




National Science Foundation • Office of Inspector General
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

MEMORANDUM

DATE: August 18, 2015

TO: Martha A. Rubenstein
Chief Financial Officer and Head/BFA

FROM: Dr. Brett M. Baker 
Assistant Inspector General for Audit

SUBJECT: Revised *Audit of the National Science Foundation's Travel Card Program*,
Report No. 15-2-008

Attached is our revised report of our audit of NSF's travel card program, which we previously issued to your office (*Audit of the National Science Foundation's Travel Card Program*, Report No. 15-2-008, dated July 2, 2015). The revision is necessary to make minor technical corrections with the report. Specifically, on page 2 of the original report, under the Results of Audit section, we stated that over \$1.4 million of hotel and rental car expenses were not charged to Individually Billed Account (IBA) charge cards for staff who travel at least six times per year. On page 6 of the original report, under the finding NSF Should Enforce the Requirements for Frequent Travelers to Obtain and Use an IBA Travel Charge Card, we stated that this amount not charged was over \$1.5 million. We further examined the data we used for our audit, and found that the amount of hotel and rental car expenses not charged to IBAs for staff who travel at least six times per year was almost \$1.6 million for Fiscal Years 2012 and 2013. The rest of this finding, the report's conclusions, and recommendations remain unchanged.

The report contains three findings to: 1) further strengthen management and oversight to prevent misuse of travel cards; 2) enforce the requirement for frequent travelers to obtain and use an individual travel charge card; and 3) ensure that Centrally Billed Guest Account charges are reviewed in detail to detect any improper charges. We have included NSF's response as an appendix to the final report.

To comply with Office of Management and Budget Circular A-50 requirements for audit follow-up, please provide within 60 calendar days of the original July 2, 2015 report transmittal, a written corrective action plan to address the report's recommendations. This corrective action plan should detail specific actions and milestone dates.

We appreciate the courtesies and assistance provided by NSF staff during the audit. If you have any questions, please contact Marie Maguire, Director of Performance Audits, at (703) 292-5009.

Attachment

cc:	France A. Córdova	Richard Buckius
	Karen Tiplady	Michael Van Woert
	John Lynskey	Ruth David, NSB
	Joanne Tornow	Doug Deis
	Judy Sunley	Allison Lerner
	Fae Korsmo	Marie Maguire
	Christina Sarris	Wendell Reid
	Kathleen Carpenter	Emily Franko

Audit of the National Science Foundation's Travel Card Program

**National Science Foundation
Office of Inspector General**

**August 18, 2015
OIG 15-2-008**



TM#14-P-1-004

Introduction

The National Science Foundation (NSF) participates in the General Services Administration's (GSA) government-wide SmartPay Travel Charge Card program. This program provides Individually Billed Account (IBA) charge cards to NSF staff to use for travel expenses, such as hotels, rental cars, and meals, while on official travel. The cardholder receives the statement of charges made and is responsible for submitting a travel voucher for reimbursement and paying the IBA charges. This program also provides Centrally Billed Account (CBA) cards billed directly to NSF. One CBA card is used for ticketed transportation (airline and rail) costs for NSF staff on official travel and the other card is for ticketed transportation costs for NSF panelists and guests.

The Division of Financial Management (DFM) within NSF's Office of Budget, Finance & Award Management is primarily responsible for administering NSF's travel card program. NSF's Agency Program Coordinator (APC) in DFM is responsible for both overall administrative functions relating to the program and general oversight of the travel cards. JPMorgan Chase bank provides the credit cards and banking services to NSF.

From October 1, 2011 through December 31, 2013, 476 NSF staff¹ used their individual travel cards for approximately 12,000 transactions totaling over \$1.7 million. NSF's CBA accounts were charged \$8.26 million for approximately 43,100 transactions for transportation and transaction fees for staff travel, and almost \$16.5 million for transportation and transaction fees for 69,100 transactions for panelists and visitors.

The last OIG audit of NSF's travel card program, performed in 2005², found irregular transactions, including using the travel card to pay for items that were for personal use, were not preapproved, or that should have been paid for using other procurement instruments.

