



United States
CONSUMER PRODUCT SAFETY COMMISSION
Washington, DC 20207

OFFICE OF THE INSPECTOR GENERAL

Audit Report

TRAVEL CHARGE CARD PROGRAM

Date Issued: November 27, 2001

AUDIT OF THE
TRAVEL CHARGE CARD PROGRAM

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**AUDIT OF THE TRAVEL CHARGE CARD PROGRAM
EXECUTIVE SUMMARY**

Introduction. 41 CFR 301 requires employees to use a Government contractor-issued travel charge card for all official travel expenses, unless an exemption is granted. Disciplinary action can be taken against an employee who uses the travel charge card for purposes other than official travel. The CFR also set policies and procedures on travel claims and reimbursements. Agencies must reimburse employees within 30 calendar days after submitting a proper travel claim to the approving official. Upon written request from a contractor, agencies may collect undisputed amounts owed to Government travel charge card contractors. The AED for Administration informed CPSC employees of the mandatory use of travel charge card on March 29, 2000.

Objective. The overall objective of the audit was to determine whether CPSC is in compliance with laws and regulations on the use of Federal travel charge cards.

Summary of Findings and Conclusions. CPSC is not completely in compliance with Federal policies and procedures governing the mandatory use of government travel charge cards. The audit found that all travelers had not been issued travel charge cards or granted exemptions to the use of the cards, as required. Internal controls over the use of travel charge cards were not adequate to ensure that the cards were used only for official expenses. Travel charge cards were not monitored to ensure that they were being used only for authorized purposes. As a result, some employees used the cards to purchase personal items totaling \$6,356, \$5,120 of which was applicable to one employee. Employees were generally reimbursed for official government expenses, as required; however, some employees did not pay the bank card company in a timely manner. For example, Bank of America's delinquent records showed that eight CPSC employees' accounts were past due. The employees owed a total of \$7,580.

Recommendations and Management Response. The audit recommended that: (i) policies and procedures applicable to the use of travel charge cards be updated to reflect current Federal requirements, and that all travelers be provided copies; (ii) all travelers be required to use travel charge cards unless they receive an exemption; and (iii) the use of travel charge cards and payment of related bills be monitored to ensure that all charges are authorized and payments are made to the bank card company in a timely manner. ADFS concurred with the recommendations. Corrective actions were initiated during the course of the audit.

AUDIT OF THE TRAVEL CHARGE CARD PROGRAM

INTRODUCTION

Background. Pursuant to 41 CFR Part 301-70, *Policies and Procedures Relating to Mandatory Use of the Government Contractor-Issued Travel Charge Card for Official Travel*, employees must use a Government contractor-issued travel charge card for all official travel expenses unless: (a) a vendor does not accept the travel charge card; (b) the Administrator of General Services has granted an exemption; or (c) the agency head or his/her designee has granted an exemption. The Administrator of General Services exempts the following from mandatory use of the Government contractor-issued travel charge card:

Expenses incurred at a vendor that does not accept the Government contractor-issued travel charge card. It is also exempt from use in the payment of laundry/dry cleaning, parking, local transportation system, taxi, tips, meals (when the use of the card is impractical), phone calls (when a government calling card is available), an employee who has an application pending for the travel charge card, individuals travelling on invitational travel, and new appointees.

The Administrator of General Services must be notified in writing within 30 days after the agency grants an exemption. The notification must state the reasons for the exemption. When exemptions are granted, employees may be authorized to use personal funds, including cash or personal charge cards; travel advances; or Government Transportation Requests.

41 CFR 301 requires that the travel charge card be used only for authorized purposes. Disciplinary action can be taken against an employee who uses the travel charge card for purposes other than official travel. The CFR also sets policies and procedures on travel claims and reimbursements. Agencies must reimburse employees within 30 calendar days after submitting a proper travel claim to the approving official. Upon written request from a contractor, agencies may collect undisputed amounts owed to Government travel charge card contractors.

CPSC Order 0355.1, *Delegation of Authority, Authority to CPSC Officials to Authorize Travel, Transportation and Related Allowances*, July 30, 1996, sets forth delegated authority to authorize travel, transportation and related allowances and to approve travel vouchers and local travel reimbursements within CPSC. CPSC Order 1300.1, *Travel, CPSC Travel Policy and Procedures*, July 30, 1996, sets forth CPSC's policy and procedures on travel. Standard Operating Procedure (SOP) # 71, *CPSC Travel Card Program General Policy and Guidelines*, December 1995, provides general policy and guidance regarding the travel charge card program.

