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AUDIT REPORT

OFFICE OF AUDITS

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# AUDIT OF NASA'S PURCHASE AND TRAVEL CARD PROGRAMS

OFFICE OF INSPECTOR GENERAL

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National Aeronautics and  
Space Administration

Final report released by:



Paul K. Martin  
Inspector General

## Acronyms

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CBA	Centrally Billed Account
FMOP	Financial Management Operating Procedure
FTR	Federal Travel Regulation
IBA	Individually Billed Account
NEACC	NASA Enterprise Applications Competency Center
NPD	NASA Policy Directive
NPR	NASA Procedural Requirements
NSSC	NASA Shared Services Center
OMB	Office of Management and Budget

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## OVERVIEW

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# AUDIT OF NASA'S PURCHASE AND TRAVEL CARD PROGRAMS

## The Issue

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Like other Federal Government agencies, NASA uses purchase cards to reduce the administrative cost of processing small dollar purchases and travel cards to reduce the cost of official travel and for the convenience of the traveler. In addition, NASA receives rebates from the credit card issuer based on volume of activity and timeliness of payments. NASA's approximately 15,500 travel and 2,200 purchase cardholders incurred \$79 million and \$82 million in charges, respectively, during fiscal year 2010.

Because they allow the same individual to order, pay for, and receive goods and services, purchase and travel cards are at high risk for misuse, fraud, waste, and abuse. Moreover, the sheer number of cards in circulation opens NASA to the possibility of fraud. For example, NASA's charge card issuer reported that from June 2010 through July 2011, 36.5 percent of purchase cards and 3 percent of travel cards had been compromised in the sense that card information (e.g., card number, cardholder's name) may have been obtained by an unauthorized source. Accordingly, if the internal controls governing NASA's purchase and travel card programs are not sufficient, properly designed, and fully implemented, NASA will not be in the best position to detect and prevent fraudulent purchases or other improper use of the cards.

For this audit, we examined transactions charged to NASA purchase and travel cards between October 1, 2009, and December 31, 2010, to determine whether NASA's purchase and travel card programs were operating efficiently and whether internal controls were effective in preventing and detecting misuse, fraud, waste, or abuse by cardholders or third parties. See Appendix A for details of the audit scope and methodology.

## Results

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Overall, we found that NASA's purchase and travel card programs were operating efficiently and that internal controls appeared effective in detecting misuse, fraud, waste, and abuse. However, we believe NASA could further strengthen its controls by applying Office of Management and Budget (OMB) guidance and implementing, Agency-wide, practices used by several NASA Centers. For example, NASA should evaluate card usage and close or restrict accounts that are underutilized. We also believe that NASA should clarify its policy regarding the allowability of certain types of charges on its travel cards. In addition, we found that NASA was not in compliance with OMB policy

regarding the application of card rebates.<sup>1</sup> Lastly, we found an inappropriately high number of employees had the ability to both authorize their own travel and approve their own travel reimbursement claims.

**Improper Application of Rebates.** NASA did not properly return rebates earned from its charge card issuer, JPMorgan Chase & Co. (JPMorgan), to the appropriate appropriation or account, resulting in possible misapplication and augmentation of funds.<sup>2</sup> NASA received rebates of approximately \$5 million from October 2006 to December 2010, with about \$1.8 million received during our audit period of October 2009 to December 2010. NASA applied these funds to its working capital fund, which since 2006 has been managed by the NASA Shared Services Center (NSSC). However, OMB guidance requires that rebates be returned to the appropriation or account from which the funds for the purchases were expended. NASA's rationale for applying the rebate to the working capital fund was that the rebate reduces the overall operating costs of the fund, with the resulting savings passed on to the users of NSSC's services via a reduction in per-transaction charges. However, because NASA could not show that these savings were allocated to particular appropriation accounts proportionate to the associated expenditures from those accounts, this practice results in possible misapplication and augmentation of appropriated funds.

**Controls over the Travel Card Program, While Generally Effective, Could Be Strengthened.** We found that while existing internal controls over NASA's travel card program are generally effective in detecting misuse, fraud, waste, and abuse by cardholders, the Agency could further strengthen its controls. Specifically, we found that NASA issued an excessive number of travel cards and that the Agency could make better use of reports the card issuer already provides to help detect fraud and misuse. We also believe that NASA should clarify its policy regarding the allowability of certain types of personal charges.

*NASA's Internal Controls for the Travel Card Program Are Generally Effective.* We found that NASA was effectively monitoring travel card use, that NASA's travel card policies and procedures are generally consistent with OMB guidelines, and that the Agency was providing employees with appropriate training. We also found that most NASA employees used their travel cards appropriately and paid their bills on time, and that NASA was effectively monitoring employee payments and reminding employees when their accounts were past due.

*NASA Should Reduce the Number of Travel Cards Issued.* We found an excessive number of individuals at NASA with travel cards who do not need them. For example,

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<sup>1</sup> OMB Circular A-123 Appendix B, "Improving the Management of Government Charge Card Programs," January 2009.

<sup>2</sup> Government Accountability Office (GAO). "Principles of Federal Appropriations Law, Third Edition, Volume II," February 2006 (GAO-06-382SP), describes the concept of augmentation as a Government agency using funds derived from an outside source to finance the operation of a program beyond the level established by appropriation, without Congressional approval.

909 travel cards, or 6 percent of all travel cards at NASA, had never been used. Additionally, we found that 28 cardholders had separated from NASA but still had active travel card accounts. NASA did not conduct periodic reviews of travel card accounts to determine if continued possession of a travel card was warranted (i.e., used for a minimum amount of travel) or have adequate policies and procedures to ensure that accounts of separated employees were closed. Allowing employees to maintain travel card accounts they are not using unnecessarily increases the risk of loss, fraud, abuse, and misuse of these cards.

*NASA Should Clarify Internal Policy Regarding Travel Card Use and Implement Additional Controls.* NASA has implemented various controls to prevent and detect the use of travel cards for other than authorized purposes, and we found these controls are generally effective. Specifically, we tested 176 transactions and found 9 instances of improper or questionable use that had not been detected by NASA. In 4 of these instances, the cardholder had clearly used the card for personal or non-travel related expenses: a charge of \$773 for personal travel; \$63 to renew personal subscriptions to periodicals; \$306 to pay for refreshments for an awards ceremony; and \$114 to purchase snacks at a hotel gift shop. None of these employees sought reimbursement from NASA for these charges. In addition, we identified five instances where it was not clear whether charges were allowable because the Federal Travel Regulation (FTR) does not clearly prohibit certain types of expenses and NASA has not issued supplemental policy to clarify the FTR. For example, NASA policy does not address use of a travel card to purchase in-room movies when staying at a hotel on official travel, to pay for the meals of others who are on official travel, or for hotel expenses incurred for a personal stay that precedes or follows an official business trip.

We also found that NASA could make better use of existing reports to help identify improper use of travel cards. For example, JPMorgan's PaymentNet® system (PaymentNet) generates a Cash Advance Report to help identify cash advances unrelated to Government travel. Although several NASA Centers consistently review this report, we found that others do not.

**NASA's Policy and Practices Regarding Self-Approval and Self-Authorization of Travel Are Overly Broad.** We found 45 NASA employees had the authority to "self-approve" both travel authorizations and travel claims, meaning their authorizations and claims did not have to be reviewed and approved by a supervisor or approving official.<sup>3</sup> The number of self-approvers at NASA is exorbitant when compared with other Federal agencies such as the Department of Justice where only 2 positions out of more than 116,000 employees have this type of authority. During our audit period, NASA self-approvers incurred \$552,000 in travel expenses charged to their individual credit cards. We also found that according to NASA's written policy, 22 of these employees should have been able to authorize their own travel but required to obtain supervisory approval of travel-related expenses. Additionally, subordinate employees approved the travel

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<sup>3</sup> To self-authorize, an employee agrees that their planned travel is to conduct appropriate and necessary official Government business without another's prior documented consent.

claims of their superiors in contravention of NASA policy. Finally, NASA's policy designating who can self-authorize and self-approve is out of date and refers to positions that no longer exist at the Agency. All of these conditions increase the risk of fraud and abuse in NASA's travel card program.

**Controls over the Purchase Card Program, While Generally Effective, Could Be Strengthened.** We found that while the internal controls over the purchase card program are generally effective in detecting misuse, fraud, waste, and abuse by cardholders, we believe NASA could further strengthen its controls. We found that NASA had issued an excessive number of purchase cards that were rarely used. We also found instances of insufficient documentation for purchase requests and for the cost and approval of purchases.

*NASA's Internal Controls for the Purchase Card Program Are Generally Effective.* We found that NASA was effectively monitoring purchase card use, that NASA's purchase card policies and procedures generally comply with OMB guidelines, and that the Agency was providing appropriate training to its employees. Additionally, we found that NASA employees used their purchase cards for authorized purchases and usually retained appropriate documentation supporting their purchases. However, we identified several areas for improvement.

*NASA Should Reduce the Number of Purchase Cards Issued.* We found that 20 cardholders at Ames Research Center had never used their cards and 90 others Agency-wide had used their cards only one time between October 1, 2009, and December 31, 2010. Allowing purchase cardholders to maintain purchase card accounts that are not needed on a recurring basis unnecessarily increases the risk of loss, fraud, abuse, and misuse of the cards. Based in part on our audit, NASA reviewed these accounts and closed 27.

*NASA Should Improve the Documentation and Approval Trail for Purchases.* NASA has not developed sufficient policies and controls for documentation of purchase card purchases and approvals. Specifically, we found instances in which the individuals requesting and approving purchases could not be identified and transaction files contained no evidence of the cost of purchases.

OMB guidance requires that purchase cardholders include a written request or at a minimum the requestor's name in the transaction records and that prior approval be obtained before self-generated purchases are made. However, 39 of 203 purchase card transactions records we examined did not contain written requests from or otherwise identify the individual requesting the purchase. Of those 39 transaction records, 14 were self-generated purchases (i.e., purchases originating from the cardholders without a request from a third party) in which prior approval by a supervisor was not obtained.

Similarly, out of 97 transactions we sampled for control testing, we found 75 with inconclusive evidence of who approved the reconciliation of the transactions. NASA uses P-Card Web Solution™ to track approval of purchase card reconciliations. An

approving officer can delegate their approval authority within P-Card Web Solution to a third party but when a designee reviews reconciliations, P-Card Web Solution records the user identification code of the approving official rather than the designee.

