

**AUDIT OF THE  
FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM**

**CONDUCTED FOR THE  
OFFICE OF INSPECTOR GENERAL**

**FEBRUARY 27, 2002**

**REPORT NO. 02-A-02-ORM**

**AUDIT OF THE  
FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
EXECUTIVE SUMMARY . . . . .	1
BACKGROUND . . . . .	2
OBJECTIVES . . . . .	3
SCOPE . . . . .	3
METHODOLOGY . . . . .	4
CONCLUSION . . . . .	5
FINDINGS AND RECOMMENDATIONS . . . . .	6
Detailed Description of Instances of Abuse or Misuse. . . . .	Attachment I
Management's Response . . . . .	Attachment II

**FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM  
FEBRUARY 27, 2002**

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**EXECUTIVE SUMMARY**

*Purpose*

This report is in response to a request from the Federal Housing Finance Board (FHFB), Office of Inspector General (OIG), to conduct an audit of FHFB employees' use of government travel cards. The objectives of the audit were to determine whether FHFB's employees complied with restrictions on the use of travel credit cards and to assess whether charges reimbursed by FHFB were appropriate.

*Scope*

Our audit of the government travel card program was performed at the FHFB headquarters, in Washington, D.C. during the period February 11, 2002 through February 27, 2002, and covered transactions relative to authorized cardholders during FY 2000 and FY 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Results in Brief*

The following finding was communicated to FHFB management and OIG. We do not consider this finding to be a material weakness.

- ◆ Current FHFB policies and procedures do not provide specific disciplinary actions to be taken when an employee has misused the government credit card.



## INDEPENDENT AUDITOR'S REPORT

Office of Inspector General  
Federal Housing Finance Board  
Washington, DC

This report presents the results of our audit of Federal Finance Housing Board (FHFB) employees' use of government travel cards.

### BACKGROUND

The FHFB is an independent non-appropriated funded agency in the Executive Branch. The FHFB ensures that the Federal Home Loan Banks (FHLBanks), which are privately capitalized, government-sponsored enterprises, operate in a safe and sound manner, carry out their housing and community development finance mission, and remain adequately capitalized and able to raise funds in the capital markets. The FHLBanks System raises its money through the Office of Finance which acts as the central debt issuance facility for the 12 FHLBanks.

The FHLBank System was created in 1932 to promote home ownership and a strong home-finance industry. It is a network of 12 district banks that provide lending, deposit, and other services to mortgage-lending institutions. The members of the FHLBank System originate and hold a significant portion of the nation's home mortgages. Membership includes the thrift institutions, commercial banks, credit unions, and a small number of insurance companies. Each Federal Home Loan Bank and the Office of Finance operates with its own staff and funding.

The FHFB is located in Washington, DC, where it operates with a staff of just over 100 employees under the direction of a five member Board of Directors, four of whom are appointed from the private sector by the President of the United States. The fifth is the Secretary of Housing and Urban Development or his designee. Operation of the FHFB is funded by the collection of assessments from each of the Federal Home Loan Banks. These assessments are used to fund the salaries and expenses of staff engaged in supervision and compliance activities, planning and policy development, strategic planning, and administration. Through these activities, the FHFB ensures that the FHLBanks operate in a safe and sound manner, carry out their housing and community development and finance mission, and remain adequately capitalized and able to raise funds in the capital markets.



**FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM  
FEBRUARY 27, 2002**

The FHFB has established the government travel card program to provide members of the board of the directors, managing directors, special assistants to a member of the board of directors, office directors, and other employees (examiners), who expect to travel in an official capacity throughout the year, with the resources needed to handle government related travel expenses.

<b>Categories of Users of the Government Credit Card Program:</b>
Members of Board of Directors
Managing Directors
Special Assistants to a member of the Board of Directors
Office Directors
Bank Examiners

The government travel card program was developed to provide FHFB employees with an effective and efficient method of paying official travel and travel-related expenses away from the duty station. The goal of the program was to substantially reduce the government's cash requirements by reducing the need for travel advances and improving cash management and administrative procedures.

