



Office of Inspector General

June 2005
Report No. 05-024

Inside Board Member and Executive
Manager Travel

EVALUATION REPORT

Office of Audits



oig



Background and Purpose of Evaluation

The FDIC's Board of Directors and Executive Managers (EM) have heightened visibility as corporate leaders and frequently travel to represent the FDIC. For the purpose of our report, we refer to inside Board members as EMs unless otherwise noted.

The FDIC General Travel Regulations (GTR) governs employee travel. The FDIC expects employees traveling on official business to exercise the same prudent care in incurring reimbursable expenses as though traveling on personal business. The FDIC's Division of Finance (DOF) is responsible for maintaining the GTR, processing travel expense reimbursement vouchers and, when appropriate, auditing travel claims.

Our objective was to determine whether EM travel was authorized, approved, and paid in accordance with the GTR. Our review focused on temporary duty travel from July 1, 2002 through September 30, 2004 for 3 inside Board members and 89 EMs. We selected a judgmental sample of 25 vouchers based on traveler frequency and expense claim amounts.

Inside Board Member and Executive Manager Travel

Results of Evaluation

EM travel for the vouchers reviewed was not always authorized in accordance with the GTR, and travel claims that were paid were not always allowable. The table summarizes of our review of 25 EM travel vouchers.

Summary of EM Travel Vouchers

Of the 25 travel vouchers that we reviewed:

- Twenty-three (96 percent) claimed actual expenses under blanket authorizations when the GTR required the use of specific authorizations. Also, 10 (91 percent) of 11 vouchers for international travel referenced blanket travel authorizations although the GTR requires the use of specific authorizations.
- Twenty-four (96 percent) claimed actual expenses instead of per diem when, according to the GTR, actual expense travel should be more the exception than the rule. However, actual expense amounts generally did not exceed per diem limits.
- Twenty (80 percent) claimed lodging expenses that exceeded the authorized lodging rate without documented justification. However, 9 (36 percent) of the 25 vouchers in our sample involved travel to attend a conference, which may have limited the traveler's flexibility in selecting lodging.
- Eleven (92 percent) of twelve vouchers did not claim lodging tax exemptions when travel was to states that make the exemption available.
- Six (24 percent) did not include required receipts for seven expenses totaling \$1,272.
- Fifteen (60 percent) claimed hotel telephone charges without sufficient explanation or when less expensive calling alternatives were available. The cost of some overseas calls was unusually high.

Source: OIG analysis.

Further, neither supervisory reviews nor DOF audits of EM vouchers routinely detected unauthorized or unallowable claims. These control deficiencies over the administration of the FDIC's travel program created an environment in which travel was not always authorized and expenses were not always claimed and paid according to the GTR. Specifically:

- EMs in our sample did not always pursue the most prudent travel alternatives or were unaware of certain travel policies.
- Supervisory reviews of EM travel vouchers were not effective in identifying unallowable amounts or opportunities to minimize travel expenses.
- Travel voucher audits often did not identify incorrect travel authorizations or unallowable expense claims because the DOF travel audit procedures do not address some parts of the GTR and DOF did not apply the procedures effectively.

Recommendations and Management Response

The FDIC needs to reemphasize certain travel policies to EMs, revise travel audit procedures, and ensure that risk-based travel audits are effectively implemented.

Management agreed with four of our five recommendations and proposed an alternative action that sufficiently addresses the fifth recommendation.

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DATE: June 28, 2005

MEMORANDUM TO: John F. Bovenzi
Deputy to the Chairman and Chief Operating Officer

Fred Selby
Director, Division of Finance

FROM: Russell A. Rau [Electronically produced version; original signed by Russell A. Rau]
Assistant Inspector General for Audits

SUBJECT: *Inside Board Member and Executive Manager Travel*
(Report No. 05-024)

Federal Deposit Insurance Corporation (FDIC) inside members of the Board of Directors and Executive Managers (EM) have heightened visibility as corporate leaders and frequently travel to represent the FDIC. Compliance with travel policies and procedures is important for avoiding a negative public perception that travel violations might engender, controlling costs at a time when the FDIC is working to reduce expenses, and setting a good example of prudent stewardship for non-executive employees.

FDIC *Circular 2510.4, FDIC General Travel Regulations (GTR), Regular Duty Travel - Volume I*, governs employee travel. The FDIC expects employees traveling on official business to exercise the same prudent care in incurring reimbursable expenses as though traveling on personal business. The FDIC's Division of Finance (DOF) is responsible for maintaining the GTR, processing travel expense reimbursement vouchers and, when appropriate, auditing travel claims.

EVALUATION OBJECTIVE

Our objective was to determine whether FDIC inside Board member and EM travel was authorized, approved, and paid in accordance with the FDIC's GTR. Our review focused on temporary duty travel from July 1, 2002 through September 30, 2004 for 3 inside Board members and 89 EMs. We selected a judgmental sample of 25 vouchers from 2 inside Board members and 10 EMs based on traveler frequency and claim amounts. For the purpose of this report, we refer to inside Board members as EMs unless otherwise noted. For the 27-month review period, EM travel costs totaled \$2.5 million, of which, approximately \$425,000 was for international travel. Appendix I contains additional information about our evaluation scope and methodology.

RESULTS IN BRIEF

EM travel for the vouchers reviewed was not always authorized in accordance with the GTR, and travel expense claims that were paid were not always allowable. Table 1 presents a summary of our review of the 25 EM travel vouchers. Appendix II presents the results of our review by individual voucher.

