



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

June 23, 2014

Diane T. Wear, WT 4B-K

**REQUEST FOR FINAL ACTION – AUDIT 2014-15027 – TVA’S OFFICIAL STATIONS**

The Tennessee Valley Authority (TVA) incurs travel expenses when employees perform TVA business away from their official stations.<sup>1</sup> The Office of the Inspector General (OIG) included a review of official stations on its annual audit plan based on concerns expressed to the OIG regarding the appropriateness of official stations for frequent travelers. For fiscal years (FY) 2009 through 2013, a total of 13,350 employees incurred approximately \$134 million in travel expenses. Our audit objectives were to determine (1) if TVA's most frequent travelers are assigned to appropriate official stations and (2) whether controls are in place to assign employees to proper and/or cost effective official stations.

In summary, we found official stations generally appeared appropriate for TVA's most frequent travelers. However, we noted departments with employees who frequently travel to multiple locations assign official stations in differing ways. Additionally, controls and policies could be strengthened by (1) including guidance on evaluating official stations and (2) requiring approval from the appropriate level of management for decisions not to change official stations based on the dollar values of travel expenses incurred or expected to be incurred. As part of our audit we followed up on TVA management's actions taken in response to the OIG's previous travel review, Inspection 2006-522I, Review of TVA Travel Reimbursements. We noted action plans agreed to in the past do not appear to have been fully implemented.

We recommend TVA's Vice President and Controller, Corporate Accounting: (1) consider developing specific guidance for assigning and/or reassigning official stations to positions at TVA requiring frequent or continuous travel that is not to a single location; (2) develop guidance for supervisors to define when they are expected to evaluate changing the official station of an employee in an extended travel situation to one location; (3) develop guidance for documenting evaluations of official stations for employees in extended travel to a single location, including information that should be considered during the evaluation; (4) consider implementing an approval level based on potential costs to TVA for decisions not to change an official station made as a result of official station evaluations of employees on extended travel to a single location; (5) include in TVA procedures a requirement for management to ensure employees in extended periods of travel are, in fact, maintaining a residence at their official station; and (6) communicate procedure

---

<sup>1</sup> During our audit, the term official duty station was changed to official station with the issuance of TVA-SPP-13.022, Travel.

changes in response to this audit to all strategic business units' (SBU) management. TVA management agreed with the audit findings and recommendations in this report and plans to take corrective actions. See the Appendix for TVA's complete response.

## **BACKGROUND**

TVA pays for or reimburses employees for travel expenses while employees are performing TVA business away from their official stations. TVA's total travel expenses for FYs 2009 through 2013 were approximately \$134 million, which is an average of almost \$27 million per year. A total of 13,350 employees traveled over 1.1 million days during the 5-year period.

An official station is defined as the location where the employee regularly performs his or her duties and a 50-mile radius from that point. If the employee's work involves recurring travel or varies on a recurring basis, the location where the work activities of the employee's position of record are based is considered the official station. TVA's Travel Policy<sup>2</sup> defines official station and the responsibilities for reviewing official stations in relation to extended travel. According to the Travel Policy, "supervisors and managers are expected to give consideration to changing an employee's official station in lieu of paying continuous travel allowances if the employee is expected to remain at one temporary station for an extended period of time." Additionally, supervisors are to notify Accounting Services anytime an employee incurs travel expenses in connection with a temporary duty assignment at one location which is expected to last, or in fact lasts, 1 year or more as this is a taxable travel situation. For travel expense and reimbursement circumstances not addressed in the policy, TVA follows the applicable provisions of the Federal Travel Regulations (41 CFR-Part 301).

TVA's Relocation Policy<sup>3</sup> addresses employee relocations as a result of official station changes. When a change of official station for permanent duty is authorized the employee may be eligible for allowances and reimbursements of expenses related to the relocation. The Relocation Policy also addresses temporary changes to official stations. An employee who is directed to perform a long-term assignment (not less than 6 months and not more than 30 months) at a temporary location may be eligible for some relocation allowances. Eligibility is discretionary and is determined by the organization's management based on whether or not it is more advantageous to TVA to authorize a temporary change of station. An employee with a temporary change of station is not eligible for travel reimbursements while on temporary duty travel. If the assignment exceeds 30 months the employee must permanently be assigned to the temporary official station or be returned to the previous official station.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our audit objectives were to determine (1) if TVA's most frequent travelers are assigned to appropriate official stations and (2) whether controls are in place to assign employees to proper and/or cost effective official stations. This audit was performed to evaluate official

---

<sup>2</sup> The Travel Policy refers to TVA-SPP-13.022, Travel.

