

# Final Audit Report

---

**Subject:**

**REPORT ON AUDIT OF INTERNAL CONTROLS OVER  
THE OFFICE OF PERSONNEL MANAGEMENT'S  
TRAVEL CARD PROGRAM**

**Prepared By:**

**OFFICE OF AUDITS**

**Report No. 4A-CF-00-01-102**

**Date: November 15, 2001**

**--CAUTION--**

This audit report has been distributed to Federal and non-Federal officials who are responsible for the administration of the audited contract. This report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905); therefore, while this report is available under the Freedom of Information Act, caution needs to be exercised before releasing the report to the general public.



OFFICE OF  
THE INSPECTOR GENERAL

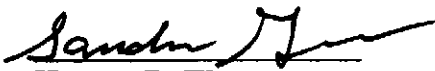
UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, DC 20415-1100

AUDIT REPORT

REPORT ON AUDIT OF INTERNAL CONTROLS OVER  
THE OFFICE OF PERSONNEL MANAGEMENT'S  
TRAVEL CARD PROGRAM

Report No. 4A-CF-00-01-102

Date: November 15, 2001

*for*   
Harvey D. Thorp  
Assistant Inspector General  
for Audits

## **EXECUTIVE SUMMARY**

**REPORT ON AUDIT OF INTERNAL CONTROLS OVER  
THE OFFICE OF PERSONNEL MANAGEMENT'S  
TRAVEL CARD PROGRAM**

**Report No. 4A-CF-00-01-102**

**Date: November 15, 2001**

The Office of the Inspector General has completed a performance audit of the internal controls for the Office of Personnel Management's (OPM) Travel Card Program. Our scope was limited to obtaining an understanding of controls over individually billed accounts (IBA). Charges for official travel to an IBA represent charges made by individual employees using the travel card for purchases such as lodging, food, rental car, gas, and other charges. The IBA differs from the centrally billed account, which is used to charge office-wide commercial transportation expenses, such as travel by air and rail.

Following is a brief summary of the types of internal control issues we identified:

- 1) Policies and procedures governing the travel card program need to be documented;
- 2) Additional Office of the Chief Financial Officer and program management review of the travel card activity is needed; and
- 3) Travel management system improvements are needed, i.e. system edits to prevent duplicate payments.

## **TABLE OF CONTENTS**

EXECUTIVE SUMMARY.....	i
I. INTRODUCTION AND BACKGROUND.....	1
II. OBJECTIVES, SCOPE, AND METHODOLOGY.....	2
III. FINDINGS AND RECOMMENDATIONS.....	3
IV. MAJOR CONTRIBUTORS TO THIS REPORT.....	8

APPENDIX - OCFO's Reply, received via email September 28, 2001, to our draft report

## **I. INTRODUCTION AND BACKGROUND**

The Government Travel Charge Card Program was created by the General Services Administration (GSA) as a travel payment and expense control system. The program includes employee travel charge cards, automated teller machine (ATM) services, and a centrally billed account for common carrier transportation services. The Travel and Transportation Reform Act of 1998 requires employees to use the government contractor-issued travel charge card for official travel expenses unless an exemption has been granted. Bank of America is currently under contract to provide travel charge card services to OPM and OPM employees. The contract with Bank of America began November 30, 1998 and will continue until November 29, 2003 with five one-year options to renew through FY 2008.

As of July 2001, 1467 Office of Personnel Management (OPM) employees had travel cards. This represents approximately 49 percent of those employed with OPM. The program offices with the largest number of card holders include: Employment Service (ES) 483, Retirement and Insurance Service (RIS) 321, and Office of Merit Systems Oversight and Effectiveness (OMSOE) 174.

Responsibility for OPM's Travel Card Program resides with the Office of Chief Financial Officer (OCFO). The OCFO is OPM's Agency/Organization Program Coordinator (A/OPC) and is responsible for administering and managing the Travel Card Program at the OPM. The A/OPC serves as the intermediary between the cardholder, the bank, and agency management. Bank of America provides the A/OPC with numerous reports to help manage the Travel Card Program through a web-based application called EAGLS (Electronic Account Government Ledger System). Such reports include: a delinquency report, authorizations/declines report, and an ATM transactions reports, among others. Each program office has an individual that is responsible for administering the Travel Card Program within that particular program office. Department managers are responsible for following up with the individual travelers to address issues surrounding delinquency and card misuse or abuse.