For 10 of the 203 transactions we examined, we noted that the vendor invoice or other form of supporting documentation that validates the cost of items purchased was not received from the vendor and maintained in the purchase card transaction records. NASA's policy does not incorporate the OMB recommended practice of requiring purchase cardholders to obtain an invoice or alternative form of evidence of costs such as a quote or a screen print for Internet purchases if one is not already provided by the vendor. By making greater use of recommended controls and best practices used at several NASA Centers, NASA could further reduce the risk of misuse, fraud, waste, and abuse of purchase cards.

## Management Action

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We recommended that the Chief Financial Officer:

- implement policies that ensure rebates are distributed to the appropriation or account against which the original charge was made or seek statutory authority to apply the rebates to the working capital fund;
- improve controls over the travel card program by:
  - obtaining and cancelling the accounts of all individuals who separate from employment at NASA and conduct periodic reviews to ensure that such accounts have been cancelled;
  - implementing a policy requiring a minimum amount of anticipated travel before issuance or re-issuance of a travel card;
  - requiring quarterly evaluations of cardholder accounts for minimum usage and recommend deactivating accounts or lowering the spending limits of underutilized cards;
  - enhancing controls to identify misuse of the travel card, such as developing a data-mining tool to identify suspicious activity or patterns of abuse or misuse of travel cards, to complement the tools available from JPMorgan; and
  - developing guidance to address when limited personal use of the travel card during official Government travel may be acceptable and reminding cardholders and supervisors of the proper uses of the card.

- develop policies and procedures to significantly decrease the number of positions permitted to self-authorize and/or self-approve their travel and ensure that appropriate supervisors are reviewing and approving travel claims.

We recommended that the Assistant Administrator for Procurement:

- develop a policy requiring a minimum amount of purchases or a demonstrated necessity before issuance or re-issuance of a purchase card and require recurring evaluations of cardholders for minimum usage and recommend deactivating cards or lowering the spending limits of underutilized cards;
- require sufficient documentation for purchases, as required by OMB Circular A-123 Appendix B, including a written request for purchases or, at minimum, the requestor's name, written approval prior to making self-generated purchases, and evidence supporting the costs of purchases such as an invoice or alternative evidence of costs such as a screen print; and
- work with the NASA Enterprise Applications Competency Center to make systems changes to P-Card Web Solution to enable the software to document the user identification code of the approving party and work with the Purchase Card Coordinator to develop an alternative documentation process for approvals until systems changes are made.

In response to a draft of this report, the Chief Financial Officer concurred with the 12 recommendations addressed to her, stating that she plans to seek statutory authority to apply rebates to the working capital fund and, pending such legislative action, will implement a revised process to more clearly return rebates to the appropriation that funded the activity. In addition, she promised to improve policies and controls over the travel card program, including reducing the number of individuals with the authority to authorize and approve their own travel. We consider the Chief Financial Officer's comments and proposed actions responsive; therefore, these recommendations are resolved and will be closed upon completion and verification of the proposed actions.

The Assistant Administrator for Procurement concurred with our recommendation to properly document purchase approvers and proposed responsive corrective action. Accordingly, this recommendation is resolved and will be closed upon completion and verification of the proposed actions. However, the Assistant Administrator did not concur with our recommendations to develop a policy (1) requiring a minimum amount of purchases or a demonstrated necessity before issuance or re-issuance of a purchase card or (2) requiring a written request for purchases or, at minimum, the requestor's name, written approval prior to making self-generated purchases, and evidence supporting the costs of purchases, stating that current policies adequately address these issues.

With regard to the first of these recommendations, the Assistant Administrator noted that NASA's current policy already requires approving officials to conduct a usage analysis of



cardholder accounts every six months. However, we found that this analysis was not effectively performed, which resulted in a high number of underutilized cards remaining active. Additionally, the existing policies are not clear in defining the need or prerequisite criteria for a card to be issued. Similarly, in our view NASA's current policy for documenting purchase card purchases is inadequate. While the current policy requires cardholders to record information regarding items ordered, it does not specifically require inclusion of the requestor's name. We believe that in the absence of such a requirement cardholders will continue to omit this information. Similarly, while cardholders may be trained to enter information related to special approvals in their order logs, we found no evidence that they are required to obtain and document evidence of approval for self-generated purchases. Finally, although we agree that current policy requires cardholders to include an invoice when the merchant provides one, the policy does not specify what evidence of cost is required when an invoice is not provided. Accordingly, these recommendations remain unresolved. Management's comments can be found in Appendix D.



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## INTRODUCTION

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### Background

Federal Government agencies use purchase cards to reduce the administrative costs associated with processing small dollar purchases and travel cards to reduce the costs associated with administering the official travel of their employees and for the convenience of the travelers. NASA's purchase and travel card programs involve approximately 15,500 travel and 2,200 purchase cardholders who collectively incurred charges of \$79 million and \$82 million, respectively, in fiscal year 2010. Both programs also are intended to improve oversight of expenditures and take advantage of rebates from card issuers. However, charge card programs face a high risk of misuse, fraud, waste, and abuse.

NASA obtains purchase and travel cards through the U.S. General Services Administration SmartPay2® program, which provides charge cards to U.S. Government agencies through master contracts with three major banks. One of these banks, JPMorgan Chase & Co (JPMorgan), has been NASA's credit card service provider since 2008. NASA receives rebates from JPMorgan based on the amount of money charged to the cards and the timeliness of payments. Rebates increase when payments are prompt but are reduced or eliminated when payments are delinquent or accounts with unpaid balances are canceled or "charged off."

Purchase and travel cards are at high risk for misuse or fraud because they allow the same individual to order, pay for, and receive goods and services. Moreover, the sheer number of cards in circulation opens NASA to the possibility of fraud. For example, JPMorgan reported that from June 2010 through July 2011, 36.5 percent of NASA purchase cards and 3 percent of travel cards were potentially compromised – meaning that card information (e.g., card number, holder's name) may have been obtained by an unauthorized source as a result of the card being lost or stolen or through means of fraud.

Office of Management and Budget (OMB) Circular No. A-123, Appendix B, sets forth the policies and procedures Federal agencies should use to maintain internal controls that reduce the risk of fraud, waste, and error in Government charge card programs.<sup>4</sup> The guidance also establishes minimum requirements and suggested best practices for card use. Supplemental NASA policy requires that travel and procurement cards be used only for the payment of authorized goods and services in support of Agency missions, operations, financial management, and institutional activities and assigns responsibility for the credit card programs within the Agency.<sup>5</sup> Pursuant to the policy, the Chief

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<sup>4</sup> OMB Circular No. A-123, Appendix B, "Improving the Management of Government Charge Card Programs," Revised January 15, 2009.

<sup>5</sup> NASA Policy Directive (NPD) 9070.2, "Government Charge Cards," November 5, 2008.

Financial Officer is the Agency-wide lead for the travel card program, the Assistant Administrator for Procurement is the lead for the purchase card program, and the Executive Director of the NASA Shared Services Center (NSSC) has administrative oversight and program responsibilities for both programs.

Each NASA Center, Headquarters, and the Wallops Flight Facility have Center/Agency Program Coordinators (Coordinators) who manage the charge card activities for their locations. Coordinators are responsible for issuing and closing accounts, ensuring that cardholders and approving officials are fully trained and meet refresher training requirements, overseeing the processing and validation of transactions, and investigating possible improper use or abuse of privileges by cardholders. The Coordinators are also responsible for conducting reviews of their locations' charge card activities to ensure compliance with NASA and OMB requirements. In addition, NSSC designates an Agency Program Coordinator for each of the charge card programs to oversee the activity at the Agency level. All program participants, including cardholders and Coordinators, must be trained in charge card management.

**Travel Card.** The Travel and Transportation Reform Act of 1998 (P.L. 105-264) mandates that Government travel cards be used to pay for all expenses associated with official Government travel unless specifically exempted. The purpose of the Act is to reduce the overall administrative costs of travel for the Federal Government and take advantage of rebates offered by card issuers.

In accordance with the Act, the General Services Administration issued the Federal Travel Regulation (FTR), which sets forth policies and procedures governing the use of Government travel cards and restricts their use to official travel expenses only. While all Federal agencies are bound by the FTR, they may also issue supplemental policies consistent with the FTR to further guide the conduct of their employees. NASA's supplemental guidance is found in NASA Procedural Requirements (NPR) 9700.1.<sup>6</sup>

The NASA travel card program includes two types of accounts: centrally billed accounts (CBA) and individually billed accounts (IBA). Centrally billed accounts are corporate accounts through which the Agency charges expenses associated with the air, rail, and bus transportation of NASA employees. The bills for these accounts are received and paid directly by NASA. Individually billed accounts are opened for NASA employees who charge expenses to the card attached to the account while they are on travel away from their official duty stations (e.g., meals, hotels, and taxis) and receive reimbursement from NASA after submitting their expenses via an expense report. The employees receive the statements associated with these individual accounts and are responsible for making the payments to JPMorgan directly.

Data related to NASA's travel card program is maintained in FedTraveler and in JPMorgan systems. FedTraveler is a comprehensive Electronic Government Travel

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<sup>6</sup> NASA Procedural Requirements (NPR) 9700.1, "Travel," September 30, 2008; specifically, Appendix A. NASA Federal Travel Regulations Supplement."

Service Federal employees use to plan, book, track, approve, and request reimbursement for official Government travel. NASA makes FedTraveler available to Agency employees and requires them to use the system to initiate authorizations prior to embarking on travel and to request reimbursement for expenses upon their return. JPMorgan PaymentNet® provides cardholders and administrators access to data on spending and management reports.

**Purchase Card.** NASA participates in the SmartPay Purchase Card program. The use of charge cards was introduced by the General Services Administration in 1984 to streamline the acquisition process across the Federal Government by allowing agencies to obtain certain supplies and services directly from vendors. The SmartPay Purchase Card program is intended to reduce the use of purchase orders and the associated administrative costs and improve the payment process by allowing for fully automated invoicing and payment processing. Additionally, the program further reduces overall costs by providing agencies the opportunity to receive rebates from issuers based on the dollar amount of transactions and the timeliness of payments. Like travel cards, purchase cards are issued to individual NASA employees; however, the associated accounts are billed to and paid directly by NASA.

