



Pension Benefit Guaranty Corporation

*Office of Inspector General*

Audit Report

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**Review of Sensitive Payments  
Fiscal Year 1998**

**June 7, 1999**

**Review of Sensitive Payments  
Fiscal Year 1998**

**Audit Report 99-4/23136**

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**ABBREVIATIONS**

CFR	Code of Federal Regulations
FY	Fiscal Year
GAO	General Accounting Office
Guide	Guide for Evaluating and Testing Controls Over Sensitive Payments
PBGC	Pension Benefit Guaranty Corporation

## **Review of Sensitive Payments**

### **Audit Report 99-4/23136**

#### **EXECUTIVE SUMMARY**

The Pension Benefit Guaranty Corporation's ("PBGC") senior level officials are vested with the public trust and hold positions with decision-making authority. In those positions, the employees may face intense scrutiny of their actions. Sensitive payments encompass a wide range of executive functions including compensation, travel, official entertainment funds, unvouchered expenditures, consulting services, speaking honoraria and gifts, and perquisites.

#### **FINDINGS AND RECOMMENDATIONS**

##### **1. *Travel Vouchers Not Submitted Timely.***

Travel vouchers were not submitted within 10 days of completion of the travel. PBGC Directive GA 10-5 establishes the travel procedures applicable to all PBGC employees. Our review disclosed that the controls were not operating as designed. We found that these problems which were identified in prior audits continue to exist.

#### **RECOMMENDATIONS**

We continue to recommend that PBGC implement the following corrective actions:

*Require senior level officials to comply with the PBGC directive regarding timely submission of travel vouchers. (FOD-270)*

*Direct the Payroll/Travel Office to comply with policies and procedures regarding delinquent travel vouchers. (FOD-271)*

*Review open travel authorizations regularly to ensure timely submission of travel vouchers. (FOD-272)*

#### **MANAGEMENT RESPONSE AND OIG EVALUATION**

A draft report was provided to the Agency for comment. PBGC officials generally concurred with the findings and recommendations (see TAB 1).

## **Review of Sensitive Payments**

### **Audit Report 99-4/23136**

#### **INTRODUCTION**

The Pension Benefit Guaranty Corporation's (PBGC) senior level officials are vested with the public trust and hold positions with decision-making authority. In those positions, the employees may face intense scrutiny of their actions. Sensitive payments encompass a wide range of executive functions including compensation, travel, official entertainment funds, unvouchered expenditures, consulting services, speaking honoraria and gifts, and perquisites. Sensitive payment issues are addressed in various laws, regulations, policies and procedures, and codes of ethics and conduct for government employees.

#### **OBJECTIVES**

We conducted an audit of Fiscal Year (FY) 1998 sensitive payments for certain PBGC senior level officials. Our audit covered sensitive payments made during the period October 1, 1997 through September 30, 1998. To accomplish this audit, the following objectives were completed:

1. Evaluate the effectiveness of the management control structure over the areas of sensitive payments which encompass the following items:  
(a) compensation, (b) travel, (c) official entertainment funds, (d) unvouchered expenditures, (e) contracting and consulting services, (f) speaking honoraria and gifts, (g) executive perquisites, and (h) code of ethics criteria.
2. Evaluate compliance with applicable laws, regulations, policies and procedures, and the codes of ethics and conduct.

#### **SCOPE**

Our scope was the universe of senior level officials who were filling the positions of Executive Director, Deputy Executive Directors, and other senior level officials. Our testing covered the areas identified by the United States General Accounting Office (GAO) in its publication, *Guide for Evaluating and Testing Controls Over Sensitive Payments* (revised May, 1993). For compliance criteria, we identified and reviewed the following federal laws, regulations and Corporate policy and procedures:

- 41 C.F.R. Chapters 301-304, *Federal Travel Regulation System*
- 5 C.F.R. Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*
- Directive FM 05-6, *The PBGC Imprest Fund*
- Directive FM 15-1, *PBGC Systems for the Requisition of, Acquisition of and Payment for Goods and Services*
- Directive GA 05-5, *The PBGC Delegation of Authority System*
- Directive GA 10-5, *PBGC Travel Policies and Positions*
- Directive GA 10-6, *PBGC Sponsored Meetings and Conferences*

- Directive IM 10-4, *Speaking Engagements and Public Meetings*
- Directive PM 20-6, *Senior Level Executive Program*

This audit was performed in conformance with government auditing standards and included such tests of compliance with applicable federal laws, regulations, and PBGC Directives as we deemed necessary. We discussed our conclusions developed in this audit with PBGC officials.

