

**Board of Governors of the Federal Reserve System**

**AUDIT OF THE FEDERAL RESERVE  
BOARD'S GOVERNMENT TRAVEL CARD  
PROGRAM**



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**OFFICE OF INSPECTOR GENERAL**

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BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

January 28, 2002

Governor Edward M. Gramlich  
Administrative Governor  
Board of Governors of the Federal Reserve System  
Washington, DC 20051

Dear Governor Gramlich:

We are pleased to present our *Report on the Audit of the Federal Reserve Board's Government Travel Card Program* (A0011). Our audit objectives were to evaluate the goals and objectives of the Government Travel Card (GTC) program and determine whether they are being achieved in an efficient and effective manner; assess whether control procedures over authorizing, issuing, controlling, and returning cards are sufficient; determine whether control procedures are adequate to ensure proper use of the cards; and evaluate program compliance with applicable laws regulations.

Overall, we found that the internal control framework over the GTC program for the Board of Governors of the Federal Reserve System (Board) needs to be strengthened. Although the Board is generally meeting the goals and objectives established when the program was implemented, the current policy and guidance is insufficient to ensure employees understand the program's requirements or to promote consistent Boardwide implementation. Our review of a sample of GTC accounts showed that the initial dollar limits for charges and cash advances far exceeded the needs of most employees. We also found that the process for reviewing GTC transactions and processing potential violations of the Board's travel regulations is not based on specific criteria, documented properly, or applied consistently. In addition, we found that GTC accounts are not promptly closed when an employee leaves the Board and that internal operating procedures are not adequately documented.

While we did not find any indication that the program was out of compliance with any applicable laws or the contract terms with Bank of America, we did find several potential cardholder violations of the Board's travel regulations. We provided a list of these potential violations to the Management Division's Finance Function and requested that they provide us with a written explanation of the actions that have been or will be taken.

Our report contains five recommendations designed to help the Board establish and communicate clear program guidance and to improve internal controls over issuing, monitoring, and canceling government travel cards. We provided the Staff Director for Management a copy of our report for his review and comment. In his written response, the Staff Director generally agreed to take action on all our recommendations.

We have provided copies of this report to Board officials, and the report will be added to our publicly available Web site. We will also summarize the report in our next semiannual report to the Congress. Please contact me if you would like to discuss the audit report or any related issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry R. Snyder". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barry R. Snyder  
Inspector General

cc: Vice Chairman Roger Ferguson  
Governor Mark Olson  
Mr. Stephen Malphrus

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# BACKGROUND

In 1998, the General Services Administration (GSA) negotiated a five-year credit card service contract, known as GSASmartPay, with several financial institutions to provide credit card services to specific agencies. The services include fleet use (automobile fuel and services), travel use (the Government Travel Card (GTC)), and purchase of commercial goods and services. Small agencies are allowed to participate in, or “tag along” on, the contract of lead agencies. The Board of Governors of the Federal Reserve System (Board) is a tag-along agency on the Department of Interior’s contract with Bank of America (BA), formerly NationsBank, for government travel card and purchasing card services. The Management Division’s Finance Function (Finance) has the overall responsibility for administration of the Board’s GTC program.

## Contractual Requirements and Board Policy

The BA contract and card-holder agreement outline a number of specific requirements pertaining to use of the government travel card. For example, employees are to use their GTC for official travel and travel-related expenses only and not for personal, family or household purposes. Only the employee has charging privileges and the employee may not assign or transfer any of the rights or duties to someone else or permit anyone to use the card. In addition, employees are responsible for making GTC payments in full when they are due. There are no interest charges imposed by BA on outstanding balances; BA may, however, suspend accounts with undisputed balances that are past due by more than sixty days and cancel accounts that are past due by more than 120 days. Employees sign an agreement when applying for the card and must initial two sections—employee responsibility for payments and official use of GTC—to show that they have read and understand these sections. The Board reimburses employees for their official travel expenditures charged to the GTC under the applicable expense reimbursement procedures.

