

Audit of NSF's Travel Card Program

**National Science Foundation
Office of Inspector General**

**September 30, 2005
OIG 05-2-012**



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Introduction

The Travel and Transportation Reform Act of 1998¹ (the Act) requires Federal employees to use travel charge cards for all payments of expenses related to official Government travel, including hotels, transportation costs, and meals. By consolidating travel expenditures with a single credit card vendor and by streamlining the process for advancing travel funds to federal employees, agencies reduce administrative costs associated with processing federal travel.

The General Services Administration (GSA) issues the Federal Travel Regulation (FTR) that implements the requirements of the Act, and administers government travel cards through its SmartPay program. Each agency selects one of the five banks contracted by GSA as their travel card provider and negotiates its own task order under the SmartPay master contract. The task order identifies the specific charge card services the selected bank will provide the agency, and documents the agreed upon fees, including additional negotiated rebate percentages.

The master contract allows each agency to receive rebates based on purchase dollar volume and payment performance. The minimum rebate percentage is .06 percent of total purchases, traveler's checks, and automated teller machine (ATM) transactions made with the government travel cards. Uncollected account balances reduce the purchase dollar volume, thus reducing the amount of the agency's rebate. The bank also pays a portion of the agency's rebate to GSA as a service fee. Although generally minimal when compared to an agency's total official travel expenditures, rebates nevertheless help to reduce agencies' travel costs.

Upon selection, the bank vendor issues individual travel charge cards to agency employees and enters into a credit card agreement directly with the employee.² Under the agreement, the employee is responsible for seeking reimbursement for the travel costs from the agency and paying the credit card bill to the bank. Federal standards of conduct require federal employees to pay their debts in a timely manner and federal travel regulations specifically prohibit the use of an individual's travel card for any purpose other

¹ Travel and Transportation Reform Act of 1998, Public Law 105-264.

² Each agency also has the option of having a centrally billed travel card account. Unlike with individual travel charge cards, under this option, the agency itself is responsible for payment of the centrally billed account, rather than the employee.

than official travel. Once the employee uses the travel card, the employee must pay his own balance, in full and on time, presumably from monies the agency has paid to the individual as a result of his request for reimbursement. However, because the employee is the responsible party on the individual account, the agency is under no obligation to pay the bill; the employee must pay the travel card bill, even if he has not yet received reimbursement from the agency.³ Agency Program Coordinators (APCs) are responsible for monitoring the travel card accounts to verify these accounts are paid in a timely manner.

Delinquency and nonpayment of an individual's account are serious matters for both the individual and the agency. Delinquent accounts that are not the subject of a billing dispute may harm the individual's credit rating and the bank may suspend or even cancel the individual's travel card if the outstanding account balance becomes overdue. Furthermore, such a suspension or cancellation may affect the employee's ability to travel on official business, and thus may impair the individual's ability to perform his official duties.

While responsibility for payment rests with the individual, agencies also have a responsibility, as well as a financial incentive, to ensure that accounts are paid timely and in full. GSA's master contract describes the agencies' travel card program responsibilities. These include ensuring that cardholders use the card only for authorized purposes by monitoring account activity; and managing delinquencies and misuse by notifying the employee and management of delinquent accounts, taking appropriate disciplinary action, and, as a last resort, collecting the overdue amount from the employee through salary offsets. Additionally, the negotiated rebate provides a financial incentive for the agency to act to ensure that its employees' overdue balances are paid in full. Because unpaid account balances reduce the amount of the rebate the agency receives, it is important that the agency minimize delinquent accounts. Monitoring and managing delinquencies also helps the agency avoid potential negative publicity that comes with unpaid accounts.

Under GSA's SmartPay Program, the National Science Foundation (NSF) has contracted with Bank of America (BoA) for its travel card services. Approximately 1,000 NSF employees have a travel card

³ The Federal Travel Regulation requires employees to submit requests for reimbursement within five days of completing their travel. It also requires agencies to reimburse an employee within 30 days of the employee submitting a proper claim for reimbursement to the approving official. If agencies do not reimburse the employee within the 30-day timeframe, the agency must pay interest to the employee for the late payment.

and incur approximately \$2.5 million in charges a year. NSF earned a rebate in FY 2004 amounting to approximately \$12,590.

