

FEDERAL ELECTION COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL REPORT

**REVIEW OF
COMMISSION TRAVEL
FISCAL YEAR 1995**

**MARCH 1996
AUDIT ASSIGNMENT 96-02**

OFFICE OF THE INSPECTOR GENERAL

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EXECUTIVE SUMMARY

This report presents the results of the Federal Election Commission (FEC), Office of Inspector General audit of non-local travel activity for Fiscal Year (FY) 1995. The primary objectives of our audit were to: (1) ensure that adequate internal controls over travel activities are in place and operating effectively; (2) evaluate the Commission's use of travel funds for economy and effectiveness; and (3) evaluate the budgeting process of travel activities for proper management of Commission funds.

The FEC expended \$245,115 for non-local travel in FY 1995 for a total of 255 trips by Commission employees and invitational travel sponsored by the FEC. Travel expenditures for FY 1995 accounted for approximately 3.5 % of operating costs, excluding personnel related costs. The purposes of Commission travel are varied, including audits, training, conferences, depositions, investigations, and recruiting.

Our audit work covered non-local travel for Fiscal Year (FY) 1995 (October 1, 1994 -- September 30, 1995). When it was impractical to review all elements in a universe subject to audit, we used a random sample of non-local travel for FY 1995. The audit field work was conducted between December 1995 and March 1996, in accordance with the General Accounting Office's Government Auditing Standards, and included such auditing procedures as was considered necessary.

As part of our internal control review of Commission travel, we verified that the travel documents (Travel Authorization, Travel Advance, and Travel Voucher) were authorized, properly approved, and calculated correctly. In addition, we reviewed the travel documents for compliance with the Federal Travel Regulations. We also reviewed the internal controls of the American Express Government charge card program.

Our audit revealed several internal control weaknesses and are detailed in the Audit Findings and Recommendations section of this report. None of the weaknesses were the result of a lack of federal reporting requirements or generally accepted accounting principles.

The Commission's travel activity was evaluated for economy and effectiveness based on the Federal Travel Regulations (FTR) and OMB Bulletin 93-11, Fiscal Responsibility and Reducing Perquisites. Our review of Commission travel included the following: purpose of travel, type of accommodations, utilization of discounted contract airfare, and the reasonableness of the number of staff attending conferences or training. Overall, we found Commission travel was performed in an economical and effective manner.

Evaluation of the budgeting process of Commission travel funds was performed in accordance with FEC Directive 46, Commission Budget and Planning Process, 12/14/82, and as amended, 2/4/84. Specifically, we verified compliance with the procedures for re-allocation of budgeted travel funds. Directive 46 provides a detailed description of the Commission's budget and planning process, and the policy and procedures to be followed by the Commission. Directive 46, Section VI, as amended, contains the procedures to be followed

for the re-allocation of budgeted funds. Directive 46 requires that inter-divisional reallocations of less than \$5,000 be made by the Staff Director, and reported to the Finance Committee, and over \$5,000 approved by the Commission.

BACKGROUND

Federal employees traveling on official government business are subject to the Federal Travel Regulations (FTR). The FTR is contained in Title 41 of the U.S. Code, Chapter 301, and is issued by the General Services Administration. The FTR states that Federal employees traveling in an official capacity should exercise the same care in incurring expenses as they would if traveling on personal business. In addition, the FTR requires that official travel by Federal employees must be conducted in an effective and efficient manner, and only when necessary to accomplish the purposes of the Government.

The Federal Election Commission (FEC) expended \$245,115 for non-local travel in Fiscal Year (FY) 1995, for a total of 255 trips by Commission employees and invitational travel sponsored by the FEC. Non-local travel expenditures for FY 1995 accounted for 3.5% of Commission operating costs, excluding personnel related expenses. The purposes of Commission travel are varied, and include audits, conferences, training, depositions, investigations, and recruiting.

Several FEC offices have key roles in the administration of Commission travel. The Administrative Office has primary responsibility for issuing travel guidance, approving travel advances, and monitoring the American Express Government charge card program. The Accounting Office is primarily responsible for the processing and reporting of travel activity, including receipt and disbursement of travel reimbursements and advances, and issuing financial statements and budget reports on travel expenditures. The Planning and Management Office is responsible for the management of the travel budget, which includes the review of travel authorizations to ensure funds are available for obligation.

FEC travel is authorized on a trip-by-trip basis. This type of authorization requires an employee to submit a Travel Authorization, FEC Form 10-5, for each specific trip. FEC Form 10-5 specifies the specific purpose, itinerary, and estimated costs of travel. Travel Authorizations are authorized by the employee's supervisor and are issued before expenses are incurred. Travel advances are also disbursed on a single trip basis, and any excess advance is required to be repaid promptly upon the completion of the travel. Travel advances are requested on the Standard Form 1038, Application for Advance of Funds. The amount of the travel advance generally should not exceed 80% of out of pocket expenses, such as food and incidental expenses.