Table 1: Summary of EM Travel Vouchers

Of the 25 travel vouchers that we reviewed:
<ul style="list-style-type: none"> Twenty-three (96 percent) claimed actual expenses under blanket authorizations although the GTR required the use of specific authorizations. Also, 10 (91%) of 11 vouchers for international travel referenced blanket travel authorizations although the GTR requires the use of specific authorizations.
<ul style="list-style-type: none"> Twenty-four (96 percent) claimed actual expenses instead of per diem when, according to the GTR, actual expense travel should be more the exception than the rule. However, actual expense amounts generally did not exceed per diem limits.
<ul style="list-style-type: none"> Twenty (80 percent) claimed lodging expenses that exceeded the authorized lodging rate without documented justification. However, 9 (36 percent) of the 25 vouchers in our sample involved travel to attend a conference, which may have limited the traveler’s flexibility in selecting lodging.
<ul style="list-style-type: none"> Eleven (92 percent) of twelve vouchers did not claim lodging tax exemptions when travel was to states that make the exemption available.
<ul style="list-style-type: none"> Six (24 percent) did not include required receipts for seven expenses totaling \$1,272.
<ul style="list-style-type: none"> Fifteen (60 percent) claimed hotel telephone charges without sufficient explanation or when less expensive calling alternatives were available. The cost of some overseas calls was unusually high.

Source: OIG Analysis.

Further, neither supervisory reviews nor DOF audits of EM vouchers routinely detected unauthorized or unallowable claims. These control deficiencies over the administration of the FDIC’s travel program created an environment in which travel was not always authorized and expenses were not always claimed and paid according to the GTR. Specifically:

- EMs in our sample did not always pursue the most prudent travel alternatives or were unaware of travel policies.
- Supervisory reviews of EM travel vouchers were not effective in identifying unallowable amounts or opportunities to minimize travel expenses.
- Travel voucher audits often did not identify incorrect travel authorizations or unallowable expense claims because DOF travel audit procedures do not address some parts of the GTR and DOF did not apply the procedures effectively.

Due to the limited judgmental sample of 25 vouchers, the findings may not be indicative of the entire population of EM travel. Nonetheless, when taken together with weaknesses we found in existing policy, the findings support the need for the FDIC to reemphasize certain travel policies to EMs, revise travel audit procedures, and ensure that risk-based travel audits are effectively implemented.

BACKGROUND

The GTR was primarily designed for FDIC employees, including EMs, who travel while performing official duties for the FDIC. The authority to develop, issue, and enforce the GTR belongs solely to the FDIC. To the extent allowable by law, the FDIC and the National Treasury Employees Union (NTEU) negotiate travel regulations. The Director, DOF, is responsible for issuing all revisions, changes, interpretations, and clarifications of the GTR.

The primary goal of Volume I of the GTR is to explain the rules and regulations regarding regular duty travel. An employee is authorized to travel based only on the terms and conditions of an electronic travel authorization¹ usually originated by the employee, which is signed by an FDIC official with delegated authority to approve travel. Travel may be authorized under either a specific or a blanket authorization.

The authorizing official, usually the first-line supervisor, is responsible for determining the appropriate type of travel and reimbursement method necessary to meet mission requirements. Following travel completion, the traveler submits an electronic travel voucher through the FDIC's Electronic Travel Voucher Processing System (ETVPS), which is the system of record for authorizing and claiming reimbursement for expenses incurred while traveling on official business. The authorizing official is expected to review the voucher for reasonableness and appropriateness.

DOF's Disbursements Operations Unit (DOU) is responsible for auditing travel vouchers, when appropriate. As shown in Table 2, vouchers may be automatically selected for manual audit based on certain attributes or may be statistically selected for manual audit. Once the voucher is received into the Audit Module of ETVPS, the voucher is assigned to a DOU auditor to be manually audited in accordance with the *ETVPS Audit Procedures*.

Table 2: Voucher Audit Selection Criteria

Automatic Audit	
Before Payment	<ul style="list-style-type: none"> • All Board member travel • Traveler is separating from employment • Voucher exceeds DOU-established threshold amount • Amendment voucher amount exceeds DOU-established threshold amount • Voucher has been flagged for traveler's credit card delinquency or at supervisor's request • Voucher was submitted over 60 days after travel completion
After Payment	<ul style="list-style-type: none"> • Amendments of vouchers that were previously audited • Supervisor does not agree with voucher • Voucher was amended more than once • Special travel (foreign,* non-foreign,* actual expense,* first class, and business class travel)
Selective Audit	
After Payment	<ul style="list-style-type: none"> • Statistical sample • Voucher flagged for a specific reason, such as a traveler repeatedly filing incorrect vouchers

Source: OIG Analysis of ETVPS Audit Procedures.

* Based on an email, dated March 2001, from a DOF Associate Director, DOU conducts only cursory audits (i.e., receipts are not reviewed unless DOU determines the need to request receipts).

¹ A specific authorization covers a specific trip. A blanket authorization covers a period of time, such as a year, and can authorize multiple trips.

EVALUATION RESULTS

We found that the EM travel we reviewed was not always properly authorized and that travel expense claims that were paid were not always allowable according to the GTR.

Travel Authorizations

The EMs in our sample often incorrectly claimed actual expenses and foreign travel under blanket authorizations rather than specific travel authorizations. Further, ETVPS allows a small number of EMs to authorize their own travel and approve their own travel claims without an automatic audit by DOU.

Authorizations for Actual Expense Travel: Of the 25 travel vouchers reviewed, 23 incorrectly claimed actual expenses under blanket travel authorizations. The GTR, Section 1, *Travel Reimbursement*, states:

Lodging-plus per diem applies to all persons on official travel for the FDIC unless otherwise specified on the electronic travel authorization... The determination to authorize travel on an actual-expense basis will be: Made on a case-by-case basis [and] be considered for travel of short duration.

The GTR also requires that blanket travel authorizations be limited to lodging-plus per diem as the reimbursement method. Actual expense travel may not be authorized for any employee on a blanket travel authorization without the prior written approval of the DOF Director or designee. Three of the blanket authorizations we reviewed stipulated actual expense travel.