Administration of Travel Card Program

Within NSF, the Office of Budget, Finance, and Award Management's Division of Financial Management (DFM) is responsible for the agency's financial policy and financial management, including the management of its travel card program. DFM has one full-time employee designated as the primary APC, who is expected to spend 50 percent of her time administering the travel card program. The APC opens and closes travel card accounts, maintains and updates employee account information, monitors employee accounts for misuse and delinquency, sends misuse and delinquency notification letters, acts as the primary liaison between the cardholders and the issuing bank, and answers cardholders questions on the proper use of travel card. The APC also ensures all 1,019 cardholders at NSF complete the GSA web-based travel card training. In addition to the primary APC, DFM has designated two alternate APCs, who assist the primary APC in opening and closing employees' travel card accounts and monitor the primary APC's personal travel card account to ensure it is used appropriately and payments are current.

Objectives, Scope, and Methodology

The objectives of this audit were to determine if NSF:

- Adequately manages its travel card accounts to ensure that cardholders are using their government travel cards properly and paying their travel card accounts in a timely fashion; and
- Properly monitors its Agency Program Coordinators' travel card accounts.

To accomplish our audit objectives we obtained access to Bank of America's EAGLS credit card system for NSF cardholders, and, using automated auditing software, identified 6,218 credit card transactions occurring during the period March 1, 2004 through August 31, 2004, valued at \$1.2 million. We reviewed 100 percent of these transactions for appropriateness, and compared the transactions to NSF's travel order database to determine whether employees incurred the expenses in conjunction with official government travel. For the 942 transactions that initially appeared questionable, we requested travel orders, transaction receipts, and

other documentation from the responsible cardholders. We did not further research 51 of these transactions because the cardholder was no longer with the agency.

To determine if NSF cardholders pay their travel card account bills timely, we reviewed Bank of America's delinquency reports for NSF from January 2004 to August 2004. From these reports, we identified all accounts having overdue balances. We also identified the number of accounts that Bank of America has charged-off for non-payment during that time.

Additionally, to determine if Agency Program Coordinators were properly closing separated employees' accounts, we obtained a list of individuals who separated from the agency as of January 1, 2004, through August 20, 2004, and compared it to the list of current cardholders to identify individuals that had departed NSF but still had open travel card accounts.

Finally, to determine if there is adequate oversight of the primary APC's personal travel card account, we interviewed the APC's supervisor, the Chief of the Cash Management and External Accounting Branch, to determine how NSF monitors the APC's travel card account. In addition, we compared the APC's travel orders and travel card transactions to confirm that the transactions were for valid government purposes.

We conducted our audit work between August 2004 and September 2005, in accordance with the Comptroller General's standards for audits contained in the *Government Auditing Standards*.

Results of Audit

Overall, NSF has effective controls to ensure that its personnel properly use their government travel cards, as required by the Federal Travel Regulation (FTR) and current NSF policies. NSF effectively monitors travel card transactions by investigating transactions that do not appear proper, according to current travel policies.

In addition, NSF proactively monitors its employees' travel card accounts to ensure that the accounts do not become delinquent. NSF identifies overdue accounts and takes appropriate action to address the few accounts that have overdue balances. As a result, Bank of America wrote off only one delinquent account, totaling \$2,623, during fiscal year 2004. NSF took proper and timely actions to work with the employee to ensure the bill was paid, but the employee left the agency before NSF could initiate collection actions.

NSF also properly monitors the primary and alternate Agency Program Coordinators' (APC) accounts to ensure the APCs do not use their oversight position for personal benefit. Unless an APC has an approved travel order, NSF maintains the APC's travel card accounts in an inactive status. An alternate APC or the APCs' supervisor reviews all of the APC's travel card transactions.

Since our last audit in 2002, NSF has expanded its oversight of travel card activity to include monitoring, detecting, and addressing employees' unauthorized use of travel cards. It has incorporated procedures that include manually reviewing all ATM transactions to ensure they were associated with approved travel orders. Additionally, the primary APC monitors travel card transactions for proper use, investigates questionable transactions, identifies and notifies cardholders with overdue accounts, and, when necessary, initiates wage garnishment actions to collect aged overdue accounts. The APC spends close to half of her time on the travel card program responding to cardholders and agency Administrative Officers on such questions as whether or not a particular use of a travel card is permissible.