Results of Audit

NSF has implemented controls to detect misuse and unauthorized charges for its IBA travel cards and CBA travel accounts. For IBA cards, DFM performs a monthly review to identify misuse of the IBA travel cards and promptly contacts the cardholder and the cardholder's supervisor to obtain information on the identified charge. If DFM determines that a charge was misuse, DFM notifies the cardholder's supervisor and requires the cardholder to take remedial training within 30 days. Also, NSF generally closed IBA travel card accounts for departing NSF employees on a timely basis. We

¹ Figures presented in this report exclude NSF's Office of Inspector General (OIG) cardholders. We performed a separate review of OIG cardholders' charges.

² *Audit of NSF's Travel Card Program*, Audit Report No. 05-2-012, issued September 30, 2005.

found very little misuse of the IBA travel card and DFM had detected and followed-up on the misuse that we identified. For the CBA accounts, NSF requires the travel agency contractors to reconcile all charges to the accounts.

However, we found that the integrity of NSF's travel card system could be enhanced, and the risk of misuse of IBA cards and improper charges to the CBA travel cards could be minimized, if NSF established additional internal controls. Specifically, NSF did not:

- periodically review Merchant Category Codes (MCCs) for IBA and CBA travel card accounts,
- document changes to, and justifications for, increases to credit and cash withdrawal limits for IBA accounts,
- ensure that all IBA cardholders completed required refresher training, or remedial training for those cardholders who misused their card, and
- perform a detailed review of the charges to the CBA account for panel and group travel.

We also found that usage of the IBA card was low despite Federal law, regulations, and NSF policy which require use of the card for official travel expenses. For over \$4.6 million of hotel and rental car expenses claimed by all staff from October 1, 2011 through December 31, 2013, almost \$3.4 million (73 percent) was not charged to IBAs. For fiscal years (FY) 2012 and 2013, nearly \$1.6 million of \$3.1 million (52%) in hotel and rental car expenses not charged to IBAs were for staff who travel at least six times per year and are required to use the IBA card. NSF needs to enforce the Federal and NSF requirement that frequent travelers obtain and use an IBA travel card.

NSF Should Further Strengthen Management and Oversight to Prevent Misuse

We found that NSF has implemented controls to detect misuse and unauthorized charges for its IBA travel cards and CBA travel accounts, and DFM had previously detected the personal use charges that we found. DFM performs a monthly analysis to identify misuse of the IBA travel cards, in which DFM compares JPMorgan Chase transaction data with data in FedTraveler, NSF's eTravel system³. Specifically, DFM verifies that for each IBA travel card charge there was an approved travel authorization in FedTraveler, and that the charge occurred while the cardholder was on official travel⁴.

³ FedTraveler was NSF's electronic travel system for NSF staff during the period under audit. NSF is now using a different travel system.

⁴ NSF's *Travel Charge Card Information Guide* (dated February 1, 2007), permits travelers to make an ATM withdrawal up to 7 days prior to the trip start date and up to 3 days after the travel end date.

We selected 437 transactions totaling \$64,813 made by 111 IBA travel cardholders to test for possible misuse of the card. We identified nine transactions totaling \$346 made by nine cardholders which were not related to official travel, or were made before obtaining an approved and obligated travel plan in FedTraveler. Eight of the nine transactions were for personal use, and therefore constitute misuse. DFM had identified and issued misuse letters for seven of the eight transactions totaling \$242 as part of its monitoring; and the cardholder for one transaction for \$45 immediately reported the misuse to DFM. These eight personal use transactions were charges made at grocery stores, a drug store, parking garages, a restaurant, and an ATM withdrawal while not on official travel.

DFM's monitoring did detect the remaining transaction of \$59, a ground transportation charge for an official business trip, which was made before obtaining an approved and obligated travel plan. However, DFM could not determine whether the misuse inquiry letter was sent to that cardholder.

Also, NSF complied with its policy regarding delinquent accounts. NSF's *Travel Charge Card Information Guide*, dated February 1, 2007, states that once an IBA account becomes 120 days past due, NSF will send the account holder a certified letter informing them that a salary offset will begin in a payroll period no sooner than 30 days following the date of the letter. We reviewed all monthly IBA delinquency reports during our scope period, and identified only one cardholder whose account was over 120 days past due. NSF notified the cardholder that JPMorgan Chase bank closed the account and a salary offset would be initiated for the pay period beginning 30 days from the date of the letter. However, no offset was needed because the cardholder paid the full balance before the salary offset would have begun.