Authorizations for Foreign Travel:² Eleven of the vouchers we reviewed were for international travel. Ten of the vouchers referenced blanket travel authorizations. The GTR, Travel Regulations Overview, *Categories of Travel*, addresses foreign travel:

In order to travel outside the continental United States, Alaska, Hawaii, Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, Johnston Atoll, Northern Mariana Islands, or Wake Island, the Chairman or his/her designee must: Preapprove the travel [and] Authorize a specific travel authorization.

On March 26, 2003, the FDIC Chairman issued a memorandum to all division and office directors on the *Authority to Approve International, First and Business Class Travel*. The Chairman appointed division and office directors to approve international, first, and business class travel for their staffs and the Chief Operating Officer (COO) to approve international, first, and business class travel for all division and office directors.

The EMs might not have been aware that separate authorizations are required and that blanket travel authorizations cannot be used without special approval for actual expense and foreign travel. *ETVPS Audit Procedures* require confirmation that the travel has been authorized and that actual expense travel has been authorized. However, DOU travel audits did not identify and report or

² The GTR categorizes travel as being domestic, non-foreign, or foreign for purposes of determining lodging and per diem rates. Domestic travel is travel within the continental United States, non-foreign travel includes the non-contiguous states of Alaska and Hawaii and the U.S. territories, and foreign travel is any area outside the U.S. and its territories.

rectify instances when the correct authorizations had not been obtained, which could be contributing to the incorrect use of blanket travel authorizations.

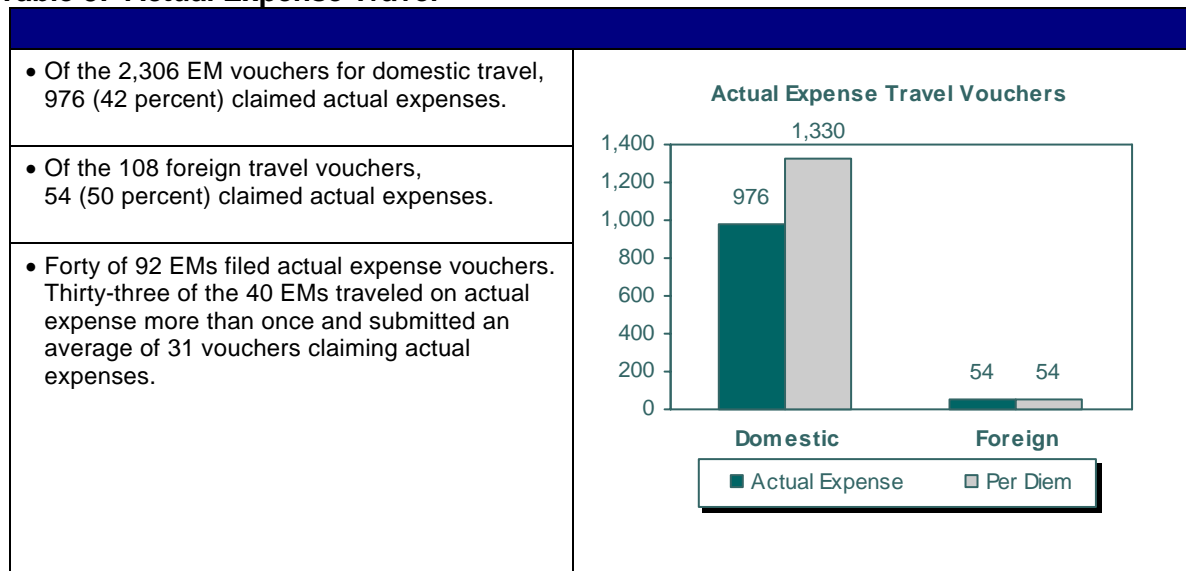
Traveler Is the Authorizing and Approving Official: Inside Board members authorize and approve their own travel, but their vouchers are subject to DOU audit before any travel expense reimbursements are made. EM travel authorizations and travel claims are subject to supervisory review and approval with the exception of the COO and Chief Financial Officer (CFO), who authorize and approve their own travel. DOU reviews vouchers for the COO and CFO only if they are randomly selected for audit. None of the vouchers in our sample for those two EMs had been audited by DOU during the normal course of business.

Prudent management controls require some form of independent review of official travel expenses for all levels of management. Independent verification that travel authorizations are correct and expenses are in accordance with the GTR lessens the risk of incorrect or inappropriate travel and excessive or unnecessary costs to the FDIC. Such verification also limits the possibility that travel abuse would occur and be publicly reported, causing embarrassment for the Corporation.

Actual Expense Travel

The EMs in our sample frequently filed vouchers with actual expenses instead of lodging-plus per diem. In our sample of 25 vouchers, 24 (96 percent) vouchers were filed on an actual expense basis. For 20 of the 24 vouchers, actual expenses claimed did not exceed established per diem rates. For the remaining four vouchers, actual expenses that exceeded per diem rates had been incurred by the same person at the same location. Table 3 presents additional actual expense travel voucher information for the EM population during the period of review.

Table 3: Actual Expense Travel



Source: OIG Analysis.

According to the GTR, travel on an actual expense basis may be authorized when the approving official knows the per diem is inadequate due to circumstances that temporarily affect conditions at the travel destination. Examples include the Olympics or natural disasters. Actual expense travel cannot be authorized solely to replace lodging-plus per diem because the authorized per diem is inadequate for travel to a particular location. The authorizing official will determine if

lodging-plus per diem meets the traveler’s needs during the temporary duty assignment or if actual expense would be appropriate. The GTR requires that the determination to authorize actual expense travel will be made on a case-by-case basis and considered for travel of short duration.

The EMs might not have known that traveling on an actual expense basis is limited to unique circumstances or that using blanket travel authorizations instead of specific travel authorizations for actual expense claims, as discussed earlier, is contrary to the GTR. Further, because actual expense amounts often approximated per diem amounts, it is unclear why EMs elected to travel on an actual expense basis. Per diem travel is easier for the traveler to record, for the supervisor to review, and for DOU to assess compliance in the event of a voucher audit.