Nevertheless, NSF can make several improvements in its travel card program. Although less than 1 percent (\$6,068) was for personal use, our review found that for 10 percent (\$113,413) of NSF's \$1.2 million of travel card transactions incurred during the 6-month period March through August 2004, NSF cardholders improperly used their travel cards to pay for items that were for

personal use, not pre-approved, or should have been purchased through other procurement instruments. To address these issues, NSF should:

1. Obtain automated software to improve its monitoring capabilities;
2. Clarify its policies regarding the use of travel cards to pay for:
 - Expenses not related to temporary duty travel;
 - Non-contract service fees without advanced approvals; and
 - Travel expenses incurred by NSF employees while on temporary assignment with another federal agency; and
3. Improve its separation procedures to ensure that all cardholders' travel card accounts are closed timely, when personnel depart from the agency.

Each of these improvements is discussed separately below.

Improvements Needed in NSF's Monitoring Procedures for Detecting Unauthorized Travel Card Transactions

The FTR and NSF policies allow government travel charge cards to be used only for authorized official travel and travel-related expenses. These policies also require proper written or electronic authorization, in the form of a travel order, prior to a cardholder incurring any travel related obligations or expenses, including registration fees for out-of-town conferences and deposits for hotel reservations.

Nevertheless, NSF employees generated 69 transactions, valued at \$6,068, for personal items and services that were improperly charged to government travel cards. These transactions included purchases at grocery stores, restaurants, hotels, and gas stations, primarily within the local commuting area. Additionally, employees incurred 218 transactions, valued at \$81,951, for prepayments of conference registration fees, hotels, and transportation expenses, prior to obtaining proper authorization through approved travel orders. In monitoring the travel card transactions, the APC identified and questioned only 40 of the 69 personal use transactions, and did not identify or question any of the 218 prepayments.

At the time of our audit, NSF did not have the capability to easily monitor a large number of travel card transactions to detect, nor did it have the capability to easily monitor and detect when its employees have used their government travel cards without valid travel orders. The APC manually reviewed all reports of transactions from Bank of America's EAGLS database, and followed up on those that she considered questionable. Furthermore, because travel orders are maintained in a separate NSF database, the APC had no efficient means to link and compare these two databases to ensure that all travel card transactions were associated with approved travel orders.

To improve and simplify the identification of such transactions, we suggested that NSF consider using a software package to perform a quicker, more systematic review of travel card transactions. With this type of software, the APC can also readily match and compare the two databases to identify transactions without valid travel orders. NSF has purchased the software and now uses it for their travel card monitoring.

Clarifications Needed in NSF's Policy Regarding Proper Use of Travel Cards

Our review identified three issues that NSF should clarify in its travel card policies, to ensure that employees understand how to properly use their travel cards.

Non-travel Related Business Expenses: According to the FTR and NSF policies, the government travel card may only be used for expenses related to official government travel associated with approved travel orders. The General Services Administration (GSA), which has responsibility for issuing and implementing the FTR, defines official government travel as travel when the individual is *outside the local area and is eligible to receive per diem and lodging*. Thus, when an individual's travel on official business does not meet the definition of official government travel, it is considered local travel, and NSF policy requires expenses incurred for local travel to be reimbursed through a Standard Form 1164 (SF 1164), *Claim for Reimbursement for Expenditures on Official Business*. Local travel for most NSF personnel encompasses the counties of Prince Georges and Montgomery in Maryland, and Arlington, Loudoun and Fairfax in Virginia; and the cities of Washington, DC, Alexandria, Falls Church, and Fairfax.

NSF employees generated 51 transactions valued at \$18,310, for payments of local conferences, training, and other business expenses associated with local travel. Specifically, 43 of the 51 local transactions, valued at \$17,756, were expenses for local conferences or training. The remaining eight transactions were for other business expenses that were incurred locally, such as parking fees and meal expenses incurred while attending local training. The APC identified and questioned only 3 of these 51 transactions.