A memorandum, *Mandatory Use of Government Travel Cards*, February 29, 2000, was issued by the Associate Executive Director to all CPSC travelers. The memorandum informs CPSC's travelers that they must use the Government travel card, unless an exemption is granted. CPSC has a contract with the Bank of America to issue travel charge cards and bill employees for expenses they incur.

The Travel Charge Card Program is under the general direction of the AED for Administration (EXAD). Specific duties related to the program are assigned to the Division of Financial Services (ADFS), EXAD.

Objectives. The overall objective of the audit was to determine whether CPSC is in compliance with laws and regulations on the use of Federal travel charge cards. Specific objectives were to determine whether:

- Employees who traveled were issued travel charge cards or exemptions to the mandatory use of the cards, as required.
- Travel charge cards were used only for official travel expenses.
- Employees were reimbursed for travel-related expenses in a timely manner.

Scope and Methodology. The audit was conducted, March through May 2001 and October 2001, in accordance with Government Auditing Standards, and included tests of internal controls as considered necessary. Laws and regulations applicable to the use of travel charge cards were reviewed. Discussions were held with the Directors, Divisions of Financial Services and Procurement Services, and the Operations Coordinator, Directorate of Field Operations who provided information and documents applicable to the audit.

ADFS provided a list of travel vouchers applicable to the 216 employees who traveled during Fiscal Year 2000 and the first quarter of Fiscal Year 2001, and the names of the 255 individual issued travel charge cards as of February 8, 2001. Travel vouchers were reviewed to determine if travel charge cards were used only for official travel expenses. A statistical sample (95% confidence level, plus or minus 5%) was taken of the 839 travel vouchers applicable to confirmed deposits¹ for the 216 employees who travel during the review period. A sample of 101 travel vouchers for 69 employees were selected at random for review. The timeliness of reimbursement of travel claims was also reviewed.

Charge cards statements were obtained on-line from the Bank of America. Transactions shown on these statements were traced to travel vouchers, and discussions were held with a representative of the Bank of America.

FINDINGS

Summary. CPSC is not completely in compliance with the Federal policies and procedures governing the mandatory use of the government travel charge cards. The audit found that all travelers had not been issued travel charge cards or granted exemptions to the use of the cards, as required. Internal controls over the use of travel charge cards were not adequate to ensure that they were used only for official purposes. The use of travel charge cards was not monitored. As a result, six employees used the cards to purchase personal items totaling \$6,356. Employees were generally reimbursed for official government expenses, as required; however, some employees did not pay the bank card company in a timely manner. For

¹ A confirmed deposit is the actual amount paid for travel claims by the Department of Treasury.

example, Bank of America delinquent records showed that eight employees' accounts were past due. The employees owed a total of \$7,580.

Policies and procedures applicable to the use of travel charge cards should be updated to reflect current Federal requirements. When employees are issued travel charge cards, they should be provided a copy of these policies and procedures. The use of charge cards and payment of related bills should be monitored to ensure that all charges are for official travel expenses and that payments are made to the bank card company in a timely manner.

A - INTERNAL CONTROLS

Internal controls over the use of travel charge cards were not adequate to ensure that they are used only for official travel expenses. Policies and procedures applicable to the use of travel charge cards should be revised to reflect current regulations governing the mandatory use of travel charge cards. Specifically, policies and procedures should address the mandatory use of government travel charge cards; the authority to approve and grant exemptions to the use of the cards; monitoring of charges; the use of automated teller machines; reimbursement; and payments to the bank card company. A copy of the policies and procedures should be provided to all travelers.

Policies and Procedures. Pursuant to CPSC Order 0690.2, *Establishment and Maintenance of Internal Control Systems*, "The purpose of internal control systems is to reduce, minimize or prevent waste, fraud, and abuse of government resources and mismanagement of government programs." One purpose of internal controls is to provide management with reasonable assurance that applicable laws, regulations, and policies are adhered to. The audit found that internal controls over the travel charge card program do not provide assurance that travel charge cards are used only for official government expenses. Following are specific policies and procedures that should be revised.

Directives. CPSC Order 1300.1 section 5.h. states that CPSC employees are eligible for travel charge cards if they travel at least twice a year. The Order should address the mandatory use of travel charge cards for all official travel expenses, unless an exemption is granted.

CPSC Order 0355.1 should include the authority to (i) authorize the use of government issued travel charge cards and (ii) the authority to grant exemptions to the use of the travel charge card.

