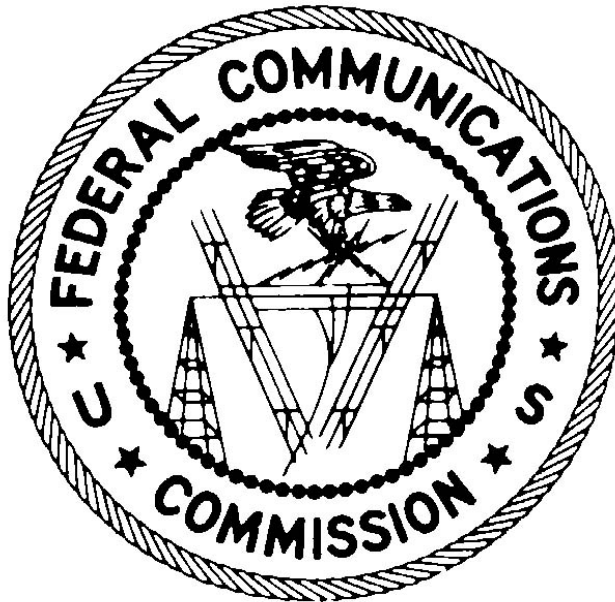


FEDERAL COMMUNICATIONS COMMISSION

OFFICE OF INSPECTOR GENERAL



Report on Special Review of Employee Use of FCC Travel Cards

Special Review Report No. 01-AUD-10-41

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EXECUTIVE SUMMARY

As a result of recent Congressional interest and at the request of the Commission's Managing Director, the FCC Office of Inspector General (OIG) has conducted a special review of the Commission's travel card program. The purpose of this special review was to examine FCC employee usage of Government travel cards and evaluate the Commission's program for ensuring employee compliance with travel card policies and procedures. The specific objectives of this review included determining whether (i) FCC travel cardholders are using travel cards in compliance with prescribed policies and procedures; (ii) Policies and procedures for using travel cards are adequate; and (iii) Commission draft administrative policies and procedures would be adequate if finalized without modification.

To accomplish the objectives of this review, we obtained an understanding of the specific management controls relevant to the Commission's Travel Card Program. This special review was conducted in accordance with government auditing standards.

We found that, in general, FCC employees used their travel cards in compliance with the Commission's travel card policies and procedures during FY 2001. For example, only seven FCC employees out of approximately 900 Commission travel cardholders (0.8 percent) had their travel cards revoked by the Bank of America for not paying their bills during FY 2001. We also found that the Commission's travel card policies and procedures for travel card use to be adequate and in compliance with Federal Travel Regulations (FTR). However, we did find instances of employees not using their travel cards in compliance with the Commission's travel card policies and procedures. We also found that the Commission could (i) strengthen its draft administrative policies and procedures by providing more detailed guidance in some areas; and (ii) formalize its policies for evaluating inappropriate behavior and taking appropriate disciplinary action when employees use travel cards for non-official travel purposes or fail to pay undisputed charges in a timely manner.

Based on the results of our review, we have made recommendations that, in our opinion, would increase management control, reduce the risk for abuse, and help prevent payment delinquencies within the Commission's travel card program.

On April 22, 2002 we issued a draft report summarizing the results of our review which included recommendations for program enhancement. On May 6, 2002 the Managing Director responded to our draft report. In his responses, the Managing Director concurred with our recommendations and provided a description of the corrective actions being taken in response to each recommendation. A complete copy of the Managing Director's response is included as Appendix E to this report.

REVIEW OBJECTIVE

As a result of recent Congressional interest¹ and at the request of the Commission's Managing Director, the FCC Office of Inspector General (OIG) has conducted a special review of the Commission's travel card program. The purpose of this special review was to examine FCC employee usage of Government travel cards and evaluate the Commission's program for ensuring employee compliance with travel card policies and procedures. The specific objectives of this review included determining whether (i) FCC travel cardholders are using travel cards in compliance with prescribed policies and procedures; (ii) Policies and procedures for using travel cards are adequate; and (iii) Commission draft administrative policies and procedures would be adequate if finalized without modification.