In order to minimize the amount of travel advances, the FEC participates in the American Express (AMEX) Government charge card program. The General Services Administration contracted in 1993 with AMEX to replace the Diners Club Card to provide Federal employees a charge card to be used for official government travel. The AMEX program is coordinated by the Administrative Office. AMEX charge cards are issued to Commission employees to use for official travel related expenses (lodging, meals, incidentals) away from the employee's official duty station. Personal charges on the AMEX government charge card are not permitted in accordance with the agreement signed by the card holder and American Express. The FEC AMEX

Government charge card is an individually billed account and all charges are the liability of the employee. The Federal government is not liable for charges made by government employees. FEC employees who travel an average of two times a year or more are issued an application for the AMEX card by the Administrative Office. The AMEX Government charge card does not require a credit check or annual fee. In addition, there are no interest or late payment charges on balances over 30 days. Undisputed charges are considered seriously delinquent when included within an unpaid "Previous Balance" a second time (60 days), and can result in card suspension. The charge card account can be canceled if the undisputed amount is not paid in full within 120 days of the billing date.

The FEC utilizes a Travel Management Center (TMC) to reserve flight arrangements for Commission staff. The TMC is a travel agent contracted by the General Services Administration (GSA). Under the contract with the TMC, GSA contracts certain airfares at a special reduced price (contract airfare). It is the policy of the FTR that Federal agencies should use the lowest commercial airfare available, except when such accommodations are not reasonably available.

Upon completion of travel, travelers are required to submit a Travel Voucher, Standard Form 1012. Supervisory approval on the Travel Voucher is required to confirm that the travel for which expenses are being claimed was performed as authorized. The Travel Voucher must include an itemization of reimbursable expenses, and must include receipts for expenditures in excess of \$25. Travel Vouchers are required to be submitted within ten (10) working days from the completion of travel.

SCOPE AND OBJECTIVES

Our audit work covered non-local travel for Fiscal Year (FY) 1995 (October 1, 1994 – September 30, 1995). When it was impractical to review all elements in a universe subject to audit, we used a random sample of non-local travel for FY 1995. The audit field work was conducted between December 1995 and March 1996, in accordance with the General Accounting Office's Government Auditing Standards, and included such auditing procedures as was considered necessary.

The objectives of the audit were to: (1) ensure that adequate internal controls over travel activities are in place and operating effectively; (2) evaluate the Commission's use of travel funds for economy and effectiveness; and (3) evaluate the budgeting process of travel activities for proper management of Commission funds.

INTERNAL CONTROLS

Our review of the internal controls of the Commission's travel activities was performed in accordance with the following: General Accounting Office Standards for Internal Controls in the Federal Government; Office of Management and Budget (OMB), Circular A-123, Management Accountability and Control; and the Code of Federal Regulations, Title 41, Chapter 301, Federal Travel Regulations.

The objectives of a system of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. In addition, internal controls help ensure that transactions are executed in accordance with management's authorization, and recorded properly. In order to evaluate the internal controls over Federal Election Commission (FEC) travel activities we observed the travel functions, inspected documents and interviewed staff.

As part of our internal control review of Commission travel, we evaluated the following:

- Travel policies and procedures are clearly stated in writing;
- Travel documents (Travel Authorization, Travel Advance, and Travel Voucher) are authorized and properly approved;
- Travel Vouchers include adequate support documentation (receipts);
- Travel documents are correct in amount, calculations, and footings;
- The American Express (AMEX) Government charge card program is adequately monitored and documented;
- Transactions and other significant events are promptly and correctly recorded;
- Key duties in processing, recording, and reviewing travel transactions are separated among staff.

In order to evaluate the FEC's documentation of travel policies and procedures we interviewed the Administrative and Accounting staff, and reviewed Commission Directives, Bulletins, and Circulars. The

results of our review revealed that there is a very limited amount of travel guidance issued to Commission staff on the policies and procedures related to travel. In addition, review of FEC travel revealed several areas which appear to need clarification, such as the proper use of the AMEX charge card, deadline for submission of travel vouchers, and the computation of per-diem rates on a partial day basis.

The main source of travel guidance available to staff and supervisors is the Federal Travel Regulations (FTR). The FTR, issued by the General Services Administration, is an all inclusive set of travel regulations for the Federal Government. The FTR provides an in-depth coverage of federal travel regulations and allows each agency to set travel policy based on the constraints set by the GSA. Based on our interviews with staff and review of travel activities, we recommend that the FEC issue travel guidance in the form of a travel handbook. *(See Audit Findings, page 12)*

Overall, we found that travel documents (authorization, advance, and voucher) were properly authorized and approved by the appropriate supervisor or designated official. Travel Vouchers reviewed were adequately itemized and included the necessary receipts to support reimbursable expenditures by the traveler. In addition, our review of the 55 Travel Vouchers found that generally all reimbursements were calculated and processed correctly in accordance with the FTR.

Our review of the submission date of the 55 Travel Vouchers revealed that 11 of the 55, or 20%, were submitted 11 days or more from the completion date of travel. FEC policy requires travelers to submit their Travel Vouchers within 10 days from the completion of travel. In addition, we reviewed the Unliquidated Travel Obligations reports as of March 13, 1996. The Unliquidated Travel Obligations report represents Travel Authorizations obligated in the accounting system, but not closed. Our review revealed two Commission employees who had neglected to submit their travel vouchers for travel obligated in November 1994, a period of over 16 months.