Standard Operating Procedures. SOP # 71 provides general policy and guidance regarding the travel charge card program. ADFS initiated an update of the SOP during the course of the audit. The draft SOP addresses the mandatory use of the travel charge card. Specific references are included on the use of automated teller machines for cash advances and travel claims. The draft SOP also includes references to the policy of reviewing the bank card company's monthly management reports for unauthorized charges, as set forth in CPSC Order 1300, which was not being done. The SOP should also address the collection of undisputed amounts due credit card companies.

Memoranda. The AED for Administration issued memorandum, *Mandatory Use of Government Travel Cards*, February 29, 2000 to "All CPSC Travelers." The memorandum informed CPSC travelers of the mandatory use of the government travel charge card for all official travel related expenses where the card is accepted, unless granted an exemption. Employees who are required to travel only once or experience circumstances where the use of credit cards is not feasible may apply to the AED for Administration for an exemption. No other guidance was provided to employees after the February 29, 2000 memorandum and, follow-up was not performed to ensure that travelers complied with the memorandum.

The AED for Administration issued a memorandum, *ATM Usage for Official Travel*, March 8, 2001. The memorandum authorizes travelers to use the government travel charge card to obtain cash advances from automated teller machines (ATMs) around the nation. Cash advances from ATMs must be used solely for official government travel. ADFS is authorized to issue travel advances via direct deposit to individuals who have not received a travel charge card, only in emergency situations. Although the use of ATMs was authorized by 41 CFR 301-15.47 to minimize travel advances, prior to March 2001, CPSC had not authorized its employees to use them.

B - USE OF TRAVEL CHARGE CARDS

All travelers had not been issued travel charge cards or granted exemptions to the mandatory use of the card, as required. Travel charge cards used by employees were not monitored to ensure that they were used for official travel expenses. A review of travel vouchers and on-line charge card statements provided by the Bank of America revealed that six employees used the travel charge card to purchase personal items. Disciplinary action can be taken against employees who use the contractor-issued travel charge card for purposes other than official travel expenses.

Purpose of Travel Charge Cards. Pursuant to 41 CFR 301-70, travel charge cards should be used for official expenses unless a vendor does not accept the card or an exemption is granted. Travel charge cards also reduce the need for travel advances since the card can be used to obtain money from ATMs.

Cards Issued. The *Travel Card Master Listing* maintained by ADFS shows that 255 employees had been issued travel charge cards as of February 28, 2001. Records of confirmed travel deposits maintained by ADFS showed that 216 of the 255 employees traveled during Fiscal Year 2000 and the first three-months of Fiscal Year 2001. These records also showed that 58 employees who had not been issued travel charge cards either completed travel or received travel advances during the same period. Forty-six (46) of the 58 employees traveled during this period. Fifteen (15) of the 46 traveled more than twice. However, exemptions from the mandatory use of travel charge cards had not been requested or granted for any of the 58 employees. As of June 1, 2001, 54 of the 58 employees still did not have travel cards. Of the remaining four, two had received cards and two had left CPSC.

Travel Claims. Eight hundred and thirty-nine (839) travel vouchers (\$257,841), applicable to confirmed deposits, were on file for the 216 employees who traveled during the period October 1999 through December 31, 2000. One hundred and one (101) of the 839 travel vouchers were selected at random for review. The 101 travel vouchers (\$40,952) were applicable

to 69 employees. Travel vouchers submitted by the employees were reviewed to determine if they had been approved, and if purchases were related to official government expenses. Expenses incurred by employees were traced to on-line charge card statements. On-line statements were reviewed to determine whether all charges were official government expenses, and if shown on travel vouchers.

Our review of travel claims showed that employees' supervisors approved travel vouchers reviewed, and most employees' (63) used travel charge cards to pay official government expenses. However, some charges (\$6,356) made by the other six employees² were not related to official government travel expenses. Most (\$5,120) of the \$6,356 in unofficial charges was made by one employee. Charges made by the other six employees varied in amounts totaling from \$25 to \$623. The \$6,356 included purchases of personal goods and services from local retail stores (e.g., Target, Ross, Casual Corner, Wal Mart, Radio Shack, Lowe's, For Eyes), restaurants, and hotels. Five of the six employees admitted using their travel charge card to purchase personal goods and services. Examples of items charged included: clothes, shoes, toiletries, Internet services, cellular telephone and services. The prior supervisor of the other employee, who retired, stated the purchases identified with the employee's use of his card were not official government expenses.

We also reviewed on-line statements for 43 employees who had travel charge cards but, according to ADFS' records, did not travel during the review period. The statements did not show any activity for 37 of the 43 employees. The remaining six employees' accounts showed travel activities. All travel expenses shown on the accounts appeared to be associated with official government expenses.