REVIEW SCOPE

The scope of this special review incorporated all steps necessary to provide the Chairman a complete, independent and objective analysis of travel card use by Commission employees. This included:

- Reviewing the Commission's Travelers Credit Card Program Policies and Procedures;
- Assessing control risk to use as a basis for planning the nature, timing, extent of testing;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed; and,
- Evaluating the overall data and records presentation.

This special review was conducted in accordance with government auditing standards.

¹ May 1, 2001 hearing entitled *Implementation of the Travel and Transportation Reform Act of 1998: "Why Haven't Federal Employees Been Held Accountable for Millions of Dollars of Federal Travel Expenditures?"* conducted by the United States House of Representatives Government Efficiency, Financial Management and Intergovernmental Relations Subcommittee.

BACKGROUND

In February 1998, the FCC replaced American Express with the Bank of America (BA) as the Commission's travel card provider. The Commission selected BA from the General Services Administration's (GSA) SmartPay Program² as the vendor providing credit cards and a travel and transportation payment and expense system for official travel expenses of the Commission and its employees. This system consists of individually billed employee accounts for use in connection with official Government domestic and international travel-related expenses. FCC travelers are required to use the Government travel card for cash advances, transportation tickets, lodging, meals or other subsistence costs, commercial vehicle rental/lease, gas or oil for commercial rental vehicles, shuttle buses, and other local travel while on official travel.

On May 1, 2001, the United States House of Representatives Government Efficiency, Financial Management and Intergovernmental Relations Subcommittee held an oversight hearing on travel card misuse by Government employees. Congressman Stephen Horn, Subcommittee Chairman, stated in his opening remarks that the subcommittee became concerned because the Bank of America reported that Department of Defense employees have defaulted on more than \$50 million in federal travel expenditures since the program's inception in 1998 and that it writes off more than \$2 million in delinquent federal travel expenditures each month. GSA also reported that federal employees were delinquent in paying more than \$25 million charged against their travel accounts and that some agencies and departments were delinquent in repaying more than \$12 million in travel expenditures.

Because of these Congressional concerns and at the Managing Director's request, we initiated a special review of the Commission's travel card program. On November 28, 2001, the OIG conducted an entrance conference with the Managing Director and his representatives and notified them of the special review goals and objectives and announced the beginning of fieldwork.

CONCLUSION

We found that, in general, FCC employees used their travel cards in compliance with the Commission's travel card policies and procedures during FY 2001. For example, only seven FCC employees out of approximately 900 Commission travel cardholders (0.8 percent) had their travel cards revoked by the Bank of America for not paying their bills during FY 2001. We also found that the Commission's policies and procedures for travel card use to be adequate and in compliance with Federal Travel Regulations (FTR). However, we did find instances of employees not using their travel cards in compliance

² Under the SmartPay program, the GSA contracted with the Bank of America under contract no. GS-23F-98004. Contract effective dates November 30, 1998 through November 29, 2003, with five additional one-year options to renew.

with the Commission's travel card policies and procedures. We also found that the Commission could (i) strengthen its draft administrative policies procedures by providing more detailed guidance in some areas; and (ii) formalize its policies for evaluating inappropriate behavior and taking appropriate disciplinary action when employees use travel cards for non-official travel purposes or fail to pay undisputed obligations in a timely manner.

Non-Compliant Travel Card Transactions

We used a combination of random and judgmental sampling techniques to select two-hundred forty-two (242) travel card transactions and forty (40) travel vouchers from FY 2001 Bank of America transaction and FCC travel voucher reports to review for compliance with the Commission's travel card policies and procedures.