NASA Federal Acquisition Regulation Supplement, Part 1813, “Simplified Acquisition Procedures,” provides guidance for purchase card use. NASA locations have implemented additional controls and assigned contract personnel to handle program administration, including development of internal operating procedures. The Coordinator at each location is responsible for overall management of the location’s purchase card program. Additionally, the approving official for each cardholder serves as a key internal control point in reviewing individual cardholder purchases. Other controls established include single purchase limits, monthly purchase limits, reconciliation of monthly invoices, monitoring and training by Coordinators, and supervisory review of purchase card statements.

NASA logs and tracks purchase card usage through P-Card Web Solution™. Cardholders must input detailed purchase information into an order log in P-Card Web Solution. The cardholder uses this information to reconcile the bills received from the issuer on a monthly basis. Supervisors/approving officers must approve monthly reconciliations within P-Card Web Solution. Further, JPMorgan PaymentNet provides cardholders and administrators access to data on spending and management reports.

**NSSC and the Working Capital Fund.** The NSSC has administrative oversight and program responsibilities for the NASA purchase and travel card programs, acting as the liaison with JPMorgan for all aspects of the programs, monitoring account activity, updating and testing internal controls, and providing training. The NSSC was established in 2006 to consolidate into a single location multiple NASA business services that previously were provided by civil service and contractor personnel at each NASA Center.

The NSSC is funded through a working capital fund, which in turn is funded primarily through “payments” made by NASA customers for NSSC services. NSSC calculates the

fees it charges users by estimating the total expected costs to perform the services. For the past 5 years, NSSC has applied the rebates NASA receives from card issuers to the working capital fund, which according to NSSC personnel has reduced the per-transaction costs charged to users of NSSC services. Prior to establishment of the NSSC in 2006, the Lead Agency Program Coordinator at Langley had administrative oversight and program responsibilities for the NASA purchase and travel card programs and rebates were applied to Langley's General and Administrative budget to help defray the costs of performing these coordinator functions.

## **Objective**

Our objective was to determine whether NASA's purchase and travel card programs were operating efficiently and in compliance with laws and regulations and whether its internal controls were effectively detecting misuse, fraud, waste, or abuse in the programs. See Appendix A for details of the audit's scope and methodology; our review of internal controls, Federal laws, regulations policies, and guidance; and a list of prior audit coverage.



## IMPROPER APPLICATION OF REBATES

NASA did not return rebates earned from JPMorgan to the proper appropriation as required by OMB. This resulted in a possible misapplication and augmentation of appropriated funds. From October 1, 2009, to December 31, 2010, NASA received travel and purchase card rebates totaling approximately \$1.8 million from JPMorgan. NASA applied these rebates to the working capital fund that supports the operations of the NSSC. According to NSSC personnel, applying the rebates to the working capital fund reduced the operating costs of the NSSC, and the NSSC passed these savings on to the users of its services through a reduction in per-transaction charges. However, NASA could not show that the savings were allocated to particular appropriation accounts proportionate to the associated expenditures from those accounts, as required by OMB guidance and appropriation law.

### Possible Misapplication and Augmentation of Funds

NASA received quarterly travel and purchase card rebates totaling approximately \$5 million from October 2006 to December 2010, with about \$1.8 million received during our audit period of October 1, 2009, to December 31, 2010. Under the current JPMorgan contract, rebates are calculated based on two primary factors: the total dollar amount of purchases and the timeliness of payments. Rebate amounts rise with prompt payments and are reduced or eliminated by late payments, delinquencies, or charged-off accounts.

Fiscal Year	CBA Travel Cards	IBA Travel Cards	Purchase Cards	Total
2007	\$88,255	\$130,977	\$566,614	\$785,846
2008	108,506	150,072	686,976	945,554
2009	269,200	412,544	774,836	1,456,580
2010	356,209	376,101	854,516	1,586,826
2011	67,990	82,393	112,324	262,707
<b>Total</b>	<b>\$890,160</b>	<b>\$1,152,087</b>	<b>\$2,995,266</b>	<b>\$5,037,513</b>

Source: Bank of America & JPMorgan Rebate Checks

CBA, centrally billed accounts; IBA, individually billed accounts.

OMB Circular A-123 Appendix B, paragraph 7.5, states, “Unless specific statutory authority exists allowing refunds to be used for other purposes, refunds must be returned to the appropriation or account from which they were expended, . . .” However, NASA

applied the rebates not to the individual appropriation accounts from which the travel and purchase card funds were expended, but rather to the working capital fund that supports the overall operations of the NSSC. However, unlike other Federal Government agencies, NASA does not have specific statutory authority to apply the rebate directly to the working capital fund.<sup>7</sup> NSSC personnel told us that they believed this practice was consistent with OMB requirements because applying the rebates to the working capital fund reduced the per-transaction cost the NSSC charges users, thereby reducing costs for all users.

However, NASA could not demonstrate that the savings were allocated to particular appropriation accounts proportionate to the associated expenditures from those accounts. For example, if its Science appropriation was due a \$50,000 rebate credit based on its travel and purchase card transaction and payment history, NASA could not demonstrate that the appropriation received a corresponding discount on services performed by NSSC. Accordingly, some users may have received less than they were entitled to, while others may have received rebate credit in excess of their actual expenditures, which would have resulted in augmentation of the associated appropriations account.<sup>8</sup>

## **Recommendation, Management’s Response, and Evaluation of Management’s Response**

**Recommendation 1.** The Chief Financial Officer should implement policies that ensure rebates are distributed to the appropriation against which the original charge was made or, in the alternative, seek statutory authority to apply rebates to the working capital fund. If statutory authority is not obtained, this redistribution should be applied retroactively to remedy prior years’ misapplications.

**Management’s Response.** The Chief Financial Officer concurred, stating that her office has prepared a legislative proposal to apply rebates to the working capital fund. In the meantime, NASA is implementing a revised process to more clearly return rebates to the appropriation that funded the activity.

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<sup>7</sup> Unlike NASA, the Department of the Interior has received specific authority to apply credit card rebates to its working capital fund. P.L. 106-291, Department of the Interior and Related Agencies Appropriations Act, 2001 (Sec. 113) states “Refunds or rebates received on an on-going basis from a credit card services provider under the Department of the Interior’s charge card programs, hereafter may be deposited to and retained without fiscal year limitation in the Departmental Working Capital Fund established under 43 U.S.C. 1467 and used to fund management initiatives of general benefit to the Department of the Interior’s bureaus and offices as determined by the Secretary or his designee.”

<sup>8</sup> Government Accountability Office (GAO), “Principles of Federal Appropriations Law, Third Edition, Volume II,” February 2006 (GAO-06-382SP) describes the concept of augmentation as a Government agency using funds derived from an outside source to finance the operation of a program beyond the level established by appropriation, without congressional approval.

**Evaluation of Management's Response.** Management's proposed actions are responsive to the intent of the recommendation. The recommendation is resolved and will be closed upon completion and verification of the proposed actions.

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## **CONTROLS OVER THE TRAVEL CARD PROGRAM, WHILE GENERALLY EFFECTIVE, COULD BE STRENGTHENED**

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We found that NASA's internal controls relating to its travel card program are generally effective in detecting misuse, fraud, waste, and abuse by cardholders. However, we believe NASA could further strengthen the controls over its program by taking a series of actions. First, NASA does not perform periodic reviews of travel card accounts to ensure that the accounts of separated employees are closed. Second, the Agency does not evaluate the accounts of new and current employees to determine if those employees need a travel card. Allowing employees to maintain travel card accounts when they have separated from NASA or when the employee rarely or never needs to travel for official purposes unnecessarily increases the risk of fraud, abuse, or misuse of the cards. Finally, we found several instances of employees using travel cards for personal charges and believe that NASA should clarify its policy regarding the allowability of certain types of these charges.

### **NASA's Internal Controls for the Travel Card Program Are Generally Effective**

We found that NASA was effectively monitoring travel card use and was reporting improper card use to the employee, the employee's supervisor, or to the Center Coordinator when detected. We also found that NASA's travel card policies and procedures are generally consistent with OMB guidance. Moreover, NASA mandates that all cardholders take training to ensure they fully understand their responsibilities. Additionally, we found that most NASA employees used their travel cards appropriately and paid their bills on time and that NASA was effectively monitoring payments and reminding employees when their accounts were past due. However, we identified several areas where internal controls over the travel card programs could be strengthened by more closely adhering to OMB guidance and implementing practices used by several NASA Centers.

### **NASA Should Reduce the Number of Travel Cards Issued**

We found that an excessive number of NASA employees have travel cards but do not need them. We identified separated employees with active cards and current employees who had never used their cards. In addition, we also found that JPMorgan routinely reissues cards as they expire without an evaluation by NASA regarding actual usage. This occurred because NASA has not developed a policy or procedure to verify whether cardholders are current NASA employees or whether employees' duties warrant having a

travel card. Additionally, NASA has not issued sufficient guidance to help supervisors determine whether employees need travel cards. Allowing employees to maintain travel card accounts they do not need unnecessarily increases the risk of card loss or theft, as well as fraud, abuse, and misuse of the cards.

**Separated Employees with Travel Cards.** We found 28 travel cardholders at Goddard (12), Glenn (11), Langley (4), and Headquarters (1) who had separated from NASA but still had active travel cards. NASA's exit procedures require that travel cards be returned to supervisors and that the relevant Coordinator be notified so the card can be cancelled. Although none of the cardholders we identified had used their card after their separation, allowing cards to remain active after individuals leave NASA's employ increases the risk of fraud or misuse of the cards. Apart from its standard exit procedures, NASA has not developed an ongoing process across the Centers of comparing cardholder accounts to current employee rosters. However, Marshall and Johnson perform such reviews quarterly, and we noted no instances of active accounts for separated employees at those two Centers.

**Employees with Unactivated Cards.** FTR section 301-51.2, exempts employees who travel 5 times or less per year from mandatory use of the Government travel charge card, although Agencies may issue cards to such employees at their discretion. As of August 23, 2011, we found 909 travel cards, or 5.5 percent of all NASA travel cards, had never been activated or had been activated but never used by the cardholder. In our judgment, this calls into question the cardholders' need for these cards. We found that NASA employees generally obtained cards with little or no assessment by their supervisors of their immediate or future travel needs. Further, 842 of these unused cards were issued in 2008 when NASA transferred its travel card program from Bank of America to JPMorgan but did not evaluate cardholder needs to determine if reissuance was necessary.