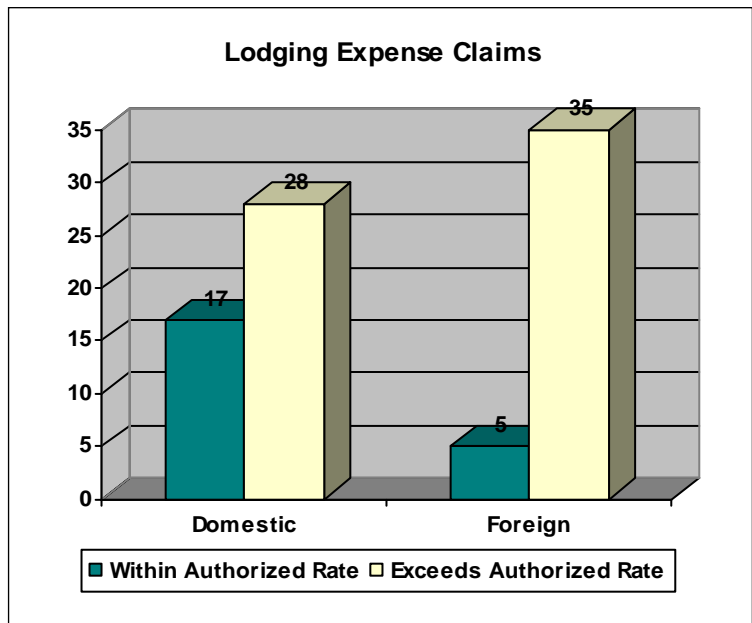
The actual expense claims tended not to exceed the allowable per diem, thus the risk of financial loss to the Corporation from excessive use of actual expense travel was limited. Nevertheless, there is greater potential for excessive and unallowable travel costs to be claimed and paid when actual expense travel is not subject to adequate control.

Lodging Expenses

The EMs in our sample often claimed lodging expenses that exceeded authorized amounts. Twenty (80 percent) of the 25 travel vouchers reviewed had a total of 85 claims for lodging expenses of which 63 (74 percent) claims exceeded the FDIC-authorized lodging rate. Specifically, 62 percent of the lodging expense claims for domestic and non-foreign travel exceeded the authorized lodging rate, and 88 percent of the lodging expense claims for foreign travel exceeded the authorized lodging rate as shown in the figure below.

GTR, Section 5. *Lodging*, states that official travelers on domestic travel must obtain lodging rates not to exceed 125 percent of the General Services Administration (GSA) government maximum lodging rate whenever available. The government rate refers to the maximum lodging amount for a particular location as set each year by the GSA.

GTR Section 4. *Per Diem*, states that travelers to non-foreign areas must follow the per diem (i.e., lodging and meals and incidental expenses) allowances established by the Department of Defense. When traveling to foreign areas, travelers must follow the per diem allowances established by the State Department.³



Source: OIG Analysis.

³ Travelers on non-foreign or foreign travel are given some latitude in their lodging expenses in that the combined amount claimed for lodging and meals and incidental expenses cannot exceed the maximum allowance listed for the per diem rate. We also considered the combined total of lodging and per diem in our analysis.

Each agency publishes these rates on its Web site. Exceptions to the policy are allowed when the traveler has used the Corporation's nationwide travel agency to make hotel reservations and could not obtain a rate within the established range. In this case, the itinerary issued by the nationwide travel agency will indicate that the rate obtained was the best available for the locale. Also, when the traveler has chosen to make his or her own lodging arrangements and is unable to obtain a rate within the established range, the supervisor must provide documented approval to be included with the travel voucher documentation. We saw no such documentation in the vouchers that we reviewed.

Conference Rates: There might be circumstances, such as attending conferences, that cause lodging expenses to exceed authorized rates. At least 9 (36 percent) of the 25 sampled vouchers included travel to attend a conference. The GTR did not have provisions for "conference rates" for lodging when these rates exceed authorized amounts.

The travel voucher documentation we reviewed did not always include the itinerary provided by the nationwide travel agency to show whether the agency had obtained the best available hotel rate. Only one of the vouchers included documentation of supervisory approval for a lodging rate in excess of the authorized amount. The extent of the problem of lodging expenses exceeding authorized amounts is difficult to assess because most of the travel was incorrectly conducted under blanket travel authorizations (see previous section entitled *Travel Authorizations*), and travel vouchers completed under blanket travel authorizations are not required to state the purpose of the travel.

DOF Travel Audits: The *ETVPS Audit Procedures* provide guidelines for auditing lodging expense claims. The guidelines require the auditor to determine if the current government rate was obtained and whether the amount claimed exceeds 125 percent of the GSA government maximum lodging rate. If the amount claimed exceeds the maximum lodging rate, the guidelines require the auditor to determine if an approved justification had been provided. However, DOU did not question any of the lodging expense claims during the course of normal ETVPS voucher audits. DOU questioned 12 of the lodging expense claims as part of its special audit of 14 vouchers in our sample prior to providing them to the OIG.⁴ In comparison, our review found that 63 of the 85 lodging expense claims exceeded the authorized lodging rate. DOU employees stated that an informal policy permits lodging costs to exceed the maximum lodging rate when EMs are at conferences and that they are hesitant to question EM travel. Each of these factors contributes to an environment where excessive lodging expenses are not being questioned.

Lodging Tax Exemptions

Of the 25 sampled vouchers, 12 vouchers involved travel to states offering the lodging tax exemption to federal employees. Only one voucher reflected that the EM used the exemption and paid no lodging taxes, while 11 (92 percent) other vouchers showed that the EMs had paid a total of \$588 in lodging taxes that should have been exempted. Although this amount might not seem significant, our sample results showed an average of about \$50 per trip related to lodging taxes.