According to the contract, the Board is not liable for any charges, including official charges, incurred by the employees using their GTC. Default on payments that result in cancellation of the card may have an impact on the individual employee’s credit rating, and BA may seek remedies directly against the employee irrespective of Board employment. The Board is entitled to an annual rebate from BA on the expenses charged to employee’s GTCs. The rebate is calculated based on the total charges for the year less any default amounts. The total rebate received from BA by the Board for the year 2000 was \$22,498.<sup>1</sup>

Although the Board is not subject to the GSA regulations governing official travel of federal civilian employees, its travel policies generally conform with federal travel regulations. The Board’s policies and procedures governing official travel are contained in the *Internal Administrative Procedures Manual* and provide guidance concerning employee use of the GTC. The policies and procedures make use of the GTC mandatory for payment of travel and travel-related expenses whenever possible, prohibit personal use of the GTC, and summarize the employee’s responsibilities for GTC payments. Although not included in the travel regulations,

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<sup>1</sup> This amount represents the total rebate for both GTC and purchasing cards; the actual breakdown between the two was not readily available.

the Board also identified several goals and objectives when establishing the GTC program. These include implementing the mandatory GTC requirement, eliminating the need for travel advances because of the card's cash withdrawal capabilities, and allowing individuals to bill airfares on their individual accounts rather than the Board's central account.<sup>2</sup>

## **Process Overview**

Administering the program involves four major processes: (1) issuing cards, (2) monitoring usage, (3) suspending accounts, and (4) closing accounts. Each of these processes is described in more detail below.

### **1. Issuing Cards:**

Employees who need a GTC must fill out the application form and forward it to Finance for processing. Finance reviews applications to ensure that employees provide all requested information. To complete the application, Finance uses reports from PeopleSoft to verify that the applicant is in fact a current Board employee.<sup>3</sup> Finance also uses a report from BA's system to provide processing codes such as the employee's division and section. The program coordinator in Finance signs the application and forwards it to BA for card issuance. BA mails the GTC directly to the employee along with information about the card agreement and its terms. Currently, all GTCs are issued with an initial credit limit of \$5,000 and an initial cash advance limit of \$500 in a seven-day period; employees may, however, request an increase to these limits.

### **2. Monitoring Usage**

Finance uses several methods to monitor GTCs. The primary monitoring method is a biweekly review performed using BA's Transaction Activity Report. This report lists all charges made by the cardholders using their GTC and is reviewed to identify any personal, nonofficial charges made by employees. Personal charges are defined as nonreimbursable charges not associated with official Board business travel.

Personal use of the GTC not associated with official travel is a violation of Board policy. Finance generally notifies the employee of any violation via e-mail or phone and reiterates the Board's policy on proper use of the GTC. Additional violations, depending on their materiality, are generally referred to the employee's division director and may be referred to the Office of Inspector General (OIG) for a more in-depth investigation.

Other monitoring methods include the review of an authorization/decline report accessed via BA's system to query problems experienced by employees in using their GTC and to identify

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<sup>2</sup> For most federal employees, use of the GTC was mandated by the "Travel and Transportation Reform Act of 1998, 5 U.S.C. 5701 note, Pub. L. 105-264, §2, Oct. 19, 1998." Although not subject to this legislation, the Board has chosen to institute the act's mandatory use requirement.

<sup>3</sup> PeopleSoft is a Human Resource application that maintains a listing of all current employees along with their employment information.

exceptions such as failed attempts, billing of closed accounts, and attempts to draw on unavailable credit. Finance also uses BA's system to restrict certain merchant codes that Board employees generally have no business reason to charge on their GTC.

### **3. Suspending Accounts:**

BA suspends accounts if payments are not made within sixty days from the billing date. To help prevent account suspension, Finance reviews BA's presuspension report every month and notifies employees with outstanding balances. Finance also reviews BA's monthly suspension report to query suspended accounts and notifies employees, as well as the employee's division director, that an account has been suspended. Once the account is suspended, employees cannot use the GTC for any reason until payment is made. BA may reinstate the suspended account if payment is made in full. However, if the outstanding balance is past due for longer than 120 days, BA may close the account permanently.