The individual cardholder, not OPM, is held personally liable for all payments, including those that are delinquent. Various governmental regulations and policies, including the Federal Travel Regulations and ethics standards, mandate that the cardholders make payment of financial obligations and that the charge card not be used for personal purposes. Additionally, by signing the cardholder agreement, the employee has made a contractual agreement with Bank of America to pay for charges incurred and to use the government travel card for official travel and official travel related expenses.

## **II. OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives:**

The objectives of this audit were to understand and analyze the controls over the (1) uses of the travel card as it applies to individually billed accounts and the (2) payment of travel card balances for individually billed accounts.

Due to the control weaknesses identified in this report, we determined that testing of travel card transactions were necessary. We will report any findings and recommendations related to our testing of transactions in a separate audit report. We expect to issue this report in draft by December 31, 2001.

### **Scope and Methodology:**

Our performance audit was limited to understanding and analyzing the controls that prevent and detect potential misuse of the travel card. The audit was performed by the Office of Personnel Management's Office of the Inspector General, as established by the Inspector General Act of 1978, as amended.

We reviewed reports and other documentation provided by the Chief Financial Office (CFO), Human Resources Offices (OHREEO), various program offices, the General Services Administration (GSA) and Bank of America. We compared a list of all active cardholders to a list of terminated employees to ensure that their travel cards were cancelled. Additionally, we conducted telephone interviews with Bank of America representatives. We also met with representatives of the CFO's office and representatives from selected program offices. The program offices we judgmentally selected had the most travel cardholders – OMSOE, RIS, and ES. We met with officials from these offices to discuss (1) their roles and responsibilities regarding the Travel Card Program, and (2) controls over the Travel Card Program with respect to managing delinquency, and card misuse and abuse.

There have been no previous audits of OPM's controls over the Travel Card Program. We did not evaluate the effectiveness of the general and application controls over computer processed data.

This audit was performed in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States. We performed the audit between June 2001 and August 24, 2001 at OPM in Washington, D.C.

### **III. FINDINGS AND RECOMMENDATIONS**

#### **1) POLICIES AND PROCEDURES GOVERNING THE TRAVEL CARD PROGRAM NEED TO BE DOCUMENTED**

There are no policies and procedures for OPM's Travel Card Program. Written policies and procedures are needed to provide guidance and to ensure consistency for the administration of the Travel Card Program.

The General Accounting Office's (GAO) *Standard for Internal Controls in the Federal Government* state "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained." "A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines of reporting." Written policies and procedures are a critical element of a well-defined control environment.

Without written policies and procedures, there is an increased risk for inconsistencies in the administration and oversight of the travel card program; increase risk for abuse or misuse of the travel card; and increased risk for higher delinquency rates.

#### **OPM's Response**

"We agree with the recommendation.... During FY 2002, the OCFO plans to develop and implement policies and procedures governing the issuance and use of OPM travel cards...As you know, the collection of amounts due is between the employee and the bank. Accordingly, the bank is responsible for pursuing the debt and providing due process to the debtor. If the bank, after due process, and it never has to date, contacts OPM and asks for assistance in collecting the debt we are able to do so." The OCFO's current debt collection process includes a salary-offset process that could be used to assist Bank of America, if requested, with collecting an employee's debt.

"Although there is a line on the employee exit sign-off sheet that the travel office uses in checking out separating employees, there are no written procedures. We concur with the finding and recommendation. During FY 2002, we plan to develop and implement a policy and procedure for the return of travel cards from exiting employees, however, we will only assist in the recovery of outstanding balances when the bank makes a request."

## **OPM-OIG's Reply to Response**

We acknowledge OPM's concurrence with the finding and recommendation. OPM should provide Bank of America a copy of their current debt collection process. OPM should also consider other consequences for employees that are reimbursed funds for business related travel but do not pay their credit card for expenses incurred. For example, OPM should determine whether the IRS needs to be notified via a 1099-MISC, Miscellaneous Income, for funds an employee receives for business travel expenses and keeps instead of paying their credit card balance.

### **Recommendation 1:**

We recommend that the OCFO develop and implement written procedures to administer and monitor the Travel Card Program at OPM. Such procedures should include individual responsibilities, Bank of America responsibilities, and agency oversight responsibilities for A/OPCs, immediate supervisors, and management. The procedures should also cover charge card privilege reinstatement, what to do in cases of suspected fraud, cancellation procedures for terminated employees and employee penalties for abuse or misuse of the travel card. OPM should also consider applying procedures to deactivate the travel card when employees are not in travel status for a long period of time.