GTR, Section 5. *Lodging*, states that certain areas of the country provide government employees exemptions from hotel sales and/or occupancy taxes. The GTR further directs that, "Before traveling, [travelers should] obtain the appropriate state tax exemption forms on the corporate

⁴DOF requested supporting documents from the EM travelers for the 25 vouchers that we selected for our review. DOF elected to perform a "special" audit of those vouchers before providing the vouchers and supporting documentation to our office. Several of our sampled vouchers were also subject to DOF audit during the normal course of business.

travel web site ... and submit them to lodging establishments when you check in to ensure that tax exemptions are secured.” For areas that do not provide the exemptions, the taxes must be paid and then claimed on the travel voucher as separate miscellaneous expenses.

The GTR refers to additional guidance on the DOF and GSA Web sites. The DOF travel Web site includes more detailed information about the tax exemptions and provides a link for printable tax exempt claim forms. The GSA Web site lists the state and local governments that offer the tax exemptions.

DOU travel voucher audits did not question any of the lodging tax expenses in our sample. *ETVPS Audit Procedures* do not address lodging taxes that are eligible for exemption. The subsection, *Lodging Taxes*, states only that, “Travelers are authorized to claim lodging taxes as a miscellaneous expense on rates that do not exceed 125% of the GSA maximum government lodging room rate.” We concluded that the *ETVPS Audit Procedures* were inconsistent with GTR guidance provided to travelers.

DOF staff stated that claiming the lodging tax exemption can be difficult because only some states allow the exemption, it takes time to research the locations where the exemptions are offered and to obtain the exemption forms, and hotels do not always know of or offer the exemption even in states that allow it. We found that some hotels were willing to issue refunds for travelers who forget to bring exemption forms at the time of check out. We discussed with DOF officials the possibility of requiring FDIC’s nationwide travel agency to provide the traveler with information regarding the tax exempt status of the hotel and, ideally, a copy of the tax exempt form at the time that the traveler is making the hotel reservation. DOF was receptive to this suggestion.

Corporate travelers paying lodging taxes from which they are exempt results in unnecessary costs to the Corporation. In relation to the universe of EM and general employee travel, the costs applicable to lodging taxes could be substantial.

Required Receipts

The EMs in our sample did not always provide required receipts to support expense claims. Six (24 percent) of the 25 sample vouchers did not support a total of 7 expense claims totaling \$1,272.

During the period of review, the GTR required receipts for actual expense travel in the amount of \$25 or more. In March 2001, a DOF Assistant Director issued informal e-mail guidance that raised the receipt limit from \$25 to \$75. The GTR also required receipts for air fare, rail fare, lodging, car rentals, automated teller machine (ATM) charges and gasoline. However, in May 2003, the DOF Assistant Director issued additional informal guidance that receipts for ATM charges and gasoline would no longer be required. These informal changes were made without negotiation with the NTEU or revision of the GTR.

Although the 25 sample vouchers included numerous cases where receipts for actual expense of \$25-or-more were missing, we did not question those costs because of the informal policy that was in effect.

The GTR, *Travel Regulations Overview*, requires that the traveler keep original receipts for 6 years from the voucher payment date and provide them to DOF if the subject voucher is audited. We could not determine why the travelers had not provided copies of certain receipts in

excess of \$75 or more, nor did we attempt to follow up with the travelers to obtain supporting receipt documentation.

DOU did not question any of the seven expense claims during the course of normal voucher audits. However, DOU questioned one of the expense claims as part of its special audit of vouchers in our sample prior to providing them to the OIG. Missing receipts for expenses of \$75 or more result in risk to the Corporation that travel expenses might not be supportable.

Telephone Charges

Most of the EMs who filed the sampled vouchers claimed hotel telephone charges that were not supported and that exceeded costs for available alternatives. Of the 25 sampled vouchers, 15 vouchers filed by 9 EMs included \$3,491 in claims for telephone charges that did not comply with the GTR provisions governing reimbursement claims. These EMs did not consistently comply with GTR provisions governing the reimbursement of local and long-distance telephone calls and did not always consider lower-cost alternatives for placing business and personal calls.

- Business-related Calls: Fourteen vouchers included claims for \$3,436 relating to business phone calls for which the traveler did not provide the required explanation for not using the corporate calling card. We considered several of those charges to be unusually high. For example, \$2,846 was expended on three 4-day international trips by one EM. The purpose of the calls was not documented on the vouchers.
- Personal Calls: Three vouchers included \$55 in claims related to personal phone calls made during both foreign and domestic travel. The GTR allows travelers to claim actual expenses incurred for personal calls up to \$3.00 per day.

The FDIC issues corporate cellular (cell) phones to EMs and calling cards to frequent travelers. The GTR states that employees who travel frequently should use the FDIC telephone calling card for both business and personal use as this significantly reduces costs for the Corporation. Employees are considered frequent travelers if they travel at least twice during a 12-month period. All of the EM vouchers that we sampled were for frequent travelers.

When on overnight domestic travel assignments, travelers who hold an FDIC telephone calling card may charge personal telephone calls for 25 minutes or less per day. The FDIC Division of Information Technology (DIT) can enter into special calling plans for cell phones and can program calling cards to function at foreign locations upon request. Travelers who do not have a cell phone or a calling card or are unable to use their calling card may claim reimbursement on their travel voucher for business calls and for personal calls not to exceed \$3.00 per day. The GTR requires travelers to include on the voucher an explanation of the business or personal nature of the call and why a calling card was not used.

We found that the EMs in our sample did not consistently use corporate cell phones and/or corporate calling cards when placing business and personal phones calls while in a travel status. This may be due to a general lack of knowledge by the EMs of the procedures to upgrade their calling cards for international calling privileges or for obtaining cell phones capable of making international calls.