Although, as previously noted, NSF has implemented controls to detect misuse and we found only minor instances of misuse, NSF's policies and procedures could be strengthened and better enforced to reduce the risk of inappropriate use. DFM did not periodically review Merchant Category Codes for IBA or CBA travel card accounts, did not monitor nor consistently enforce required refresher and remedial training of IBA cardholders, and did not document changes to, and related justifications for, increases to credit and ATM cash withdrawal limits of IBA cardholders.

NSF Should Periodically Review Merchant Category Codes

Merchant Category Codes (MCCs) identify the vendor's business category, such as hotels, restaurants, grocery stores, and business services. At the APC's request, JPMorgan Chase can block transactions with merchants with specified MCC codes to prevent inappropriate charges. NSF has not periodically reviewed allowable MCC codes since JPMorgan Chase became NSF's service provider for the charge card

program in December 2008. As a result, there could be a greater risk that inappropriate charges could be made to the CBA and IBA travel card accounts.

For the CBA accounts, which are used only to pay for airline and rail transportation, and related fees booked through the NSF's travel website or NSF's travel agent, DFM had not requested that the MCCs for rental cars be blocked until after we informed NSF that they were allowed. However, no rental car charges were made to the CBA accounts during our audit scope period. The MCCs for hotels were not blocked until after two hotel charges⁵ were made to the CBA accounts in 2012. We did not identify any other inappropriate charges to the CBA card for staff travel.

For the IBA travel cards, several non-travel related MCCs, such as for doctors, dentists, legal services, schools, and child care services, were not blocked. Although we did not identify any inappropriate charges to vendors with these non-travel related MCCs, NSF should request JPMorgan Chase to block these codes to prevent inappropriate charges. DFM stated that it would review these MCCs for possible blocking. Since it is relatively easy to request JPMorgan to block codes, it makes sense to do so to deter future misuse.

Attachment 5 to *OMB Circular No. A-123, 'Best Practices in Managing Government Charge Card Programs,'* recommends that charge card managers utilize new and innovative solutions to detect and prevent misuse and fraud, including blocking high-risk MCCs from card use. Because MCC codes periodically change, DFM should periodically review its allowable and blocked merchant category codes for the CBA and IBA travel card accounts.

NSF Should Monitor Completion of Remedial and Refresher Training

NSF is not monitoring completion of required remedial training after a cardholder's first instance of identified misuse of the travel card. Of the eight cardholders in our sample with misuse identified by DFM, NSF provided us documentation of completed remedial training for six cardholders (75 percent). The remaining two cardholders did not appear to have taken the required training and their cards were not deactivated. One of the two continues to have a card, while the other cardholder, whose account was closed in September 2014, has left NSF. NSF's *Travel Charge Card Information Guide* requires cardholders who misuse the travel card to take remedial training by completing the GSA SmartPay Web-based training course within 30 days of the documented misuse or the card will be deactivated.

⁵ DFM identified these hotel charges in 2012, which were for \$89.00 and \$71.31, and were associated with official NSF travel. DFM obtained refunds to the CBA for these charges soon after they were made.

Also, NSF is not enforcing the requirement for IBA travel cardholders to take refresher training every 3 years. Of 557 IBA cardholders who had travel cards for at least 3 years on December 31, 2013, 527 (approximately 95%) had not taken refresher training as required during the preceding 3 year period (December 31, 2010 through December 31, 2013). Of the 30 cardholders who completed travel card training, 22 were actually cardholders completing the remedial travel card training as a result of misusing their card.

GSA's *SmartPay Program*, OMB Circular No. A-123 Appendix B, and NSF's *Travel Charge Card Information Guide* require all travel cardholders to take refresher travel card training at a minimum of every 3 years. The NSF training system, which is administered by the Division of Human Resources Management, records when refresher training is completed. However, because travel card training was not included on staff's training plans, the training system did not notify cardholders of the need to complete refresher training, as it does for other recurring mandatory training. Also, DFM did not consistently confirm that cardholders who misused their card completed the required remedial travel card training.

Without completing refresher training, there is a greater risk that cardholders will not be aware of any new policies and requirements, or reminded of existing rules. If completion of remedial training is not monitored or enforced, individuals who have misused the card may be more likely to misuse their card again.