### **4. Closing Accounts**

Finance is responsible for closing the accounts of all departing employees. Finance receives daily notification of employees' departure dates and uses this information to close the employee's GTC account. If an employee is transferred between Board divisions, Finance notifies BA about the change in the coded account information.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

We conducted our audit fieldwork from December 2000 to March 2001. Our audit objectives were to

- evaluate the goals and objectives of the GTC program and determine whether the goals and objectives are being achieved in an efficient and effective manner;
- assess whether the control procedures over authorizing, issuing, controlling, and returning cards are sufficient;
- determine whether control procedures are adequate to ensure proper use of the cards in accordance with Board policy and procedures; and
- evaluate program compliance with applicable laws and regulations.

To accomplish our objectives, we met with the Finance staff to review policies and procedures as well as current practices. We also evaluated the internal controls currently in place for GTC processes. We interviewed administrative staff in five Board divisions regarding their policies and procedures concerning GTC use for training and other nontravel charges. In addition, we reviewed GTC program audit reports of other government agencies to identify potential areas for review. We also reviewed a judgmentally selected sample of charges for the month of October 2000 to determine proper use of the GTC (that the charges were not personal) and employee



compliance with Board policy (that the GTC was used for all official travel-related expenses). Lastly, we compared a list of GTC cardholders to current employees to determine that all cardholders were Board employees. Our audit was conducted in accordance with the generally accepted government auditing standards.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

Overall, we found that the internal control framework over the Board's GTC program needs to be strengthened. Although the Board is generally meeting the goals and objectives established when the program was implemented, the current policy and guidance is insufficient to ensure employees understand the program's requirements or to promote consistent Boardwide implementation. Our review of a sample of GTC accounts showed that the initial dollar limits for charges and cash advances far exceeded the needs of most employees. We also found that the process for reviewing GTC transactions and processing potential violations of the Board's travel regulations is not based on specific criteria, documented properly, or applied consistently. In addition, we found that GTC accounts are not promptly closed when an employee leaves the Board and that internal operating procedures are not adequately documented. Our report contains five recommendations designed to help the Board establish and communicate clear program guidance and to improve internal controls over issuing, monitoring, and canceling government travel cards.

While we did not find any indication that the program was out of compliance with any applicable laws or with the terms of the BA contract, we did find several potential cardholder violations of the Board's travel regulations. Further, as discussed in our first recommendation, we are sending the results of our sample review to Finance for a detailed review and are requesting that they provide us with a written explanation of the actions that have been or will be taken.

- 1. We recommend that the Staff Director for Management strengthen the policies and procedures for the Board's government travel card program by revising, updating, and clarifying guidance regarding employee use of the GTC and periodically reminding employees of the program's requirements.**

The Board's travel regulations require employees to use the GTC for payment of official travel expenses whenever possible. The regulations cite airfare, lodging, business meals, cash withdrawals, related incidentals, parking, and external training fees as examples of proper use. The regulations also prohibit personal use of the GTC and provide several examples of improper use, including personal dining; personal travel; department store and local grocery, hardware, or convenience store purchases; small purchases that would be more appropriately charged to a Board procurement card; and tuition and books covered by Academic Assistance.

The current policy is insufficient, however, to ensure employees use the card only in accordance with the program's requirements. We reviewed a judgmentally selected sample of GTC charges

for October 2000 and found several potential violations of the Board’s travel regulations.<sup>4</sup> We believe these potential violations may have occurred because the current guidance does not adequately discuss the program’s intent and objectives or provide sufficient examples of proper and improper GTC use. The table below lists the potential violations we found in our sample and the portions of the travel regulations requiring clarification or revision. We are sending the details of our sample results to Finance for further review and requesting that they provide us with a written explanation of the actions that have been or will be taken.