Effectiveness of Supervisory Reviews and DOU Voucher Audits

Neither supervisory reviews nor DOF audits of EM vouchers routinely detected unauthorized or unallowable claims. Management control deficiencies over the administration of the FDIC's travel program created an environment in which travel was not always authorized and expenses were not always claimed and paid according to the GTR. Specifically:

- EMs in our sample did not always pursue the least cost or most prudent travel alternatives or were unaware of certain travel policies. Compliance with travel policies and procedures helps to control the Corporation's costs and avoid negative public perception. Further, because of their positions in the Corporation, it is important for EMs to demonstrate financial stewardship for all FDIC employees.
- Supervisory reviews of EM travel vouchers were not effective in identifying unallowable amounts or opportunities to minimize travel expenses. Many of the cases noted in this report could have been addressed through more stringent supervisory review of travel vouchers.
- DOU voucher audits often did not identify incorrect travel authorizations and expense claims. Also, the *ETVPS Audit Procedures* do not address some parts of the GTR and should be revised to address certain situations identified in this report that are common to EM travel. Finally, informal travel policies have been established that may not have been properly vetted within the Corporation or with the NTEU, and DOU has been hesitant to question EM travel expense claims.

RECOMMENDATIONS

We recommend that the COO:

1. Raise EM travel policy awareness by having DOF provide training on the following issues:
 - blanket versus specific travel authorizations,
 - actual expense claims,
 - lodging expenses and lodging tax exemptions,
 - required receipt policy, and
 - telephone charges and alternatives for international calls.

We recommend that the Director, DOF:

2. Revise the *ETVPS Audit Procedures* to ensure they adequately address the following topics:
 - blanket versus specific travel authorizations;
 - authorization, review, and audit frequency for the COO and CFO travel;
 - actual expense claims;
 - lodging expenses and lodging tax exemptions;
 - required receipt policy; and
 - telephone charges.
3. Conduct a review to determine whether there is a more efficient process by which a lodging tax exemption can be secured, including researching whether the FDIC's nationwide travel agency could be tasked with assisting in the process.
4. Take steps to ensure that DOU staff effectively implement *ETVPS Audit Procedures* in conducting travel voucher audits. Steps could include:
 - Reemphasizing to DOU staff that DOF management expects a thorough review of EM vouchers selected for audit and will support travel voucher audit findings.
 - Providing refresher training to DOU staff involved in conducting travel voucher audits.
 - Performing periodic internal review of the EM travel voucher audits to ensure that DOU audits are effective.
5. Through coordination with DIT, provide guidance to EMs regarding the process for requesting calling cards and cell phones suitable for international use.

CORPORATION COMMENTS AND OIG EVALUATION

The Deputy to the Chairman and COO and the Director, DOF, provided a written response dated June 20, 2005. The FDIC's response is presented in its entirety in Appendix III. Appendix IV presents a summary of the FDIC's responses to our recommendations.

The FDIC agreed with four of our five recommendations and proposed an alternative corrective action to address the fifth recommendation. These proposed actions are sufficient to resolve each recommendation. However, the recommendations will remain undispositioned and open for reporting purposes until we have determined that the agreed-to corrective actions have been completed and are effective.

The FDIC's response also notes that the evaluation was limited to a judgmental sample of 25 vouchers and questions whether the findings can be extrapolated to the entire population of inside Board member and EM travel. The findings may not be indicative of the entire population, and we consistently state our findings and conclusions in terms of the EM travel that we reviewed. However, when taken together with the weaknesses we identified in existing policy, the findings support the need for policy review, reemphasis, and improvements as agreed to by management.

APPENDIX I: OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether FDIC inside Board member and EM travel was authorized, approved, and paid in accordance with the FDIC's GTR. Our review focused on temporary duty travel from July 1, 2002 through September 30, 2004 for 3 inside Board members and 89 EMs.

To accomplish our objective, we performed the following:

- Met with DOF personnel about FDIC travel regulations, the process for claiming travel and expense reimbursement, and internal controls, including travel voucher audits.
- Identified the population of inside Board members and EMs and their travel authorizations and expense vouchers during the period of review.
- Reviewed the *General Travel Regulations – Volume I, Regular Duty Travel* in effect during the period of review and proposed revised travel regulations.
- Reviewed the DOU *ETVPS Audit Procedures*.
- Reviewed OIG audit reports for relevance to the evaluation: *Controls Over Board Members' Travel* (Audit Report No. 03-003, dated October 3, 2002); and *Travel, Relocation, and State Income Tax Withholding Policies and Procedures* (Audit Report No. 03-020, dated March 28, 2003).

Internal Controls

We evaluated the effectiveness of internal controls, including reviewing the policies and procedures over the authorization, approval, and auditing of temporary duty travel. Interviews with DOF's DOU and Tax Policy Unit staff provided additional information regarding the controls in place to monitor compliance with the FDIC travel policy.

Validity and Reliability of Data from Computer-based Systems

We relied on information from the ETVPS to determine the total population of EM travel and to select our judgmental sample of 25 vouchers for detailed review. We assessed the reliability of the ETVPS by reviewing existing information about the ETVPS, interviewing DOF officials who maintain or regularly use the ETVPS for evaluation and analysis, and examining data files for obvious errors, missing values, and values outside of expected ranges. We also reviewed supporting documentation for our sampled vouchers. We concluded that the ETVPS was sufficiently reliable for estimating the total population of EM travel and for selecting a judgmental sample of EM travel vouchers.

Compliance with Laws and Regulations, Government Performance and Results Act, and Fraud or Illegal Acts

The evaluation objective did not require us to assess the FDIC's compliance with laws and regulations or review related performance measures under the Government Performance and Results Act. Further, we did not perform specific steps for detecting fraud or illegal acts. However, we were alert to the potential for fraud or illegal acts during the conduct of our field work. Not performing assessments of these areas did not affect the results of our evaluation.

We conducted our evaluation from September 2004 through April 2005 in accordance with generally accepted government auditing standards.