## **2) ADDITIONAL MANAGEMENT OF THE TRAVEL CARD PROGRAM IS NEEDED**

***Current cardholders.*** The A/OPC does not maintain a current listing of cardholders as required by section 32 of the GSA SmartPay Master Contract, ensuring that terminated employee's travel cards are cancelled. There are 46 terminated employees that still have active cards.

The General Accounting Office's (GAO) *Standard for Internal Controls in the Federal Government* state "...Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.... Control activities help to ensure that all transactions are completely and accurately recorded...Periodic comparison of resources with the recorded accountability should be made to help reduce the risk of errors, fraud, misuse, or unauthorized alteration...All documentation and records should be properly managed and maintained."

As a result, terminated employees have the potential to use the government travel card after termination. Two of the 46 employees used their travel card after the termination date. EAGLS transaction history shows charges or ATM withdrawals made totaling \$793.06. Payment history shows the charges were paid in full.



### **OPM's Response**

Although there is a line on the employee exit sign-off sheet that the travel office uses in checking out separating employees, there are no written procedures. We concur with the finding and recommendation. During FY 2002, we plan to develop and implement a policy and procedure for the return of travel cards from exiting employees, however, we will only assist in the recovery of outstanding balances when the bank makes a request.

### **Recommendation 2:**

We recommend that the OCFO deactivate the 46 people identified as terminated from the current active list of cardholders.

### **Recommendation 3:**

In addition to promptly recovering travel cards upon termination, the OCFO should periodically (for example, quarterly) compare the personnel file showing those employees separated from OPM against the active cardholder file to ensure that the travel cards for all employees separated from OPM are cancelled.

***Charge Card Reports.*** Controls over OPM's Travel Card Program do not include routine monitoring of account activity to ensure that the card is used correctly. The OCFO does not routinely monitor account activity to detect potential card misuse or abuse.

The General Accounting Office's (GAO) *Standard for Internal Controls in the Federal Government* state that "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

Bank of America provides many useful reports for identifying potential card misuse or abuse, however the only report used by the OCFO is the delinquency report. Other reports include (1) Authorizations/Declines Report, (2) Transaction Activity Report, and (3) Exception Report. Individual card billing data is reviewed on an exception basis only. Even though delinquency reports are reviewed, as of June 17, 2001, 125 cardholders held past due balances totaling \$94,311 ranging from 1-180 days past due. In addition, \$101,818 (held by 48 cardholders) was written-off as uncollectible as of August 8, 2001.

Without routine monitoring of individual card transactions, employees' misuse or abuse of the travel card may not be detected. An individual who is misusing the travel card could continue to do so and not be detected unless a delinquency problem arises.

Cardholder delinquencies could be reduced by routine monitoring of card activity to determine where the employee is using the card and what purchases are being made; how often they are using the card; and whether they are using the card on official travel.

#### **OPM's Response**

We agree that the various reports could help in detecting fraud and abuse of travel cards, but, in our opinion, with an annual volume of about 11,000 vouchers the workload associated with performing post audits would be unmanageable with the level of resources available to the OCFO. However, we do recommend that the OIG use these reports to establish an auditable, scientific sampling method for the OCFO to use in selecting various travel card transactions for post audits.

#### **OPM-OIG's Reply to Response**

We acknowledge OPM's concurrence with the finding. We recommend that the OCFO delegate responsibility to program offices to perform periodic reviews of reports to prevent and detect employee misuse or abuse of the travel card. Program offices should be given appropriate access to EAGLS so that they can perform periodic reviews of reports to identify employee misuse or abuse of the travel card. As A/OPC, the OCFO is responsible for monitoring account activity and managing delinquencies. The OCFO should collect data from program offices on their review of employee account activity to ensure that program offices are conducting periodic reviews and taking appropriate action.

We also agree to meet with the CFO's office to establish a sampling method to use in selecting travel card transactions for post-audits.

#### **Recommendation 4:**

We recommend that the OCFO and program offices utilize various reports that are available in EAGLS to monitor and perform periodic reviews of travel card use and to identify employee misuse or abuse of the travel card. Reports that may be useful in such an effort include: (1) Authorizations/Declines Report – review attempted purchases which were declined; (2) Transaction Activity Report – review transaction locations; and (3) Exception Report – review ATM transactions and large purchases. In addition, program offices should be given appropriate access to EAGLS to allow them to identify possible employee misuse or abuse of the travel card.