In addition, NSF employees generated 4 transactions valued at \$1,000 that could possibly be legitimate business expenses, but even if legitimate, were not related to official government travel. Three of these transactions were for copying expenses, and one was for a potential employee's pre-employment physical. If authorized, these expenses should have been paid for using a purchase order, purchase charge card, or reimbursed through the SF 1164. Three of these four transactions were identified and questioned by the APC because they occurred outside of the local area while the employee was on personal leave.

Although it has policies for reimbursement of local travel expenses, NSF does not have a policy that specifically addresses the use of travel cards to pay for local training, conferences or other local business expenses. Therefore, even though such expenses are not associated with approved travel orders and thus, not appropriate for payment with government travel cards, monitoring procedures do not include steps to identify travel card transactions for local conferences, training, and other local business expenses.

Reimbursement of Service Fees Without Advance Approval:

The FTR and NSF policies require NSF personnel to arrange travel through the agency's Travel Management Contractor (TMC) or the agency's automated travel system. This policy helps to ensure that the government is able to obtain lower rates and refundable fares, and avoid additional service fees and cancellation penalties. Even in those instances where a traveler may locate an acceptable non-refundable fare offered by a non-contract carrier for a lower fee, NSF policy requires the traveler to purchase the ticket through the TMC after obtaining approval from NSF's Division of Administrative Services⁴. Without prior approval, the traveler is responsible for any additional costs resulting from the failure to use the TMC or the automated travel system. These costs include service fees such as those charged by online travel booking services, (i.e., Travelocity,

⁴ The Division of Administrative Services, within NSF's Office of Information Resource Management, is responsible for overseeing NSF's contract with its Travel Management Contractor, SATO.

Orbitz, or Expedia, Inc.), and penalties incurred to change or cancel reservations. Thus, following this policy ensures that travelers are complying with federal travel regulations and reduces financial risk to both NSF and the traveler.

However, NSF does not consistently enforce these requirements. In 20 transactions totaling \$323, NSF personnel charged their government travel card for payment of travel reservation fees incurred from sources other than the agency's TMC. The APC did not question 14 of the 20 transactions, nor did she review the related travel transactions to ensure that reimbursement limitations were properly applied.

Other Federal Agency Travel Charged to NSF Travel Cards: NSF has several employees who are on temporary assignments to other federal agencies, and have occasion to travel for the borrowing agencies. These 5 employees charged 32 transactions on NSF travel cards, amounting to \$5,762, while traveling on orders processed through the other agencies. Two of these employees were military reservists on short-term, temporary active duty.

NSF does not have a policy addressing how such transactions should be handled. However, the Government Accountability Office (GAO), which conducts audits of the Department of Defense's and other agencies' travel card programs, has a policy that requires its military reservists and other temporarily assigned employees to use the other agencies' travel cards when traveling on official business for those agencies.

The GAO policy avoids several issues that arise when travel expenses for one agency are charged using the travel card of another agency. First, the lending agency's APC is unable to monitor these travel expenses because both the travel orders and the associated reimbursements are processed and approved through the borrowing agency. In this situation, NSF's APC would have to obtain copies of the approved⁵ travel orders from the borrowing agency, in order to verify that the expenses charged were proper. Without the approved orders, the APC is unable to know that the credit card is being used for official business, and not for personal use. Additionally, GAO pointed out that these

⁵ Many agencies now use electronic travel systems, making it difficult to verify that travel orders have been properly approved without accessing the actual electronic system. To ensure transactions are proper and justified, the APC must compare the travel card transactions to the *approved* travel orders in the electronic system; a copy of the travel orders with a typed name of an approving official is not sufficient. When travel is approved through another agency but charged on an NSF travel card, NSF's APC cannot properly monitor the travel card charges because she cannot access the other agency's travel system.

transactions could result in a situation where the lending agency is improperly receiving supplements to its appropriations⁶ because the transactions inflate the agency's travel card volume used to calculate its rebate. Finally, if the borrowing agency's travel card is issued through a different bankcard vendor than the lending agency, the wrong vendor may be paying the rebate.

We suggest that NSF consider implementing a policy similar to GAO's that requires employees on temporary duty at other agencies to use the borrowing agencies' travel cards for authorized non-NSF travel.

