



Employee-Initiated Transfers and Associated Travel

September 2018

PAE Memorandum 18-002

Memorandum Program Audits and Evaluations

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Date: September 10, 2018

Memorandum To: Craig R. Jarvill
Director, Division of Finance

Arleas Upton Kea
Director, Division of Administration

Charles Yi
General Counsel

From: **/Signed/**
Terry L. Settle
Assistant Inspector General for Program Audits and Evaluations

Subject: Employee-Initiated Transfers and Associated Travel | Hotline Complaints
PAE Memorandum 18-002

From September through December 2017, the Office of Inspector General (OIG) Hotline received three complaints alleging that a Program Office within the Federal Deposit Insurance Corporation (FDIC) had engaged in management practices regarding hiring, personnel, and travel that were not consistent with FDIC policies and procedures. In reviewing these matters, we identified several concerns related to the FDIC's handling of employee-initiated transfers and associated travel that we believe warrant management's attention.¹

Background

According to FDIC's Corporate Bylaws, the Director, Division of Administration (DOA), is responsible for developing and recommending the implementation of new or revised personnel policies and programs to assure maximum use of the FDIC's human resources. FDIC personnel policies generally require that Division and Office Directors and their supervisors administer and ensure that personnel activities are carried out consistent with those policies.

The FDIC's General Travel Regulations² state that the Director, Division of Finance (DOF), is responsible for developing and administering the FDIC's General Travel Regulations and making final decisions on whether an employee's business travel and relocation expenses qualify for reimbursement from the FDIC. DOF travel guidance requires that FDIC supervisors authorize employees to travel for FDIC business purposes, and review expense reports to

¹ Our review of these matters did not constitute an audit in accordance with Government Auditing Standards.

² The FDIC's General Travel Regulations, Regular Duty Travel – Volume 1, Circular 2510.4, March 8, 2016.

ensure employees incurred reasonable expenses and complied with the FDIC's General Travel Regulations.³

As discussed in the Results section below, the FDIC did not have criteria or standards upon which to evaluate employee-initiated transfers, nor had the FDIC defined a hardship in any FDIC policy or guidance document. According to FDIC officials, employee-initiated transfers are intended to accommodate an employee's personal situation by allowing the employees to transfer from their original duty station to a different geographic location to perform their work as a result of a personal hardship. FDIC supervisors evaluate requests for these transfers on a case-by-case basis. In doing so, the appropriate FDIC Division or Office may execute a Memorandum of Understanding (MOU) describing: the reasons for the transfer; changes in the employee's duty station, pay, and relocation benefits; the effective date of the transfer; and related requirements incumbent upon the employee and the FDIC.

As of March 8, 2018, DOA officials that we interviewed had identified six employees who were approved for employee-initiated transfers as a result personal hardships and had MOUs reflecting the terms of their transfers. We reviewed each of these six cases. Four of these employees reported to FDIC Headquarters and two reported to an FDIC Regional Office prior to their transfers.

Results of OIG Review

Based on our review of the six MOUs identified by DOA and related documentation and guidance, we identified the following concerns:

1. ***The FDIC does not have policies or procedures related to employee-initiated transfers.*** For example, the FDIC has not formally defined the circumstances that warrant employee-initiated transfers based on a personal hardship or how the transfers are requested, documented, and approved. Therefore, the FDIC risks executing the transfers in an inconsistent manner or in a way that does not comply with its personnel policies and General Travel Regulations.
2. ***The FDIC does not track employee-initiated transfers.*** According to DOA officials, FDIC Regional Offices may handle employee-initiated transfers locally without informing Headquarters personnel. Therefore, the FDIC cannot readily determine the total number of transfers that it has granted and it cannot be sure that it is aware of all such transfers.
3. ***The FDIC does not periodically review the basis for employee-initiated transfers.*** For five of the six MOUs we reviewed, FDIC Program Offices did not include a provision requiring that management periodically review the rationale and basis for continuing the transfers. Therefore, the FDIC risks having MOUs in place beyond a time when a valid employee or business need exists.

³ DOF PowerPoint Presentation entitled, *FDIC Travel: Supervisors' Roles and Responsibilities*, dated September 2012.

4. **The FDIC's Program Offices did not inform DOF about the MOUs that were executed to reflect the employee-initiated transfers.** DOF did not have an opportunity to review the MOUs before they were executed, and thus, it could not ensure that the MOUs complied with the FDIC's General Travel Regulations related to employee relocations.

