



Pension Benefit Guaranty Corporation

*Office of Inspector General*

Audit Report

***Review of Sensitive Payments  
Fiscal Year 1999***

***August 21, 2000***

**Review of Sensitive Payments  
Fiscal Year 1999  
Audit Report 2000-14/23143**

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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
M&IE	Meals and Incidental Expenses
PBGC	Pension Benefit Guaranty Corporation

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**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.

**FINDING AND RECOMMENDATIONS**

**1. PBGC Directive GA 10-5 Conflicts With Federal Travel Regulations.**

Our audit found that the guidance in PBGC Directive GA 10-5 for authorizing and reimbursing travelers for travel expenses was outdated. It appears that instead of following GA 10-5, the corporation used the guidance in 41 CFR Chapter 301, Federal Travel Regulations, Temporary Duty Travel Allowances which was amended in 1998.

This lack of consistency between PBGC Directive GA 10-5, the Federal Travel Regulations, and PBGC's actual practices weakens management's control over the authorization and reimbursement of travel expenses of both PBGC employees and contractors. This could lead to reimbursement of travel expenses that exceeded or fell short of allowable amounts.

**RECOMMENDATIONS**

We recommend that PBGC implement the following corrective actions:

*PBGC Directive GA 10-5 should be timely revised to reflect amendments to the Federal Travel Regulations and changes in management's current policies for authorization and reimbursement for travel by PBGC's employees and consultants. (FOD-282)*

*Discontinue use of GSA Form 87 to document authorization of travel. Use a travel authorization form, such as the form available on Travel Manager, which provides a more detailed schedule of estimated costs. (FOD-283)*

**AGENCY COMMENTS AND OIG EVALUATION**

A draft Report was provided to the agency for comment. In addition, we met with PBGC officials to discuss the Report's findings. We have reviewed PBGC's comments to this Report. PBGC's response, which can be found at TAB A, generally agreed with the Report's findings.

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**INTRODUCTION**

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) 1999 sensitive payments to certain PBGC Senior Level officials during the period October 1, 1998 through September 30, 1999. To accomplish this audit, the following objectives were completed:

1. Evaluate the effectiveness of the management control structure over the areas of sensitive payments that encompass the following items:
  - compensation,
  - travel,
  - official entertainment funds,
  - unvouchered expenditures,
  - contracting and consulting services,
  - speaking honoraria and gifts,
  - executive perquisites, and
  - 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 at PBGC, including the Executive Director, Deputy and Assistant Executive Directors, and other Senior Level officials. Senior Level officials are defined as those who are in positions that have been classified above the GS-15 level (Directive PM 20-6, § 3.a.). 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*. Our testing did not encompass the application controls in Travel Manager. For compliance criteria, we identified and reviewed the following federal laws, regulations and Corporate policy and procedures:

- 41 CFR Chapters 300-304, *Federal Travel Regulation System*
- 5 CFR 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 Procedures*
- 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 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, 1999.

## **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 1999 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 PBGC was required to file with the Office of Government Ethics for FY 1999 that detail 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 reviewed the SF-278s of the selected Senior Level employees for conflicts of interest.

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

## FINDING AND RECOMMENDATIONS

### 1. PBGC Directive GA 10-5 Conflicts With Federal Travel Regulations.

Our audit found that, in many cases, the guidance in PBGC Directive GA 10-5 for authorizing and reimbursing travelers for expenses was outdated. Directive GA 10-5's effective date is August 5, 1996. Between 1996 and 1998, however, the Federal Travel Regulations (FTR) were amended several times to significantly change certain limitations on reimbursement of travel expenses. In fact, PBGC acknowledged the conflict in a reference guide, *Spending PBGC Funds: Traps for the Unwary*.<sup>1</sup> That guide states: "GSA updated the FTR in April 1998, so until PBGC updates its directive you may find conflicts between it and PBGC's travel directive, GA 10-5. If you find a conflict, the new FTR prevails."

We note that Directive GA 10-5 states that it is the controlling authority for PBGC travelers. Section 1, states, in part, that:

This directive establishes travel policy for PBGC staff, and consultants and experts appointed under 5 U.S.C. 3109. Travel expenses incurred which are not authorized by this directive will be disallowed.