We found the internal controls over the American Express (AMEX) Government charge card program to be inadequate. Our review of purchases by AMEX account holders from November 1994 through February 1996 revealed that 13 employees (out of 100) had used their AMEX Government charge card for unauthorized personal purchases. Total unauthorized uses of the AMEX government charge card by the 13 employees amounted to 70 personal purchases for a total of \$8,140. In addition, we found that the FEC program coordinator for the AMEX program is not keeping the AMEX reports sent by AMEX each month. *(See Audit Findings, page 13)*

As a result of observations and interviews with the Accounting Office, we recommend that key duties in disbursing and recording travel transactions should be further separated among the accounting technicians. Currently the Accounting Technician responsible for disbursement and receipt of travel advances and reimbursements is also responsible for processing the transactions in the accounting system. We

acknowledge the limitations imposed on a small accounting office. The Accounting Officer has informed the OIG that there are plans within the immediate future for the appointment of a primary disbursing clerk, separate from the processing of travel, which will rectify the weakness. (See Audit Findings, page 15)

ECONOMY AND EFFECTIVENESS

The Commission’s travel activity was evaluated based on the Federal Travel Regulations (FTR) and OMB Bulletin 93-11, Fiscal Responsibility and Reducing Perquisites. In accordance with the FTR and Federal guidance, we evaluated the 55 sampled Travel Vouchers for economy and effectiveness based on the following:

- Official travel is performed in order to accomplish the mission of the agency;
- Length of travel is appropriate based on the length of the training or conference;
- Airfare purchased through the General Services Administration (GSA) contracted travel agent is purchased at the contracted government rate;
- Airfare purchased by the Commission is not first class or business class;
- Number of staff attending conferences and training is reasonable based on the needs of the Commission.

Our review of the travel purpose of the 55 sampled (out of 254) Travel Vouchers for non-local trips in Fiscal Year 1995 showed the following:

Purpose	Frequency	Percent*
Audit	29	53%
Conference	6	11
Deposition	6	11
Recruiting	5	9
Investigation	2	4
Court appearance	2	4
Training	2	4
Invitational	2	4
Meeting	1	2
Total	55	100%

**Rounded*

In all 55 trips reviewed by our office, the purpose of the trip was adequately documented on the Travel Authorization. In order to evaluate whether travel is necessary to accomplish the mission of the agency, we asked ourselves the following question in relation to each of the 55 sampled trips:

Is the trip necessary in order to achieve the mission of the FEC, which is to enforce the Federal Election Campaign Act (FECA), as amended? Enforcement of FECA includes the following: facilitating public disclosure of finance activity; providing information and policy guidance to the public and elected

officials; encouraging voluntary compliance with the disclosure and other requirements of the Act, and enforcing the statute through audits, investigations and civil litigation. In addition, the Commission also manages the public funding programs for Presidential campaigns and conventions.

As part of our analysis of the purpose of travel, we contacted the Office of General Counsel (OGC) to obtain more detailed information related to recruiting performed by the OGC during FY 1995. Out of the 55 sampled trips reviewed, 5 (or approximately 9% of the sample) were for recruiting purposes. The OGC informed the OIG that due to budgetary and hiring constraints, the recruitment program has been suspended as of the Fall of 1995 (FY 1996). OGC's recruitment program from 1988 through 1994 involved senior level and professional staff to attend law schools, consortiums, and job fairs to interview prospective law students interested in employment at the FEC. Our review of the OGC recruitment program for the years 1992, 1993, and 1994 showed on average, local recruiting was performed 55% of the time at universities and job fairs in the Washington, D.C. area. In view of the current Government trend of down-sizing and doing more with less, our office suggests that future recruitment by the OGC should be performed mainly on a local basis and that any recruitment undertaken that involves travel be carefully weighed against the budgetary situation of the Commission.

Based on our review of the 55 sampled trips, we believe the purpose of the 55 trips was either directly (audits, depositions, etc.) or indirectly (training, conferences) related to accomplishing the mission of the Commission.

We compared the length of travel to the itinerary of training and conferences attended by the sampled Commission staff to verify employees were not over reimbursed for any additional days of personal travel. Our results showed that for all eight of the sampled employees attending conferences or training the correct reimbursement was made in accordance with the FTR.

To verify the FEC took advantage of the discounted contract airfare agreed upon by the General Services Administration, we contacted the FEC's travel agency. Our results revealed that approximately 90% of the airfare arranged by the FEC's travel agent for the Commission was GSA contracted airfare. There were 21 non-contract flights reserved by the travel agency out of a total of 216 flights for Fiscal Year 1995, or 9.7%. In addition, the OIG requested comparative statistics from the FEC's travel agency for two other Federal agencies in the Washington, DC area. The travel agent surveyed a comparably sized government agency to the FEC, and also a large federal department. The results showed non-contract airfare was reserved 8.9% and 20.17% of the time, respectively, by the two other Federal agencies. Based on our review of the contract airfare reserved by the FEC travel agent for FY 1995, we believe the FEC is adequately utilizing the discounted airfare in an economical manner.

In accordance with the FTR and OMB Circular 93-11, it is the general policy of the Government that less-than-premium class accommodations should be used for all modes of passenger transportation. The FEC travel agent confirmed with the FEC OIG that there were no first class or business airline tickets purchased with FEC funds during Fiscal year 1995.