NSF Needs to Close Travel Card Accounts When Personnel Leave the Agency

The APC did not always timely terminate individual travel card accounts when employees and visiting personnel separated from the agency. NSF had 141 employees and visiting personnel leave the agency during the period January 1, 2004 through August 20, 2004. Travel card accounts for 10 of these separated employees had not been closed as of August 20, 2004.

NSF's separation procedures require the employee's Administrative Officer to collect or destroy the employee's travel card at the time the employee completes the separation clearance process. At that time, the Administrative Officer notifies the APC to immediately terminate the account. For all 10 travel card accounts that had not been properly closed, the APC had not received timely notification from NSF's Administrative Officers that the employees had separated. The 10 accounts remained open for an average of 99 days after the employees separated.

Travel card accounts that are not properly closed when employees or visiting personnel separate, leave the agency and the employees at risk for fraudulent use of the travel card.

NSF's separation process did not adequately ensure that the APC was promptly notified of the separation and that the employee's travel card account was closed. Accordingly, during the audit, we discussed with NSF the need to revise its employee clearance process so that the APC must sign the employee's separation papers, confirming that the travel card account has been closed. Under this process, the APC would be included in the automated

⁶ Supplementing federal appropriations is a violation of 31 USC 1301(a).

list of individuals who are electronically notified of an employee's upcoming departure by the employee's Administrative Officer. In addition, the separating employee would need to obtain the APC's signature on his or her clearance forms. To further ensure that separated employees' accounts are closed, a second, additional list containing the names of separated employees and visiting personnel and the dates they separated would be prepared by the Division of Human Resource Management and sent monthly to the APC.

During our audit, NSF implemented all of these procedures, and our audit confirmed that the revised procedures were implemented and working effectively.

Conclusion and Other Matters for Consideration

NSF did not investigate 341 of the 394 questionable transactions (87 percent) because NSF either does not have a policy addressing the particular situation, does not consistently enforce the policies it has, or does not have the ability to reasonably compare travel card transactions to approved travel orders. Thus, monitoring procedures do not include steps to identify these questionable transactions.

Additionally, NSF needs to reconsider the amount of resources it expends on implementing and monitoring its travel card program. NSF officials expect approximately 50 percent of one person's time to be spent on APC activities. In reality, the primary APC, who has several other important, non-travel related responsibilities, estimates she spends close to 85 percent of her time on the travel card program. Close to half of that time is spent responding to general and specific questions from travelers and agency Administrative Officers. Additionally, when the primary APC is on leave or otherwise unavailable, the alternate APCs do not assume the primary APC's duties. Consequently, quality is likely to suffer, despite the APC's best efforts. Clarifying policies should help reduce that burden. Using automated methods to monitor travel card accounts should also help reduce the burden, as it should be easier to identify questionable transactions. However, it is also possible that using automated methods will add to the APC's workload as these methods are likely to increase the number of questionable transactions that are identified and must be investigated by the APC.

Nevertheless, to ensure the best coverage and sharing of the

APC's specialized knowledge, NSF should consider redistributing the primary APC's responsibilities, or supplementing its APC staff.

Implementing and enforcing travel card policies by monitoring travel card transactions ensures the government travel cards are used only for official government travel expenses. In addition, enforcing requirements that government cardholders obtain authorization, prior to incurring travel card charges, guarantees funds will be available to pay for the expenses and ensures that the cardholders will not incur unnecessary costs if travel plans are changed or cancelled. Implementing proper policies also helps prevent unauthorized use of federal travel cards and ensures that employees do not use their official positions for financial gain.

Recommendations

To improve the effectiveness of NSF's travel card program, we recommend the Director of the Office of Budget, Finance, and Award Management take the following actions:

- 1-1) Consistently enforce NSF's policies that require NSF employees and visiting personnel to:
 - Obtain approved travel orders prior to initiating transactions, including prepayments for hotel reservations; and
 - Require personnel to use the Travel Management Contractor for travel reservations unless they have obtained proper approval.
- 1-2) Issue a travel policy that informs employees and visiting personnel that they must obtain approved travel orders prior to using their travel card, and that local training, conferences, or other non-official travel related business expenses must be paid for or reimbursed using a different means.
- 1-3) Improve monitoring procedures to consistently identify and investigate all questionable transactions to determine if cardholders are using the travel card appropriately. Additionally, investigate the 29 personal use transactions identified during the audit that NSF had not questioned to recover the funds as appropriate.