<b>Potential Violation</b>	<b>Current Guidance</b>
Twelve employees used their personal credit cards for \$12,666 of hotel charges while on official Board business.	The travel regulations require use of the GTC for all travel-related expenses whenever possible. However, the regulations do not define the term “whenever possible” or identify possible exemptions to the basic requirements.
Two employees used the GTC to purchase \$2,799 of airline tickets for trips combining business and vacation travel.	The travel regulations prohibit use of the GTC for personal travel, but do not provide guidance for making travel arrangements if the trip includes business and personal travel.
Four employees purchased \$586 in publications or other job-related materials with their GTC’s.	The travel regulations prohibit use of the GTC for small purchases that are “appropriately charged” to the Board procurement card. However, there are no examples of appropriate purchases.
Eleven employees apparently made personal charges of \$920 on their GTC’s.	The travel regulations prohibit personal use of the GTC, but may require additional examples of improper use to provide further clarification.

We also found that the Board’s policy regarding payment of training and registration fees is unclear. The Board’s travel regulations cite payment for external training as an example of proper GTC use. We interviewed five division administrators and found that only three of the five divisions require employees to pay for training with their GTC. The other two divisions require that all training and registration fees be charged to the division’s administrative purchasing card; if the training requires travel, the employees are required to use their GTC for the travel expenses. None of the five divisions had documented their practices for charging training expenses, although Finance staff told us that divisions have the option of which card to use.

We believe that clear and complete policies and guidelines are needed to reduce confusion and inconsistent interpretation. For example, the Staff Director should revise the current policy to define clearly what is meant by use of the card “whenever possible.” We note that the GSA travel regulations provide a list of exemptions from mandatory use of the GTC which include

<sup>4</sup> We reviewed 1,582 transactions totaling \$511,232.

taxis, tips, and expenses incurred at a vendor that does not accept the government travel card. The Board's policy should clarify the proper method of accounting for airfare when combining official business and vacation travel in the same trip. The policy should also specify the proper credit card to use (the GTC or to the administrative purchasing card) for training, publications, or any other work related materials. The policy should also enumerate the underlying program goals and objectives and explain what benefits the Board derives from an employee's use of the card. In addition, the regulations should address the card's preestablished dollar limits, the associated procedures for changing those limits, and the requirement for employees to return the card when leaving the Board (see recommendations 2 and 4 that follow).

Once the policy has been revised, the Staff Director should ensure that it is updated regularly and communicated to employees on an ongoing basis. Periodic articles on *Inside the Board* would be one means of communicating any GTC policy changes, as well as reminding employees of the card's proper use. The Management Division has implemented a new travel-services web page containing a question and answer format; this page already contains some information regarding the GTC program. The web page could be used to provide employees up to date information about the GTC program and to answer questions, communicate program changes, or identify particular situations that may require further explanation.

- 2. We recommend that the Staff Director for Management improve controls over the GTC authorization process by**
  - a) reviewing and revising the pre-set limits for charges and cash withdrawals,**
  - b) establishing an approval process for requesting exceptions to the pre-set limits, and**
  - c) requiring a periodic review of the need for employees to retain travel cards.**

To request a travel card, an employee uses a printed version of the credit card application located on the Board's Intranet website. The employee is required to provide basic information such as Social Security Number and mailing address. After signing the application, the employee forwards it to Finance where accounting information is recorded prior to sending the completed package to BA. BA then issues the GTC directly to the employee with a basic \$5,000 spending limit and a cash withdrawal limit of \$500 in a seven-day period. These limits, established as default limits by the Board, can be adjusted at the employee's request without supervisory approval.

We believe the current limits may be excessive for the needs of most employees. Approximately 80 percent of the total charges (including purchases and cash advances) to employees' accounts for the sample month we reviewed were under \$2,000. We also found only two instances in our sample where cash withdrawals reached the \$500 weekly limit. Most withdrawals, if a withdrawal was made at all, were \$200 or less.

The Staff Director should direct Finance to analyze BA transaction information and determine whether the \$5,000 and \$500 limits are appropriate as baseline amounts. The analysis should

incorporate anticipated changes in travel requirements, such as increases in per diem rates or in the volume of travel to high-cost areas. Based on this analysis, the Staff Director should revise the GTC limits for charges and cash advances to more closely align the limits with official business requirements.