The government travel card program includes individually billed employee accounts. Individually billed accounts are charge accounts that are offered to individual employees to use for official government travel related expenses. Employees who receive government charge cards are responsible for paying charges in full within 25 days of the monthly billing cycle. The government assumes no liability for charges made on individually billed accounts. Employees receive reimbursement for official government travel from FHFB to pay individual accounts. By accepting the government travel cards, employees agree to use the card only for official travel expenses and promptly pay their account in full when payment is due. As of February 5, 2002, FHFB had over 61 active travel cardholders.

**OBJECTIVES**

In accordance with the request from the FHFB Office of Inspector General, the objectives of our audit were as follows:

- To determine whether FHFB employees are in compliance with the restrictions on the use of credit cards
- To assess the appropriateness of FHFB travel reimbursements.

**SCOPE**

Our review of the government travel card program was limited to travel card expenses during fiscal years 2000 and 2001. The audit included evaluations of travel cost incurred and travel card management. We selected our sample from the *Account Activity Reports* prepared by the

**FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM  
FEBRUARY 27, 2002**

government credit card contractor. We selected a sample of transactions to test for the 79 cardholders listed on the *Account Activity Reports* for both fiscal years. FHFB had travel and transportation costs for the fiscal years being audited as follows:

	FY 2001	FY 2000
<b>Travel and Transportation</b>	<b>\$404,567</b>	<b>\$430,696</b>
<b>Authorized Cardholders Tested</b>	<b>37</b>	<b>42</b>

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to, and did not, perform a financial statement audit, the objective of which would be the expression of an opinion on specified elements, accounts, or items. If we would have conducted a financial statement audit, other matters might have come to our attention that would have been reported. This report relates only to the government travel card program and does not extend to any financial statements of the Federal Housing Finance Board.

**METHODOLOGY**

To accomplish the objectives of this audit, we familiarized ourselves with the government travel card program. To determine the effectiveness of the control environment we obtained an understanding of the government travel card program operating procedures at FHFB by performing the following procedures:

- held an entrance conference with the Office of Inspector General (OIG) and FHFB management to discuss objectives, scope, and timing of the audit;
- interviewed personnel to gain an understanding of the internal control environment relative to travel and the use of the credit cards, processes, policies and current procedures for the government travel card program;
- reviewed applicable government travel laws and regulations; and
- reviewed FHFB policies and procedures relative to travel and the use of credit cards.

We also examined a sample of travel vouchers, travel authorizations, hotel bills, airline receipts, per diem rates, and other documentation to ensure that the travel was properly authorized and that claimed costs were adequately documented, accurately recorded, and complied with federal laws and regulations and FHFB policies and procedures governing travel and the use of credit cards.



**FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM  
FEBRUARY 27, 2002**

We determined whether FHFB employees are in compliance with the restrictions on the use of credit cards by reviewing the *Account Activity Reports*, scanning actual credit card bills, and reviewing files maintained by the Accounting Department for correspondence relative to disciplinary action. We noted instances of credit card misuse by FHFB employees, such as non-business related hotel, room service, food, and gas charges. Although FHFB employees are aware of these restrictions, personal charges were still incurred. Policies and procedures reference disciplinary action, but no specific steps are identified. However, the correspondence files maintained by the FHFB Accounting Department documented that disciplinary actions were being taken.

## **CONCLUSION**

### ***Management Controls***

Brown & Company obtained an understanding of the general control environment and identified key controls. We then determined the effectiveness of the control techniques. Our understanding of the control environment included assessing management's attitude and awareness of the importance of internal controls, methods of assigning and communicating authority and responsibility, the existence of organizational plans necessary to perform required functions, external oversight and influence, and the procedures in place to ensure that employees understand government travel card program objectives, components, and FHFB required policies.

As discussed in the findings and recommendations section of this report, we have noted matters that warrant management's attention. We have, however, identified that the following controls are in place and operating effectively at FHFB:

Communications – FHFB goals and objectives on government travel cards have been articulated to personnel. Lines of communication are open between FHFB management, and travelers. This communication continues from the time the travel is approved and executed, and the travel voucher is reviewed to ensure appropriate usage of the government travel card. Letters of inquiry were documented in the transaction activity file for employees who have misused the card.