Many of the JPMorgan travel cards issued in 2008 are now expiring and new cards are once again being issued without consideration of prior use. NASA does not have an official policy recommending a minimum amount of travel required before issuance or reissuance of a travel card, nor does it require an evaluation of new employees or their positions to determine if a travel card should be issued. Despite the absence of policy, we found that Goddard is taking steps to limit the number of unnecessary cards. Specifically, Goddard's Chief Financial Officer recommended that cardholders who had not traveled within the last 6 months consider cancelling or lowering the credit limit on their cards.

### **NASA Should Clarify Internal Policy Regarding Travel Card Use and Implement Additional Controls**

FTR sections 301-51.6 and 301-51.7 provide that travel cardholders may use their Government travel cards only for expenses directly related to official travel and may not

use them to pay for personal expenses or for expenses not related to official Government travel. NASA has implemented various internal controls intended to prevent and detect noncompliance with this rule. For example, as a preventive measure, NASA restricts purchases from certain types of vendors, such as dating and escort services or casinos. All vendors that accept charge cards have a merchant category code. NASA provides JPMorgan a list of these codes and indicates by code the vendors at which employees may not make purchases. We found no instances of charges made to prohibited vendors.

Similarly, we found NASA's efforts to detect misuse were generally effective. Of the 176 transactions we examined, we found only 9 instances of improper or questionable use that had not been detected by NASA. Specifically, we found a charge of \$773 for personal travel; \$63 to renew personal subscriptions to periodicals; \$306 to pay for refreshments for an awards ceremony; and \$114 to purchase snacks at a hotel gift shop. None of the cardholders sought reimbursement from NASA for these charges.

However, we also found that NASA could make better use of reports that JPMorgan already provides to help identify improper use of travel cards. For example, JPMorgan's PaymentNet system generates a Cash Advance Report to help identify cash advances that are not related to Government travel. Although several NASA Centers consistently review this report, we found that others do not.

**Lack of Clarity in Policy.** In addition to the four instances of clearly improper use described above, we identified five instances in which it was not clear whether particular charges were allowable. We were unable to determine the appropriateness of these charges because the FTR does not clearly prohibit certain types of expenses and NASA has not issued a supplemental policy to clarify the FTR. For example, NASA policy does not address use of a travel card to pay for in-room movies when staying at a hotel on official travel, the meals of others who are on official travel, or hotel expenses incurred for a personal stay that precedes an official business trip. We found that other Federal agencies have issued guidance to address these types of issues. For example, the Department of Justice permits employees to charge their Government travel cards for in-room movies or personal nights at a hotel that precede or follow an official Government trip.

## **Recommendations, Management's Response, and Evaluation of Management's Response**

We recommended that the Chief Financial Officer take the following actions:

**Recommendation 2.** Increase efforts to obtain the cards and cancel the accounts of all individuals who separate from employment at NASA and conduct periodic reviews to ensure that such accounts have been cancelled.

**Management's Response.** The Chief Financial Officer concurred, stating that her office has developed a Financial Management Operating Procedure (FMOP) that includes a process for reviewing accounts of separated employees on a monthly basis. The anticipated date of issuance of the FMOP is March 31, 2012.

**Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective actions.

**Recommendation 3.** Implement a policy requiring a minimum amount of anticipated travel required before issuance or re-issuance of a travel card.

**Management's Response.** The Chief Financial Officer concurred, stating that new guidance will be added as part of the new FMOP, with an anticipated issuance date of March 31, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 4.** Require a quarterly review of travel card usage and recommend deactivating accounts or lowering the spending limits of underutilized cards.

**Management's Response.** The Chief Financial Officer concurred, stating that new guidance will be added as part of the new FMOP, with an anticipated issuance date of March 31, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 5.** Remind cardholders and supervisors that travel cards are to be used for official Government travel-related expenses only and should not be used for personal expenses while on official travel.

**Management's Response.** The Chief Financial Officer concurred, stating that this requirement is currently addressed in the mandatory training for new cardholders and in refresher training, every 3 years, for current cardholders. However, to further reinforce this requirement, the NASA Shared Services Center updated both the Travel and Travel Card Customer websites with a reminder that travel cards are to be only used for official Government travel-related expenses.

**Evaluation of Management's Response.** The recommendation is resolved and closed based on verification of management's corrective action.

**Recommendation 6.** Enhance controls to identify misuse of the travel card, such as developing a data-mining tool to identify suspicious activity or patterns of abuse or misuse of travel cards to complement the tools available from JPMorgan.

**Management's Response.** The Chief Financial Officer concurred, stating that new guidance will be added as part of the new FMOP, with an anticipated issuance date of March 31, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 7.** Develop guidance to address when personal use of the travel card may be acceptable, such as to purchase in-room movies while on official Government travel.

**Management's Response.** The Chief Financial Officer concurred, stating that her office will develop and issue appropriate guidance by March 31, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.



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## **NASA'S POLICY AND PRACTICES REGARDING SELF-APPROVAL AND SELF-AUTHORIZATION OF TRAVEL ARE OVERLY BROAD**

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An inordinate number of NASA employees have authority to both authorize their official Government travel and approve the associated expenses for reimbursement. Specifically, we found that the travel authorizations and expenses for 45 NASA employees were not required to be reviewed or approved by a supervisor or approving official. These 45 individuals incurred more than a half million dollars in travel card expenses between October 1, 2009 and December 31, 2010. We also found that NASA had incorrectly applied its policy regarding which employees may self-authorize travel and self-approve expenses, and that subordinate employees were approving the travel expenses of five Center Directors. Finally, NASA's policy designating which positions can self-authorize and self-approve travel is out of date and refers to positions that no longer exist at the Agency. Each of these conditions increases the risk of fraud and abuse in NASA's travel card program.

### **Excessive Number of Individuals Have Authority to Both Self-Authorize Travel and Self-Approve Expenses**

NASA employees use FedTraveler to obtain authorization to undertake official travel and to gain approval for reimbursement of their expenses upon return to their duty stations. For most employees, there are four steps to the authorization process:

1. Traveler submits travel authorization through FedTraveler.com, including estimated expenses.
2. Fund Certifier reviews the authorization to ensure that the funds to pay for the travel are available.
3. Supervisor reviews the authorization and, if he or she finds the travel allowable and the costs reasonable, authorizes the employee to travel.
4. Travel Office completes final review for compliance with travel regulations.

When an employee is designated as a self-authorizer, the supervisor approval step is eliminated.

When an employee returns from official travel, a similar process is followed to secure reimbursement for the employee's expenses:

1. Traveler submits the claim with receipts.

2. Fund Certifier reviews the claim to ensure that funds are available.
3. Supervisor reviews the claim and receipts and, assuming no issues are identified, approves the claim.
4. NSSC completes payment processing.

Once again, if the traveler is designated as a self-approver, the supervisory review step is not performed.

We found that NASA permits an inordinate number of employees to both self-authorize travel and self-approve their travel expenses. NASA Policy Directive (NPD) 9710.1V designates more than 34 positions, including the Administrator, the Deputy Administrator, the Chief Financial Officer, Officials-in-Charge of Headquarters Offices, and Center Directors as both self-authorizers and self-approvers. Moreover, when we reviewed FedTraveler records, we found even more individuals had this authority than those identified in the policy. Specifically, we identified 42 active and 3 retired employees whose FedTraveler profiles allowed them to both authorize and approve their own travel, including several Associate and Assistant Administrators at Headquarters and office chiefs at Marshall Space Flight Center.<sup>9</sup> Between October 1, 2009, and December 31, 2010, these 42 active employees charged to their travel cards and were reimbursed approximately \$552,000 – all with no review from a higher-level official. In addition, these employees incurred charges for airline or rail tickets billed to a central NASA account that similarly did not receive supervisory review.

We compared NASA's policy to policies at several Federal agencies and found NASA to be significantly more expansive. For example, out of more than 116,000 employees at the Department of Justice (approximately six times the number of NASA employees), only the Agency's Inspector General and individuals appointed as Independent Counsel have the authority to approve their own travel vouchers.<sup>10</sup> Also, no positions at the Department of Veterans Affairs have the authority to authorize or approve their own travel or travel expenses.

Moreover, according to NPD 9710.1V, 22 of the 45 individuals who were permitted to both self-authorize and self-approve (17 from Marshall and 5 from Headquarters) should have been designated in FedTraveler only as self-authorizers. Officials from the NASA Enterprise Application Competency Center (NEACC), which manages access to FedTraveler, told us that they have the ability to set the system so that employees have the ability to self-authorize but must obtain supervisory review of their expenses.

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<sup>9</sup> None of the former employees had used their cards since leaving the Agency and NASA reported that their access to FedTraveler.com had been disabled.

<sup>10</sup> The number of cardholders at the Department of Justice as of December 31, 2010, as obtained from the General Services Administration (GSA) Smartpay Program Statistics. The Attorney General's travel vouchers are reviewed and approved by the Deputy Attorney General or the Attorney General's Chief of Staff.

However, they said that Marshall and Headquarters failed to inform them that these 22 employees should be designated only as self-authorizers.

Finally, NPD 9710.1V, section 1, requires that travel be authorized and approved by an official at least one organizational level above the traveler and prohibits subordinates from authorizing or approving the travel of their supervisors.<sup>11</sup> However, there is no automated method for preventing subordinates from authorizing or approving superiors' travel claims in FedTraveler. Rather, NEACC relies on the NASA Centers to designate appropriate approving officials for employees.<sup>12</sup>

NASA's current practice of allowing an inordinate number of employees to both authorize and approve their own travel increases the risk that NASA travel cards will be misused or abused. While NASA has some compensating controls in place, in our judgment these controls do not adequately substitute for supervisory review. For example, NASA officials pointed to the fact that a Funds Certifier reviews all travel authorizations and approvals. However, the Funds Certifier's primary responsibility is to ensure that funds are available, not determine whether the travel is appropriate or warranted. In addition, Fund Certifiers are subordinates of the individuals with self-authorization and self-approval authority and therefore may be hesitant to question their supervisor's travel claims.

NASA officials also noted that NSSC regularly audits all international travel claims and a sample of domestic travel claims. However, no audits or other procedures specific to self-approved or self-authorized travel are performed, and NASA does not consider whether travel has been self-authorized or self-approved when choosing audit samples for domestic travel claims.