NSF Should Document Increases to Credit and ATM Limits

For most IBA cardholders the credit limit is either \$3,000 or \$8,000 per month and the cash/automated teller machine (ATM) withdrawal limit is \$1,000 per monthly cycle (\$250 per week). We identified three cardholders with higher ATM withdrawal limits⁶. One of these cardholders had a weekly cash withdrawal limit of \$1,000 while the weekly limit for the other two cardholders was \$500. Per NSF's *Travel Charge Card Information Guide*, DFM can adjust cardholders' credit and ATM withdrawal limit; however, DFM could not provide us with records documenting the justification or approval for raising the ATM limits associated with these three accounts. DFM has subsequently developed a template it plans to use to document permanent and temporary changes to ATM limits.

Section 3(A) of The Government Charge Card Abuse Prevention Act of 2012 requires each agency to maintain a record of each official travel charge cardholder, annotated with related credit limits applicable to the use of that card. Also, NSF's *Travel Charge Card Information Guide* specifies a cash withdrawal limit for individual cardholders of

⁶ We were not able to determine how many cardholders had temporarily increased credit limits as doing so required a manual look-up of each cardholder account; however, DFM told us they sometimes raised total credit and ATM limits for overseas travelers.

\$250 per week. The credit limit and ATM withdrawal limits are set by JPMorgan Chase when the accounts are established. However, the APC can increase the limits at the cardholder's request. For example, if a cardholder is traveling internationally or for a long period, the cardholder may request a temporary increase to the credit and/or cash withdrawal limit.

If DFM is not documenting temporary increases to credit and cash withdrawal limits, cardholders may continue to have access to higher limits long after they are needed, which increases the potential risk for misuse of the card.

Recommendations:

DFM should improve management and oversight over the travel card program to reduce the risk of misuse by taking the following actions:

1. Review allowable and blocked MCC codes for the CBA and IBA cards on a periodic basis.
2. Work with the Division of Human Resources Management to ensure that cardholders are notified of, and complete, refresher training every 3 years.
3. Ensure cardholders complete the required remedial training after misuse of the travel card is identified by suspending the card until evidence of training completion is provided.
4. Establish a procedure to document changes to credit and ATM withdrawal limits. In addition, the APC should ensure that any temporary increases to credit and ATM limits are reset to the standard limits after the expiration date of the change.

NSF Should Enforce the Requirement for Frequent Travelers to Obtain and Use an IBA Travel Charge Card

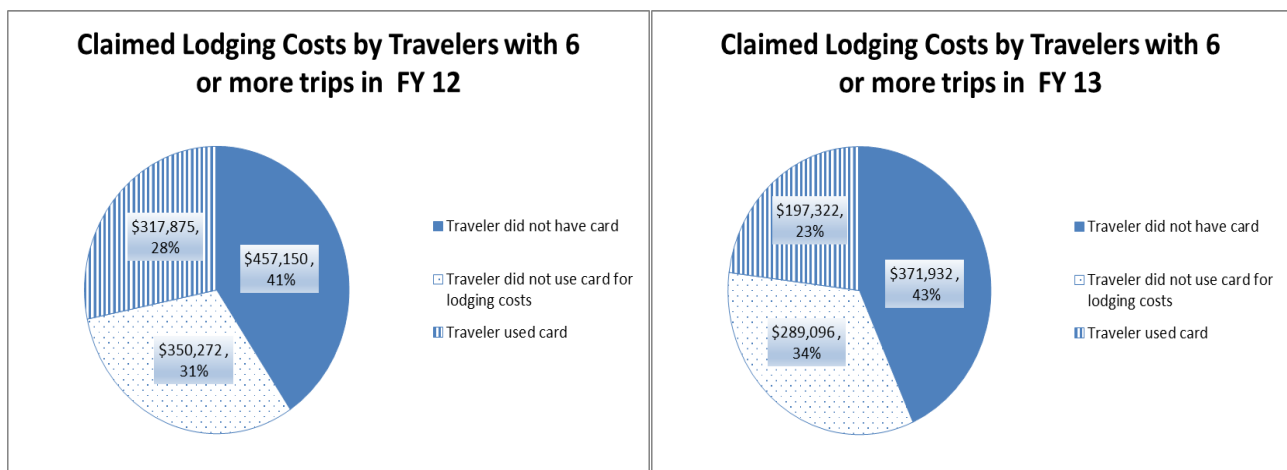
We found that usage of the IBA travel card was low. Of over \$4.6 million of hotel and rental car expenses claimed by all travelers from October 1, 2011 through December 31, 2013, almost \$3.4 million (73 percent) was not charged to the IBAs.

