



Memorandum from the Office of the Inspector General

March 30, 2017

Laura A. Green, BR 5A-C
Diane T. Wear, WT 4B-K

**REQUEST FOR MANAGEMENT DECISION – AUDIT 2016-15424 – TAX PAYMENTS
MADE ON TVA'S CREDIT CARDS**

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.

If you have any questions or wish to discuss our findings, 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.

David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)
ET 3C-K

MVE:BSC
Attachment
cc (Attachment):

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OIG File No. 2016-15424



Office of the Inspector General

Audit Report

To the Vice President, Supply
Chain, and to the Vice President
and Controller, Corporate
Accounting

TAX PAYMENTS MADE ON TVA'S CREDIT CARDS

Audit Team
Maria V. Edwards
Michael C. Cook
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Audit 2016-15424
March 30, 2017

ABBREVIATIONS

CBA	Centrally Billed Account
Comdata	Comdata Network, Inc.
ERS	Expense Reimbursement System
GSA	General Services Administration
IBA	Individually Billed Account
MCC	Merchant Category Code
OMB	Office of Management and Budget
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority

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Audit 2016-15424 – Tax Payments Made on TVA’s Credit Cards

EXECUTIVE SUMMARY

Why the OIG Did This Audit

We scheduled an audit of tax payments made on the Tennessee Valley Authority’s (TVA) credit card transactions after a recent audit of TVA Corporate Cardsⁱ noted TVA was paying taxes on transactions that should be tax exempt. Our audit scope was TVA corporate card transactions from October 1, 2013, through June 30, 2016, totaling \$45,190,937. Our audit objective was to determine the effectiveness of the processes TVA has in place for tax-exempt credit card transactions.

What the OIG Found

We found the processes TVA has in place for tax-exempt corporate card transactions are not effective. Specifically, we identified (1) an estimated \$2.48 million of taxes TVA paid on tax-exempt transactions; (2) tax information provided by TVA’s credit card supplier, Comdata Network, Inc. (Comdata), was inaccurate; and (3) transactions were approved in TVA’s Expense Reimbursement System without adequate support.

What the OIG Recommends

We recommend TVA’s Vice President and Controller, Corporate Accounting, take the following actions:

1. Where TVA’s tax-exempt status is not recognized at the point of sale, work with Comdata, charge card merchants, and state or local authorities to (a) obtain refunds for taxes previously paid on tax-exempt transactions and (b) recoup tax payments on an ongoing basis.
2. Work with Comdata to obtain detailed card transaction data that accurately documents the amount of taxes paid on the TVA corporate card and/or modify the Expense Reimbursement System to enable employees to record taxes charged on corporate card transactions.
3. Reinforce the requirement for detailed receipts with both cardholders and approving officials in the annual refresher training recommended in Audit Report 2014-15228.

ⁱ Audit Report 2014-15228, TVA Corporate Card, December 10, 2015.



Audit 2016-15424 – Tax Payments Made on TVA’s Credit Cards

EXECUTIVE SUMMARY

TVA Management’s Comments

In response to our draft report, TVA management agreed to take actions to address two of our recommendations. TVA management stated Corporate Accounting will be conducting a pilot to determine if the investment of resources needed to identify and obtain refunds for taxes previously paid exceeds the potential recovery. The results of the pilot will be reviewed to determine the return on investment and next steps by no later than September 29, 2017. TVA management also agreed to incorporate receipt requirements in the corporate card training all cardholders and approving officials (and delegates) will be required to complete this calendar year.

TVA management did not provide any planned actions to address the lack of accurate data from Comdata for taxes paid on corporate card transactions. TVA management stated not all merchants provide level 2 or 3ⁱⁱ data to credit card providers. TVA management also stated Corporate Accounting is reviewing best practices and will continue to evaluate its processes for managing taxes paid on the corporate card. See Appendix B for TVA management’s complete response.

Auditor’s Response

We concur with TVA management’s planned action to incorporate receipt requirements in the new corporate card annual training. If TVA can obtain accurate data for taxes paid on corporate card transactions from Comdata, we concur with TVA management’s plan to conduct a pilot to determine if the investment of resources exceeds the potential recovery.