**Out of Date Policies.** NPD 9710.1V designates the positions at NASA that can authorize and approve their own travel including the Administrator, the Deputy Administrator, the Chief Financial Officer, Officials-in-Charge of Headquarters Offices, and Center Directors. According to NPD 1000.3D, "The NASA Organization w/Change 24," paragraph 1.2.2, July 21, 2011, 24 positions are identified as "Officials-in-Charge." In contrast, as of March 22, 2011, the NASA Headquarters Executive Secretariat website listed 35 positions as Officials-in Charge, excluding the Administrator, the Deputy Administrator, the Chief Financial Officer, and the Center Directors. Additionally, several positions listed in NPD 1000.3, such as the Director of Program and Institutional Integration, no longer exist at NASA because of Agency reorganizations over the last several years.

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<sup>11</sup> We found that in an attempt to avoid an appearance of impropriety, five Center Directors had assigned subordinates to authorize and approve their travel expenses. However, we found a significant variation in the positions assigned this responsibility, ranging from Senior Executive Service employees (such as a Center Chief Financial Officer and Special Assistant to the Center Director) to lower-graded employees such as a GS-13 Budget Analyst or Lead Accountant.

<sup>12</sup> During the course of the audit, we found isolated instances of OIG employees approving the travel of supervisors or employees of equivalent rank. The OIG has taken steps to ensure that only supervisors approve travel claims.

## Recommendations, Management's Response, and Evaluation of Management's Response

In order to decrease the risk of misuse of NASA travel cards, we recommended that the Chief Financial Officer take the following actions:

**Recommendation 8.** Revise NPD 9710.1V to decrease the number of or eliminate entirely positions designated as “self-authorizers” for Government travel. To avoid confusion, NASA should identify the specific positions with this authority rather than referring to generic groups, such as “Heads of Center Mission Support Offices.”

**Management's Response.** The Chief Financial Officer concurred, stating that her office will revise, vet, and publish for Agency review in NASA's policy document management system a revised draft NPD 9710 by May 31, 2012, with a target date for an approved NPD of September 30, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 9.** Revise NPD 9710.1V to significantly decrease the number of positions designated as “self-approvers” for Government travel reimbursement. As part of this effort, the Agency should consider adopting a policy that requires travel expenses of all NASA employees with the exception of the Administrator and the Inspector General to undergo supervisory review before they are reimbursed. In addition, to avoid confusion the Agency should identify the specific positions with this authority rather than referring to the generic group “Officials-in-Charge.”

**Management's Response.** The Chief Financial Officer concurred with significantly decreasing the number of positions designated as “self-approvers.” However, NASA disagrees that group designations like “Officials-in-Charge” are so generic as to be confusing, as this term is precisely defined in NPD 1000.3, Section 1.2.2. When reviewing which positions should no longer be self-approvers, NASA will consider alternative terms or role descriptions that minimize any confusion and will also consider alternatives for supervisory review up to and including limiting self-approval to the Administrator and the Inspector General. The Office of the Chief Financial Officer will revise, vet, and publish for Agency review a revised draft NPD 9710 by May 31, 2012, with a target date for an approved NPD of September 31, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive to the intent of our recommendation. Therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 10.** Ensure that roles in FedTraveler accurately reflect employees' level of approval authority, for example, employees designated to only self-authorize travel requests should not also have the ability to self-approve travel claims.

**Management's Response.** The Chief Financial Officer concurred, stating that her office and the NEACC will jointly lead an Agency review of roles to verify that only employees authorized by NPD 9710 as self-authorizers and/or self-approvers hold those roles in FedTraveler. The review will commence by May 31, 2012, with a target completion date of June 30, 2012.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 11.** Develop a process to ensure enforcement or monitoring compliance with the policy that subordinates may not approve superiors' travel expenses.

**Management's Response.** The Chief Financial Officer concurred, stating that her office, the NSSC, and the NEACC will jointly develop a process for monitoring compliance with the revised policy to coincide with the effective date of the revised NPD 9710.

**Evaluation of Management's Response.** Management's planned action is responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective action.

**Recommendation 12.** Perform an annual risk assessment by type of expense report (e.g., self-approved, conference-related, foreign travel) and increase the frequency of audits of expense reports submitted by self-approvers.

**Management's Response.** The Chief Financial Officer concurred, stating that her office will develop an annual risk-assessment process and increase the frequency of audits of expense reports as necessary. The risk-assessment process will be developed by May 31, 2012.

**Evaluation of Management's Response.** Management's planned actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective actions.

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## **CONTROLS OVER THE PURCHASE CARD PROGRAM, WHILE GENERALLY EFFECTIVE, COULD BE STRENGTHENED**

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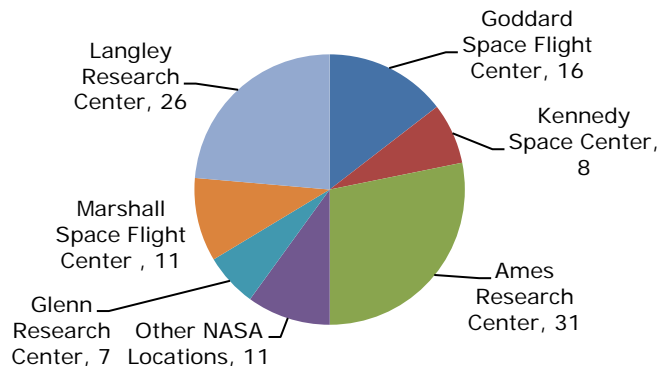
Overall, we found that NASA's purchase card program was operating efficiently and internal controls appeared effective in detecting misuse, fraud, waste, and abuse by cardholders. However, we found several areas that could be strengthened. Specifically, NASA has an excessive number of underutilized purchase cards and does not require sufficient documentation for purchase requests, costs, and approvals. We found 110 cardholders had not used their cards or used their cards only one time during our audit period of October 1, 2009, to December 31, 2010. Additionally, NASA does not have effective internal controls for reviewing purchase card accounts to determine continuing need for the card. We also found transaction records often did not include information regarding who requested the purchases or evidence of the cost of the items purchased or approval of the purchases. Both of these conditions increase the risk of misuse, fraud, waste, or abuse of NASA purchase cards.

### **NASA's Internal Controls for the Purchase Card Program Are Generally Effective**

We found that NASA was effectively monitoring purchase card use. We also found that NASA's purchase card policies and procedures are generally consistent with OMB guidance. Additionally, we found that NASA employees generally used their purchase cards appropriately and retained appropriate documentation supporting their purchases. Moreover, NASA mandates and cardholders participated in training about their responsibilities under the program. However, we identified several areas where internal controls over the purchase card programs could be strengthened by better adhering to OMB guidance and implementing practices used by several NASA Centers.

### **NASA Should Reduce the Number of Purchase Cards Issued**

We found that 110 purchase cardholders had never used their cards or had only used their cards once during our 15-month audit period. Specifically, 20 cardholders at Ames had never used their cards and 90 others located throughout NASA had used their cards only once. We considered these cards to be underutilized.

**Figure 1. Underutilized Purchase Cards by Location**

Many Purchase Card Coordinators reported performing a regular review of cardholder accounts. However, we found that these reviews did not identify underutilized purchase cards. Based on our inquiries, NASA officials closed 27 of the 110 accounts we identified. NASA supervisors decided that the remaining cards were necessary in order to maintain a backup purchaser, for emergency use as part of the NASA Continuity of Operations Planning, and based on an expectation that usage was anticipated to increase in the future.<sup>13</sup>

## NASA Should Improve the Documentation and Approval Trail for Purchases

NASA has not developed sufficient policies and controls governing documentation of purchase card purchases and approvals. Specifically, we found instances where the individual requesting and/or approving the purchase could not be identified and where transaction files contained no evidence of the cost of purchases.

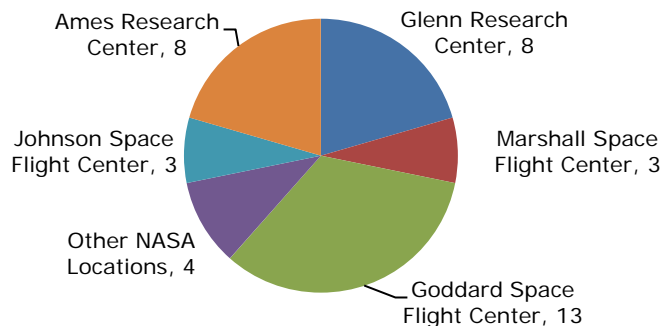
**Transaction Records Do Not Identify the Requestor.** OMB Circular A-123, Appendix B, section 4.7, states: “To the maximum extent possible, agency personnel requesting a cardholder to acquire an item(s) with a purchase card should provide written requests to the purchase cardholder for the items.<sup>14</sup> If it is not possible for the requester to make the request in writing, the purchase cardholder should document in their file the requester’s name . . . and obtain prior approval before making self-generated purchases.” However, 39 of the 203 purchase card transaction records we examined did not contain written requests from or otherwise identify the individual requesting the purchase. Additionally,

<sup>13</sup> NASA Continuity of Operations Planning teams are responsible for ensuring that the Agency is prepared to maintain the operation of its critical mission essential functions or implement transfer of critical mission essential functions to alternate locations in the event of emergencies and disastrous events resulting in long-term disruptions of normal operations.

<sup>14</sup> OMB Circular A-123, Appendix B, incorrectly labeled two sections as 4.8 and no section as 4.7. The reference in this report is to the first section 4.8 that should have been labeled 4.7.

written requests to cardholders to make purchases were not maintained in the purchase card transaction records.<sup>15</sup> Figure 2 shows the number of transaction records that did not identify the purchase requestor by Center.

**Figure 2. Number of Transaction Records that Did Not Identify the Requestor, by Center**



Of the 39 transaction records that did not contain information related to the requestor, we noted that 14 of those transactions were self-generated purchases in which prior approval by a supervisor was not obtained. These transactions were at the following Centers: Ames (2), Glenn (2), Goddard (9), and Marshall (1). NASA does not have a policy that requires prior approval for self-generated purchases and this omission increases the risk that inappropriate purchases may go undetected.