OMB Bulletin 93-11 states that when agency representatives attend conferences sponsored by others, the agency must keep its representation to a minimum consistent with serving the public's interest. Agencies should limit agency attendance to the minimum number in order to accomplish the agency mission, and in consideration of travel expenses for attendees. We reviewed the conferences and training attended by the eight employees of our sample of 55 trips. Our review was expanded to include any Commission employee who accompanied the eight employees from our sample to a conference or training session. The table below lists the conferences or training attended by the sampled employees and any accompanying Commission employees:

Conference/Training	Date	Division	Number of Staff
<i>Campaign Finance Reform</i>	October 17, 1994	Commissioner's Office	One (1)
<i>COGEL Conference</i>	Dec. 4-7, 1994	Office of General Counsel Public Disclosure Data Information Staff Director's Office	Two One One One One (6)
<i>NITA Training (Depositions)</i>	March 8-10, 1995	Office of General Counsel	One (1)
<i>Federal Dispute Resolution Conference</i>	June 18-22, 1995	Office of General Counsel Personnel	One Two (3)
<i>NITA Training (Litigation)</i>	July 8-22, 1995	Office of General Counsel	One (1)

In evaluating the reasonableness of the number of attendees for a conference or training, we considered the division of the attendees, length of the conference or training, cost, and the sponsoring organization of the conference. The COGEL (Council on Governmental Ethics Laws) Conference, held December 4-7, 1994, included six Commission employees, representing four FEC divisions. Although initially it appeared six attendees to the COGEL Conference was unreasonable, our review of the mission and close working relationship between the FEC and COGEL in areas such as campaign finance, ethics, and lobbying provided a better understanding of the purpose and benefits of the conference. Therefore, based on our review of the five conferences or training events, we believe that the number of attendees was reasonable considering the Commission's mission.

TRAVEL BUDGET REVIEW

Evaluation of the budgeting process of Commission travel funds was performed in accordance with FEC Directive 46, Commission Budget and Planning Process, 12/14/82, and as amended, 2/4/84. Specifically, we

verified compliance with the procedures for re-allocation of budgeted travel funds contained in the Directive. Directive 46 provides a detailed description of the Commission's budget and planning process, and the policy and procedures to be followed by the Commission.

Directive 46, Section VI, as amended, contains the procedures to be followed for the re-allocation of budgeted funds. Directive 46 requires inter-divisional reallocations of less than \$5,000 be made by the Staff Director and reported to the Finance Committee. Inter-divisional reallocations of \$5,000 or more are to be recommended by the Staff Director and approved by the Commission by a tally vote or formal vote. The reallocation procedures of Directive 46 are important in order to keep the Finance Committee and the Commission informed of the Commission's budget position and to facilitate a sound decision making process of fiscal matters.

An inter-divisional reallocation of funds involves transferring budgeted funds from one division to another. The Finance Committee, responsible for monetary matters, includes the Commission's Vice-Chairman operating as Chairman, a member of the other party appointed by the Chairman, and the Chairman of the Commission as an ex-officio member. Additional participants of the Finance Committee include the Staff Director, Deputy Staff Director, Director of Planning and Management, General Counsel, and the Inspector General. A tally vote by the Commission consists of a circulated document (proposal) to the Commission in which the proposal can be passed by a formal vote or on a no-objection basis. A formal vote by the Commission requires a majority of the Commission to approve a proposal, either in an open meeting to the public or a closed meeting.

The Planning and Management Office, under direction from the Staff Director and Deputy Staff Director, is responsible for the planning, formulation, and reporting of the Commission's budget. In addition, under authority from the Staff Director, the Planning and Management Office is responsible for initiating the reallocation of the Commission's budgeted funds. Budget information is provided to division heads on a monthly basis in the Budget Execution report. The Budget Execution report summarizes each division's budget by object class code (i.e., travel, training, etc.) and reports the obligations, expenditures, and funds available for obligation. The Accounting Office prepares the monthly Budget Execution report based on the accounting records of funds obligated and expended and also from information received from the Planning and Management Office.

In order to determine compliance with the reallocation procedures of Directive 46, we reviewed the monthly Budget Execution reports for Fiscal Year 1995. We also interviewed FEC management involved in the Commission's budget process. Based on our review, we determined that there were three months in Fiscal Year 1995 which had travel funds reallocated which were in excess of \$5000. The three months were May, August, and September of 1995.

A review performed by the Commission Secretary responsible for recording Commission votes revealed that only one of the three reallocations of travel funds had been voted upon by the Commission. The other two reallocations of budgeted travel funds, August and September, were not specifically approved by the Commission in accordance with Directive 46. Although the August and September travel fund reallocations were not voted upon by the Commission by a tally or formal vote, we believe that the Finance Committee was adequately apprised of the travel reallocations.

We suggest the Commission either amend Directive 46 to reflect current operating procedures in terms of the dollar threshold requiring a Commission vote on the reallocation of budgeted travel funds, or comply with the current reallocation procedures of the 1984 Directive.

AUDIT FINDINGS AND RECOMMENDATIONS

FINDING 1:

Written documentation of Commission travel policies and procedures is inadequate.