The FDIC's General Travel Regulations prohibit an employee from receiving any relocation benefits when the employee requests a relocation for personal convenience, unless the DOF Director grants an exception to this rule. Therefore, absent such a waiver from the DOF Director, the FDIC would not be authorized to reimburse an employee for relocating to a new duty station or back to his/her original duty station, even if the FDIC requested the employee to relocate back to his/her original duty station.

All six of the MOUs required the employees to pay their own costs to relocate to their new duty stations. However, contrary to the General Travel Regulations, two MOUs we reviewed stated that the FDIC would pay for costs to relocate the employees back to their original duty stations in the event the Program Office rescinded the MOU or requested the relocation.⁴ As a result, in those two instances, the FDIC could be obligated to pay relocation costs it ordinarily would not cover.

5. **The FDIC's Legal Division did not have a defined role or process for reviewing employee-initiated transfers.** An FDIC official informed the OIG that the Legal Division did not review all MOUs involving employee-initiated transfers nor did it have a standard process for reviewing the MOUs. The Legal Division had reviewed five of the six MOUs discussed in this Memorandum. This official told us that the Legal Division reviewed the MOUs from a "contract perspective to see if they identified any issues." We believe it is important for the Legal Division to review these transfers to help ensure that an MOU is the appropriate instrument to address the details of the transfer and that it complies with applicable requirements.
6. **The FDIC did not consider tax implications for one employee-initiated transfer.** Section 162 of the Internal Revenue Service Tax Code (Title 26, U.S. Code) states that if an employee travels for work to a single location other than the employee's official duty station for the majority of work time for 1 year or more, there is an increased likelihood that the travel expenses are taxable.

One MOU that we reviewed may have triggered tax implications. According to DOF travel records, the employee spent more than 50 percent of work time in travel status, to a single location, over a 32-month period that we analyzed.⁵

⁴ Three MOUs we reviewed were silent on the FDIC paying relocation costs for employees to return to their original duty stations, and one MOU we reviewed stated the FDIC would not pay for such relocation costs.

⁵ Tax implications in connection with work travel are discussed in the following FDIC OIG evaluation report: *OIG Hotline Complaints Regarding Employee Travel* (EVAL-17-002, December 15, 2016). This report may be found on our OIG website at <https://www.fdicigoig.gov/sites/default/files/publications/17-002EV.pdf>.

7. ***The FDIC may not have considered lodging costs for one employee-initiated transfer.*** The FDIC's General Travel Regulations require employees working in the Washington, D.C. area to stay at the FDIC-owned Student Resident Center (SRC) unless it does not have availability. Even when a transfer involves work at Headquarters facilities, we believe the FDIC should consider the travel costs that will be incurred, including possible outside lodging costs.

One MOU permitted the employee (referenced earlier in connection with tax implications) to relocate to a city outside Washington, D.C. but required the employee to travel back to Washington, D.C. to fulfill requirements of the position. Over a 32-month period, the employee incurred \$98,287 in travel expenses to Washington, D.C. These expenses included \$25,372 in lodging costs to reside in a lodging facility other than the SRC, for 109 nights.

8. ***DOF was not aware of unusual agreements with employees regarding travel reimbursements.*** The OIG's Report on Hotline Complaints Regarding Employee Travel (cited in footnote 5) identified unusual travel patterns in connection with a former FDIC employee. In response to Recommendation 6 in that report, DOF had asked each FDIC Program Office whether any unusual agreements existed that impacted employee travel reimbursements, and each Program Office informed DOF that it did not have any employees with agreements of this nature. Accordingly, we closed this recommendation.

However, during this review of employee-initiated transfers, we found that the FDIC Program Office did not inform DOF of the MOU described above that permitted the employee to relocate to a city outside Washington, D.C. We believe that the FDIC Program Office should have advised DOF of the arrangement because this MOU provided the employee with reimbursement of travel expenses not ordinarily allowed by the General Travel Regulations. The other five MOUs we reviewed did not contain provisions regarding travel requirements.

Conclusion

We do not intend to conduct additional work in this area at this time. However, as noted in the Results section of this Memorandum, we identified several concerns regarding the FDIC's handling of these transfers involving policies and procedures; periodic reviews; coordination among the Program Office, DOA, and DOF; the role and review process of the FDIC's Legal Division; and consideration of tax implications and lodging costs when evaluating whether to approve such transfers.