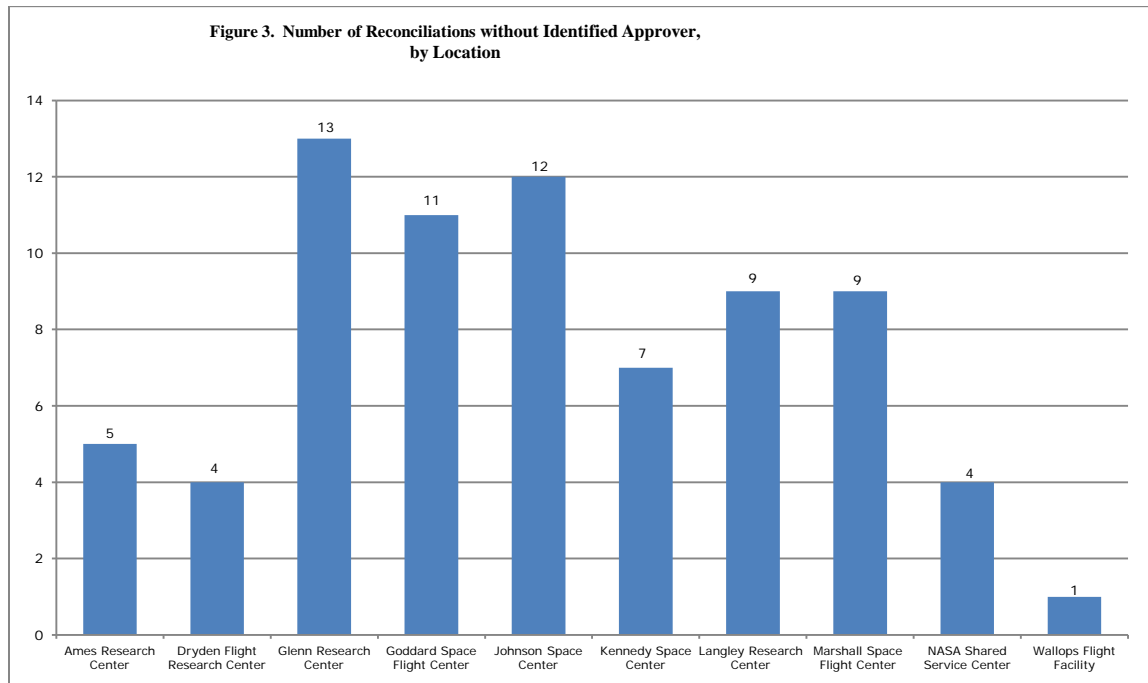
**Insufficient Audit Trail for Approval of Purchase Reconciliations.** We sampled 97 transactions and found that 75 had inconclusive evidence of who approved the reconciliation of the transactions. NASA uses P-Card Web Solution to track the electronic approval of purchase card reconciliations. An approving officer can delegate their electronic approval authority within P-Card Web Solution to a third party. However, when designees review reconciliations, P-Card Web Solution records the user identification code of the approving official and not the designee.

OMB Circular A-123, Part I, Introduction, section A, “Agency Implementation,” states: “management should have a clear, organized strategy with well-defined documentation processes that contain an audit trail, verifiable results, and specify document retention periods so that someone not connected with the procedures can understand the assessment process.” For the 97 transactions we examined, we tried to obtain proof of who approved the reconciliations (i.e., paper approval), but for 75 of the 97 transactions we found no alternative proof of the party completing approval of the reconciliations. Moreover, the system does not allow a user to authenticate who approved the reconciliation electronically (see Figure 3). Approving officials are only required to

<sup>15</sup> Although we were not provided written requests for some transactions, we had sufficient evidence to determine that the purchases were for official Government purposes. We assessed the appropriateness of these transactions by reviewing the item description and details and making inquiries regarding specific purchases.



approve a reconciliation electronically in P-Card Web Solution per NASA FAR Supplement 1813.301. Some approving officials also physically sign the reconciliation but this is not a required or consistent practice at NASA.



NASA employees are not properly documenting the approval of reconciliations because NASA has inappropriately relied upon P-Card Web Solution to document who approved a transaction, and P-Card Web Solution software functionality does not accurately track this information when the responsibility has been delegated to a third party.

**Transaction Records Do Not Consistently Include Evidence of the Cost.** We noted that the vendor invoice or other form of supporting documentation that validates the cost of items purchased was not received from the vendor and maintained in the purchase card transaction records for 10 of the 203 transactions we examined. NASA’s policy does not require the purchase cardholder to obtain an invoice or alternative evidence of costs such as a quote or a screen print for Internet purchases if one is not already provided by the vendor.

Given this lack of cost documentation, NASA has not developed sufficient policies to meet minimum standards for requiring documentation for card purchases as required by OMB Circular A-123, Appendix B. Additionally, NASA inappropriately relied upon P-Card Web Solution to document the approval of transaction reconciliations. Insufficient approval or documented records to support purchase expenditures leads to an increased risk of misuse, fraud, waste, and abuse. By making greater use of recommended controls from OMB Circular No. A-123, Appendix B, and practices used at several NASA Centers, NASA could reduce the risk of misuse, fraud, waste, and abuse by purchase cardholders.

## Recommendations, Management's Response, and Evaluation of Management's Response

We recommended that the Assistant Administrator for Procurement take the following actions:

**Recommendation 13.** Develop a policy requiring a clear necessity for or a minimum amount of purchases before issuance or re-issuance of a purchase card. The policy should include that continued non-usage could result in a reduction of the credit limit or cancellation of the card.

**Management's Response.** The Assistant Administrator for Procurement did not concur, stating that the requirement for conducting a transaction volume analysis is already contained in the NASA Federal Acquisition Regulation Supplement and the Internal Review Guide for Center/Agency Program Coordinators and hence additional policy is not required. However, NASA plans to send an e-mail to all cardholders, Coordinators, and approving officials reminding them of this requirement along with links to the guidance by March 1, 2012.

**Evaluation of Management's Response.** We consider management's comments to be unresponsive and believe they do not adequately address the concerns that prompted our recommendation. While the current policy requires that a transaction volume analysis be conducted every 6 months, we found that this analysis was not effectively performed, which resulted in a high number of underutilized cards being active. Additionally, the existing policies are not specific or clear in defining the need or prerequisite criteria for a card to be issued, such as a required minimum usage or planned usage prior to issuance of a purchase card. Accordingly, we consider this recommendation unresolved.

**Recommendation 14.** Work with the NASA Enterprise Applications Competency Center to make systems changes to P-Card Web Solution to enable the software to document the user identification code of the approving party and work with the Purchase Card Coordinator to develop an alternative documentation process of approvals until systems changes are made.

**Management's Response.** The Assistant Administrator for Procurement concurred, stating that approving officials will be required to document their names in the P-Card transaction comments field when they serve as an alternate and approve transactions on behalf of another approving official. By September 30, 2012, NASA will review the feasibility of making software code changes to the P-Card system.

**Evaluation of Management's Response.** Management's planned actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the corrective actions.

**Recommendation 15.** Develop policies that require the purchase cardholder to:

- include a written request for purchases or, at a minimum, the requestor's name in the purchase card transaction records;
- obtain approval prior to making self-generated purchases and include evidence of the approval in the log; and
- obtain an invoice or alternative evidence of costs such as a quote or a screen print for Internet purchases if one is not already provided by the vendor.

**Management's Response.** The Assistant Administrator for Procurement did not concur, stating that NASA already has a policy in place to address these issues and that cardholders are trained to enter information related to special approvals in the P-Card order log comments field. The Assistant Administrator indicated that NASA's Agency Program Coordinator will send an e-mail to all cardholders, Coordinators, and approving officials reminding them of this requirement along with links to the guidance by March 1, 2012.

**Evaluation of Management's Response.** We consider management's comments to be unresponsive, as they do not adequately address the concerns that prompted our recommendation. While the current policy requires cardholders to record information regarding items ordered, it does not specifically require inclusion of the requestor's name. We believe that in the absence of such a requirement, cardholders will continue to omit this information. Similarly, while cardholders may be trained to enter information related to special approvals in their order logs, we found no evidence that they are required to obtain and document evidence of approval for self-generated purchases. Finally, although we agree that current policy requires cardholders to include an invoice when the merchant provides one, the policy does not specify what evidence of cost is required when an invoice is not provided. Accordingly, we consider these recommendations unresolved.



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**APPENDIX A**

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**Scope and Methodology**

We performed this audit from January 2011 through January 2012 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 findings and conclusions based on our audit objectives.

Our objective was to determine whether the purchase and travel card programs were operating efficiently and internal controls were effective to help detect misuse, fraud, waste, or abuse by cardholders or others who attempt to manipulate the programs, and were operating in compliance with certain laws and regulations. We also examined a travel-related issue concerning employees who can self-authorize and self-approve travel and travel related-expenses. We identified and reviewed relevant Federal laws and regulations, NASA policies, procedures, plans, and guidance, and other criteria (see detailed list of items reviewed below).

We conducted site visits at NASA Headquarters in Washington, D.C., NASA Shared Services Center in Mississippi, Goddard Space Flight Center in Maryland, Kennedy Space Center in Florida, and Marshall Space Flight Center in Alabama. During our fieldwork, we interviewed officials responsible for purchase and travel card programs to obtain an understanding of the process for issuing new cards, ensuring training of employees, monitoring of purchase and travel cardholders activities, the payment process, and the review and approval of purchase card transactions, travel authorizations, and travel claims. Further, we reviewed the training of 45 randomly selected individuals issued purchase and travel cards to ensure compliance with NASA training policies and procedures.

In order to meet our primary objectives for this audit, we interviewed officials from each of the NASA Centers we visited. We also examined documentation and performed the following tasks among others:

- reviewed copies of NASA policies, procedures, presentations, and trainings related NASA purchase and travel card programs to ensure that proper internal controls are documented;
- reviewed copies of JPMorgan reports on NASA purchase and travel card activities to determine whether any questionable charges had been made and identified by management;

- reviewed an electronic database from JPMorgan of NASA purchase and travel card accounts to determine the number of cardholders and review activity;
- selected a statistical sample of purchase and travel card transactions and selected a sample of transactions via data mining procedures (See Appendix B for our sampling methodology);
- tested the controls over a statistical sample of purchase and travel card transactions (see the section titled “Review of Internal Controls” below for additional information);
- tested the statistical and data mining samples to determine if the transactions were supported, approved, and an appropriate use of the Government purchase and travel card;
- compared a list of all active cardholders to a list of terminated employees to ensure that their purchase and travel cards were cancelled;
- reviewed activity of cardholders to determine if purchase and travel cards were actively used; and
- examined processes to self-authorize and approve travel transactions.