<sup>3</sup> The Relocation Policy refers to TVA-SPP-11.208, Employee Relocation Allowances.

station controls, and as such, each of our audit findings is related to oversight controls in the context of the audit objectives and based upon the audit work performed. To achieve our objectives, we:

- Reviewed TVA policies and procedures and Federal Travel Regulations to identify key requirements and guidelines.
- Interviewed TVA management to identify controls present for the assignment of official stations.
- Reviewed documentation for official station changes to determine if controls were functioning as described.
- Summarized travel expenses of TVA employees during the audit period to identify TVA's most frequently traveling employees and top traveling departments.
- Reviewed and analyzed official station information and travel expenses to determine whether the official station appeared reasonable for TVA's most frequent traveling employees.
- Interviewed TVA management to determine if directives issued by Accounting Services in response to the OIG's Inspection 2006-522I, Review of TVA Travel Reimbursements, were implemented.
- Interviewed TVA management to determine how top traveling departments assign official stations for employees in their groups.

When evaluating the results of our audit work, we are required to use both qualitative and quantitative factors when considering the significance of an item. In the performance audit requirements, the term "significant" is comparable to the term "material" as used in the context of financial statement engagements. The quantitative factor we considered in determining an item's significance was whether the dollar value of an error(s) exceeded 3 percent (\$806,181) of TVA's average total annual travel spend for the audit period. The qualitative factor(s) considered in determining an item's significance was whether the item impacts TVA's revenue or reputation by violating TVA policies and procedures relevant to the assignment of official stations. None of the items identified during this audit rose to either level to be identified as significant items.

The scope of our audit was travel expenses for TVA employees FYs 2009 through 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **FINDINGS**

Official stations generally appeared appropriate for TVA's most frequent travelers; however, we noted inconsistencies in assignment of official stations between departments with employees who frequently travel to multiple locations. Additionally, controls and policies could be strengthened by (1) including guidance on evaluating official stations and

(2) requiring approval from the appropriate level of management for decisions not to change official stations based on the dollar values of travel expenses incurred or expected to be incurred.

As part of our audit, we also followed up on TVA management actions taken in response to the OIG's previous travel review. We noted actions agreed to in the past do not appear to have been fully implemented.

### **OFFICIAL STATIONS GENERALLY APPEARED APPROPRIATE**

Official stations generally appeared appropriate for TVA's most frequent travelers. We summarized TVA's travel expense data for FYs 2009 through 2013 and identified TVA's most frequent travelers according to days spent in travel status.

Of those employees we identified 13 who appeared to travel most frequently to one location. Since no TVA guidance was found to evaluate reasonableness of official stations, we developed reasonableness criteria of (1) less than 3 years traveling to a single location and (2) less than \$90,000 in travel expenses which is twice the standard relocation package. Only 1 employee's official station appeared questionable based on our criteria. This employee traveled the majority of 3 years to a single location and had travel expenses of \$134,055 to that location. During FY2010 the employee was reimbursed for 173 days of travel, 365 days of travel in FY2011, and 328 days of travel in FY2012. The employee's official station was Widows Creek Fossil Plant, but the employee was on loan to John Sevier Fossil Plant for FYs 2010 through 2012. Based on responses from TVA management, it appears changing the employee's official station was discussed, but no actions were taken. The employee was even offered a position at John Sevier but declined. The employee retired during our audit period.

We also interviewed managers of the top traveling departments based on total travel expenses for the audit period to determine how official stations are assigned for frequent travelers. Employees in these departments traveled frequently to multiple locations throughout the year. Official stations were assigned according to either (1) the TVA facility closest to the employee's home, (2) the employee's personal address, or (3) the base of operations for the department. TVA guidance on the assignment of official stations for positions requiring frequent travel to multiple locations is limited to one sentence in the definition of official station in the Travel Policy. The definition states "if the employee's work involves recurring travel or varies on a recurring basis, the location where the work activities of the employee's position of record are based is considered the official station." Developing specific guidance on assigning official stations for positions requiring frequent travel to multiple locations would promote consistency among departments.