Organizational Structure - The hierarchy is arranged in such a manner as to ensure appropriate levels of supervision and oversight. The staff is small, but the lines of responsibility and authority have been identified. This organizational structure has been documented and is periodically evaluated to ensure the adequacy of staffing.

Management's Attitude - Management's attitude relative to controls was positive and the need for controls recognized. Personnel acknowledge the idea that goals must be accomplished by utilizing approved policies and procedures. Management interacts with staff assigned to perform the day-to-day functions of the travel voucher processing and monthly reconciliations.

**FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM  
FEBRUARY 27, 2002**

***Compliance with Laws and Regulations***

The Finance Board has established policies and procedures to reasonably ensure compliance with guidelines established by FHFB management and the federal travel laws and regulations issued by the General Services Administration.

**FINDINGS AND RECOMMENDATIONS**

Our review of the FHFB government travel card program disclosed the following matters:

***Finding-1***

We noted four instances of misuse within our sample testing and six instances of abuse based on additional review of the *Account Activity Report* and employees' responses to the letters of inquiry of questionable cost. Current policies and procedures do not state specific disciplinary actions to be taken. Although management does issue correspondence to employees regarding the restrictions, there is still occasional misuse of the government credit cards.

The only disciplinary action taken by the Accounting Department are the letters of inquiry that are sent to the employees. The letters request that the employees explain the nature of the cost in question. This response can be in the form of a telephone call, an email, or a written response. *See Attachment I*

The current procedures do not identify disciplinary actions to be taken by the Office of Resource Management (ORM) nor are the instances of misuse reported to OIG.

***Instances of Abuse or Misuse Noted***

<b>Date of Account Activity Report</b>	<b>Description of Abuse or Misuse</b>
May 2001	Used personal credit card instead of agency issued card
June 2001	Purchased airline ticket for relative
July 2001	Local hotel charge (non-business related)
August 2001	Two charges for local hotels (non-business related)
June 2000 and July 2000	Local gas charge (non-business related)
October 2000	Hotel reservation charge before authorization of travel
October 1999	Non-business related hotel, gas, food charges

*See Attachment I for detailed description of instances of abuse or misuse.*

***Cause***

FHFB employees are using the government issued credit cards for personal use because they are not fully aware of the restrictions. Certain individuals also stated that because they are ultimately responsible for the cost incurred on the card, they should be able to use the card at their discretion.



**FEDERAL HOUSING FINANCE BOARD  
GOVERNMENT TRAVEL CARD PROGRAM  
FEBRUARY 27, 2002**

***Effect***

Use of the government issued credit card for personal use is a violation of the Federal Travel Regulations.

***Criteria***

41 CFR, Section 301-51.6 states, "the Government contractor-issued travel charge card may be used only for official travel related expenses."

***Recommendation***

Management should implement additional procedures for ensuring that federal employees understand the restrictions imposed on the government travel card and adhere to these restrictions. Management should also implement policies and procedures on the number of occurrences of misuse that would be tolerated before cancellation of the credit card and report violations to the Office of Inspector General.

***Management's Response***

The Director of the ORM will ensure that correspondence is sent every six months to inform FHFB staff of the general restrictions that come with using the credit cards. The Director of the ORM does not agree with our recommendation to implement policies which cancel an employee's card after a certain number of misuses or abuses nor with the recommendation to report all credit card violations to the OIG.

*See Attachment II for the full text of ORM's response.*

This report is intended solely for the information and use of the management of the Federal Housing Finance Board and the Office of Inspector General and is not intended to be and should not be used by anyone other than these specified parties.

