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Audit Report

Adequacy of Internal Controls Over Travel Card Expenditures Followup

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OFFICE OF INSPECTOR GENERAL

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REPLY TO

ATTN OF: 50601-04-Hy

TO: Charles R. Christopherson, Jr. Arlen Lancaster
Chief Financial Officer Chief
Office of the Chief Financial Officer Natural Resources Conservation Service

Edward Knipling
Administrator
Agricultural Research Service

THROUGH: Kathleen A. Donaldson Diane Gelburd, Director
Audit Liaison Officer Operations Management and Oversight
Office of the Chief Financial Officer Division
Planning and Accountability Division Natural Resources Conservation Service

Steven Helmrich
Director, Financial Management
Agricultural Research Service

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: Adequacy of Internal Controls Over Travel Card Expenditures Followup

This report presents the results of our audit of the Department of Agriculture's (USDA) Individually Billed Travel Card¹ Program. As part of this audit, we evaluated USDA's controls to prevent and timely detect travel card misuse and compliance with the Office of Management and Budget's (OMB) requirements.² We also assessed the adequacy of corrective actions implemented in response to our prior recommendations.³ To do this, we reviewed travel card activity transacted from April 1 through September 30, 2006, by Natural Resources Conservation Service's (NRCS) and Agricultural Research Service's (ARS) cardholders and reviewed and evaluated the Departmental guidance for travel card use as well as the guidance used by NRCS and ARS. During this period, NRCS and ARS

¹ Individually billed travel cards are issued directly to approved USDA employees by the vendor bank. The individual is responsible for using the card for authorized travel related purchases and for paying the bill promptly.

² OMB Circular A-123, *Management's Responsibility for Internal Controls*, Appendix B, "Improving the Management of Government Charge Card Program," dated February 2006.

³ *Adequacy of Internal Controls Over the Individually Billed Travel Card Program*, Audit Report No. 50601-05-HQ, issued June 2003.

had over 10,800 cardholders that purchased more than \$17.7 million in goods and services on their travel cards.

We determined that our prior recommendations had been implemented by the Office of the Chief Financial Officer (OCFO) and that internal controls over the individually billed travel card program have been strengthened. For example, in response to our recommendation, OCFO restricted travel card use at vendors that offered services and/or products that are non-travel related. In addition, OCFO instituted analytical procedures to monitor delinquencies and misuse. We noted that OCFO is currently implementing the requirements of OMB Circular A-123, *Management's Responsibility for Internal Controls*, Appendix B, "Improving the Management of Government Charge Card Program," dated February 2006 by ensuring that credit checks are performed through the contract with the vendor bank. In addition, OCFO is negotiating for the training requirements to also be a part of the contract with the vendor bank. NRCS and ARS are in the process of updating their regulations regarding the use of the individually billed travel cards.

Based on our testing, we did not find the level of misuse evident in the prior audit. We found the Department and agencies to be taking an active role in monitoring the use of the individually billed travel cards. In addition, based on data from OCFO, the delinquency rates for both agencies that we reviewed, NRCS and ARS, have declined. As such, we are not making any recommendations.

BACKGROUND

The Travel and Transportation Reform Act of 1998 (Public Law 105-264) requires Government employees to use the Government-issued travel card to pay for official expenses, such as hotel rooms and airline tickets. To implement the requirements of the Act, USDA issued Departmental Regulation (DR) 2300-001, *Government Travel Card Regulation*, dated October 20, 2003. DR 2300-001 states that the use of the travel card is limited to expenses incurred in conjunction with official travel. USDA currently contracts with Bank of America to provide these charge instruments and travel card services.⁴ By accepting the charge card, USDA employees agree to only use it for official travel and travel related expenses while away from their official duty station for which they will submit for reimbursement.⁵ The cardholders are also allowed to obtain cash advances from Automated Teller Machines (ATM). Cash obtained from an ATM in amounts greater than required for the travel duration are considered excessive cash advances.

OCFO is the agency within USDA that has direct responsibility for monitoring the use of the travel charge cards. OCFO's Credit, Travel, and Grants Policy Division establishes policies and procedures and monitors the individually billed travel card program. Agency Heads are required to establish internal procedures to promote the use of the card and to monitor misuse, waste, or abuse of the card. NRCS' travel card procedures are documented in a draft NRCS National Bulletin, *Use and*

⁴ There are two types of travel card services: individually billed account and centrally billed account. Our review focused only on individually billed accounts.

⁵ Section 7e of DR 2300-001 states that an employee must prepare and submit a travel voucher, together with any required receipts, to their approving official, within 5 working days after completion of a trip or period of travel or every 30 days if on continuous travel status.

Management of Government Travel Cards, dated December 6, 2006. ARS' procedures are documented in USDA Research, Education, and Economics' *Policies and Procedures for the Use of the Government Travel Card*, dated December 11, 2006.

Concerns regarding the propriety of the use of the travel cards are not new; in June 2003, we reported on weaknesses with USDA's controls over the travel card program. We found that methods and measures, such as establishing uniform and consistent review and monitoring processes, had not been formally prescribed. We also noted that the controls for minimizing misuse were not effective. As a result, we recommended that OCFO strengthen program controls by restricting the types of purchases authorized when the travel card is used and by limiting the amount of cash authorized for withdrawal from ATMs. We also recommended that USDA establish policy to provide the basis for fair, equitable, and consistent treatment of all employees when misuse is identified.