FINDINGS:

As part of our internal control review, we reviewed the written documentation of travel policy and procedures at the FEC. Our review included interviews with Administrative and Accounting staff, review of the limited written travel procedures in place, and an overall review of the Commission's travel activities for FY 1995. Our review of current written FEC travel policies and procedures revealed very limited guidance to FEC staff. Currently, travel guidance is provided by the Administrative Office in FEC Bulletins (Memorandums), verbal guidance from the Administrative/Accounting staff on a case-by-case basis, and the Federal Travel Regulations (FTR). The FTR provides in-depth coverage of federal travel regulations and allows each agency to set travel policy based on the constraints set by the GSA. In addition, the results of our audit show several areas which we believe require clarification to travelers and supervisors, for example:

- Proper use of the American Express (AMEX) Government charge card program;
- Computation of per-diem rates, based on a partial day (quarter day rule);
- Deadline for submission of travel vouchers.

RECOMMENDATION 1:

Based on our interviews with staff and review of travel activities, we recommend the FEC issue travel guidance in the form of a travel handbook. Suggested topics to include in the travel handbook are listed below and are based on observations made during the course of the travel audit:

- Proper use of the American Express (AMEX) Government charge card program;
- Timing requirement for submission of travel vouchers;
- Required documentation to substantiate expenses (minimum threshold);
- Per-diem calculations based on a partial day;
- Acceptable length of personal phone calls while on travel status.

The issuance of a travel handbook would provide a more convenient and easy to understand reference than the Federal Travel Regulations, which currently is the main source of reference on travel regulations available to FEC staff.

AUDITEE'S RESPONSE

The Staff Director stated that "...with the tight budget situation, developing our own handbook is not possible." The Staff Director added that a review will be performed of other Federal agency travel manuals/handbooks to see if they can be utilized at the Commission. In the event another agency's travel

handbook could not be used at the Commission, the Staff Director stated that the issuance of a travel handbook would be delayed until funds become available, either internally or by an outside consultant.

OIG COMMENT

The OIG recognizes the tight budgetary constraints of the Commission. We believe the issuance of a travel handbook would save staff time in the long run by decreasing the number of questions posed to the Administrative/Accounting Offices. In addition, a travel handbook would decrease the number of corrections which are required to be made by the Accounting Office as a result of a lack of understanding of the travel regulations by Commission staff. It is not the OIG's intention to recommend that the Commission issue a lengthy travel manual, which would necessitate the hiring of an outside consultant.

In summary, as recommended and discussed with the auditee during the audit exit conference, we continue to recommend the issuance of a travel handbook covering the basic travel regulations applicable to Commission employees, several of which we suggested in Recommendation 1.

FINDING 2:

Administrative monitoring of the American Express (AMEX) Government charge card program is inadequate.

FINDINGS:

We found the monitoring of the American Express Government charge card program to be inadequate. Our review of purchases by AMEX account holders from November 1994 through February 1996, revealed there were 13 employees (out of 100) who used their AMEX Government charge card for personal purchases. Total purchases by the 13 employees amounted to 70 purchases for a total of \$8,140.

The AMEX charge card program is coordinated by the Administrative Office. AMEX charge cards are issued to Commission employees to use for official travel related expenses (lodging, meals, incidentals) away from the employee's official duty station. Personal charges on the AMEX government charge card are not permitted in accordance with the agreement signed by the card holder and American Express, which was negotiated between AMEX and the General Services Administration. The FEC AMEX Government charge card is an individually billed account and all charges are the liability of the employee. The Federal government is not liable for charges made by government employees.

In addition, the reports received from American Express had been discarded by the AMEX Program Coordinator. In accordance with OMB Circular A-123, Management Accountability and Control, "documentation for transactions, management controls, and other significant events must be clear and readily

available for examination.” American Express provides the following reports to the FEC Administrative Office to assist the program coordinator in monitoring the AMEX program:

- Activity reports, which summarize all charges made by FEC charge card account holders;
- Delinquency reports, which list any accounts delinquent for 30, 60, 90, and 120 days;
- Charge card suspension and cancellation reports;
- Listing of current account holders.

The purpose of the AMEX reports is to allow the agency program coordinator to monitor the AMEX Government charge card program. Program coordinators are responsible for ensuring the charge card is used solely for official purposes, payments are made on time, and accounts are canceled immediately upon an employees separation from the Commission. During the course of our audit, we discovered the AMEX program coordinator is only keeping the prior month reports related to the AMEX program. In order to complete our audit tests of the AMEX program, we had to contact AMEX directly to obtain the necessary reports.

RECOMMENDATION 2:

Monitoring of the American Express (AMEX) Government charge card program should be strengthened. We recommend the following three actions in order to improve the internal controls over the AMEX Government charge card program:

- Commission wide memorandum reminding AMEX card holders of the proper use of the charge card, in accordance with the agreement signed by the employee upon application for the charge card;
- Improved procedures for notification of employees found to have used their card for personal purchases, to include *written* notification to the employee, and if necessary also to the employee’s supervisor;
- Retention of AMEX reports for a minimum period of one year.