We judgmentally selected our sample of senior level officials based upon our review of the organizational staffing pattern and the obligation balance report for the fiscal period ending September 30, 1998.

## **BACKGROUND AND METHODOLOGY**

In May, 1993, the GAO issued a *Guide for Evaluating and Testing Controls Over Sensitive Payments* (Guide). The Guide describes procedures for review of the internal control structure over sensitive payments, conflicts of interest, associated ethics matters, and a determination as to whether those controls ensure compliance by senior government officials with major laws, established regulations, and policies and procedures. The guide suggests that this review be performed as part of the audit of the financial statements. Audit testing was specifically tailored to the sensitive pay issues identified by GAO's Guide.

### *Compensation*

We requested FY 1998 payroll data for the selected senior level officials. We obtained the Earnings History Records from the payroll system and compared pay rates and other compensation to that established by Corporate Directive PM 20-6.

### *Travel*

We obtained the travel vouchers for the selected senior level officials. We verified the completeness of the travel vouchers provided our office by tracing paid vouchers to the Financial Accounting Reporting System. We recalculated the voucher reimbursements to ensure compliance with the *Federal Travel Regulations* and PBGC Directive GA 10-5. We reviewed the vouchers to ensure proper approvals and appropriate supporting documentation was included in the voucher package.

### *Contracting and Consulting Services*

We obtained the public financial disclosure forms (SF-278s) for the selected senior level officials. We reviewed the financial disclosure forms to determine if any potential conflicts of interest could arise from procurement activities with firms in which the senior level officials have a financial interest.

### *Official Entertainment Funds and Unvouchered Expenditures*

These funds are established by law for specific purposes. Previous audits have found these type funds are not established for PBGC.

### *Speaking Honoraria and Gifts*

We obtained the reports filed by the Corporation with the Office of Government Ethics for FY 1998 detailing reimbursement of travel from sources outside the Federal Government. We reviewed the information provided by these reports and traced all items to appropriate supporting travel documentation.

### *Executive Perquisites*

We obtained the logs for official use of the government vehicle maintained by PBGC. We reviewed the logs to ensure that use of the vehicle was in accordance with Government regulations and PBGC policy.

### *Code of Ethics*

We interviewed the Alternate Agency Ethics Official who explained PBGC's policies and procedures for informing its employees of their responsibilities regarding the code of ethics. We obtained the public financial disclosure forms (SF-278s) of the employees that were subject to the audit. We also obtained the related ethics information that PBGC provides to all employees.

During the course of our audit, nothing came to our attention which indicated that we should include other areas for audit testing or examination under the sensitive payment criteria.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Travel Vouchers Not Submitted Timely.**

Travel vouchers were not submitted within 10 days of completion of the travel. PBGC Directive GA 10-5, section 10-c, states that:

*Travel Voucher (SF 1012). This form is the official means to claim a reimbursement and shall be prepared, signed, and delivered to the Payroll/Travel Office by the tenth working day after the completion of the travel.*

In addition, the Controller Division Consolidated Procedures Manual (Manual), section III.42.1(j), states that:

*The Payroll/Travel Office regularly reviews open travel authorizations to ensure timely submission of travel vouchers.*

- *A first notice of an outstanding travel voucher is sent to the employee by the tenth working day after the completion of the travel (as indicated on the Travel Authorization) and a copy of the notice is filed with the employee's Travel Authorization.*
- *A second notice of an outstanding travel voucher is sent to the employee if not received within 20 days after the completion of travel.*
- *Additionally, the Travel Accounting Supervisor will contact the Department Director(s), Executive Department Director(s) and/or their secretaries to obtain their delinquent vouchers which exceed 20 days from the completion date of travel. After 5 additional working days from this contact by the Travel Accounting Supervisor, notification will be given to the Controller if the travel voucher remains outstanding.*

- *If after the Controller's notice or contact is made with the Director(s) and the travel voucher is still not received within 3 days, notification will be given to the next level up: Deputy Executive Director will be notified for a Director's delinquent travel voucher and the Executive Director will be notified for a Deputy Executive Director' delinquent travel voucher.*

We reviewed the travel vouchers for our sample of senior level officials. Based upon our review, we found that 27% (25 out of 90) of the travel vouchers were not submitted by the tenth working day after the completion of the travel. Of these 25 tardy travel vouchers, we found one was more than 30 days late, four were 20 or more days late, four were between 12 to 19 days late, and sixteen were between 1 and 11 days late.