Once the limits have been revised, the Staff Director should also establish an approval process for requesting exceptions to the preset amounts. We believe that permitting employees to request spending increases without supervisory approval is an internal-control weakness that could potentially lead to credit card abuse. Instead, division management should review an employee's spending limits and cash advance needs in relation to the employee's official travel requirements. This review should incorporate the frequency, duration, and location of the employee's travel. Once the need for higher limits has been established, the employee's supervisor should approve the increase and forward the request to Finance.

To facilitate the approval process, the Board could implement an on-line request form similar to the form presently used for internal training requests. The form should be completed by the employee and automatically routed to the employee's supervisor for approval. After supervisory approval, the form should automatically be sent to Finance for processing.

During our audit, we also found that once employees are issued a GTC, they retain it until they leave the Board; there is no periodic review of an employee's continued need for the GTC. We believe that limiting the number of GTCs issued would reduce the Board's risk of credit card abuse. Because GTC holders and their supervisors are in the best position to determine the continued need for the cards, the Staff Director should require Board offices and divisions to periodically review the list of GTC cardholders to validate the need for credit card retention.

**3. We recommend that the Staff Director for Management improve the monitoring of employee use of the government travel card by ensuring the Finance Function's review of government travel card use is properly documented and by developing specific criteria for processing potential violations of the Board's travel regulations.**

Finance reviews the Transaction Activity Report of all employees' charges every two weeks to identify improper use and to determine whether any employee has used the GTC for personal charges. Finance personnel informed us that employees generally are notified when an apparent violation occurs. This is done with either a phone call or e-mail from the Associate Director of the Management Division. The employee and the employee's division director are generally notified when a second violation occurs, and the third violation is generally referred to the OIG.

We found, however, that Finance's reviews are not properly documented. We reviewed a judgmental sample of GTC charges for October 2000 and found several potential violations of the Board's travel regulations. Finance was aware of most of the discrepancies when we discussed our sample results with them and indicated that some of the violations had been discussed with the employees. We did not, however, find any documentation showing that these transactions had been reviewed by Finance or what action, if any, had been taken on any of the apparent violations. In addition, Finance does not review the transaction reports to ensure that

travelers are using the GTC for all travel expenses while on official business as required by Board policy.

We also found that the process for referring potential violations to a division director or the OIG is not consistently followed and that deviations from this process are not based on specific criteria. According to Finance, some first and second violations have been referred to the OIG before resolution at the employee or division director level was attempted. In other instances, employees have incurred several apparent violations, but no action has been taken beyond notifying the employee. Finance stated that the materiality of a potential violation is considered when making referral decisions. There is no clear definition of materiality, however, and the criteria used for referring, or not referring, potential violations to division directors or the OIG is not documented. Without specific criteria and clearly defined procedures, the Board has no assurance that all employees are treated in a consistent manner.

We believe the monitoring process can be improved in several ways. First, as discussed in recommendation one, there should be a clear policy defining proper and improper uses of the GTC to ensure that employees understand the program's requirements. Second, Finance's review should be adequately documented to ensure a consistent approach to identifying potential violations of the Board's travel regulations. Finance should periodically match the expenses reflected on travel vouchers to BA reports to ensure that employees are using the GTC for all official expenses. Finally, specific criteria should be developed, in coordination with the OIG, to identify when a violation should be referred to a division director or the OIG's investigative staff. The criteria should include the dollar value of the apparent violation, the official level of the individual involved, and whether the violation represents an isolated occurrence or appears to be part of a continuing pattern of misuse. Notification of a potential violation—whether to an employee, a division director, or the OIG—should be clearly documented and based on the established criteria. Any deviation from the established procedures should also be properly documented to ensure a consistent approach to each potential violation.