AUDITEE’S RESPONSE

The Staff Director agreed with two of our three recommendations to improve the monitoring of the American Express Government charge card program. The Staff Director has agreed to issue a Commission-wide memorandum to remind Commission employees that the charge card is to be used only for official government travel. In addition, the Staff Director agreed to have the Administrative Office perform a review of the AMEX reports received from AMEX each month to verify Commission employees are using the AMEX government charge card only for official government travel.

The Staff Director did not agree with our recommendation to retain for a minimum period of one year the monthly AMEX reports and the notifications to employees/supervisors of apparent misuse of the charge card. The Staff Director stated that retention of AMEX reports for any length of time may create a reportable “system of records”. In addition, the Staff Director stated the AMEX records might be accessible under FOIA.

OIG COMMENT

The OIG considers the Staff Director's decisions responsive to issue a Commission-wide memorandum to remind AMEX charge card holders of the proper use of the charge card and also to review the monthly AMEX reports for possible misuse.

However, the OIG disagrees with the Staff Director's response to our recommendation to retain for a minimum period of one year the monthly AMEX reports and notifications to staff/supervisors of apparent misuse of the AMEX charge card.

The OIG acknowledges the monthly AMEX reports received from AMEX could create a system of records for the Commission. As defined under the Privacy Act of 1974, a system of records is a group of any records under the control of any agency from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual. The Privacy Act requires Federal agencies to publish in the Federal Register a notice of the system of records which describe the records maintained by the agency. In accordance with the Privacy Act of 1974 (5 U. S. C., section 552a, as amended), the General Services Administration has issued a government-wide notice defining the Travel charge card program (i.e. AMEX charge card) system of records [48 Fed. Reg. 44655 - 44657 (1983)]. The Travel charge card program system of records is applicable to Federal employees who have their own Government assigned charge card and is applicable to records located at the finance office of the local installation of the Department of Agency. Therefore, the FEC would not be required to issue a separate notice in the Federal Register defining the Travel charge card program system of records. As a result, the OIG believes the retention of the AMEX reports as recommended will be in compliance with the Privacy Act of 1974.

Therefore, in accordance with OMB A-123, Management Accountability and Control, the OIG continues to recommend to the Staff Director that the AMEX program coordinator retain the AMEX reports for a minimum period of one year.

FINDING 3:

Lack of segregation of duties between processing and disbursement of travel advances or reimbursements.

FINDINGS:

Through observation and interviews with the Accounting Office, we found that key duties in disbursing and recording travel transactions should be further separated among the accounting technicians. Currently, the Accounting Technician responsible for disbursement, receipt of travel advances and reimbursements, is also responsible for processing the transactions in the accounting system. We acknowledge the limitations imposed on a small accounting office. The Accounting Officer has informed the OIG that there are plans

within the immediate future for the appointment of a primary disbursing clerk, separate from the processing of travel responsibilities, which will rectify the internal control weakness.

RECOMMENDATION 3:

Within staffing limitations, we recommend the Accounting Office separate the key duties in processing and disbursing of Commission travel funds by appointing a primary disbursing clerk separate from the processing of travel in the accounting system.

AUDITEE'S RESPONSE

The Staff Director informed the OIG that the rearrangement of duties among the current accounting technician staff was being looked at during our audit. As of March 12, 1996, the designation of a primary disbursing clerk, separate from the processing of travel responsibilities, had been approved by the Deputy Staff Director.

OIG COMMENT

We are satisfied that the Accounting Office has taken the necessary steps to ensure that the key duties in disbursing and recording travel transactions are separated among the accounting technicians.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 4, 1996

MEMORANDUM

TO: Lynne A. McFarland
Inspector General

THROUGH: John C. Surina *JCS*
Staff Director

James A. Pehrkon
Deputy Staff Director

FROM: Larry D. McCoy *LDM*
Administrative Officer

SUBJECT: Draft Report on Review of FY 1995 Commission
Travel

We have reviewed the subject report and are pleased that it supports the manner in which the Commission's travel program is conducted, particularly as regards economy, effectiveness, and appropriateness of travel.

There are, however, several items that should be addressed before the report is finalized. The first is the confusion over the Government Travel Card Contract with American Express (AmEx). Throughout the report the travel card is referred to as a credit card. As discussed at the exit conference the card is a charge card. There is no credit review of card-holders, no interest charged to card-holders or the Government. As the report mentions, utilization of the card results in the card-holders being invoiced directly by AmEx and all charges are the liability of the employee.

The review states that, "internal control over the ... AmEx... card program" was inadequate, and points out that utilization of the card for personal, non-travel purchases, was in violation of the agreement which is signed by each card-holder. It also stated that the Administrative Office "is not keeping" the reports sent by AmEx each month.

Recommendation number 2, in the report, urges that three actions take place to improve internal controls. The report asks that a memorandum be circulated, Commission-wide, reminding card-holders that the card is to be used only for official travel purposes. It also wants this office to notify the card-holder, in writing, when a non-travel related purchase is made. Finally, the report wants the monthly AmEx management

reports maintained for one year. I believe we can reasonably accommodate the first and the third; however, actively monitoring the card-holders' transaction is beyond our staff capability and appears not to be an agency requirement under the AmEx contract of GSA guidance.