Based on the results of our review, we have concluded that, in general, FCC employees complied with the Commission's travel card policies and procedures during FY 2001. However, we did find the following instances where Commission employees used the travel card when they were not on official travel:

- One employee used the travel card to make cash withdrawals that were not associated with official travel. Further investigation revealed that this employee used the travel card to make ten (10) separate cash withdrawals and pay for two (2) lunches at local restaurants during the period from January 30, 2001 through August 28, 2001 that were not associated with official travel. Subsequent follow-up procedures by the Agency Program Coordinator (APC) revealed that this employee continued using the travel card for non-official travel cash withdrawals from September 2001 into January 2002, even after the APC inquired about the appropriateness of the earlier cash withdrawals.
- Nine employees used the travel card to make purchases at stores, restaurants, and rental companies that were not associated with official travel.

In addition to inappropriate use of the travel card by employees who were not on official travel, we identified instances of non-compliance with policies and procedures governing travel card use by employees that were on official travel:

- Three (3) employees used the travel card to withdraw cash earlier than the "no sooner than three (3) days before official travel requirement" prescribed in the travel card policies and procedures.
- Two (2) employees paid for more than their own expenses when they used the travel card to host dinners for groups while on official travel.
- Two (2) employees used the travel card for cash withdrawals that were for less than the \$50 minimum cash withdrawal limit.

- Two (2) employees made travel card purchases that were not supported by FCC travel documentation. Our inquiries revealed that these employees used their travel cards for expenses while under U. S. Customs Service (Customs) travel authorizations.

The Commission's policies and procedures governing travel card use prescribe that the Commission's "travel charge card program is the mandatory program for travel related charge card purchases." It also limits travel card use to cash advances, transportation tickets, lodging, meals or other subsistence costs, commercial vehicle rental/lease, gas or oil for commercial rental vehicles, taxis, shuttle buses and other local travel. The policies and procedures further restrict travel card use to paying the cardholder's expenses only. The bases for these policies and procedures are found in the Federal Travel Regulations (FTR) contained in (i) 41 CFR § 301-51.1, which require Government employees to use the contractor-issued travel charge card for all official travel; and (ii) § 301-51.6, which specifically limits travel card use to an employee's own official travel related expenses. The Commission's policies and procedures further define cardholder responsibilities by prescribing that:

"When using the charge card, the cardholder must comply with all Federal, Agency, and Bureau/Office-specific prohibitions, controls, limitations, and approval requirements. Intentional use of the charge card by a cardholder for other than official Government travel related expenses away from your official duty station may be considered an ethics violation and can result in immediate cancellation of the employee's card and disciplinary action against the employee under applicable Agency administrative procedures, including suspension and/or removal.

Use of the card for charges for personal items during travel or at any other time, meals at local restaurants and/or local transportation, even if business related, is prohibited."

The Commission also provided cardholders with a Government travel card program packet which includes a copy of the Commission's policies and procedures for travel card use, a Federal Government Traveler Profile form, and a Bank of America Individually Billed Card Account Setup/Application Form (Appendix A) with a copy of the *Agreement Between Agency/Organization Employee and Bank of America, N.A. (USA)*. The application specifies that:

"By signing below, I (a) request that a Government Card be issued in my name, (b) agree to use the Card for official travel and official travel related expenses only, and to be bound by the terms and conditions of the attached Agreement governing my use of the Government Card, and (c) attest to the best of my knowledge, that the information I have provided herein is true and accurate."

We sent e-mail inquiries to each reviewed employee with questionable transactions and requested clarification and documentation to support whether their charges were for official travel or to confirm that they actually made non-official travel related transactions. The cardholders who made non-official travel related cash withdrawals and purchases concurred that they used their travel cards for personal reasons. The employees cited ignorance of Commission policies and procedures, inadvertent use, or clearing out a credit balance as the reasons for using their travel cards for personal purposes. For example, to justify using the travel card to withdraw cash that was not related to official travel, the employee stated that: "I did not review the restrictions on my travel card when I first received it...I regret not familiarizing myself with card restrictions and will certainly adhere to these requirements on a going forward basis." Because of the habitual pattern of abuse in this case and because this individual occupies a senior level position, this matter was referred to Commission management for appropriate disciplinary action.