While we agree not all merchants provide level 2 or 3 data to credit card providers, many merchants paid with the Comdata corporate card do provide level 2 data (which includes taxes) or level 3 data. However, 98 percent of the tax amounts in the Comdata files did not agree with the tax amounts paid by TVA. Accordingly, TVA management should work with Comdata to ensure accurate level 2 or 3 data is provided that shows taxes paid on corporate card transactions.

ⁱⁱ Level 3 data is the highest of the three levels of data capture defined by Visa and MasterCard for credit card transactions and incorporates item-by-item descriptions of each component of the purchase. Level 1 data is a traditional credit card transaction, usually including either address verification information or card swipe data. Level 2 data adds a few additional elements to the data that is captured as part of a Level 1 transaction (usually tax information and an invoice number).

BACKGROUND

We scheduled an audit of tax payments made on the Tennessee Valley Authority's (TVA) credit card transactions after a recent audit of TVA Corporate Cards¹ noted TVA was paying taxes on transactions that should be tax exempt. States are not allowed to tax the federal government under the Supremacy Clause of the Constitution (and under the TVA Act); however, states and local taxing authorities are allowed to tax federal employees in certain circumstances. According to the General Services Administration (GSA), the difference is who bears the burden of paying the tax. If the responsibility to pay the bill is on the federal government through a Centrally Billed Account (CBA) card, there should ultimately be no tax on the transaction. If the federal employee is responsible for the payment by using an Individually Billed Account (IBA) travel card, then taxes are not exempt in all states. This is true even if the government subsequently reimburses the employee.

The TVA corporate card is a CBA card where the responsibility of payment rests directly on TVA and not the employee. Therefore, TVA is exempt from state and local taxes when the related transaction is paid for with the corporate card. State and local governments generally do not require vendors to ascertain which transactions are tax exempt. Thus, the vendor can collect the tax, even though the federal government is not liable, and the federal government can then seek a refund from the state or local government.

On October 1, 2013, TVA transitioned from having separate credit cards (i.e., IBA cards) for business expenses related to fuel and other travel expenses to having one corporate credit card (i.e., CBA cards) for official travel-related business expenses other than meals and incidentals. TVA planned to implement a new application, iExpense, which would have replaced the Expense Reimbursement System (ERS). However, the implementation was canceled, and ERS was modified to accommodate processing corporate card purchases and reallocating those expenses to correct accounts for financial reporting.

The new corporate card replaced the Travel Card, Comdata Fuel Card, and Gold Card that was used by executives, but ERS is still used to (1) process employee reimbursements and (2) allow for maintenance and approval of corporate card transactions. The existing ERS was "enhanced to allow employees the ability to manage credit card charges as well as out-of-pocket expenses." According to the Funding Project Justification for iExpense, TVA "launched the Corporate Credit Card initiative to replace all TVA issued credit cards with one card in order to maximize the rebates TVA receives on card purchases." The justification stated the increase in annual rebates was projected to be \$124,650 based on eligible purchases of \$19.3 million. Another benefit to justify the new card was: "The current Travel card used to pay for lodging on TVA travel is not capable of removing lodging tax payments. The new Travel Card will remove the lodging tax." The project justification stated TVA's fiscal year 2012 lodging tax payments were \$611,000.

¹ Audit Report 2014-15228, TVA Corporate Card, December 10, 2015.

The corporate cards are issued by Comdata Network, Inc. (Comdata) as provided for under Contract No. 7350. The contract states that Comdata will provide TVA (1) a monthly incentive (rebate) based on each month's spend volume on eligible purchases and (2) level three data² when available from the merchant. During our audit period, October 1, 2013, through June 30, 2016, TVA received a 1.35 percent rebate totaling \$1,033,078 on eligible purchases, according to TVA Corporate Accounting personnel. In addition, although the Funding Project Justification stated the new Travel Card will remove the lodging tax, Comdata is not removing taxes on lodging and is not contractually required to do so.

TVA's policies and employee guidance put the burden of removing or recovering taxes paid on the employee. For example, TVA's Standard Programs and Processes (SPP) 13.022, Travel, states, "TVA employees are responsible for requesting that the state sales tax not be included in the rates for lodging, airfare, and rental cars." TVA-SPP-13.063, Business Meetings and Hospitality, states the "cardholder must work directly with the vendor to resolve any billing discrepancies, such as overbilling or taxes charged. If it is determined that the vendor overcharged TVA, the employee must request a credit to be posted to his/her corporate card." In response to Audit Report 2014-15228, TVA has added additional tax-exempt guidance in the ERS system that includes a "Tax Exemption Information and Best Practices" document that also states "billing discrepancies (i.e., taxes) are managed by the cardholder requesting a credit from the vendor."