**Use of Computer-Processed Data.** We obtained our data of purchase and travel card transactions from JPMorgan PaymentNet® (PaymentNet) and attempted to reconcile the data; however, we were unable to assess the overall completeness and reliability of purchase and travel card data from PaymentNet due to data limitations in FedTraveler.com and NASA’s financial management system, SAP. We did verify the accuracy of this data by tracing a sample of the transactions to source documents and a sample of source documents to transactions in PaymentNet. Although we were able to utilize PaymentNet to corroborate individual transactions and verify related payment information, we considered the data contained in SAP and PaymentNet to be of undetermined reliability in terms of completeness and accuracy. However, we concluded that the data was reliable for our purposes and did not weaken our analysis or lead us to an incorrect message.

## **Review of Internal Controls**

We reviewed internal controls for the purchase and travel card programs. Any control weaknesses we identified are discussed in this report. Our recommendations, if implemented effectively, should correct the identified control weaknesses.

**Purchase Card.** Our audit of key internal controls focused on whether NASA provided adequate documentation to substantiate that purchase card transactions appeared to be for official Government use, were properly authorized and supported, and goods and services

acquired with purchase cards were independently received and accepted. Furthermore, for purchases exceeding the micropurchase threshold of \$3,000, we tested Federal Acquisition Regulation requirements that the cardholder use required vendors and promote competition by soliciting bids—or justify the departure from this requirement in writing.

**Travel Card.** Our audit of key internal controls focused on whether NASA provided adequate documentation to substantiate that travel card transactions appeared to be for official Government travel, were properly supported, were for reasonable costs, and the related bill was paid on time.

## **Federal Laws, Regulations, Policies, and Guidance**

As part of our tests of internal controls, we reviewed applicable federal laws and regulations related to purchase and travel card uses. We also examined certain common problems identified in Council of Inspectors General on Integrity and Efficiency’s “A Practical Guide for Reviewing Government Purchase Card Programs” and “Review of Common Problems and Best Practices in Federal Agencies’ Travel Card Programs” and GAO’s “Audit Guide – Auditing and Investigating the Internal Control of Government Purchase Card Programs.” Additionally we reviewed NASA purchase and travel card policies and procedures. This review included, but was not limited to, the following:

### **Laws and Regulations**

Public Law 105–264, “Travel and Transportation Reform Act of 1998,” October 19, 1998

Circular No. A-123, Appendix B Revised, “Improving the Management of Government Charge Card Programs,” January 15, 2009

Treasury Financial Manual Volume 1 Part 4 Chapter 4500 Government Purchase Cards  
Federal Acquisition Regulation 48 C.F.R. Part 13

“Principles of Federal Appropriations Law” (The Red Book), Third Edition, Volume II, Page 6-162 (GAO-06-382SP, February 2006)

The Simplified Acquisition Procedures Part 1813

### **NASA Policy and Procedures**

NPD 9070.2, “Government Charge Cards,” November 5, 2008

NPD 9710.1V, “Delegation of Authority - To Authorize or Approve Temporary Duty Travel on Official Business and Related Matters,” December 9, 2009

NPR 9700.1, “Appendix A. NASA Federal Travel Regulations Supplement,” September 30, 2008

NASA Procurement Information Circular 10-14, “Special Approvals for Purchase Card Transactions,” October 13, 2010

### **Documents and Presentations**

NASA Charge Card Management Plan, February 13, 2008

Draft NASA Government wide Commercial Purchase Card Management Plan

NASA HQ Presents Essential Training about the Government Travel Card

### **Prior Coverage**

During the last 5 years, the NASA Office of Inspector General, the Government Accountability Office (GAO), and the Treasury Inspector General for Tax Administration have issued five reports of particular relevance to the subject of this report.

#### NASA Office of Inspector General

“Internal Controls to Detect and Prevent Unauthorized and Potentially Fraudulent Purchase Card Transactions at Four NASA Centers Needed Improvement” (IG-07-012, March 29, 2007)

#### Government Accountability Office

“GAO Travel Cards - Opportunities Exist to Further Strengthen Controls” (GAO/OIG-11-1, December 7, 2010)

“Government-wide Purchase Cards - Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases” (GAO-08-333, March 14, 2008)

#### Treasury Inspector General for Tax Administration

“Although Citibank Travel Rebates Have Significantly Increased, They Were Not Properly Allocated, Resulting in the Misappropriation of Funds” (2010-10-124, September 24, 2010)

“Controls Over the Purchase Card Program Were Not Effective in Ensuring Appropriate Use” (2011-10-075, August 31, 2011)



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## SAMPLING METHODOLOGY

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For our audit, we used both statistical sampling and data mining sampling techniques to select our samples. To obtain our statistical sample, our methodology was attribute sampling by random selection. For our data mining sample, we used a nonstatistical sampling method known as judgmental sampling based upon multiple indicators of suspicious or inappropriate activity. We obtained access to the database containing purchase and travel card transactions for the 15-month audit period of October 1, 2009, to December 31, 2010, from JPMorgan. This database included transactions Agency-wide. Each of the following sites was subject to examination during the audit:

- NASA Headquarters
- Ames Research Center
- Dryden Flight Research Center
- Glenn Research Center
- Goddard Space Flight Center
- Johnson Space Center
- Kennedy Space Center
- Langley Research Center
- Marshall Space Flight Center
- NASA Shared Services Center
- Stennis Space Center
- Wallops Flight Facility

**Statistical Samples.** We extracted three statistical (probability) samples of 97 purchase cards transactions, 97 travel cards transactions billed to individual cardholders (IBA), and 59 travel card transactions centrally-billed (CBA) to NASA from our database of purchase and travel card transactions.

**Purchase Card Sample.** The purchase card transaction universe was 146,929 transactions valued at \$96.6 million. We used Winstats (Ver. 1.0) to determine our sample size using a 90 percent confidence level, 10 percent estimated attribute error rate,

and 5 percent desired precision rate or sampling error. We used EZ-Quant (Ver. 1.1.1) to randomly select our sample of 97 transactions. Based on our testwork, no projection of errors was necessary.

**Travel Card IBA Sample.** The travel card IBA transaction universe was 364,191 transactions valued at \$46.5 million. We used Winstats to determine our sample size using a 90 percent confidence level, 10 percent estimated attribute error rate, and 5 percent desired precision rate or sampling error. We used EZ-Quant to randomly select 97 transactions. Based on our testwork, the projection for errors was not significant to be included in this audit report.

**Travel Card CBA Sample.** The travel card CBA transaction universe size was 288,532 transactions valued at \$48.9 million. We used Winstats to determine our sample size using an 80 percent confidence level, 10 percent estimated attribute error rate, and 5 percent desired precision rate or sampling error. We used EZ-Quant to randomly select 59 transactions. Based on our testwork, no projection of errors was necessary.

**Samples Selected Using Data Mining Techniques.** Data mining was also conducted to identify high-risk transactions. We used the same database containing purchase and travel card transactions for the 15-month audit period of October 1, 2009, to December 31, 2010, from JPMorgan that used for the statistical samples.

**Purchase Card Sample.** We analyzed purchase card data looking for higher risk transactions by examining the merchant category codes and vendor names that were more likely to offer goods, services, or both that are on NASA restricted/prohibited lists, personal in nature, of questionable Government need, or purchased with convenience checks or large dollar purchases. We identified over 58,000 transactions that were higher risk and selected 106 transactions for examination.

**Travel Card Sample.** We analyzed all travel card data, for both CBA and IBA, looking for higher risk transactions by examining the merchant category codes and vendor names that were more likely to offer goods, services, or both that are inappropriate for Government travel expense, personal in nature, or were cash advances. We identified over 50,000 transactions that were higher risk and selected 79 transactions for examination.

We requested and reviewed supporting documentation for 106 purchase card transactions and 79 travel card transactions. We conducted additional inquiries and data analysis, when applicable. Our work was not designed to identify and we cannot determine the extent of fraudulent, improper, or abusive transactions occurring in the population of purchase card transaction. The results of our testwork included some errors over these transactions. Details are included within this audit report.

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**CARD ACCOUNT STATUS AND  
TRANSACTION DATA BY  
NASA LOCATION**

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Table 2 shows current card account status for travel and purchase cards held by NASA Headquarters and Centers staff, prepared from JPMorgan reports as of December 31, 2010.

<b>Table 2: Number of Active NASA Purchase and Travel Card Accounts, as of December 31, 2010</b>			
<b>Location</b>	<b>Travel Card Accounts</b>	<b>Purchase Card Accounts</b>	<b>Total Active Card Accounts</b>
Ames Research Center	1,003	266	1,269
Dryden Flight Research Center	520	41	561
Glenn Research Center	1,505	289	1,794
Goddard Space Flight Center	2,411	551	2,962
Headquarters	1,182	75	1,257
Johnson Space Center	2,893	221	3,114
Kennedy Space Center	1,813	91	1,904
Langley Research Center	1,605	348	1,953
Marshall Space Flight Center	2,144	266	2,410
NASA Shared Services Center	126	17	143
Stennis Space Center	258	23	281
Wallops Flight Facility	2	52	54
<b>Total</b>	<b>15,462</b>	<b>2,240</b>	<b>17,702</b>
Source: JPMorgan data.			

Table 3 shows the dollar amount and number of travel and purchase card transactions that occurred between October 1, 2009, and December 31, 2010 for NASA cardholders, per JPMorgan reports. We separated the accounts by location for improved analysis.

<b>Table 3: NASA Purchase and Travel Card Transactions October 1, 2009 through December 31, 2010</b>						
<b>Location</b>	<b>Transaction Amount</b>			<b>Number of Transactions</b>		
	<b>Travel Card</b>	<b>Purchase Card</b>	<b>Total</b>	<b>Travel Card</b>	<b>Purchase Card</b>	<b>Total</b>
Ames Research Center	\$7,360,946	\$11,887,755	\$19,248,701	47,587	20,932	68,519
Dryden Flight Research Center	3,224,399	3,888,570	7,112,969	23,941	6,236	30,177
Glenn Research Center	8,210,877	11,566,057	19,776,934	55,775	20,368	76,143
Goddard Space Flight Center	14,724,185	21,856,843	36,581,028	95,852	35,416	131,268
Headquarters	9,986,815	1,468,197	11,455,012	68,399	2,151	70,550
Johnson Space Center	19,165,494	6,832,546	25,998,040	122,371	10,774	133,145
Kennedy Space Center	8,322,312	3,143,045	11,465,357	62,681	4,843	67,524
Langley Research Center	10,643,054	12,603,662	23,246,716	71,749	21,016	92,765
Marshall Space Flight Center	11,875,842	8,953,420	20,829,262	89,158	12,814	101,972
NASA Shared Services Center	698,750	13,027,536	13,726,286	4,834	9,907	14,741
Stennis Space Center	1,189,859	311,939	1,501,798	9,841	625	10,466
Wallops Flight Facility	0	1,069,177	1,069,177	0	1,847	1,847
Unidentified	1,522	0	1,522	21	0	21
<b>Total</b>	<b>\$95,404,055</b>	<b>\$96,608,747</b>	<b>\$192,012,802</b>	<b>652,209</b>	<b>146,929</b>	<b>799,138</b>

Source: JPMorgan data.