APPENDIX II: RESULTS SUMMARY FOR SAMPLE VOUCHERS

A = Actual expense travel was not authorized by a specific authorization
B = International travel was not authorized by a specific authorization
C = Actual expenses were claimed
D = Lodging expenses exceeded authorized amounts
E = Lodging tax exemptions were not claimed when available
F = Required expense receipts are missing
G = Hotel telephone expense not claimed in accordance with the GTR
N/A = Not Applicable

Traveler	Voucher Amount	A	B	C	D	E	F	G
1	\$1,488	N/A	N/A			N/A		
2	7,776	1	1	1	1	N/A		1
3a	9,344	1	1	1	1	N/A	1	1
3b	11,367	1	1	1	1	N/A	1	1
3c	7,599	1	1	1	1	N/A		1
3d	3,986	1	N/A	1	1	1		
3e	7,562	1	1	1	1	N/A	1	1
4	7353	1	1	1	1	N/A		1
5	7,380	1	1	1	1	N/A		
6	1,035	1	N/A	1		N/A		
7a	1,264	1	N/A	1		1		
7b	4,110	1	N/A	1	1			1
8a	2,031	1	1	1	1	N/A		
8b	830	1	N/A	1	1	1		1
9	9,990			1		1	1	1
10a	2,411	1	N/A	1	1	N/A		1
10b	2,125	1	N/A	1	1	1		
11a	1,554	1	N/A	1	1	1	1	
11b	3,816	1	N/A	1	1	1		1
11c	4,243	1	1	1	1	N/A	1	1
11d	3,357	1	N/A	1	1	1		1
11e	4,292	1	N/A	1	1	1		
12a	1,020	1	N/A	1	1	1		
12b	1,078	1	N/A	1		1		1
12c	6,260	1	1	1	1	N/A		1
Total		23	10	24	20	11	6	15
Error Rate (%)		96	91	96	80	92	24	60
Total Sample	\$113,271							
Total Population	\$2,470,288							
Sample/Population	5%							

Source: OIG Analysis.

APPENDIX III: CORPORATION COMMENTS



Federal Deposit Insurance Corporation
801 17th St. NW Washington DC. 20434

Deputy to the Chairman and
Chief Operating Officer

June 20, 2005

MEMORANDUM TO: Stephen M. Beard
Deputy Assistant Inspector General for Audits

FROM: John F. Bovenzi [Electronically produced version;
original signed by Arthur J. Murton for John F. Bovenzi]
Deputy to the Chairman and
Chief Operating Officer

Fred S. Selby, Director [Electronically produced version;
Division of Finance original signed by Fred S. Selby]

SUBJECT: Draft Evaluation Report Entitled, *Inside Board Member and
Executive Management Travel (Assignment Number 2004-066)*

We appreciate the evaluation and recommendations by the OIG and fully agree that our Board members and Executive Managers have heightened visibility as corporate leaders. As such, their compliance with travel policies and procedures is important for avoiding a negative public perception that travel violations might engender. We also agree that the FDIC must control cost and that setting a good example demonstrates prudent stewardship to non-executive employees.

We observed, however, that the OIG evaluation was limited to a judgmental sample of 25 vouchers representing two inside Board members and ten executive managers based on the most frequent travelers and the largest claim amounts during the 27-month review period. We do not believe that this limited sample, in any way, forms the basis upon which a reader of the report could extrapolate the findings noted in this report to the entire population of Board member and Executive Manager travel.

Additionally, the judgmental sample only reviewed five vouchers that had been audited by the Disbursement Operations Unit (DOU) audit staff (four inside Board members and one EM) although 116 EM vouchers were audited during the period of this evaluation. The DOU audit staff reviewed vouchers in the judgmental sample by the OIG and noted exceptions on many of these claims along the lines of lodging amounts exceeding authorized amounts, excessive business calls, improper claims for foreign lodging taxes, missing receipts, and needed rental car justifications. However, since some of the vouchers were over two years old at the time the audit began, DOF's decision was that the DOU staff would not go back to the travelers and seek missing documents or explanations of excessive lodging claims. The OIG evaluation notes that excessive lodging claims are often due to hotel conference rates and had the DOU audit staff sought explanations from the travelers, we believe they would state precisely that, which would be an acceptable explanation to the audit staff.

OIG Recommendation 1: Raise EM travel policy awareness by having DOF provide training on the following issues: blanket versus specific travel authorizations, actual expense claims, lodging expenses and lodging tax exemptions, required receipt policy, and telephone charges and alternatives for international calls.

Management Response: We concur with this recommendation. By July 29, 2005, the CFO and COO will jointly issue an email to each of the corporation's executive managers and the offices of the internal Board members reviewing and emphasizing the items enumerated in Recommendation 1.

OIG Recommendation 2: Revise ETVPS *Audit Procedures* to ensure they adequately address the following topics: blanket versus specific travel authorizations; authorization, review and audit frequency for the COO and CFO travel; actual expense claims; lodging expenses and lodging tax exemptions; required receipt policy; and telephone charges.

Management Response: We concur with this recommendation and appropriate changes will be made to the DOF ETV *Audit Procedures* by July 29, 2005. However, several of the changes we will make to the *Audit Procedures* are more formally establishing guidelines that the DOF audit staff has been following for several years based on agreements made between senior DOF and DSC officials and concurred with by the DOF Director.

More specifically, the former Division of Supervision (DOS) had an exception to the GTR in place approved by the DOF Director as allowed in the GTR for so long that we cannot actually find the written agreement that established the exception to the GTR. That exception was that Associate Directors and above in DOS could utilize blanket travel authorizations when traveling on actual expense. Of the 21 EM vouchers reviewed in your judgmental sample, 19 represented current or former DOS officials at the grade that had been provided the exception to the GTR by the DOF Director. The DOF audit staff was well aware of this approved exception and over the years, began to apply the exception to all EMs. The intent of DOS, at the time they requested the exception was to keep travel expenses down while at the same time, providing their senior managers the flexibility to dine with banking officials without having to fund meals in excess of the per diem rate from the executive's pockets. DOS also wanted to ensure the proper level of oversight and audit of those vouchers since, at that time actual expense vouchers were all audited after the fact. As your evaluation report noted, actual expense amounts generally did not exceed per diem limits.