### **3) TRAVEL MANAGEMENT SYSTEM IMPROVEMENTS ARE NEEDED**

OPM's current travel management system does not contain edits to prevent payment errors or possible duplicate payments and relies on a manual process to ensure travelers are reimbursed.

Currently, three representatives of the CFO's office enter travel voucher data into the travel system, TRIPS – Travel Information Processing System. These individuals manually look up the per diem rates and manually calculate the total per diem allowed for lodging and miscellaneous and incidental expenses. The amounts are then entered into the system. A manual review of allowable expenses claimed for reimbursement is also done. Once the amounts are all entered, payment is authorized. Since there are no system edits to prevent payment errors or possible duplicate payments, individuals could be reimbursed for the incorrect amount or even paid twice for the same travel voucher. As it was explained to us through interviews, each travel order has a budgeted amount associated with it. Each department within OPM has a travel budget. Once a travel voucher is submitted against a travel order, a second voucher could be processed and paid against this travel order as long as there is enough money left in the department's travel budget.

To prevent an increased risk of payment errors (incorrect payment or duplicate payments) and to prevent an increased risk of financial loss to OPM, controls over the travel system need to be improved.

We understand that the current travel management system is due for replacement in FY 2002 with GSA's travel system.

#### **OPM's Response**

We agree with this finding. In early FY 2002, we will be using the GSA Travel System and we believe that this system includes the edits and controls that will prevent payment errors or possible duplicate payments.

#### **Recommendation 5:**

We recommend that the travel system include controls to prevent payment errors or possible duplicate payments. Some suggestions to consider include: (as taken from GAO's Travel System Requirements Checklist, GAO/AIMD-00-21.2.8)

- System controls to prevent the creation of duplicate travel documents.
- System calculation of authorized per diem and meals and incidental expenses based on temporary duty location and the Federal Travel Regulations.

#### **IV. MAJOR CONTRIBUTORS TO THIS REPORT**

##### **Office of the Inspector General, Internal Audits Division**

*Daniel L. Fletcher, Division Chief*

*Carol Ries, Senior Team Leader*

*Stacy Howard, Auditor*

*Michael Miller, Auditor*

*Jane Ziamanesh, Evaluator*

**Ries, Carol**

---

**From:** Duckett, Maurice O  
**Sent:** Friday, September 28, 2001 7:40 PM  
**To:** Fletcher, Dan; Ries, Carol  
**Cc:** McGettigan, Kathleen; Loiselle, James; Loring, Robert; Souffrain, Felix  
**Subject:** Response to Draft Audit Report

Dan, attached is the OCFO response to your Draft Audit Report on Internal Controls over OPM's Travel Card Program.



Response to Draft  
Audit Report...

OCFO's Response to Draft Audit Report on Internal Controls  
Over OPM's Travel Card Program  
Report No. 4A-CF-00-01-102

AUDIT FINDINGS AND RECOMMENDATIONS

**DOCUMENTED POLICIES AND PROCEDURES GOVERNING OPM'S TRAVEL CARD PROGRAM ARE NEEDED**

We agree with the recommendation

During FY 2002, the OCFO plans to develop and implement policies and procedures governing the issuance and use OPM travel cards.

As you know, the collection of amounts due is between the employee and the bank. Accordingly, the bank is responsible for pursuing the debt and providing due process to the debtor. If the bank after due process, and it never has to date, contacts OPM and ask for assistance in collecting the debt we are able to do so.

**IMPROVEMENT NEEDED FOR EMPLOYEE EXIT PROCEDURES-CHARGE CARD PROGRAM**

Although there is a line on the employee exit sign-off sheet that the travel office uses in checking out separating employees, there are no written procedures. We concur with the finding and recommendation. During FY 2002, we plan to develop and implement a policy and procedures for the return of travel cards from exiting employees, however, we will only assists in the recovery of outstanding balances when the bank makes a request.

**ADDITIONAL OVERSIGHT OF THE TRAVEL CARD PROGRAM IS NEEDED**

We agree that the various reports could help in detecting fraud and abuse of travel cards, but, in our opinion, with an annual volume of about 11,000 vouchers the workload associated with performing post-audits would be unmanageable with the level of resources available to the OCFO. However, we do recommend that the OIG use these reports to establish an auditable, scientific sampling method for the OCFO to use in selecting various travel card transactions for post-audits.

**IMPROVEMENTS NEEDED TO OPM'S TRAVEL MANAGEMENT SYSTEM**

We agree with this finding. In early FY 2002, we will be using the GSA Travel System and we believe that this system includes the edits and controls that will prevent payment errors or possible duplicate payments.