**4. We recommend that the Associate Director of the Management Division, Finance Function, improve the controls over closing government travel card accounts by developing formal procedures to deactivate cards and close departing employee's accounts.**

According to Finance, when employees either inform the Board that they are leaving or are otherwise terminated, PeopleSoft provides an automatic notice of the employee's impending departure. Finance uses the PeopleSoft notice to mark the employee's GTC account for closure. They do not actually close the account until the employee leaves. There is no procedure, however, to remind Finance to complete the process on the day the employee leaves; therefore, the actual closing of the employee's GTC account may be easily overlooked. There is also no procedure to ensure that Finance receives a departing employee's actual credit card because returning the card is not a required step on the official sign out sheet. Our discussions with Finance disclosed that departing employees often forget to turn in their cards when leaving the Board.

During the audit, we compared a list of GTC holders as of January 4, 2001, with a list of Board employees from PeopleSoft as of the same date. We found twenty-eight GTC accounts for

former employees still open and some still active. We brought these accounts to the attention of Finance and all accounts were immediately closed. There had been no activity in any of these twenty-eight accounts after the employees had left the Board.

We believe the controls over the GTCs of departing employees could be improved in a number of ways. When Finance receives the notice from PeopleSoft, they should review the account. In the absence of any outstanding charges, they could close the account immediately, or the staff could determine an appropriate date to close the account after receiving the notice from PeopleSoft and program the system to automatically close the account on that date. In addition, Finance should be a required signature on the official sign-out sheet for departing employees. Finance should review a departing employee's GTC account for any outstanding balances and ensure the travel card is deactivated and the account has been closed before signing the sheet.

**5. We recommend that the Associate Director of the Management Division, Finance Function, develop internal operating procedures for GTC processes.**

An effective control environment requires that all aspects of the GTC function be done in accordance with Board policy and in a timely, consistent manner. We found that Finance does not have written internal policies and procedures for managing the day-to-day administration of any of the GTC processes. Without internal operating policies and procedures, management lacks the basic controls for ensuring that the program functions efficiently and effectively and complies with the Board's policies and the overall contract terms. Written policies and procedures will also help ensure the consistent treatment of the cardholders and a consistent approach by Finance in the performance of their daily functions. Finance should review the Board's GTC program operation in light of the Board's policies and the BA contract, and develop written procedures for the basic GTC processes which cover all aspects of day-to-day operations.

## **ANALYSIS OF COMMENTS**

We provided a copy of this report to the Staff Director for Management for review and comment. His response is included as appendix 1 to this report. The Staff Director's response indicates general agreement with our recommendations and discusses actions that have been or will be taken to implement the recommendations.

Specifically, the Staff Director plans to expand guidance given to employees on the proper use of the GTC and increase the frequency of reminders to employees regarding the program's requirements. During the next year, the Management Division will analyze a sample of GTC accounts to determine if the preset limits appear reasonable based on actual usage. The Management Division will also modify its authorization procedures by requiring the employee's supervisor to approve a request for a credit limit increase and by providing cards to new employees only when the employees have a requirement for the card in order to travel or attend training. The Staff Director agreed to enhance documentation for monitoring GTC misuse and to develop specific criteria for processing potential violations and setting thresholds for materiality. In addition, the Management Division has revised its procedures for closing accounts of

employees who resign or retire. The division will formally document its internal operating procedures for GTC processes.

## **APPENDIXES**



## Appendix 1 – Division’s Comments



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

STEPHEN R. MALPHRUS  
STAFF DIRECTOR FOR MANAGEMENT

DATE: January 10, 2002  
TO: Barry Snyder  
FROM: Steve Malphrus  
SUBJECT: Response to Office of Inspector General’s Report on the  
*Audit of the Federal Reserve Board’s Government Travel Card Program*

### **In 1998, the Board implemented a GTC program to meet the following objectives:**

- Meet requirements of the Travel and Transportation Reform Act of 1998,
- Provide an immediate credit facility for Board travelers,
- Provide immediate cash advances through ATM’s,
- Allow for the purchase of City Pair (government contract) tickets,
- Provide a document for tax exempt status when paying for lodging and other charges, and
- Provide rebates to the Board.

