



U.S. Department of Energy
Office of Inspector General
Office of Audit Services

Audit Report

Management Controls over Selected Facility Contractor Travel Expenses

OAS-M-07-03

April 2007



Department of Energy

Washington, DC 20585

April 26, 2007

MEMORANDUM FOR THE PRINCIPAL DEPUTY ADMINISTRATOR, NATIONAL
NUCLEAR SECURITY ADMINISTRATION AND CHIEF
OPERATING OFFICER, OFFICE OF SCIENCE

FROM:

A handwritten signature in black ink, appearing to read "Rickey R. Hass".

Rickey R. Hass

Assistant Inspector General

for Financial, Technology and Corporate Audits

Office of Inspector General

SUBJECT:

INFORMATION: Audit Report on "Management Controls over
Selected Facility Contractor Travel Expenses"

BACKGROUND

The Department of Energy (Department) relies on contractors to manage and operate its major facilities. Management contractors' business-related travel, which includes domestic and international trips to and from field sites to attend meetings and conferences and to perform research, represents a significant cost to the Department. In Fiscal Year (FY) 2006 contractors took over 192,000 trips and incurred total travel related costs of approximately \$154 million.

Prior reviews have disclosed problems with contractors' travel costs such as travelers not reducing per diem rates for meal costs included in conference fees, improperly categorizing trips and taking trips that were of questionable value to the Department. Because the Department has experienced problems in the past, we conducted this review to determine whether selected contractors were effectively managing domestic and foreign travel and related expenses.

RESULTS OF AUDIT

Our work at the Oak Ridge National Laboratory (Oak Ridge), BWXT Y-12 (Y-12), and Sandia National Laboratories (Sandia) disclosed that, at these sites, internal controls over contractor travel were generally adequate and travel expenses were reasonable. Based on an evaluation of 632 trips across these three contractor sites, we determined that controls related to review of supporting documentation and approval of expense vouchers were functioning effectively. Overall, we noted that travel management procedures were generally efficient and consistent with applicable guidance. In particular:

- All three sites had automated systems for tracking and approving expense vouchers;
- Employees' expense vouchers were submitted for reimbursement in a timely manner and contained the necessary approvals and supporting documentation to ensure that claimed expenses were appropriate;



- With minor exceptions, expense vouchers reflected the use of the appropriate classes of air travel and car rental;
- Employees at Y-12 and Oak Ridge adhered to the Federal Travel Regulation (FTR) per diem rates for reimbursement of meals and lodging expenses. Sandia, which the Department exempted from FTR requirements, realized savings over FTR specified rates by using "actual cost" methods; and,
- The internal audit departments at these sites had also included travel expenses as part of their annual allowable cost reviews, a practice that helped ensure that unallowable travel costs were not charged to the Department.

We also identified several minor problems and opportunities to strengthen certain internal controls. For a few trips at each site, claims for reimbursement did not clearly describe the purpose of travel and certain expenses were not adequately supported or were missing required justifications. At Sandia, we also identified three trips for which required authorizations for first class airline accommodations were missing from reimbursement reports. Unless specifically authorized, the cost of first class airfare is unallowable. In limited instances, we noted that Sandia travelers did not use the corporate travel agent to purchase airline tickets or did not use their corporate travel card for all business travel. The use of these contractor sponsored programs helps employees to, among other things, obtain discounted pricing. In addition to the minor exceptions mentioned above, we also noted an issue regarding the management of unused airline tickets at Sandia.

Unused Airline Tickets

To maximize savings, all three sites required employees to purchase non-refundable airline tickets. Employees were sometimes reimbursed for the cost of these tickets before they completed their travel. For travel that was later cancelled, Oak Ridge and Y-12 managed and tracked the unused tickets to ensure they were used on subsequent travel.

Our review of management practices in this area disclosed that Sandia lacked comprehensive procedures for managing and did not track all unused airline tickets. While Sandia reported that it had clarified its policy and procedural guidance in this area in response to a 2004 internal audit, our review demonstrated that additional controls are necessary. To illustrate, the corporate travel agent at Sandia issued its August 2006 report for all carriers except Southwest Airlines showing that 424 tickets valued at \$181,997 were unused and unexpired. Although the monthly unused ticket reports were reviewed and e-mails were sent reminding travelers of their outstanding unused tickets, Sandia did not follow up to determine whether the tickets were eventually used for official business travel.

Additionally, according to officials at Sandia, travelers used Southwest Airlines for over 50 percent of their travel. No information on outstanding unused or unused expired Southwest Airlines tickets was provided by the corporate travel agent and Sandia did not have internal procedures to track these tickets. Given the extent of use of Southwest and the demonstrated frequency of unused tickets on other airlines, it is likely that the total value of unused tickets for this carrier could be significant.

SUGGESTED ACTIONS

To address the issues outlined above, we suggest that the:

1. Managers of the Oak Ridge Office, Y-12 Site Office and Sandia Site Office ensure that, for the management contractors under their purview, adequate descriptions of the purpose of travel are included in all reimbursement reports and that all expenses submitted for reimbursement are adequately supported and include all required justifications;
2. Manager, Sandia Site Office, ensure that Sandia:
 - a. Develops unused airline ticket status reports for all airlines to identify expired tickets, and tickets that have been unused or partially used for follow-up and to facilitate management of unused airline tickets;
 - b. Strengthens its review and approval of travel reimbursements to ensure compliance with corporate requirements such as use of the corporate travel agent for travel arrangements and the use of corporate credit cards while in official travel status; and,
 - c. Evaluates the adequacy of supporting documentation for all first class travel to ensure that costs are authorized and necessary.

Details regarding each of the issues we identified were referred to the contractor for resolution. Contractor officials told us that they had initiated or completed corrective actions for the problems identified in this report. Since no recommendations are being made in this report, a formal response is not required. We appreciate the cooperation of the various Departmental elements and all the staff at the contractor sites during this effort.

Attachment

cc: Manager, Oak Ridge Office
Manager, Sandia Site Office
Manager, Y-12 Site Office
Acting Chief Financial Officer, CF-1
Team Leader, Audit Liaison, CF-1.2
Audit Liaison, MA-70
Director, Policy and Internal Controls Management, NA-66
Audit Liaison, SC-67
Audit Liaison, ORO
Audit Liaison, Sandia National Laboratories

SCOPE AND METHODOLOGY

This review was performed between September 2006 and March 2007 at the Oak Ridge National Laboratory (Oak Ridge) and BWXT Y-12 (Y-12) in Oak Ridge, Tennessee and the Sandia National Laboratories (Sandia) in Albuquerque, New Mexico. To accomplish our objective, we:

- Reviewed contractor's travel policies and procedures and interviewed key personnel at each site;
- Assessed the selected contractors' compliance with the applicable federal guidance, internal travel policies and Department of Energy (Department) contracts;
- Tested random samples of travel documentation and related reports for Fiscal Year 2006 at each location; and,
- Reviewed reports provided by the Internal Audit departments for the past fiscal year.

We validated the accuracy of computer data on which we relied by tracing it to source documents. The review was conducted in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal deficiencies that may have existed at the time of our audit. During the audit, we assessed the Department's compliance with the Government Performance and Results Act of 1993 and found no performance measures related to travel. We discussed the contents of this letter with Oak Ridge, Y-12 and Sandia representatives on March 15, 2007. The Department waived an exit conference.

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