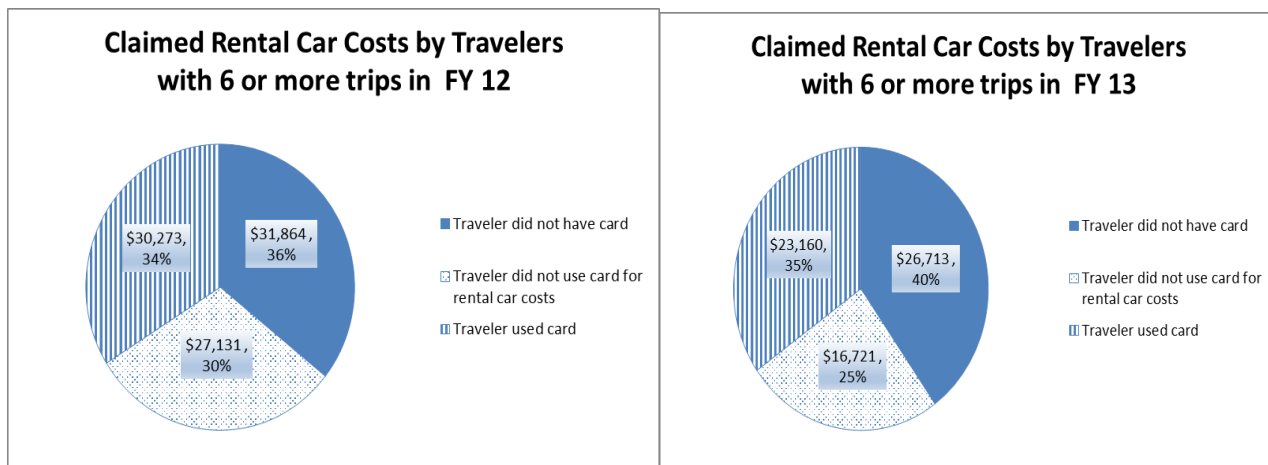
The Travel and Transportation Reform Act of 1998 (Public Law 105-264) and Federal Travel Regulation §301-70.700 and §301-70.706 require government employees to use their government issued travel charge card for official travel expenses. Furthermore, NSF's *Travel Charge Card Information Guide* requires staff who travel six or more times per year ('frequent travelers') to obtain and use a travel card to pay for expenses while on official travel. However, we found that many NSF staff who travel frequently do not have a travel card or are not using it as required. For FY 2012 and 2013, nearly \$1.6

million of \$3.1 million (52%) in hotel and car rental expenses not charged to IBAs were for staff who travel at least six times per year and are required to use the IBA card.

In FY 2012, 164 of the 380 (43 percent) NSF staff who traveled six or more times that year ('frequent travelers') did not have a travel card. Further, 71 of these 380 (19 percent) travelers had a travel card but did not use it to pay for any travel expenses. Thus, only 145 of 380 (38 percent) frequent NSF travelers had a card and used it at least once in FY 2012. Similarly, in FY 2013, 162 of the 323 (50 percent) frequent travelers did not have a travel card. Also, 58 of these 323 (18 percent) travelers had a travel card but did not use it to pay for any travel expenses. Thus, only 103 of 323 (32 percent) frequent NSF travelers had a card and used it at least once in FY 2013.

Most of the claimed lodging and rental car expenses for frequent travelers were not charged to the travel card. As shown below, in FY 2012, over \$807,400 of frequent travelers' claimed lodging costs of approximately \$1,125,000 (72 percent) were not charged to the IBA cards, with \$457,150 of these costs for frequent travelers who did not have a card and almost \$350,300 for cardholders who did not use the card. Almost \$59,000 of \$89,300 (66 percent) of frequent travelers' claimed rental car expenses were not charged to the IBA cards. Similarly, for FY 2013, over \$661,000 of frequent travelers' claimed lodging costs of \$858,350 (77 percent) were not charged to the IBA cards, with over \$371,900 of these costs for frequent travelers who did not have a card. Over \$43,400 of almost \$66,600 (65 percent) of frequent travelers' claimed rental car expenses were not charged to the IBA cards.