### **CONTROLS AND POLICIES COULD BE STRENGTHENED**

Official stations are initially determined by management and assigned to employees as part of the hiring process. Supervisors are responsible for ensuring official stations remain appropriate. According to the Travel Policy, supervisors are expected to give consideration to changing an employee's official station in lieu of paying continuous travel allowances if the employee is expected to remain at one temporary station for an extended period of

time. However, no other TVA guidance on the assignment or review of official stations was noted.

Changes to official stations are initiated by supervisors and processed by Human Resources. We reviewed documentation related to official station changes for 12 employees from our listing of TVA's most frequent travelers and determined procedures were generally followed.

### **Guidance on Evaluating Official Stations Would Strengthen Controls**

While the Travel Policy addresses responsibilities for official stations, controls could be strengthened by including guidance concerning:

- When a supervisor or manager should evaluate changing the official station of an employee who is in extended travel to a single location.
- What information should be considered when evaluating the official station of an employee in extended travel to a single location. Specifically, information to consider should include (1) the expected length of the assignment, (2) the cost of paying continuing travel allowances, (3) the cost of relocating the employee, and (4) the cost of paying temporary relocation allowances for a temporary change of official station.
- How to document supervisors' evaluations and the resulting decisions.

### **Require Approvals Based on Potential Costs of Continuous Travel or Relocation**

According to information received from Relocation Services, a standard relocation package is estimated to cost \$45,000 for employees who own their home. In some cases, we noted employees incurred expenses in excess of \$45,000 traveling to a single location over multiple years. Requiring the appropriate level of management to approve decisions not to change official stations based on the dollar values of travel expenses incurred or expected to be incurred would help ensure decisions made by supervisors are in line with the department's and TVA's budget constraints.

### **PAST ACTIONS AGREED TO NOT FULLY IMPLEMENTED**

We noted action plans agreed to in the past do not appear to have been fully implemented. As part of our audit we followed up on the action plans agreed to by TVA management in response to the OIG's previous travel review, Inspection 2006-5221, Review of TVA Travel Reimbursements. TVA management agreed with the OIG's recommendations for TVA to reemphasize the importance of compliance with TVA's travel policies and procedures and require management to ensure that employees in extended periods of travel are, in fact, maintaining a residence at their official station. TVA management also stated they would strongly encourage SBU controllers to periodically review their employees' official stations and ensure employees have an actual residence at their official station.

In response to the 2006 review, an e-mail communication was sent to various TVA managers emphasizing the need to perform a proper assessment of all extended travel situations as the result of temporary duty assignments and compliance with TVA's travel policies. The e-mail specifically mentioned (1) the requirement for documenting consideration and justification for not changing the official station of an employee in

extended travel and (2) ensuring employees reimbursed for extended periods of travel are actually maintaining a residence at their official station.

Since that time TVA's travel policy has been updated. Requirements for management to (1) periodically review employee's official stations and (2) ensure employees have an actual residence at their official station were not added to the current Travel Policy. Additionally, the requirement for documentation of official station considerations was removed when Accounting Procedure 15 was replaced by the current Travel Policy. Based on our discussions with management and supervisors, periodic reviews of official stations do not appear to be conducted consistently across departments. Documentation was not provided showing consideration of changes to official stations. Additionally, management does not appear to ensure employees have residences at their official station.

### **RECOMMENDATIONS**

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

1. Consider developing specific guidance for assigning and/or reassigning official stations to positions at TVA requiring frequent or continuous travel that is not to a single location.
2. Develop guidance for supervisors to define when they are expected to evaluate changing the official station of an employee in an extended travel situation to one location.
3. Develop guidance for documenting evaluations of official stations for employees in extended travel to a single location, including information that should be considered during the evaluation.
4. Consider implementing an approval level based on potential costs to TVA for decisions not to change an official station made as a result of official station evaluations of employees on extended travel to a single location.
5. Include in TVA procedures a requirement for management to ensure employees in extended periods of travel are, in fact, maintaining a residence at their official station.
6. Communicate procedure changes in response to this audit to all SBUs' management.