As part of Audit 2014-15228, we obtained a letter from the State of Tennessee's Department of Revenue that was sent to TVA in response to whether TVA's corporate card qualifies for state tax exemption. The letter states that because TVA is a federal entity and TVA's card is billed directly to the organization, all charges on the corporate card are exempt from state tax. The letter also states "to perfect such exempt purchases, the purchaser must provide a copy of the entity's Tennessee sales tax Government Certificate of Exemption properly completed and make payment of the purchase with payment that is made directly by TVA." TVA provides this Tennessee tax-exemption form and other state tax-exemption letters and certificates to employees on the ERS Online Help intranet page.

OBJECTIVE, SCOPE, AND METHODOLOGY

We scheduled an audit of tax payments made on TVA's credit card transactions after a recent audit of TVA Corporate Cards noted TVA was paying taxes on transactions that should be tax exempt. Our audit objective was to determine the effectiveness of the processes TVA has in place for tax-exempt credit card transactions. A complete discussion of our audit objective, scope, and methodology is included in Appendix A.

² Level 3 data is the highest of the three levels of data capture defined by Visa and MasterCard for credit card transactions and incorporates item-by-item descriptions of each component of the purchase. Level 1 data is a traditional credit card transaction, usually including either address verification information or card swipe data. Level 2 data adds a few additional elements to the data that is captured as part of a Level 1 transaction (usually tax information and an invoice number).

FINDINGS

We found the processes TVA has in place for tax-exempt credit card transactions are not effective. As discussed below, we identified (1) an estimated \$2.48 million of taxes TVA paid on tax-exempt transactions; (2) tax information provided by TVA's credit card supplier, Comdata, was inaccurate; and (3) transactions were approved in ERS without adequate support.

TAXES PAID ON EXEMPT TRANSACTIONS

TVA paid an estimated \$2,484,620 in taxes on tax-exempt credit card transactions, which included an estimated \$2,483,080 found in our statistical sample and \$1,540 found in our judgmental sample.

- **Statistical Sample** – We selected a statistical random sample of 237 transactions from our population of 198,061 transactions for testing using random sampling with a 95-percent confidence level. For each of the 237 transactions, we attempted to obtain the corresponding supporting documentation in ERS or contact employees when receipts could not be located in ERS. We then noted if any taxes were paid according to the support obtained. We found:
 - For 137 transactions, TVA paid \$3,324 in taxes.
 - For 28 transactions, we were unable to determine if taxes were paid because (1) no line-item detail was shown on the supporting documentation or (2) supporting documentation could not be located.
 - For 72 transactions, tax was not paid.

We determined 153 of the 237 transactions occurred at lodging facilities (65 percent), which included \$3,105 of the \$3,324 in taxes paid in the sample items (93 percent). Based on the sample results, we estimated TVA paid \$2,483,080 in taxes for our population of \$44,313,556.

- **Judgmental Sample** – We judgmentally selected all transactions greater than \$20,000 for testing, which resulted in 29 transactions totaling \$877,381. We found:
 - For 2 transactions, TVA paid \$1,540 in taxes.
 - For 7 transactions, we were unable to determine if taxes were paid because no line-item detail was shown on the supporting documentation.
 - For 20 transactions, tax was not paid.

Since this was a judgmental sample, the results of this sample cannot be projected to the population.

According to Office of Management and Budget (OMB) Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*:

Federal Government transactions, for which any of the government charge cards are used, are exempt from State and local taxes. The agency should work with the charge card vendor cooperatively to ensure that merchants and States do not tax these transactions. Agencies must be prepared to provide vendors with proof of tax exempt status via their agency's Tax Identification Number. In instances where the tax-exempt status is not recognized at the point of sale, agencies should work with their charge card merchants and State or local authorities to accomplish tax recovery. Agencies have historically experienced difficulty getting certain vendors and States to recognize tax exemption on Federal charge card transactions and subsequent attempts to recover incorrectly assessed taxes is proven complicated and time-consuming. Nonetheless, agencies are required to make good-faith attempts to accomplish these actions.

While TVA may be legally exempt from being required to comply with OMB Circular A-123, these requirements are still considered best practice for federal agencies and would be in the best interest of the TVA ratepayer.