*Brown & Company*

Arlington, Virginia  
February 27, 2002

**ATTACHMENT I**  
**DETAILED DESCRIPTION OF INSTANCES OF ABUSE OR MISUSE**

**ATTACHMENT I**

DATE OF ACCOUNT ACTIVITY REPORT	DESCRIPTION OF ABUSE OR MISUSE	ACTION TAKEN BY ACCOUNTING	EMPLOYEES' EXPLANATIONS
May 2001	Used personal credit card instead of government-issued card.	Accounting sent an email to the employee questioning why the government-issued credit card was not used. Accounting informed the employee that the Federal Travel Regulation requires federal employees use the government-issued card for government business.	No written response to email.
June 2001	Purchase of airline ticket for relative.	Accounting sent correspondence to the employee about the restrictions placed on the government-issued credit card.	In the employee's response, it was documented that the employee was not aware of the restrictions governing the credit card at the time; however, she did not claim the charge on the travel voucher.
July 2001	Local hotel charge (non-business related).	Accounting sent correspondence to the board member about the restrictions placed on the government-issued credit card.	Board member responded that he did not understand why the restrictions are placed on the card if he is ultimately responsible for payment of the credit card bills.
August 2001	Charges for local hotels (non-business related).	Accounting sent correspondence to the board member about the restrictions placed on the government-issued credit card.	Board member responded that he did not understand why the restrictions are placed on the card if he is ultimately responsible for payment of the credit card bills.
June 2000	Local gas charge (non-business related).	Accounting sent correspondence to employee which included an excerpt from the Federal Travel Regulation explaining the restrictions put on the card. Accounting did not pay the charge.	No written response.
July 2000	Local gas charge (non-business related).	Accounting sent correspondence to employee which included an excerpt from the Federal Travel Regulation explaining the restrictions put on the card.	The employee responded that this charge was a business expense because it was incurred while in travel status and the employee was low on gas. The employee stated that he charged the gas because he claimed mileage.
October 2000	Hotel reservation charge prior to authorization of travel.	Accounting sent an email to employee requesting information on the nature of this charge.	The employee responded that the charges were due to the hotel policy of charging a credit card for one night stay when reserving a room. At the time of the reservation the employee had not



**ATTACHMENT I**

DATE OF ACCOUNT ACTIVITY REPORT	DESCRIPTION OF ABUSE OR MISUSE	ACTION TAKEN BY ACCOUNTING	EMPLOYEES' EXPLANATIONS
October 2000 (Continued)			received authorization for travel.
October 1999	Non-business related hotel, gas, and food charges.	While an employee at FHFB non-business related charges were incurred. Due to the termination of this employee, a letter was not sent to the individual for a response.	Not applicable.

**ATTACHMENT II  
MANAGEMENT'S RESPONSE**



## Federal Housing Finance Board

May 15, 2002

### MEMORANDUM

To: Edward Kelley  
Inspector General

From: Judith L. Hofmann *JLH*  
Director, Office of Resource Management

Subject: Response to Government Travel Card Audit

RECEIVED  
MAY 20 8 43 AM '02  
OFFICE OF  
INSPECTOR GENERAL

I am writing to respond to your memorandum of May 1, 2002, in which you invite my written comments on your audit of employees' use of government-issued travel credit cards during fiscal years 2000 and 2001.

With regard to the report recommendation that additional procedures be implemented to ensure that employees are aware of card use restrictions, I will ensure that correspondence is sent from my office every six months, at the minimum, to inform Finance Board staff of the general restrictions that come with using a card. This periodic notice will serve as a reminder to existing cardholders and information for new employees who are issued travel credit cards.

I do not agree that management should implement policies which cancel an employee's card after a certain number of misuses or abuses. I believe this approach is too formulaic. A case-by-case analysis of each violation will be more effective and is in keeping with the federal government's approach to all situations involving potential disciplinary action. Additionally, I do not agree that all bank card use violations should be reported to the Office of the Inspector General. Unless card misuse or abuse rises to the level of a suspected criminal offense, the Finance Board has primary responsibility for addressing card misuse or abuse by its employees. In the event it appears that an employee may be suspected of a criminal offense for card misuse or abuse, only then should the matter be referred to the Office of Inspector General.

The report should be modified to identify which of the violations cited on pages 6 and 7 are considered misuse violations and which are considered abuse violations. Finally, we believe that one of the occurrences cited may be incorrect. Please have your auditor contact Al Milin on this subject.

Thank you.