There does not appear to be a "conflicts of laws" provision in GA 10-5, i.e., a provision stating that to the extent there is a conflict between the directive and the FTR, the FTR will control.

An example of a conflict between GA 10-5 guidance and the FTR is demonstrated in section 4.g., "Actual subsistence expenses." The Directive states:

In lieu of per diem, actual subsistence expenses may be allowed within the guidelines of the FTR (e.g., the maximum per diem is inadequate due to special or unusual circumstances). However, when actual subsistence expenses are authorized, the PBGC shall not reimburse an employee for expenses in excess of 150 percent of the applicable per diem rate. . . . Part 30-8, "*Reimbursement of Actual Subsistence Expenses*," of the FTR sets forth examples of permissible use of actual subsistence expenses. . . .

In 1997, the FTR was amended to allow agencies to authorize reimbursement of actual travel expenses up to 300 percent of the applicable per diem rate. This amendment was at the agency's discretion and agency policy could establish a lesser amount (41 CFR § 301-11.303). The agency issued a memorandum on July 30, 1997 adopting the increased 300% authorization, however, Directive 10-5 was not changed to reflect the increase.

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<sup>1</sup> This reference guide covers a wide variety of common federal government expenditures and was written to help PBGC employees properly spend PBGC funds. It was developed by the Office of the General Counsel, in consultation with the Office of Inspector General, to satisfy an audit recommendation in an OIG Report, *Evaluation of PBGC Appropriation Expenditures for Food, Entertainment and Mementos*, No. 98-5/23115 (Sept. 30, 1998).

Then in 1998, the FTR was completely amended to provide guidance in a question-answer format and to change other travel requirements. Actual expense reimbursements are now covered in 41 CFR § 301-11, Subpart D, however, the Directive does not reflect this regulatory reference change.

We note that Directive GA 10-5 was revised in January 1998 and March 1999, though the revisions did not incorporate these amendments to the FTR. The July 1997 memorandum that adopted the 300% maximum per diem reimbursement is not readily available to PBGC travelers. Rather, GA 10-5 is PBGC's announced travel guidance. By failing to amend section 4.g. of GA 10-5, there may be confusion and some travelers may have been harmed. For example, an unwitting traveler may have had a legitimate lodging expense in excess of 150% of per diem but may not have sought reimbursement because of section 4.g.'s limitation.

In our review of travel vouchers, we noted instances in which the employee was only authorized actual subsistence of 150% yet the traveler's expenses were greater than that amount. For example, in some travel vouchers there were errors, including application of the 150% per diem rate, but in no case did the traveler exceed the maximum 300% reimbursement.

Other examples of inconsistencies between the directive and the amended FTR include:

GA 10-5, 7.b. & c. guidance concerning allowance for meals and incidental expenses (M&IE) when travel is for less than 24 hours states that traveler reimbursement is pro-rated based on six-hour increments. In 1996, the FTR was amended and the six-hour formula was abandoned (currently at 41 CFR §§ 301.11-100 through 301.11-102).

GA 10-5, 10.d. states that the travel voucher claiming reimbursement must be delivered to the Payroll/Travel Office by the tenth working day after the completion of the travel. The FTR was amended in 1998 to require travel claims to be submitted within five working days after completion of the trip (41 CFR § 301-52.7).

GA 10-5, 10.d. states that when travel is authorized or approved on an actual subsistence expense basis, the employee must itemize on the travel voucher each expense for which reimbursement is claimed on a daily basis. Meals must be itemized separately; i.e., breakfast, lunch, and dinner. 41 CFR § 301-11.306 also states that all expenses, including meals, must be itemized separately. However when an agency limits M&IE reimbursement to either the prescribed maximum M&IE rate for the locality concerned or a reduced M&IE rate, it may or may not require M&IE itemization at its discretion. For the reviewed vouchers with actual subsistence expense authorization, we found that PBGC reimbursed the traveler at the prescribed maximum M&IE rate. The traveler was not required to itemize actual expenses for meals.

GA 10-5, 10.d. states that receipts must be submitted for all cash expenditures in excess of \$25.00. In 1996, the FTR was amended to require receipts for all cash expenditures in excess of \$75.00 (currently at 41 CFR § 301-11.306).

We note that, for the travel reviewed in this audit, PBGC's actual practice regarding travel reimbursement issues usually followed the amended travel regulations rather than its directive.