For example, one employee who took 23 trips from October 1, 2011 to December 31, 2013 used the IBA card mostly for ATM withdrawals totaling over \$4,500. During this same period, this employee incurred over \$28,600 of hotel expenses which were not charged to the IBA card. Another employee who took 17 trips during this period and claimed almost \$6,500 of hotel and rental car expenses only used the IBA card for one rental car charge of almost \$200.

In light of the Federal law and requirements to use the travel card for official travel expenses, along with NSF's own policy, the significant non-usage of the card by frequent travelers is concerning. Neither DFM nor the NSF Directorates and Offices are monitoring and/or enforcing the requirement for frequent travelers to obtain and use a NSF travel card to pay for official business travel expenses. NSF Directorates and Offices are in a better position to monitor and enforce this requirement since they are more knowledgeable of their staff's travel plans.

Not using the official travel card results in lost cost-savings to the government in the form of rebates that would have been earned had these frequent travelers used their IBA travel cards as required. We conservatively estimated that NSF would have earned an additional \$4,700 in rebates for FY 2012 and 2013⁷ had frequent travelers charged their IBA travel cards for hotel and rental car expenses. While the amount NSF could have earned in rebates is relatively small, NSF should ensure that the travel card be used while on official travel. Furthermore, IBA travel card transactions are exempt from state taxes in 11 states. Increased use of the IBA for official travel in these states would provide savings to NSF.

⁷This amount does not include expenses for other items such as meals and ground transportation because many of these other items are often paid with cash.

Recommendation:

1. NSF's Chief Financial Officer should take appropriate action to ensure that staff comply with Federal laws, regulations, and NSF policy by obtaining and using the travel card for official travel expenses. Such action could include requiring DFM to: (a) periodically review NSF travel expense reports to identify frequent travelers, (b) determine if these frequent travelers have a travel card and are using it, and (c) notify any frequent traveler who did not have or did not use a travel card, and the related supervisor(s), of the need to obtain a card and use it for official travel.

NSF Should Ensure that CBA Guest Account Charges Are Reviewed In Detail to Detect Any Improper Charges

CBA charges for guest travel are often not reviewed in detail for panel and group travel meeting costs. Proper review and reconciliation would reduce the risk of inappropriate charges to the CBA guest account.

NSF provides panelists and guests with information, such as the panel identification number (panel ID) or group travel number, to make their travel arrangements. Panelists and guests then contact NSF's travel contractor, CWTSato (SATO), to make airline or train reservations. SATO uses the panel ID or group number provided by the guest to charge NSF's CBA guest account for the costs of airline and rail travel.

SATO is required to provide DFM with a monthly file of CBA transactions, which includes cost and itinerary of the ticketed transportation, along with the traveler's name and panel ID or group travel number. The panel ID/group travel number, which is assigned by NSF, is used to obligate and expend funds for the particular panel or group travel event.

To verify that travel charges paid with NSF's CBA were valid transactions for panelists, we matched traveler names and panel IDs in the SATO transaction files to NSF's Report Server, which obtains information from the Proposal PI Meeting Budget & Reviewer System (PARS) and the Guest Travel and Reimbursement System (Guest). These two systems provide information on panelists and the panels on which they served. Of the 69,100 SATO transactions totaling \$16.5 million charged to the CBA for guest travel for both panels and group travel, we were unable to match 4,446 panel transactions (6.4 percent) totaling over \$932,000 because the panelists' names in SATO's transactions did not exactly match the names in PARS for the same panel. We tested a statistical sample of 237 of these transactions totaling \$56,538 and found that

these CBA charges were for invited panelists. Most of the differences between the traveler information in SATO's transactions and the panelist information in the PARS and Guest systems were due to name changes and cancellations. However, we found two charges totaling over \$1,300 which were charged to the wrong panel. One Division had detected the error for its panel and notified DFM, which then corrected the charge in NSF's financial system, while the other Division had not detected the error.