INACCURATE TAX DATA PROVIDED BY COMDATA

As stated above, we were able to verify whether taxes were paid for 209 of the 237 randomly sampled transactions through review of supporting documentation in either ERS tables or supplied by the cardholder. We obtained tax amounts shown in Comdata's files for the 209 transactions and compared the amounts with the actual taxes TVA paid. We found 98 percent of the tax amounts in the Comdata files did not agree with the tax amounts paid by TVA.

Prior to implementation of the current corporate card, ERS included a field for employees to input actual taxes paid on transactions; however, this field was removed when the corporate cards went into effect. Because of this, TVA is not able to accurately quantify and track the total amount of taxes paid with data provided by Comdata or in the ERS system. Without accurate data, TVA cannot accomplish tax recovery efforts with charge card merchants and state and local taxing authorities.

APPROVED TRANSACTIONS WITHOUT ADEQUATE SUPPORT

We were unable to determine if taxes were paid for 35 of the 266 total transactions tested (237 randomly sampled transactions plus 29 judgmentally selected transactions), because the supporting documentation either did not contain enough detail, could not be located, or was not required. We were unable to obtain any corresponding documentation for 11 transactions totaling

\$569, of which 5 were under \$35. For the remaining 24 transactions totaling \$246,247, the supporting documentation did not include enough details to determine if taxes were paid.

According to TVA-SPP-13.022 that was in effect during our audit scope:³

Employees are responsible for maintaining all receipts for individual expenses greater than \$35 and supporting documentation for six years and three months. The expense reimbursement system provides ability for the employee to electronically store receipts and supporting documentation. Electronically stored copy is required to be legible to meet the document retention requirement.

TVA-SPP-13.022 also stated, “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” and is responsible for verifying expenses are in agreement with the SPP and that receipts are provided with the expense vouchers. The approving official would not be able to ensure taxes were not charged without a receipt containing the full details of the transaction.

RECOMMENDATIONS

We recommend TVA’s Vice President and Controller, Corporate Accounting, take the following actions:

1. Where TVA’s tax-exempt status is not recognized at the point of sale, work with Comdata, charge card merchants, and state or local authorities to
 - (a) obtain refunds for taxes previously paid on tax-exempt transactions and
 - (b) recoup tax payments on an ongoing basis.

TVA Management’s Comments – TVA management stated Corporate Accounting will be conducting a pilot to determine if the investment of resources needed to complete these actions exceeds the potential recovery. The results of the pilot will be reviewed to determine the return on investment and next steps by no later than September 29, 2017. In addition, Corporate Accounting will continue to work with charge card merchants and local authorities to communicate TVA’s tax-exempt status.

TVA management also stated that GSA conducted a tax recovery pilot during 2013 and found significant effort was required for very little recovery. GSA noted it was more efficient to educate cardholders than to reclaim taxes. See Appendix B for TVA management’s complete response.

³ After our audit scope (October 1, 2013, through June 30, 2016) on October 1, 2016, TVA-SPP-13.022 was revised to increase the requirement for maintenance of receipts to say, “Employees are responsible for maintaining all receipts for individual expenses over \$75 per the Federal Travel Regulations §301-11.25, and other supporting documentation for six years.”

Auditor's Response – We concur with TVA management's plan to conduct a pilot to determine if the investment of resources exceeds the potential recovery if the pilot is performed after obtaining accurate data on taxes paid from Comdata. The GSA pilot information TVA management provided indicated GSA had launched its own communications campaign to provide a unified message about state tax requirements, leading practices, and lessons learned. We suggest TVA management implement a communications campaign similar to the efforts GSA launched. We noted that none of the GSA documentation provided by TVA or that we identified indicated that federal agencies should not continue to make good faith attempts to accomplish tax recovery.

2. Work with Comdata to obtain detailed card transaction data that accurately documents the amount of taxes paid on the TVA corporate card and/or modify ERS to enable employees to record taxes charged on corporate card transactions.

TVA Management's Comments – TVA management stated not all merchants provide level 2 or 3 data to credit card providers. Credit card providers such as Comdata can only pass information that is transmitted from the merchant. TVA management also stated ERS can be modified to enable employees to record taxes paid; however, this information could not be used to recoup tax payments. The process of identifying taxes would remain entirely manual and would require review of all receipts in order to accurately identify and support taxes paid when soliciting a refund from the respective state or merchant. Corporate Accounting is reviewing best practices and will continue to evaluate its processes for managing taxes paid on the corporate card. See Appendix B for TVA management's complete response.