The audit also found that the travel charge card was used by some employees to pay for local seminars, samples, and other expenses that should have been purchased using a small purchase card or another method. Travel charge cards should be used only for travel-related expenses.

Travel Advances. The consolidated listing of travel claims and travel advances showed that a total of \$31,521 was issued in travel advances during Fiscal Year 2000 and the first quarter of Fiscal year 2001. Of this amount \$7,572 (6%) was applicable to the 69 employees included in the sample, seven of which consistently received advances. The use of travel charge cards to obtain money from ATMs should reduce the amount of cash advances. The use of ATMs was not authorized by CPSC officials until March 2001.

Monitoring of Purchases. Travel charge cards should be used solely for expenses incurred for official authorized expenses and not for personal expenses. Supervisors and ADFS share the responsibility of monitoring employees' purchases. Within five days after the completion of travel, employees must submit travel vouchers to their supervisors for review. Pursuant to CPSC Order 1300, "supervisory review is primarily to confirm that the travel for which expenses are being claimed was performed as authorized. In reviewing travel vouchers, supervisors have the authority and the responsibility to reduce claims that are unreasonable and not justified by the employee." Order 1300 also states, "ADFS will review travel card monthly management reports as a tool to discover any charges

² A list of these employees will be provided to selected officials under a separate cover.

which are not official CPSC travel." Although travel management reports, *Transaction Activity Report, Delinquency Report, Pre-Suspension Report, and Cancellation Report*, were provided on-line by the Bank of America, they were not being used to review employees' travel charge card purchases. The reports include: transactions dates, vendors, amount of charges, and past due amounts of **all** purchases made by employees, some of which may not be included on travel vouchers. Supervisors do not have access to these reports and may not be aware of unofficial purchases made using the travel charge card. During the course of the audit, ADFS gained access to the management reports. ADFS will use the reports to review travel charges.

C - REIMBURSEMENT OF TRAVEL EXPENSES

Most employees were reimbursed for travel expenses within 30 calendar days after they were submitted to approving officials, as required. However, some did not pay the bank card company in a timely manner. Payment of credit cards bills is the responsibility of employees. Since charges and payments were not being monitored, management was not aware of delinquent accounts; therefore, attempts were not made to encourage employees to settle them. Failure to pay bills in a timely manner could result in charge cards being revoked.

Reimbursement Procedures. Pursuant to 41 CFR 301-71.204, agencies must reimburse employees for travel within 30 calendar days after submitting a proper travel claim to the approving official. Travel claims must be submitted to supervisors for review and approval within five working days after completion of travel or every 30 calendar days if the employee is in continuous travel status. After vouchers are approved by supervisors, they are submitted to ADFS for reimbursement. SOP No. 71 states that travel vouchers are to be submitted to ADFS within 15 working days after travel is completed.

An analysis of the number of days it took employees to submit 355 travel vouchers to supervisors and the number of days it took ADFS to process the vouchers was performed. Only 79 of the 355 vouchers were submitted to supervisors within five workdays after travel was completed. Vouchers were submitted to ADFS an average of 13 workdays after travel was completed. It took ADFS an average of 14 workdays to process the travel vouchers. Two hundred and sixty (260) vouchers were processed within 15 workdays, and 95 took from 16 to 44 workdays (seven were over 30 workdays) to process.

Our analysis of the reimbursement process found that employees were reimbursed for 299 of the 355 travel claims within 30 calendar days after travel vouchers were submitted to approving officials. The remaining 56 claims were paid late primarily because employees did not submitted travel voucher and/or support for expenditures in a timely manner.

Delinquent Amount. It is the employees' responsibility to pay the bank card company. If accounts are not paid in a timely manner, the credit card company can request assistance from the agency in collecting the amount due. This amount can be withheld from employees' pay. If delinquent amounts are not paid because of a dispute, the agency is authorized by 41 CFR 301-76.100 to handle the dispute.

A review of on-line delinquency reports and discussion with a Bank of America representative revealed that seven of the 69 employees included in the sample owed delinquent amounts totaling \$7,485 to the credit card company as of April 2001. A total of \$6,508 (six employees) of this amount was 30 days past due. The other employee owed \$977 which was 120 days past due. The employees' account had been revoked due to nonpayment. An employee who was not included in the sample owed \$95, which was 30 days past due. An attempt to settle the past due accounts had not been made because employee accounts were not monitored and the credit card contractor had not contacted ADFS about the delinquent accounts. There was no indication that any of the amounts owed were in dispute.