Our review disclosed that the controls were not operating as designed. Only one senior level official was notified by the Travel Accounting Supervisor of an overdue travel voucher as required by the Manual.

To comply with the policies and procedures regarding delinquent travel vouchers, the Payroll/Travel Office implemented a report that, in addition to other activities, would track delinquent travel vouchers. The Payroll/Travel Office Contract Performance Measurement Report (Report) was developed in May 1998 but not implemented until August 1998. As a test, we found that the Report for August and September did not list any delinquent notices as being sent to any senior level officials. However, we found that during this period a senior level official had a overdue travel voucher that should had been reported.

Overdue travel vouchers resulted from: (1) Non-compliance with PBGC Directive requiring timely submission, and (2) Failure by the Payroll/Travel Office to comply with the control procedures regarding written notification.

We found that the accounting control problems identified in prior audits continue to exist,<sup>1</sup> therefore our recommendations are still pending.

### **RECOMMENDATIONS**

We again recommend that PBGC implement the following corrective actions:

*Require senior level officials to comply with the PBGC directive regarding timely submission of travel vouchers. (FOD-270)*

*Direct the Payroll/Travel Office to comply with policies and procedures regarding delinquent travel vouchers. (FOD-271)*

*Review open travel authorizations regularly to ensure timely submission of travel vouchers. (FOD-272)*

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<sup>1</sup> *Review of Sensitive Payments for 1996, Audit Report 97-5, issued March 31, 1997, and Review of Sensitive Payments for 1997, Audit Report 98-4, issued March 31, 1998.*



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Office of the Executive Director

JUN 1 1999

**MEMORANDUM**

**TO:** Wayne Robert Poll  
Inspector General

**THRU:** N. Anthony Calhoun, *NAC*  
Deputy Executive Director  
and Chief Financial Officer

**FROM:** Wayne McKinnon, Controller *Wayne*  
Controller Operations Division

**SUBJECT:** Response to Review of Sensitive Payments for Fiscal Year 1998  
Audit Report 99-4/23136

This memo is in response to the audit findings and recommendations contained in the Office of Inspector General's Review of Sensitive Payments for Fiscal Year 1998.

We acknowledge that the Payroll/Travel Office did not distribute notices for delinquent travel vouchers on a consistent basis during Fiscal Year 1998 because of a shortage of available trained Payroll/Travel Office employees. At this time, the Payroll/Travel Office is fully staffed with permanent employees which does enable procedures to be followed on a regular basis

1. **Recommendation:** Require senior level officials to comply with the PBGC directive regarding timely submission of travel vouchers. (FOD-270)

**Response:** It is the responsibility of all PBGC travelers, including senior level officials, to comply with the PBGC directive regarding timely submission of travel vouchers

To assist the travelers in their compliance with the PBGC directive, the Payroll/Travel Office provides monthly notices to remind travelers that travel vouchers are to be submitted

within ten working days of the last day of travel. These notices are provided on the Monthly Parking/Metrochek Distribution Schedule sent via e-mail to all PBGC employees, the PBGC Intranet website, and posted on the window of the Payroll/Travel Office.

2. **Recommendation:** Direct the Payroll/Travel Office to comply with policies and procedures regarding delinquent travel vouchers (FOD-271)

**Response:** Directors with delinquent travel vouchers and their secretaries are currently being notified by e-mail. Also, this information is being summarized monthly on the Travel Office Performance Measurement Report.

Beginning in mid-June 1998, the Payroll/Travel Office added permanent employees to the staff. This has enabled the notification to travelers of delinquent travel vouchers to be performed on a regular basis. This helped in decreasing the volume of delinquent travel vouchers. As you will note, there were only four delinquent vouchers out of the ninety reviewed after mid-June. This represents a significant improvement in the timely submission of travel vouchers by senior level officials.

3. **Recommendation:** Review open travel authorizations regularly to ensure timely submission of travel vouchers. (FOD-272)

**Response:** A listing of all travel authorizations and the related travel voucher due date and received date is now maintained daily by the Payroll/Travel Office. A calculation is done within the spreadsheet which indicates the travel vouchers that are 10, 20, and/or 30 days delinquent. Written delinquent notices are then sent in accordance with the Controller Division Consolidated Procedures Manual.

If you have any questions or need additional information regarding this response to the audit of sensitive payments, please contact Wayne Mckinnon.

cc: John Seal, CMO  
Joseph Grant, COO  
James J Keightley, OGC  
David Strauss, Executive Director