In another portion of the report a statement is made that "there is a very limited amount of travel guidance issued to Commission staff on the policies and procedures related to travel". Recommendation number one is that this office prepare and issue a "travel handbook". This "handbook" would touch on such items as the AmEx travel card, due dates for voucher submissions, voucher documentation, per-diem calculations and personnel telephone calls.

In the early years of the Commission (1979) an administrative travel manual was developed and issued. It was 44 pages in length. Upkeep and maintenance became a problem as more and more mission related activities took place. When the Federal Travel Regulations (FTR) were reissued in 1989, by GSA, enough copies were received so each office and division could have one. Revisions to the FTR have been reflected by distribution of Commission Bulletins. At various times this office has met with groups of staff assigned to different offices when it appeared that a large deal of travel was about to take place. Having previously gone down the path of attempting to maintain a Commission-wide travel issuance, I am fully aware of the time it might take to develop and maintain another one. However, we have received samples from other agencies, which staff of your office gathered in the review of the Commission's program, and will analyze them to see if we can employ another Agency's as our own -- assuming we could order a sufficient number. With the tight budget situation developing our own handbook is not possible.

The third recommendation contained in the draft report involved the Accounting Office and concerned a re-arrangement of duties. The Accounting Officer informs me that this was being looked at when the review was taking place. The designation of a primary disbursing clerk, separate from the processing of travel responsibilities, was approved by the Deputy Staff Director on March 12, 1996 and has been implemented.

Lastly, a clarification should be made to the draft report regarding the discussion on travel funds reallocation. The report indicates that the August and September 1995, reallocations were not approved in accordance with Directive 46. I recalled attending, on more than one occasion, meetings of the Finance Committee and Executive sessions of the Commission dealing with the AMS study contracts, at which necessary funding reallocations were discussed. In fact, the subject of funding was included in my memorandum to the Commission recommending the contract award and the Commission voted to approve it. As our procedures have evolved, the Finance Committee has assumed the

discretion to fine tune the Management Plan without expending the overhead to bother the Commission on relatively minor shifts between Divisions or object classes. However, it should be noted that in the cases cited it was believed that Directive 46 was followed. On May 23, 1995 the Budget Officer circulated a memorandum titled "Amended Proposal to Absorb \$1.396 Million FY 1995 Rescission" to the Commission. This document was approved by the Commission on a tally vote basis

**Office of Inspector General response to auditee's comments on draft travel audit report:
Memorandum from Larry McCoy, through John Surina and James Perhkon, dated April 4, 1996.
Subject: Draft Report on Review of FY 1995 Commission Travel**

OIG response to auditee's comments, by paragraph:

Para. 1: N/A

Para. 2: "There are, however,"

Auditee: Suggests the word ("credit" card) be changed to ("charge" card).

OIG: The final report will be amended in which all references to the word credit (American Express credit card) are changed to reflect the correct description as the AMEX charge card.

Para. 3: N/A

Para. 4: "Recommendation number 2,"

Auditee: (Improve internal controls over the AMEX program) Auditee states that items one and three of our second recommendation can be accommodated (one, circulation of Commission-wide memorandum reminding card-holders that the card is to be used only for official travel purposes and three, retention of AMEX reports for one year).

However, the auditee states that actively monitoring the card-holders' transaction is beyond their staff capability and appears not to be an agency requirement under the AMEX contract or GSA guidance.

OIG: The American Express (AMEX) Government Charge Card Program provides the FEC Program Coordinator (Administrative Officer/Assistant) monthly reports which detail the activity of FEC AMEX charge cards.

Based on our audit, we believe the FEC AMEX Program Coordinator is responsible for adequately monitoring the AMEX program, which includes reviewing AMEX reports for personal use of the charge card and taking appropriate action to discourage further misuse by the employee.

The results of our audit revealed thirteen employees out of 100 card-holders who used their AMEX charge cards for a total of 70 personal purchases from November, 1994 to February, 1996. We believe the number of employees who are in violation of both the AMEX card-holder agreement and the Federal Travel Regulations is relatively small (13%),

although the number of personal charges in total for the period reviewed is large. Therefore, we do not believe it would be an administrative burden to periodically monitor the program to detect the small number of employees who continually to abuse the program due to a lack of understanding of the program or because they believe they are exempt from the rules.

The following is a list of criteria used to substantiate our position of the importance of monitoring the AMEX program:

OMB Circular A-123, Management Accountability and Control, states that agency management shall incorporate basic management controls which ensure that program operations comply with applicable laws and regulations. As cited in the Federal Travel Regulations (FTR), Title 41, Chapter 301-15.44, the AMEX charge card is to be used only for expenses incurred in conjunction with official travel.

Therefore, it is reasonable to expect FEC management to incorporate basic management controls into their policies and procedures which would adequately ensure that FEC employees utilize their AMEX charge cards in accordance with the FTR. Such basic management controls should include periodic monitoring of AMEX reports for instances of abuse and written notification to the employee/supervisor of such abuses.

The Agreement between the FEC charge card holder and AMEX, which is signed by the employee, states the following: "You agree to use the Government Card only for official travel and official travel related expenses away from your official station/duty station (lodging, meals, incidentals)..." Therefore, an employee who uses their AMEX charge card for personal purchases would be in violation of the Agreement with AMEX.