RECOMMENDATIONS

It is recommended that:

1. CPSC policies and procedures be updated in compliance with Federal policies and procedures on the mandatory use of travel charge cards.
2. Employees be provided procedures on the use of travel charge card and payment of applicable bills. The procedures should also inform employees that disciplinary action can be taken against them for the misuse of travel charge cards.
3. All travelers who do not have travel charge cards be contacted and instructed to request a government contractor-issued travel charge card, or an exemption to the requirement of mandatory use.
4. A memorandum be issued to all employees reminding them of the mandatory requirement to use the travel charge card.
5. Periodic reviews be performed of employees' accounts to determine if all charges are official government charges, and if accounts are paid in a timely manner. Management reports provided by the Bank of America should be used for this purpose.
6. All employees who currently have delinquent amounts be contacted and attempts be made to collect the amounts due and/or settle disputes, if applicable. If the collections can not be made, arrangement should be made to deduct the amount from employees' pay.

MANAGEMENT'S RESPONSE

Recommendations 1-5. "ADFS concurs with recommendations 1-5 and will take action to implement these recommendations."

Recommendation 6. "As of September 17, there were two cardholders who were in a delinquent status. ADFS contacted the delinquent cardholders via e-mail regarding their delinquency. ADFS practice in the future will be to notify the employee, their supervisor, and the Office of Human Resources (EXRM). EXRM is currently updating its procedures on CPSC disciplinary action. The procedures will address offsetting employees salary to pay delinquent debts owed the government credit card company. This will also be included in updates to ADFS documentation on the travel card program."

The AED for Administration response, *Draft Audit of Travel Charge Card Program*, October 30, 2001 is included in its entirety as Appendix A.

**RESPONSE TO DRAFT REPORT
AED FOR DIRECTORATE FOR ADMINISTRATION**




UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

Memorandum

Date: October 30, 2001

TO : Mary B. Wyles
Inspector General

FROM : Robert J. Frost 
AED for Administration

SUBJECT : Draft Audit of Travel Charge Card Program

The Directorate for Administration and the Division of Financial Services have reviewed the subject audit and have the following comments:

The summary finding on page 2 of the report states "CPSC is not in compliance with the Federal policies and procedures governing the mandatory use of the government travel charge cards". It is recommended that this statement be revised. This statement implies that no aspects of the program are being followed. While there are some instance of non-compliance, generally the CPSC program complies with the policies and procedures. Based on the audit sample, this draft audit report states that most employees used the travel charge cards to pay for official government expenses.

It is recommended that the following corrections be made to the draft report:

- Page 5, Travel Advances. The last sentence of this paragraph reads "The use of ATMs was not authorized in March 2001. The word not should be deleted. The ATM Program was authorized and implemented in March 2001.
- Page 6, Reimbursement Procedures. The last sentence reads "SOP No. 71 states that travel vouchers are to be processed within 15 working days after they are received by ADFS. The sentence should be corrected to read as follows: "SOP 71 states that travel vouchers are to be submitted to ADFS within 15 working days after travel is completed".

The following recommendations were made in the audit report.

1. **IG Recommendation:** CPSC policies and procedures be updated in compliance with Federal policies and procedures on the mandatory use of travel charge cards.

2. **IG Recommendation:** Provide employees with procedures on the use of the travel card and payment of applicable bills. The procedures should also inform employees that disciplinary action could be taken against them for the misuse of travel charge cards.
3. **IG Recommendation:** All travelers who do not have travel charge cards be contacted and instructed to request a government contractor-issued travel charge card, or an exemption to the requirement of mandatory use.
4. **IG Recommendation:** Issue a memorandum to all employees reminding them of the mandatory requirement to use the travel charge card.
5. **IG Recommendation:** Using management reports provided by Bank of American, perform periodic reviews of employees account to determine if all charges are official, and if accounts are paid in a timely manner.

ADFS Comment: ADFS concurs with recommendations 1-5 and will take action to implement these recommendations.

6. **IG Recommendation:** Contact all employees who currently have delinquent amounts due and make attempts to collect the amounts due and/or settle disputes, if applicable. If the collections can not be made, arrangement should be made to deduct the amount from employees' pay.

ADFS Comment: As of September 17, there were two cardholders who were in a delinquent status. ADFS contacted the delinquent cardholders via e-mail regarding their delinquency. ADFS practice in the future will be to notify the employee, their supervisor and the Office of Human Resources (EXRM). EXRM is currently updating its procedures on CPSC disciplinary action. The procedures will address offsetting employees salary to pay delinquent debts owed the government credit card company. This will also be included in updates to ADFS documentation on the travel card program.

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