**TVA Management's Comments** – TVA management agreed with the audit findings and recommendations in this report. In response to our recommendations, TVA's Vice President and Controller, Corporate Accounting, has agreed to:

1. Review options and consider developing guidance for assigning/reassigning official stations to positions at TVA requiring frequent or continuous travel that is not to a single location.
2. Develop report requirements, supervisor guidance, evaluation/documentation, and approval requirements related to the review of official stations for employees in an extended travel situation to one location.

3. Develop requirements for evaluation documentation of official stations for employees in extended travel to a single location.
4. Develop approval requirements related to the review of official stations for employees in extended travel situation to one location.
5. Consider updating the Travel Policy to reflect official station guidance including review of personal residence at their official station.
6. Communicate changes to the current Travel Policy as appropriate.

See the Appendix for TVA's complete response.

**Auditor's Response** – The OIG concurs with TVA management's planned actions.

- - - - -

This report is 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 OIG is required to report to Congress semiannually regarding audits that remain unresolved after 6 months from the date of report issuance.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report that you recommend be withheld.

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



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

SLS:BSC  
Attachment  
cc (Attachment):

Katherine J. Black, LP 6A-C  
William D. Johnson, WT 7B-K  
Dwain K. Lanier, MR 3K-C  
Justin C. Maierhofer, WT 7B-K  
Robin E. Manning, MR 3A-C  
Richard W. Moore, ET 4C-K

R. Windle Morgan, WT 9B-K  
Charles G. Pardee, WT 7B-K  
John M. Thomas III, MR 6D-C  
TVA Board of Directors  
OIG File No. 2014-15027

# Tennessee Valley Authority



June 13, 2014

David P. Wheeler, ET 3C-K

RESPONSE TO REQUEST FOR COMMENTS - DRAFT AUDIT 2014-15027 – TVA'S  
OFFICIAL STATION

In response to the request for comments dated May 15, 2014, a review of the draft audit has been completed.

The official station is the location where the employee normally performs work duties and a 50-mile radius from that point. For employees with no fixed work station or who work in the field, the official station may be the location from which assignments are normally made or their home. If job duties must be performed at another location, the manager determines if the employee will need to relocate or be in travel status, based on the intent of the assignment. Management works with HR to determine the proper and/or most cost effective official station.

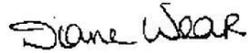
Corporate Accounting ensures that employees are reimbursed or have a method of payment (i.e., corporate card) for approved expenditures related to TVA travel. In addition, Corporate Accounting establishes policies and provides education and training regarding travel regulations as well as provides information to management and controllers to assist in assessing travel and associated costs. TVA-SPP-13.022 currently includes the expectation of the supervisor/manager to give consideration to changing an employee's official station in lieu of paying continuous travel allowances if the employee is expected to remain at one temporary station for an extended period of time.

Based on the findings and recommendations of the subject audit, Corporate Accounting has partnered with HR to develop the following plan of action to address each recommendation during 2014.

1. TVA agrees to review options and consider developing guidance for assigning/reassigning official stations to positions at TVA requiring frequent or continuous travel that is not to a single location.
2. TVA agrees to develop report requirements, supervisor guidance, evaluation/documentation, and approval requirements related to the review of official stations for employees in extended travel situation to one location.
3. As noted in the report, TVA agrees to develop requirements for evaluation documentation of official stations for employees in extended travel to a single location.
4. TVA agrees to develop approval requirements related to the review of official stations for employees in extended travel situation to one location.
5. As noted in the report, TVA will consider updating TVA-SPP-13.022 to reflect official station guidance including review of personal residence at their official station.
6. TVA agrees to communicate changes to the current TVA-SPP-13.022, Travel, as appropriate.

RESPONSE TO REQUEST FOR COMMENTS - DRAFT AUDIT 2014-15027  
Page 2  
June 13, 2014

We would like to thank the OIG team for their professionalism in conducting this audit. If you have any questions or if you need additional information, please contact Denise Jones at (865) 632-4511.



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

cc:  
Katherine J. Black, LP 6A-C  
Dwain K. Lanier, MR 3K- C  
Robin E. Manning, MR 3A-C  
R. Windle Morgan, WT 9B-K  
Charles G. Pardee, WT 7B-K  
John M. Thomas III, MR 6D-C  
OIG File No. 2014-15027