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## MANAGEMENT COMMENTS

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National Aeronautics and Space Administration  
Headquarters  
Washington, DC 20546-0001



FEB 13 2012

Reply to Attn of:

Office of the Chief Financial Officer

TO: Assistant Inspector General for Audits

FROM: Chief Financial Officer  
Assistant Administrator for Procurement

SUBJECT: Response to OIG Draft Audit Report, "Audit Report of NASA's Purchase and Travel Card Programs" (Assignment No. A-11-012-00)

The Office of the Chief Financial Officer (OCFO) and the Office of Procurement appreciate the opportunity to review your draft audit report entitled "Audit Report of NASA's Purchase and Travel Card Programs" (Assignment No. A-11-012-00).

In the draft report, the Office of the Inspector General (OIG) outlines several findings and communicates fifteen recommendations. NASA's response to the recommendations, including planned corrective actions, follows:

**Recommendation 1:** The Chief Financial Officer should implement policies that ensure rebates are distributed to the appropriation against which the original charge was made or, in the alternative, seek statutory authority to apply rebates to the working capital fund. If statutory authority is not obtained, this redistribution should be applied retroactively to remedy prior years' misapplications.

**Management's Response:** NASA concurs. It has prepared a legislative proposal accordingly and is, in the meantime, implementing a revised process to more clearly return rebates to the appropriation funding the activity.

**Recommendation 2:** Increase efforts to obtain the cards and cancel the accounts of all individuals who separate from employment at NASA and conduct periodic reviews to ensure that such accounts have been cancelled.

**Management's Response:** NASA concurs. OCFO has developed a Financial Management Operating Procedure (FMOP) that includes a process for reviewing accounts of separated employees on a monthly basis. The anticipated date of issuance of the FMOP is March 31, 2012.

**Recommendation 3:** Implement a policy requiring a minimum amount of anticipated travel required before issuance or re-issuance of a travel card.

**Management's Response:** NASA concurs. The new guidance will be added as part of the new FMOP, with anticipated date of issuance of the FMOP being March 31, 2012.

**Recommendation 4:** Require a quarterly review of travel card usage and recommend deactivating accounts or lowering the spending limits of underutilized cards.

**Management's Response:** NASA concurs. The new guidance will be added as part of the new FMOP, with anticipated date of issuance of the FMOP being March 31, 2012.

**Recommendation 5:** Remind cardholders and supervisors that travel cards are to be used for official Government travel-related expenses only and should not be used for personal expenses while on official travel.

**Management's Response:** NASA concurs. This requirement is currently addressed in the mandatory training for new cardholders and in refresher training, every three years, for current cardholders. To further reinforce this requirement, the NASA Shared Services Center (NSSC) will update both the Travel and Travel Card Customer Web sites with a reminder that travel cards are to be used for official Government travel-related expenses only. The Web site updates were completed by January 26, 2012.

**Recommendation 6:** Enhance controls to identify misuse of the travel card, such as developing a data-mining tool to identify suspicious activity or patterns of abuse or misuse of travel cards to complement the tools available from JPMorgan.

**Management's Response:** NASA concurs. The new guidance will be added as part of the new FMOP, with anticipated date of issuance of the FMOP being March 31, 2012.

**Recommendation 7:** Develop guidance to address when personal use of the travel card may be acceptable, such as to purchase in-room movies while on official Government travel.

**Management's Response:** NASA concurs. The OCFO will develop and issue appropriate guidance by March 31, 2012.

**Recommendation 8:** Revise NPD 9710.1V to decrease the number of or eliminate entirely positions designated as "self-authorizers" for Government travel. To avoid confusion, NASA should identify the specific positions with this authority rather than referring to generic groups, such as "Heads of Center Mission Support Offices."

**Management's Response:** NASA concurs. The OCFO will revise, vet (including union review), and publish for Agency review in NODIS, a revised draft NPD 9710 by May 31, 2012, with a target date for an approved NPD of September 30, 2012.

**Recommendation 9:** Revise NPD 9710.1V to significantly decrease the number of positions designated as "self-approvers" for Government travel reimbursement. As part of this effort, the Agency should consider adopting a policy that requires travel expenses of all NASA

employees with the exception of the Administrator and the Inspector General to undergo supervisory review before they are reimbursed. In addition, to avoid confusion, the Agency should identify the specific positions with this authority rather than referring to the generic group "Officials-in-Charge."

**Management's Response:** NASA concurs with the recommendation to significantly decrease the number of positions designated as "self-approvers." However, NASA disagrees that group designations like "Officials-in-Charge" are so generic as to be confusing, as this term is precisely defined in NPD 1000.3, Section 1.2.2. But, when reviewing which positions should no longer be self-approvers, NASA will also consider alternative terms or role descriptions that minimize any confusion and will also consider alternatives for supervisory review up to and including limiting self-approval to just the Inspector General and the Administrator. The OCFO will revise, vet (including union review), and publish for Agency review in NODIS, a revised draft NPD 9710 by May 31, 2012, with a target date for an approved NPD of September 31, 2012.

**Recommendation 10:** Ensure that roles in FedTraveler accurately reflect employees' level of approval authority. For example, employees designated to only self-authorize travel requests should not also have the ability to self-approve travel claims.

**Management's Response:** NASA concurs. The OCFO and NASA Enterprise Applications Competency Center (NEACC) will jointly lead an Agency review of roles to, e.g., verify that only employees authorized by NPD 9710 as self-authorizers and/or self-approvals hold those roles in FedTraveler. The review will commence no later than publication in NODIS of the revised draft NPD 9710 (May 31, 2012) with a target completion date of the review of June 30, 2012.

**Recommendation 11:** Develop a process to ensure enforcement or monitoring compliance with the policy that subordinates may not approve superiors' travel expenses.

**Management's Response:** NASA concurs. The OCFO, NSSC, and NEACC will jointly develop a process for monitoring compliance with the revised policy to coincide with the effective date of the revised NPD 9710.

**Recommendation 12:** Perform an annual risk assessment by type of expense report (e.g., self-approved, conference-related, foreign travel) and increase the frequency of audits of expense reports submitted by self-approvers.

**Management's Response:** NASA concurs. The OCFO will develop an annual risk-assessment process and increase the frequency of audits of expense reports as necessary. The risk-assessment process will be developed by May 31, 2012.

**Recommendation 13:** Develop a policy requiring a clear necessity for or a minimum amount of purchases before issuance or reissuance of a purchase card. The policy should include that continued non-usage could result in a reduction of the credit limit or cancellation of the card.

**Management's Response:** NASA does not concur with the recommendation that additional policy is required, as the requirement for conducting a transaction volume analysis is already contained in the NASA FAR Supplement and the Internal Review Guide for Center Agency Program Coordinators.

The NASA FAR Supplement (NFS) 1813.301-83 Purchase Card Internal Controls specifies that, "Every six months, the approving official shall conduct a transaction volume analysis of their cardholders to ascertain whether:

- All cards under their account are needed.
- More cardholders are needed, based on order volume.
- Current cardholders' monthly limits should be adjusted to handle the volume and complexity of transactions."

The Internal Review Guide for Center Agency Program Coordinators (CAPCs) states that, "CAPCs shall conduct regular review and analysis of the standard electronic reports as scheduled in Appendix A." Appendix A includes the Cardholder Profile Report (required monthly) – to review cardholder accounts without usage for six months to a year. These accounts may need to be closed or placed in an "inactive" status. This report is obtained from PaymentNet ©, JPMorgan Chase's electronic access system.

The Agency Program Coordinator will send an email to all cardholders, CAPCs, and Approving Officials reminding them of this requirement along with links to the guidance by March 1, 2012.

**Recommendation 14:** Work with the NASA Enterprise Applications Competency Center to make systems changes to P-Card Web Solution to enable the software to document the user identification code of the approving party and to work with the Purchase Card Coordinator to develop an alternative documentation process of approvals until systems changes are made.

**Management's Response:** NASA concurs. Approving Officials will be required to document their name in the P-Card Transaction Comments field when they serve as an alternate and approve transactions on behalf of another Approving Official. By September 30, 2012, NASA will review the feasibility of making software code changes to the P-Card system.

**Recommendation 15:** Develop policies that require the purchase cardholder to:

- Include a written request for purchases or, at a minimum, the requestor's name in the purchase card transaction records.
- Obtain approval prior to making self-generated purchases and include evidence of the approval in the log.
- Obtain an invoice or alternative evidence of costs, such as a quote or a screen print for Internet purchases if one is not already provided by the vendor.

**Management's Response:** NASA does not concur with the recommendation that additional policy is required. NASA has policy already in place to address these issues. NASA FAR Supplement - 1813.301- 75 Required File Documentation states, "Cardholders shall create an




order log in the NASA on-line P-Card Web Solution system to record their orders and ensure that adequate funds are available before ordering. The system order log records the funding information so that funding necessary for completion of the purchase can be committed. Cardholders shall use the order log to record information regarding the items ordered, such as a description, quantity, unit price, and total value.”

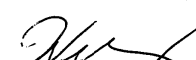
Cardholders are trained to enter information related to special approvals in the P-Card order log Comments field of the order log.

The NFS further states, “In addition to the information entered in the order log, other supporting documentation, such as receipts, order confirmations, vendor invoices (if provided), necessary expense justifications, or documentation of any problems, disputes, or unusual circumstances surrounding an order shall be kept in the purchase card files. Purchase card files must be kept current and be readily available for examination.”

The Agency APC will send an e-mail to all cardholders, CAPCs, and Approving Officials reminding them of this requirement along with links to the guidance by March 1, 2012.

Thank you for the opportunity to review and comment on the subject draft audit report. If you have further questions or require additional information on the NASA response to the draft report, please contact Charlene Williams at (202) 358-2183.

  
Elizabeth (Beth) Robinson

  
William P. McNally

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