The FDIC provided a response, dated August 31, 2018, to a draft version of this memorandum. In its response, FDIC management committed to developing a policy to address employee-initiated transfers by October 31, 2018, and implementing the policy by December 31, 2018. The response described actions that management will take to ensure that the FDIC processes

employee-initiated transfers and associated travel appropriately and consistent with FDIC policy. The FDIC's planned actions are responsive to our concerns. The FDIC's response is included in its entirety in the Appendix.

FDIC Comments



Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, VA 22226

Division of Administration

DATE: August 31, 2018

MEMORANDUM TO: Terry L. Settle, Assistant Inspector General for Program Audits and Evaluations
Office of Inspector General

FROM: Arleas Upton Kea, Director **/Signed/**
Division of Administration

Craig R. Jarvill, Director **/Signed/**
Division of Finance

Jeff Rosenblum, Assistant General Counsel **/Signed/**
Legal Division

SUBJECT: Management Response to the OIG Draft Report Entitled Employee-Initiated Transfers and Associated Travel, Hotline Complaints, PAE Memorandum 18-002

The Federal Deposit Insurance Corporation (FDIC) has completed its review of the Office of Inspector General's (OIG) memorandum entitled Employee-Initiated Transfers and Associated Travel, Hotline Complaints, PAE Memorandum 18-002, issued July 27, 2018.

The OIG identified eight issues for management's consideration. FDIC management is committed to ensuring that the FDIC processes employee-initiated transfers and associated travel appropriately and consistent with FDIC policy. Our responses below contain actions already completed, planned or in process to address these issues.

Issue 1: The FDIC does not have policies or procedures related to employee-initiated transfers.

Response: The Divisions of Administration (DOA) and Finance (DOF) and the Legal Division are developing a policy for addressing employee-initiated transfers. The policy will outline the circumstances under which an employee may request a transfer from one office to another, the criteria that Divisions/Offices (D/O) should use to determine whether to recommend approval of the transfer, and the process to be used to approve the D/O recommendation. All recommendations for approval of transfer will be reviewed by these three divisions for compliance with applicable law and policy. The FDIC intends to develop the policy by October 31, 2018 and implement it by December 31, 2018.

Issue 2: The FDIC does not track employee-initiated transfers.

Response: As part of the planned Employee-Initiated Transfer policy, DOA will receive all recommendations for approving employee-initiated transfer requests from the D/O administrative offices and return the decision with which DOA, DOF and Legal will have

opined. If the request is approved, the D/O will forward the approval to the servicing human resources (HR) office for the HR Specialist to enter the transfer into the FDIC's Corporate Human Resources Information System (CHRIS.) HR Specialists will not process a transfer request without the appropriate approval. In addition, DOA will explore whether a report may be developed in CHRIS that will track all employee-initiated transfers.

Issue 3: The FDIC does not periodically review the basis for employee-initiated transfers.

Response: The policy will include a provision whereby all employee-initiated transfers will be reviewed periodically to assess the continuing need for the transfer.

Issue 4: The FDIC's Program Offices did not inform DOF about Memoranda of understanding (MOUs) that were executed to reflect the employee-initiated transfers.

Response: Involving DOF in the planned Employee-Initiated Transfer policy will address this issue. See responses to issues one and three above.

Issue 5: The FDIC's Legal Division did not have a defined role or process for reviewing employee-initiated transfers.

Response: Involving the Legal Division in the planned Employee-Initiated Transfer policy will address this issue. See response to issue one above.

Issue 6: The FDIC did not consider tax implications for one employee-initiated transfer.

Response: The planned Employee-Initiated Transfer policy will include a requirement that DOF assess whether an employee-initiated transfer situation results in tax implications for the employee.

Issue 7: The FDIC may not have considered lodging costs for one employee-initiated transfer.

Response: The planned Employee-Initiated Transfer policy will include an analysis of the costs related to a transfer, including travel-related costs.

Issue 8: DOF was not aware of unusual agreements with employees regarding travel reimbursements.

Response: Involving DOF in the planned Employee-Initiated Transfer policy will address this issue. See response to issue one above.

We recognize the need to address these issues and implement improvements to the employee transfer process going forward. As such, we appreciate the OIG's work and bringing these issues to our attention.

If you have any questions regarding this response, our point of contact for this matter is Dan Bendler at (703) 562-2123.

cc Daniel H. Bendler, DOA
Andre M. Douek, Legal Division
E. Marshall Gentry, DOF