Agency Comments

NSF concurred with each of the audit recommendations, and we have included their response, in its entirety, as Appendix A.

Appendix A: Agency Response



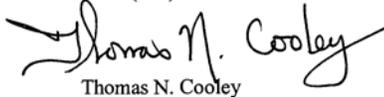
OFFICE OF THE CHIEF FINANCIAL OFFICER

MEMORANDUM

Date: OCT - 3 2005
To: Deborah H. Cureton, Associate Inspector General for Audit
From: Chief Financial Officer
Subject: DFM comments to Draft OIG Report "Audit of NSF's Travel Card Program", Dated September 21, 2005

We received a copy of your draft report on the above subject. Thank you for acknowledging the improvements we have made in our monitoring and oversight procedures. The information and cooperative assistance that your staff provided to DFM personnel during the audit was greatly appreciated. Management's comments in regard to the recommendations are attached.

If you have any questions, please contact Richard Noll on (703) 292-4458.


Thomas N. Cooley

Attachment

Attachment:

Recommendation 1-1)

Management concurs with the first bullet of the recommendation. NSF has purchased a software package, Audit Command Language, and is currently using the software to monitor travel card transactions. This software enhances our existing process of reviewing travel card transactions. Management also changed the duties & responsibilities of the APC in order to provide the APC with the ability to monitor more effectively the travel card transactions and detect when NSF travelers have used their government travel cards without valid travel orders. NSF is continuing our efforts and is making progress in this area.

Management concurs with the second bullet of the recommendation. NSF will update the travel card policy. NSF will also provide reminders to personnel of the requirement in NSF's travel policy requiring personnel to arrange travel through the agency's Travel Management Contractor (TMC), or the FedTraveler system. NSF is currently implementing the Fed Traveler system, which when fully implemented, will provide us with the control and capabilities to monitor the CBA and IBA in relation to utilization of the travel management contractor.

Recommendation 1-2)

Management concurs with the first part of the recommendation on travel policy. NSF is in the process of reviewing and revising NSF's travel policy, NSF Bulletin No. 04-03, to require employees and visitors to obtain an approved travel plan prior to using their travel card.

Management concurs with the second part of the recommendation on using a mechanism other than the travel card to pay for local training, conferences, or other non-official travel related business expenses. This recommendation will not be achievable until implementation of our new learning management system. Currently, NSF personnel pay these types of expenses either through the Federal requisition form process or their personal charge card. The new Learning Management System will provide a third option by allowing NSF personnel to pay for these expenses through the NSF purchase card program.

Recommendation 1-3)

Management agrees with the recommendation and has taken the following steps to improve our travel card monitoring procedures:

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- NSF purchased and is using the Audit Command Language software package to perform a more automated review of travel card transactions.
 - Changed the duties of the DFM employee designated as the primary APC to enable her to devote 90 – 95% of her time to administering the travel card program.

Management will review the 29 transactions identified during the audit as questioned costs and determine proper resolution. We will provide your office with the results of our review.

Appendix B: Categories of Questionable Travel Card Transactions

In this audit, we identified 942 of 6,218 total transactions that required additional research to determine if they were proper charges. Questionable transactions include prepayments of travel expenses without an approved travel order, purchases of goods or services not related to official government business, and purchases to cover local rather than temporary duty travel. Of these 942 transactions, additional research showed that 497 were proper. These included transactions associated with blanket travel orders for frequent travelers that were not maintained in the travel order database, and travel orders that were not properly completed. We did not research 51 of the 942 questionable transactions because the cardholders were no longer with the agency. The remaining 394 questionable transactions are grouped into 5 categories.

- Personal use of the government travel card – 69;
- Prepayments of hotel reservations, conference registrations, and other travel-related expenses made without approved travel orders – 218;
- Official government business expenses that should have been purchased or reimbursed using a different method – 55;
- Service fees for travel reservations made outside of the agency's Travel Management Contractor (TMC) without prior approval from the appropriate NSF official – 20; and
- Official travel for other federal agencies that was improperly charged to NSF's travel card – 32.