Auditor's Response – While we agree not all merchants provide level 2 or 3 data to credit card providers, many merchants paid with the Comdata corporate card do provide level 2 data (which includes taxes) or level 3 data. However, as stated previously in the report, 98 percent of the tax amounts in the Comdata files did not agree with the tax amounts paid by TVA. Accordingly, TVA management should work with Comdata to ensure accurate level 2 or 3 data is provided that shows taxes paid on corporate card transactions.

3. Reinforce the requirement for detailed receipts with both cardholders and approving officials in the annual refresher training recommended in Audit Report 2014-15228.

TVA Management's Comments – TVA management stated the required annual training will be available on March 31, 2017, and all cardholders and approving officials (and delegates) will be required to complete the training this calendar year. Receipt requirements will be covered in the training. See Appendix B for TVA management's complete response.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine the effectiveness of the processes the Tennessee Valley Authority (TVA) has in place for tax-exempt credit card transactions. Our audit scope included corporate card transactions between October 1, 2013, and June 30, 2016. During the period, TVA corporate card transactions totaled \$82,589,433. We grouped the transactions by Merchant Category Codes (MCC) and reviewed each MCC for taxability. We limited the scope of our audit by removing transactions we deemed not representative of actual transactions (such as credits and rebates), as well as transactions associated with the following from our population:

- Airlines – Taxes on airfare are imposed by the federal government. Thus, the Supremacy Clause of the Constitution does not apply.
- Transactions where TVA was charged a flat fee or rate rather than a rate plus tax.
- Fuel – Taxes on fuel transactions vary by state. Depending on the taxation scheme adopted by a state, the burden of a fuel tax may fall on fuel distributors, fuel retailers, or the government. Upon whom the tax burden falls affects whether the federal government is liable for the tax or if they are merely reimbursing an entity in the supply chain that paid the tax.

After removing these transactions, our audit scope was 198,061 transactions totaling \$45,190,937 which we categorized into (1) lodging, (2) food/business/hospitality, and (3) other (see Table 1).

Credit Card Transaction Categories			
MCCs	Total of Transactions	Number of Transactions	Percentage of Total
Lodging	\$30,124,957	124,696	66.66%
Food/Business/Hospitality	8,266,677	36,594	18.29%
Other	<u>6,799,303</u>	<u>36,771</u>	<u>15.05%</u>
Total	\$45,190,937	198,061	100.00%

Table 1

Seven state taxing authorities accounted for at least \$1 million in transactions, and those seven state taxing authorities accounted for almost 82 percent of the \$45.2 million (see Table 2 on the following page).

State Taxing Authorities With Over \$1 Million in Transactions			
State	Total of Transactions	Number of Transactions	Percentage of Total
Tennessee	\$23,644,344	115,966	52.32%
Alabama	5,746,123	24,820	12.72%
Kentucky	2,124,466	10,529	4.70%
Mississippi	1,912,287	10,225	4.23%
Georgia	1,410,235	4,971	3.12%
Florida	1,146,431	2,843	2.54%
California	<u>1,006,296</u>	<u>5,056</u>	<u>2.23%</u>
Total	\$36,990,182	174,410	81.86%

Table 2

To achieve our objective, we:

- Reviewed state and federal tax-exemption rules and regulations and consulted the Office of the Inspector General's Legal Counsel to determine which were applicable to TVA.
- Reviewed TVA policies for administering, using, and monitoring its corporate card program for tax-exempt transactions along with any other applicable information.
- Reviewed Contract No. 7350 and related supplements to determine corporate card transaction data Comdata Network, Inc. (Comdata) was required to provide TVA.
- Obtained corporate card data for the audit period from the Expense Reimbursement System.
- Verified the reliability (completeness and accuracy) of the Expense Reimbursement System's data by comparing 9 months of transaction data to source data obtained from Comdata's website. We found a difference of 0.057 percent that we determined was inconsequential.
- Selected a judgmental sample of all corporate card transactions over \$20,000 totaling \$877,381 and obtained and reviewed available supporting documentation for each transaction, as applicable. Since this was a judgmental sample, the results of the sample cannot be projected to the population.
- Selected a random sample of 237 transactions (using a 95-percent confidence level, a precision of 5 percent, and an expected error rate of 2.5 percent) totaling \$59,323 and obtained and reviewed available supporting documentation for each transaction, as applicable. Since this was a statistical sample, the results of the sample can be projected to the population.
- Obtained Comdata files and compared tax amounts shown in the files to any taxes TVA paid on the 237 randomly sampled transactions.
- Obtained actual Comdata monthly incentive (rebate) amounts paid to TVA for the audit period.