"It is the responsibility of the program coordinator to receive and review reports provided by American Express, which enable the agency to detect and prevent delinquency, track spending patterns, and control travel expense" (Source: AMEX official's statement included in U.S. Consumer Product Safety Commission OIG's audit report of Commission Credit and Charge Card Program, September 21, 1995).

The Federal Travel Regulations also requires agencies participating in the AMEX charge card program to ensure that each of their eligible employees is adequately trained in the use of the contractor-issued charge card before allowing use of the card. Based on our review of AMEX charge card charges by Commission employees, the results may indicate that FEC management is not adequately training employees on the proper use of the charge card.

Para. 5: N/A

Para. 6: "In the early years"

Auditee: The auditee states that they will analyze the travel handbooks/manuals from other federal agencies received from the OIG to see if they can employ another Agency's as their own. The auditee also states that with the tight budget situation, developing their own handbook is not possible.

OIG: The OIG recognizes the tight budgetary constraints of the Commission, however, we continue to believe the issuance of a travel handbook would be beneficial to the Commission. We believe a travel handbook would save staff time in the long run by decreasing the number of questions posed to the Administrative/Accounting Offices and decreasing the number of corrections which are required to be made by both offices as a result of a lack of understanding of the travel regulations by staff. The OIG is recommending a travel handbook be issued, which would consist of a statement of the general travel regulations, several of which we suggested in Recommendation 1 of our draft travel audit report. It is not the OIG's intention to recommend that the Commission issue a voluminous travel manual, but rather an easy to understand handbook covering the general travel regulations.

Para. 7: "The third recommendation"

Auditee: The auditee states that our third recommendation to further segregate the key duties of disbursing and processing travel among the accounting staff has already been implemented.

OIG: We are satisfied with the actions of the Accounting Office to further segregate the key duties in processing and disbursing travel transactions.

Para. 8: "Lastly, a clarification should be"

Auditee: The auditee stated that our report indicated that the August and September 1995 reallocations were not approved in accordance with Directive 46.

The auditee stated that the reallocations were discussed at Finance Committee meetings and executive sessions of the Commission dealing with the AMS study contracts. Also, the auditee stated the subject of funding was included in his memorandum to the Commission recommending the contract award, which was voted on by the Commission. In summary, the auditee believed that Directive 46 was followed for the August and September 1995 reallocations.

OIG:

Our report acknowledged that although the August and September reallocations were not voted upon by the Commission, the Finance Committee was adequately apprised in meetings of the reallocation of travel funds.

We documented in our working papers the memorandum from the Staff Director recommending the award of two contracts for computer analysis'. The memorandum stated that the FEC Planning and Management Director had certified that funds were available for the contract awards. The memorandum did not mention the reallocation of funds nor did it state the source of the funds for the contracts.

In summary, we agree with the auditee's statements in regards to the discussions of reallocations held in Finance Committee and executive sessions. We also agree that the subject of funding was included in the memorandum to the Commission recommending the computer analysis. However, the subject of reallocations or the source of the funds was not mentioned in the memorandum approved by the Commission. Directive 46, Commission Budget and Planning Process, states that reallocations over \$5000 are to be recommended by the Staff Director and approved by the Commission. Part VI, D (c) states that actions taken to shift \$5000 or more "will be in the form of a Staff Director's recommendation to the Commission, through the Finance Committee, for necessary reallocations." The purpose of the memorandum from the Staff Director referred to in the auditee's response was to recommend the award of two contracts, not to reallocate specific funds.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 23, 1996

MEMORANDUM

TO: Lynne A. McFarland
Inspector General

THROUGH: John C. Surina
Staff Director

James A. Pehrkon
Deputy Staff Director

FROM: Larry D. McCoy *LDM*
Administrative Officer

SUBJECT: Final Comments on Draft Travel Audit Report

We regret that our initial comments did not persuade you to revise some of the recommendations presented in the draft report. A couple of things to consider regarding the first two recommendations are below.

The first recommendation suggests the Commission prepare a travel handbook. As mentioned in our initial comments, the tight budget situation precludes development of a Commission travel manual. We will review the samples of other agency issuances to see if they can be utilized. If one of them cannot be "lifted" for our use, or a "cut down" version run off, than such an issuance will be delayed until funds become available for preparation of the handbook, either internally or by an outside consultant.

Recommendation number two deals with enhanced monitoring of the AmEx charge card used by staff travelers. While we maintain that this recommendation involves work which benefits AmEx, and is not part of the Government's contract, we will perform a quick review of the reports received each month from AmEx, to see if the card has been used for, any non-travel related purchases.

Celebrating the Commission's 20th Anniversary

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I would also ask the Inspector General's reconsideration on the time frame suggested in maintaining the AmEx reports and our notifications of apparent misuse. If we utilize the reports only until the next issuance there appears to be no "system of records" situation. If, however, the AmEx reports, and our notifications, are maintained for any length of time we may be creating a reportable "system of records". This means the records might be accessible under F.O.I.A. Also, since the records detail names along with home addresses, telephone and social security numbers of the cardholders, there are various Privacy Act issues involved. Therefore, we urge reconsideration of the recommendation to maintain this material for a minimum period of one year.