In February 2006, OMB revised Circular A-123, *Management's Responsibility for Internal Controls*, incorporating an appendix, *Improving the Management of Government Charge Card Program* (i.e., Appendix B). The revisions included requirements for agencies to perform credit worthiness assessments (i.e., credit checks) for new applicants prior to issuing a card,⁶ implement a training program that includes certification and record keeping requirements for program participants (i.e., cardholders and charge card managers), and report travel card data on a monthly, quarterly, and annual basis to OMB. Agencies are required to report data such as the number of cards, the number of active accounts, and the number of administrative and/or disciplinary actions taken for card misuse. Agencies are also required to provide narrative descriptions of such things as the process for monitoring delinquency and the methods used to identify and detect possible card misuse.

OBJECTIVE

The objective of this audit was to followup on corrective actions that OCFO implemented in response to our prior audit (Audit Report No. 50601-05-HQ). Specifically, we assessed (1) the adequacy of internal controls at the Department and agency levels to preclude, or detect in a timely manner, misuse of the individually billed travel cards, (2) the internal controls for the use of individually billed travel cards by NRCS and ARS employees, and (3) whether individually billed travel cards were used properly by NRCS and ARS employees. In addition, we reviewed the USDA's compliance with Appendix B.

SCOPE AND METHODOLOGY

We performed fieldwork between January 2007 and May 2008. To accomplish our audit objectives we (1) interviewed appropriate OCFO, NRCS, and ARS officials, (2) reviewed significant internal control documents and applicable policies and procedures, and (3) examined NRCS and ARS responses to questions we raised about travel card activity.

⁶ Section 846 of the Consolidated Appropriations Act for 2006 requires each agency to assess the credit worthiness of all new travel card applicants prior to issuing a card.

During our prior audit, we detected widespread misuse of travel cards by NRCS employees. OCFO officials expressed concerns regarding ARS employees use of travel cards. As such, we selected these agencies for review in this audit.

We analyzed travel card activity for NRCS and ARS from April 1 through September 30, 2006, using the Bank of America's Electronic Account Government Ledger System. During this period, NRCS had over 7,100 cardholders that purchased more than \$11.1 million in goods and services on their travel cards. ARS had over 3,700 cardholders that purchased more than \$6.6 million in goods and services during this period.

We selected a statistical sample of 150 cardholders from each agency (i.e., NRCS and ARS) to determine whether the controls over the individually billed cards were strengthened. We compared transaction activity, which included purchases and cash advances, to the travel history and details (i.e., travel vouchers) found in the National Finance Center travel system to determine whether card usage related to authorized travel.

We also selected a judgmental sample of NRCS' and ARS' cardholders in order to follow up on previously reported cash advance misuse (excessive ATM withdrawals). Using the April to September 2006 data, we selected 10 employees from each agency⁷ that withdrew the highest dollar amount of cash advances. We determined whether the NRCS and ARS employees obtained cash using the travel card in excess of what was reasonable for authorized travel. NRCS and ARS employees had about \$ 37,000 and \$ 21,500, respectively, in ATM withdrawals over the course of the 6-month period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

AUDIT RESULTS

We determined that OCFO implemented our prior recommendations and strengthened internal controls over the individually billed travel charge card program. Specifically, OCFO restricted travel card use at vendors that offered services and/or products that are non-travel related and set stricter limitations on cash advances. Also, OCFO continued to communicate concerns regarding proper card use and monitoring to agency travel program coordinators on a monthly basis through the Travel Program User Group. In addition, OCFO instituted analytical procedures to monitor travel card delinquencies and misuse. Based on data from OCFO, the delinquency rates for both agencies that we reviewed, NRCS and ARS, have declined.

⁷ The purchases and cash advances totaled more than \$618,000 and \$530,000 for NRCS and ARS, respectively.

Through our transaction testing, we found that the extent of the misuse reported in the prior audit was not detected during our current review. As a result, we were able to reduce the amount of substantive testing that was necessary. We noted that cash advances were in excess of what was authorized; however, the dollar amount and frequency of the transactions was greatly reduced. In our prior audit, we noted that a NRCS employee was allowed to obtain almost \$24,400 during a 6-month period though not on authorized travel. During our current review, we found that the 2 highest amounts of cash advances obtained were \$6,700 and \$4,800 and were both associated with authorized travel. Based on our random sample transaction testing of NRCS and ARS, we noted that the majority of transactions were travel related involving airlines, hotels, restaurants, rental cars, gas, and parking.

Based on our periodic discussions of audit results with NRCS and ARS during the course of our review, agency officials advised cardholders on the proper use of individually billed travel cards. Specific topics included that cards should not be used for group meals and cardholders should timely file travel vouchers. In addition, the agencies have identified and referred cases of card misuse to their human resource offices for personnel action.

We assessed the USDA's compliance with February 2006 revision of Appendix B. Through Appendix B, OMB required Federal agencies to perform credit worthiness assessments (credit checks) for new applicants, implement a training program that includes certification and record keeping requirements for program participants (i.e., cardholders and charge card managers), and report travel card information (e.g., statistical and narrative data) on a monthly, quarterly, and annual basis to OMB. OCFO added the credit checks as a requirement to the contract with Bank of America. Currently, USDA is renegotiating with a vendor to continue the travel card program. According to OCFO officials, training in the proper use of the individually billed travel card will also be included as part of the contractual responsibilities. Finally, OCFO has implemented periodic reporting requirements of OMB.

We appreciate the courtesies and cooperation extended to us during this audit.