We did not identify internal controls significant to our audit objective; therefore, internal controls were not tested as part of this audit. 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.

March 22, 2017

David P. Wheeler, ET 3C-K

RESPONSE TO REQUEST FOR COMMENTS – DRAFT AUDIT 2016-15424 – TAX PAYMENTS MADE ON TVA'S CREDIT CARDS

Reference: Memorandum from you to Laura A. Green and Diane Wear dated February 22, 2017

This is in response to your February 22, 2017, draft audit report on Tax Payments Made on TVA's Credit Cards. Corporate Accounting has reviewed your draft audit findings. The specific measures taken/to be taken in response to the three recommendations are summarized below.

Audit Report Recommendations:

OIG recommends Corporate Accounting take the following actions:

1. Where TVA's tax-exempt status is not recognized at the point of sale, work with Comdata, charge card merchants, and state or local authorities to (a) obtain refunds for taxes previously paid on tax-exempt transactions and (b) recoup tax payments on an ongoing basis.

Response: The General Services Administration (GSA) conducted a tax recovery pilot during 2013 and found significant administrative effort was required for very little recovery. GSA reported that the types of taxes that were exempt and the reclamation process varied by state, municipality, and merchant, and that in some cases, recovery must be sought from the merchant rather than the state. GSA also noted that recovery amounts were minimal and that it was more efficient to educate cardholders than to reclaim taxes. In addition, GSA found that even when GSA cards are used, merchants may not recognize the tax-exempt status of the card.

Corporate Accounting has explored the recommendation and will be conducting a pilot to determine if the investment of resources needed to complete these actions exceeds the potential recovery. Obtaining refunds for taxes previously paid requires information that is not consistently available. The process of identifying refundable taxes will be entirely manual, requiring review of all previous receipts and all receipts going forward in order to accurately identify taxes paid. The pilot will be conducted over a three-month period. The results of the pilot will be reviewed to determine the return on investment and next steps by no later than September 29, 2017.

Corporate Accounting has worked with the departments of revenue from the states of Alabama, Tennessee, Georgia, Kentucky, and Maryland, and various merchants throughout the Tennessee Valley to obtain letters supporting TVA's tax-exempt status. These letters have been made available to employees in the Expense Reimbursement System's "Need Help?" link. Corporate Accounting will continue to work with charge card merchants and state and local authorities to communicate TVA's tax-exempt status.

2. Work with Comdata to obtain detailed card transaction data that accurately documents the amount of taxes paid on the TVA corporate card and/or modify the Expense Reimbursement System to enable employees to record taxes charged on corporate card transactions.

David P. Wheeler
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Response: Not all merchants provide Level II or III data to credit card providers. Credit card providers such as Comdata can only pass information that is transmitted from the merchant to Comdata. The quality of the information passed to TVA is limited to the accuracy and capabilities of the merchant's credit card billing system.

The Expense Reimbursement System can be modified to enable employees to record taxes paid; however, this information could not be used to recoup tax payments. The process of identifying taxes would remain entirely manual and would require review of all receipts in order to accurately identify and support taxes paid when soliciting a refund from the respective state or merchant.

Corporate Accounting is reviewing best practices and will continue to evaluate its processes for managing taxes paid on the Corporate Card.

3. Reinforce the requirement for detailed receipts with both cardholders and approving officials in the annual refresher training recommended in Audit Report 2014-15228.

Response: The required annual training will be available on March 31, 2017. All cardholders and approving officials (and delegates) will be required to complete the training this calendar year. Receipt requirements will be covered in the training.

We would like to thank Maria V. Edwards, Rick C. Underwood, and the OIG staff for their professionalism and cooperation in conducting this audit. If you have any questions, please contact Andrew Long at (865) 632-3663 or J. Denise Jones at (865) 632-4511.

Diane Wear

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