of \$75, and (B) approving officials are attached to the expense voucher.		executives and their administrative assistants.
(5) TVA's Vice President and Controller, Corporate Accounting should reinforce to TVA's executives the requirement that charges for business meeting and hospitality events be placed on the highest-ranking officials' card.	Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted.	Vice President and Controller, Corporate Accounting agrees with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants.
(6) TVA's Vice President and Controller, Corporate Accounting should reinforce to TVA's executives the supervisor/manager reviewing and authorizing expense on behalf of TVA assumes joint responsibility with the initiating employee for the integrity and validity of the expense.	Annual cardholder training will be reviewed and updated as appropriate to ensure these items are highlighted.	TVA agrees with the recommendation. This wording is in the current Travel Policy.
(7) Clarify in the Travel Policy that employees are to use methods of transportation identified in the FTR unless cost savings or an exceptional business justification can be identified, documented, and approved prior to travel. If TVA decides car services are an acceptable form of transportation instead of other modes of ground transportation, the Travel Policy should be revised to provide guidance on the use of the services.	Disbursement Services will perform benchmark analysis and clarify guidance in the Travel Policy for the methods of transportation allowable and guidelines to consider when selecting the mode of transportation, as appropriate.	
(8) Incorporate guidance into TVA's Travel Policy for when OTC flights are to be used and document retention requirements for authorization of OTC such as medical needs and travel exceeding 14 hours.	Disbursement Services will clarify the guidance in the Travel Policy and reinforce the rules to the travel agency vendor for advisement when such travel is booked. Periodic meetings will be held with administrative assistants to provide ongoing support to ensure that these items and other questions and emerging issues are handled in a timely and accurate manner.	The instances identified were due to lack of awareness of the specific requirements surrounding the 14-hour rule by the travel agency staff and the executives. The instances related to medical needs appear proper. TVA agrees with the recommendation for better recordkeeping and adherence to the 14-hour rule.
(9) Reinforce the requirements that TVA Form 11605A (a) be	Disbursement Services will reinforce these requirements	The two-week advance notice in the policy is for when a special



<p>completed at least two weeks in advance of foreign travel, and (b) loaded into ERS.</p>	<p>and responsibilities listed to TVA executives and their administrative assistants. Periodic meetings will be held with administrative assistants to provide ongoing support to ensure that these items and other questions and emerging issues are handled in a timely and accurate manner.</p>	<p>passport or visa is required. In the circumstances noted, such passports or visas were not required. TVA agrees the forms should be loaded into ERS.</p>
<p>(10) Incorporate guidance into TVA's Travel Policy that sufficient detail is included in Form 11605A to determine which travel days are business-related versus personal, when applicable.</p>	<p>Disbursement Services will reinforce this requirement as a note of emphasis in the policy document.</p>	<p>Vice President and Controller, Corporate Accounting agrees with the recommendation and will reinforce these requirements and responsibilities to TVA executives and their administrative assistants.</p>
<p>(11) Clarify legal authority for reimbursing lodging expenditures incurred within 50 miles of an employee's official duty station or halt this practice. If legal authority is clarified, develop guidance that includes specifying situations that would allow for a stay within 50 miles of the official duty station, what level of approval is required, and how those stays should be documented in ERS.</p>	<p>Disbursement Services will obtain a legal opinion from the Office of General Counsel to clarify the policies. The policies will be updated as appropriate. The annual cardholder training will be updated to ensure these items are highlighted.</p>	<p>TVA agrees with the recommendation to improve documentation in ERS and to clarify legal authority.</p>
<p>(12) Reinforce the requirement of obtaining preapproval for lodging stays exceeding 100 percent and the approving officials responsibility to disallow any lodging reimbursement exceeding the GSA locality rate or the foreign per diem rate set by the U.S. Department of State without proper preapproval being documented.</p>	<p>Disbursement Services will clarify the policy regarding the pre-approval. Disbursement Services will review and update the annual cardholder training to highlight the policies.</p>	<p>TVA notes the Travel Policy allows for exceeding the 100% of GSA locality rate because GSA locality rates are set for a month at a time and hotels raise prices on specific dates when events such as conventions occur on specific dates. Additionally, TVA executives and staff attend industry meetings occasionally that would require stays at hotels above the GSA rate. These are the exception rather than the norm.</p>
<p>(13) Develop and implement a procedure to ensure all corporate card charges made on behalf of CEO and his direct reports are included in the annual CEO and Board of Directors Expense Review Report.</p>	<p>Periodic meetings will be held with administrative assistants to provide ongoing support to ensure that these items and other questions and emerging issues are handled in a timely and accurate manner. TVA staff will also include administrative</p>	<p>Vice President and Controller, Corporate Accounting agrees with the recommendation. Identified expenses associated with executive travel will be included in Board report.</p>

	assistant charges to the Board report to ensure all charges are reported.	
(14) Implement a process to review direct-billed airfare for accuracy and appropriateness.	Disbursement Services will investigate options for direct-billed airfare to be reviewed by approving managers or other designated personnel.	TVA supervisors are provided budget details each month and are already able to see charges made by their employees, including these charges. This recommendation will enhance the current process.