The Management Division successfully achieved these objectives and plans the following enhancements in the future:

- Provide an electronic feed from the card company to an automated travel system. This will aid travelers completing travel claims,
- Allow for on-line booking of government fares by individuals, and
- Allow for airfares billed to travelers’ GTC’s to be paid by the Board.

We believe that compared with many agencies the Board’s GTC program is well managed and results in less misuse (inappropriate charges or delinquency) by its cardholders. We believe the results of the OIG audit support this. Transactions reviewed during the audit period totaled \$511,232, and *potential* violations identified totaled \$16,971; approximately 3 percent of the average monthly purchases. *Potential* violations identified forty-three employees, less than 5 percent of total Board cardholders.

## Appendix 1 – Division’s Comments (con’t)

The Management Division's responses to OIG audit recommendations

- 1. We recommend that the Staff Director for Management strengthen the policies and procedures for the Board's government travel card program by revising, updating, and clarifying guidance regarding employee use of the GTC and periodically reminding employees of the program's requirements.**

The Management Division believes that the Board's Internal Administrative Procedures Manual provides sufficient guidance for employees to ensure proper use of the GTC. We will expand the list of exemptions, however, as suggested by OIG. While employees are periodically reminded of the program's requirements, the Management Division will increase the frequency of reminders in *Inside the Board*.

- 2. We recommend that the Staff Director for Management improve controls over the GTC authorization process by**
  - a) reviewing and revising the pre-set limits for charges and cash withdrawals,**
  - b) establishing an approval process for requesting exceptions to the pre-set limits, and**
  - c) requiring a periodic review of the need for employees to retain travel cards.**

The Management Division believes the current procedures for pre-set limits allow the Board to maintain the efficiency of the card; moreover, the division believes that the transaction activity reports provide adequate review. During the next year, we will analyze a sample of accounts to determine if the pre-set limits appear reasonable based on actual usage.

Currently, the employee requests an increase if travel needs warrant it. If our review agrees that the request is warranted, the cardholder's supervisor is notified of the request and provided the ability to override a decision to increase the limit. The Management Division will modify our process to require the employee's supervisor to approve the request for a credit limit increase.

The Management Division believes it is more efficient to maintain active cards for all cardholders than to require division management to periodically review a cardholder listing. Current controls have resulted in a fairly limited degree of misuse and that misuse is not limited to occasional travelers. We will, however, only provide cards to new employees when they have a requirement for the card in order to travel or attend training.

- 3. We recommend that the Staff Director for Management improve the monitoring of employee use of the government travel card by ensuring the Finance Function's review of government travel card use is properly documented and by developing specific criteria for processing potential violations of the Board's travel regulations.**

We agree to enhance documentation for monitoring GTC misuse and develop specific criteria for processing potential violations regarding referrals including setting thresholds for materiality.

## Appendix 1 – Division’s Comments (con’t)

- 4. We recommend that the Associate Director of the Management Division, Finance Function, improve the controls over closing government travel card accounts by developing formal procedures to deactivate cards and close departing employee’s accounts.**

The Management Division has changed its procedures for closing accounts of employees who resign or retire. We no longer deactivate GTC accounts since a merchant may “force through” charges to a deactivated account. No more than one week prior to an employee’s departure date, F&A staff close the GTC account. Since Finance and Accounting is the last stop for employees who check out, we request employees return the GTC to this office.

- 5. We recommend that the Associate Director of the Management Division, Finance Function, develop internal operating procedures for GTC processes.**

The Management Division agrees to formally document our internal operating procedures for GTC processes. Since the inception of the GTC program, the systems utilized by the Board through its service provider have changed constantly, the procedures for reporting misuse have changed, and the Management Division has adapted readily to these changes. The Management Division recognizes the importance of updating its documentation to reflect changes.

A handwritten signature in black ink, appearing to read "Spur".

c: Bill Jones  
Stephen J. Clark  
Craig L. Hiserman  
Melanie Ware

## **Appendix 2 – Principal Contributors to this Report**

Michael Green, Senior Auditor and Auditor-in-Charge

Ariane Ford, Auditor

William Mitchell, Program Manager