The DOF staff will review the business need for continued routine actual expense vouchers with our clients by July 29, 2005.

The DOF Associate Director had also made a decision that was supported by the DOF Director and provided to the DOU audit staff in 2000 and 2001 amending the DOF ETV *Audit Procedures* to place foreign and non-foreign travel in the statistical audit category, as well as eliminating the receipt requirements for gas and ATM charges and raising the cutoff for actual expense voucher receipt retention from \$25 to \$75 except for lodging, rental car, air or rail fares and laundry expenses consistent with the requirements for per diem reimbursable travel. In early 2005, the GTR was changed to reflect the above requirement for receipts.

The Associate Director, DOF approved on March 13, 2001 an exception to the *Audit Procedures* which made all actual expense vouchers subject to audit by random sample. The DOF Director was aware of this decision and concurred. This exception was based on a much earlier OIG Audit that led DOF to replace the 100% voucher audit scheme with a statistical audit program when ETV was implemented as the cost to perform the 100% audit exceeded the amount of errors detected in the 100% audit by nearly four fold.

The CFO and COO were audited three times during the period of the OIG review and we believe that having these vouchers subject to the DOF ETV *Audit Procedures* is sufficient. Only one COO or CFO audited voucher was observed in your sample, since the sample was judgmentally drawn from the travelers who traveled frequently and whose claims were of the highest dollar amounts.

OIG Recommendation 3: Conduct a review to determine whether there is a more efficient process by which lodging tax exemption can be secured, including researching whether the FDIC's nationwide travel agency could be tasked with assisting in the process.

Management Response: We concur that obtaining the lodging tax exemption is inconsistent and have personal experience wherein two individuals checking out of the same hotel at the same time but with different hotel desk clerks were treated inconsistently by the desk clerks concerning obtaining the tax exemption. We are also aware that only about 20 States offer tax exemption to government travelers.

We have studied this issue over time and since most travel authorizations are electronic, asking the nationwide travel agency to provide the forms when both state and municipalities are involved would not seem to be a prudent use of the travel agency time and resources. We will, however, add the lodging tax exemption issue to the reminder that we will provide all Executive Managers by July 29, 2005.

OIG Recommendation 4: Take steps to ensure that DOU staff effectively implements ETV *Audit Procedures* in conducting travel voucher audits. Steps could include reemphasizing to DOU staff that DOF management expects a thorough review of EM vouchers selected for audit and will support travel voucher audit findings, providing refresher training to DOU staff involved in conducting travel voucher audits, and performing periodic internal review of EM travel voucher audits to ensure that DOU audits are effective.

Management Response: We concur with this recommendation. Certainly, DOF management expects a thorough review of all travelers' audited vouchers and supports audit findings. We believe that the updated *Audit Procedures* discussed in our response to Recommendation 2 above will also address this recommendation. DOF will share a summary of the OIG evaluation and our response with the DOU audit staff to ensure that no misunderstanding is present. DOF will also periodically review the audit process to ensure that process is effective.

OIG Recommendation 5: Through coordination with the Division of Information Technology, provide guidance to EMs regarding the process for requesting calling cards and cell phones suitable for international use.

Management Response: Concur. We will also add language to the reminder that we will provide all Executive Managers by July 29, 2005, for international travelers to minimize communication costs.

If you have any questions regarding our response, please contact Fred Selby at (202) 416-6965.

cc: Steve App
Janet Roberson
Russ Pittman
Rick Cywinski
Robert Waldron
Brett Reeves
Sandra Edwards

APPENDIX IV: MANAGEMENT RESPONSE TO RECOMMENDATIONS

This table presents the management response to the recommendations in our report and the status of the recommendations as of the date of report issuance.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Monetary Benefits	Resolved: ^a Yes or No	Dispositioned: ^b Yes or No	Open or Closed ^c
1	The CFO and COO will jointly issue an e-mail to each of the Corporation's EMs and the offices of the internal Board members, reviewing and emphasizing the items enumerated in Recommendation 1.	July 29, 2005	\$0	Yes	No	Open
2	Appropriate changes will be made to the DOF <i>ETVPS Audit Procedures</i> . The DOF staff will review the business need for continued routine actual expense vouchers with FDIC clients.	July 29, 2005	\$0	Yes	No	Open
3	The lodging tax exemption issue will be added to the reminder provided to all EMs.	July 29, 2005	\$0	Yes	No	Open
4	DOF will share a summary of the OIG evaluation and management's response to this report with the DOU audit staff to ensure that no misunderstanding is present. DOF will also periodically review the audit process to ensure that it is effective.	September 30, 2005	\$0	Yes	No	Open
5	DOF will coordinate with DIT and provide guidance to EMs. Language for international travelers to minimize communication costs will be added to the e-mail reminder provided to all EMs.	July 29, 2005	\$0	Yes	No	Open

^a Resolved – (1) Management concurs with the recommendation, and the planned corrective action is consistent with the recommendation.

(2) Management does not concur with the recommendation, but planned alternative action is acceptable to the OIG.

(3) Management agrees to the OIG monetary benefits, or a different amount, or no (\$0) amount. Monetary benefits are considered resolved as long as management provides an amount.

^b Dispositioned – The agreed-upon corrective action must be implemented, determined to be effective, and the actual amounts of monetary benefits achieved through implementation identified. The OIG is responsible for determining whether the documentation provided by management is adequate to disposition the recommendation.

^c Once the OIG disposes the recommendation, it can then be closed.