Our follow-up review of the other cardholders who used their travel cards for non-official travel purposes confirmed that their FY 2001 transactions were one-time or occurred over a single period of time.

We did not make follow-up inquiries to employees who inappropriately used their travel cards while on or preparing for official travel (i.e. early cash advances, below the minimum dollar requirement, etc.). While not compliant with the travel card policies and procedures, we concluded that the transactions were related to official travel and the use, while inappropriate, was likely related to the lack of familiarity with policies and procedures.

However, we did make inquiries about the undocumented travel card charges made by employees whose travel costs were reimbursed under a Customs travel authorization. The employees stated that all their travel card transactions were submitted to and reimbursed by Customs. Follow-up discussion with the appropriate Bureau's Assistant Bureau Chief for Management and Resources confirmed the employees' statements. He also stated that his office plans to discuss FCC documentation requirements and explore other methodologies for making non travel-related purchases while under another agency's travel authority with Commission management. Discussions with the Chief Financial Officer and Agency Program Coordinator also confirmed that Commission field personnel should be documenting all official travel, even if funded by other agencies.

FCC Lacks Detailed Guidance for Administering the Travel Card Program

We found that the Commission's policies and procedures in place for administering the travel card program were in draft form and not finalized as of this report date. However, we reviewed the draft policies and procedures to determine whether they would adequately describe the control functions and responsibilities for effective internal control and preventing waste, fraud, and abuse within the Commission travel card program should they become final.

We performed the travel card program administration review by interviewing FCC Agency Program Coordinator (APC) and Chief Financial Officer (CFO) about the Commission's policies and procedures for administering the FCC's travel card program; reviewing the draft travel card program responsibilities of the Travel Operations Group (Appendix B); and obtaining Office of General Counsel input about whether personal use of Government travel cards constitute violations of the Standards of Ethical Conduct. We also requested the OGC to provide a list of all referrals received for travel card policy and procedure violations over the FY's 2000 and 2001.

The roles and responsibilities for the Managing Director, Associate Managing Director-Financial Operations, Financial Operations Center/Accounts Processing Group, Agency Program Coordinator, Cardholders, and Bureau/Offices are defined in Chapter 1, Section 4 of the Commission's policies and procedures governing travel card usage. However, the draft administrative policies and procedures do not provide structured guidance for program administration, oversight, or reporting inappropriate travel card activity. For example, the Commission's draft travel card administration policies and procedures does not provide specific guidance for:

- Detailing the duties, responsibilities and procedures for overseeing the charge card program;
- Developing and revising travel card policies and procedures;
- Maintaining credit card security;
- Establishing, administering, reconciling, and paying "unit card" accounts billed to the Commission's centrally billed account for credit revoked employees;
- Reviewing monthly bank reports for inappropriate and non-travel related transactions;
- Establishing procedures for appropriate disciplinary action against employees who use the Government travel charge card for non-official travel purposes, make delinquent payments, or have credit cards revoked or written-off by the bank; or
- Collecting undisputed delinquent amounts owed to the bank by FCC employees.

An effective internal control environment is an integral component in helping FCC management meet program goals and objectives, including the Commission's Travel Card Program; safeguard assets; and prevent and detect errors and fraud. The Comptroller General of the United States emphasized the importance of effective internal control in his forward to the General Accounting Office's (GAO) FY 2000 internal control standards update³ when he stated that a key factor in helping organizations to

³ GAO document no. GAO/AIMD-00-21.3.1 entitled "Standards for Internal Control in the Federal

achieve their missions, program results, and minimize operational problems is by implementing appropriate internal controls.