In addition, GA 10-5, 10.b. states that form PBGC 264 is to be used to authorize all travel except local travel. We found that PBGC is instead using GSA Form 87. We further found that Form 87 is in PBGC's electronic Travel Manager and required by the Travel Office. GSA Form 87, revised in August 1986, is out of date. Statements on the form, in

particular those concerning the maximum actual expense reimbursement, do not reflect PBGC's actual practices. In addition, the form does not provide sufficient detail concerning estimated travel costs.

The travel authorization should be sufficiently detailed to provide a clear audit trail as to the funding required for the specific trip. Travelers requesting actual subsistence expense should be able to determine the amount of funds required for one night's lodging. The traveler should then determine whether the required reimbursement for actual subsistence is 300% or some lesser amount. Preparation of proper travel authorizations with adequate detail leaves a clear audit trail and provides a control mechanism to evaluate the expenses listed on the submitted travel voucher. We noted that there is a travel authorization form available on PBGC's Travel Manager that provides a more detailed schedule of estimated costs. This, or a similar form, should be used instead of GSA Form 87.

This lack of consistency between PBGC Directive GA 10-5 and the Federal Travel Regulations weakens management's control over the authorization and reimbursement of travel expenses to PBGC employees and consultants. Though PBGC employees have access to federal regulations through the Intranet, they may not know how to research their questions. In addition, the employees are more likely to be familiar with PBGC's directives and to expect to rely on them. An agency's internal guidance should bridge the gap between technical regulations and exactly what employees must know to comply with the rules. Because Directive GA 10-5 is out-dated, it can be confusing to the traveler, the administrative support preparing the travel documents, and the one authorizing the travel. Reliance on it could lead to the reimbursement of expenses to the traveler that exceeded or fell short of allowable amounts.

#### **RECOMMENDATIONS**

We recommend that PBGC implement the following corrective actions:

*PBGC Directive GA 10-5 should be timely revised to reflect amendments to the Federal Travel Regulations and changes in management's current policies for authorization and reimbursement for travel by PBGC's employees and consultants. (FOD-282)*

*Discontinue use of GSA Form 87 to document authorization of travel. Use a travel authorization form, such as the form available on Travel Manager, which provides a more detailed schedule of estimated costs. (FOD-283)*



Pension Benefit Guaranty Corporation  
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AUG 14 2000

To: Wayne R. Poll  
Inspector General

From: N. Anthony Calhoun   
Deputy Executive Director  
and Chief Financial Officer

Subject: Comments on the Review of Sensitive Payments for FY 1999, Draft  
Report 2000-14/23143 dated July 20, 2000

We appreciate the opportunity to comment on the subject draft report and we concur with its recommendations. As discussed with the Financial Operations Department staff, efforts are already underway to implement corrective actions to address the findings and recommendations in the draft report. Please see the attached corrective actions planned.

If you have questions or concerns regarding the attached comments, please let us know.

cc: David M. Strauss

Attachment

**Recommendation:** *PBGC Directive GA 10-5 should be timely revised to reflect amendments to the Federal Travel Regulations and changes in management's current policies for authorization and reimbursement for travel by PBGC's employees and consultants.*

**Response:** The Financial Operations Department recently circulated a draft update to PBGC Directive GA 10-5, *PBGC Travel Policies and Procedures*, for management review and comment. This draft includes changes to bring the Directive into full agreement with the latest Federal Travel Regulations. Revisions to the draft Directive are now underway to address management comments and concerns. Release of the final updated version is expected by September 2000.

**Recommendation:** *Discontinue use of GSA Form 87 to document authorization of travel. Use a travel authorization form, such as the form available on Travel Manager, which provides a more detailed schedule of estimated costs.*

**Response:** We understand that the audit concern with GSA Form 87, *Official TDY Travel Authorization*, is that the form states a 150% limitation on actual meals and miscellaneous expenses while estimated travel cost amounts of up to 300% are authorized in accordance with the current FTR. PBGC's rollout of paperless travel document processing using the Travel Manager System will eliminate use of GSA Form 87 except for senior level officials subject to the sensitive payments audit. In those cases where these senior level officials' travel authorizations reflect actual cost estimates exceeding 150%, an appropriate comment will be supplied in the Remarks section of GSA Form 87 to reference the FTR 300% limitation.