In its FY 2000 internal control standards update, the General Accounting Office (GAO) cited integrity and ethical values maintained and demonstrated by management and staff as one of the key factors affecting an agency’s control environment. It further defined agency management’s key role in the control environment as providing leadership, “especially in setting and maintaining the organization’s ethical tone, providing guidance for proper behavior, and providing discipline when appropriate.” GSA mirrored this by prescribing that, per § 301-51.7, agencies may take appropriate disciplinary action for using the Government contractor-issued travel charge card for purposes other than official travel. While not recommending specific guidelines on appropriate disciplinary action, GSA provided the following example of one agency’s disciplinary actions for using the travel card for non-official travel purposes:⁴

	<u>Minimum Penalty</u>	<u>Maximum Penalty</u>
1 st Offense	Written Reprimand	Removal
2 nd Offense	10 Day Suspension	Removal
3 rd Offense	14 Day Suspension	Removal

In reply to our inquiry into whether using travel cards for non-official travel related transactions are still considered ethics violations (Appendix C), the OGC reaffirmed their previous opinion to the OIG on this matter.⁵ In their reply, OGC stated that “misuse of the Government travel card may be considered a violation of the prohibition contained in the Standards of Ethical Conduct against Federal employees using their public office for private gain.” However, OGC also informed us that, over the last two years, no Commission employees had been referred to OGC for possible Standards of Ethical Conduct violations for using travel cards for non-official travel purposes.

In fact, we found that, of the seven (7) current FCC employees who had their travel credit cards revoked by the Bank of America for nonpayment during FY 2001, no one was referred to OGC for review nor subjected to disciplinary action by FCC management. We also found that the FCC opened seven (7) “unit card” accounts, which are billed to

Government” and dated November 1999

⁴ January 19, 2000 Federal Register, Part III, General Services Administration, *41 CFR 301-51, et al. Federal Travel Regulation; Mandatory Use of the Travel Charge Card; Final Rule*, effective July 19, 1999.

⁵ May 7, 1996 General Counsel Memorandum to the Inspector General, *Personal Use of American Express Government Card by Commission Employees*.

the Commission's centrally billed account, for credit revoked employees so that they could continue traveling on official FCC business. Please note that the Bank of America does not revoke an employee's travel credit card privileges until after accounts become one-hundred twenty (120) days delinquent and employees have received late payment notices from the bank. Based on interviews with the APC and from reviewing a copy of the correspondence (Appendix D), the only corrective action FCC management took was to e-mail the subject employees with instructions to pay their delinquent debts and warn them of potential administrative consequences if they did not comply.

On April 22, 2001, we held an exit conference and discussed the above findings with the Managing Director and Financial Operations Group representatives.

RECOMMENDATIONS

We recommend that the Commission:

1. Strengthen internal controls by clearly defining key areas of authority and responsibility and establishing appropriate lines of reporting within the Commission's travel credit card program administration policies and procedures.
2. Formalize policies to include a process for evaluating inappropriate behavior and taking appropriate disciplinary actions when employees use travel cards for non-official travel purposes or fail to pay undisputed obligations in a timely manner.
3. Provide periodic guidance (similar to OGC ethics grams) to FCC cardholders that highlight travel card compliance requirements and issues to address instances of inappropriate use while on official travel.
4. Establish procedures for submitting, authorizing, and documenting Commission employee travel while under another agency's travel authority. These procedures should also include guidelines for making non travel- related expenditures that are reimbursed under another agency's travel authorization.

MANAGEMENT COMMENTS

On May 6, 2002, the Managing Director provided a response to our draft special review report. In his response, the managing Director stated that the Commission is adding, incorporating, or reviewing policies and procedures for each of the above cited recommendations. We consider management's actions to be adequate and will increase controls over the Commission's travel card program. A complete copy of the Managing Director's response is included as Appendix E to the report.