We also identified 239 transactions (0.3 percent of all CBA for guest travel transactions) totaling over \$36,300 that did not contain valid panel ID information. We reviewed a judgmental sample of 84 of these transactions totaling \$4,794 to NSF systems to identify the correct panel and provided a list of 16 unreconciled transactions to DFM for further research. DFM was able to identify the correct panel IDs for all 16 transactions. DFM stated that when SATO does not record a valid panel ID for a charge, DFM searches NSF systems for a panel ID for the invited guest, and assigns that panel ID to the transaction.

For 3,542 group travel charges totaling approximately \$1.4 million, we tested 1,708 CBA charges for the three largest group travel meetings totaling over \$464,000 by obtaining a list of travelers and their itineraries from the NSF Directorates and Offices. We initially noted CBA charges for about 30 travelers who were not on the group travel lists provided to us. Division staff informed us that these differences were appropriate charges related to changes in conference plans. We also separately reconciled an additional 151 group travel transactions totaling approximately \$340,000 of the highest risk. From the two samples reviewed, we identified two charges totaling \$2,933 for valid guests that were charged to the wrong group travel meeting.

We also interviewed the travel card APC and administrative staff in four Divisions about the review and reconciliation process of CBA charges for panels and group travel. Administrative staff from two Divisions told us that they performed only a limited reconciliation of the group travel charges. These individuals review the financial obligation and expense report on a high level to ensure that actual costs do not exceed the budget for the panel/group travel, but they do not review the individual CBA charges in detail. On the other hand, administrative staff from two other Divisions explained that charges are reviewed in detail, including reconciling the names of invited panelists/group travelers against itineraries for purchased tickets, which include traveler names and costs.

DFM relies on the Divisions to reconcile the CBA charges for panelist and group travel charges because the Divisions have the detailed information on the invited panelists and guests. DFM informed us that it is aware some Divisions may not be performing a

detailed reconciliation because only two Divisions have contacted DFM with corrections to such charges.

Although DFM relies on the Divisions to reconcile the CBA charges, NSF does not have a policy requiring Division staff to review and reconcile monthly CBA guest account charges or any guidance on how the reviews should be performed. Staff from one Division, which was performing a detailed reconciliation of panel expenses, stated that official guidance and training would be useful. Specifically, such guidance should include which items and details to reconcile, where and how to locate the data, and the process to follow if discrepancies are identified.

Because CBA charges for panels and group travel meetings are not always reconciled in detail and there is no guidance on how to reconcile, there is a risk that improper charges to the CBA guest account could be made and not detected. Also, valid travel could be incorrectly charged to the wrong panel or group, resulting in incorrect accounting of Divisions' costs.

Recommendations:

NSF's Chief Financial Officer should:

1. Develop policy to require Division staff to review panel and group travel transportation charges to the CBA guest account and reconcile these charges to the Division's information on invited panelist and guests on a timely basis. This policy should require that the review results be provided to DFM.
2. Develop guidance and provide training on how to perform the reviews.

Agency Response and OIG Comments

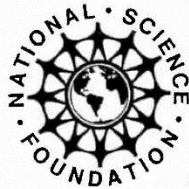
NSF agrees with all three findings, but is considering alternative approaches to address the recommendation in the second finding on enforcing the requirement for frequent travelers to obtain and use an IBA travel charge card. We have included NSF's response to this report in its entirety as Appendix A.

OIG Contact and Staff Acknowledgements

Marie Maguire – Director of Performance Audits
(703) 292-5009 or mmaguire@nsf.gov

In addition to Ms. Maguire, Wendell Reid and Emily Franko made key contributions to this report.

Appendix A: Agency Response



OFFICE OF BUDGET, FINANCE & AWARD MANAGEMENT

MEMORANDUM

Date: JUN 22 2015

To: Dr. Brett M. Baker, Assistant Inspector General for Audit

From: Martha A. Rubenstein, *Marty* Chief Financial Officer and Head/BFA

Subject: Management's Response to Draft Report "Audit of the National Science Foundation's Travel Card Program"

We appreciate the opportunity to respond to the draft report "Audit of the National Science Foundation's Travel Card Program." I am pleased that the audit has confirmed that the National Science Foundation's (NSF) controls to detect misuse and unauthorized charges for Individually Billed Account (IBA) travel cards have been effective in minimizing misuse.

We generally agree with the findings and recommendations in the report and recognize that there are opportunities for enhancing NSF's internal controls. NSF is considering alternative approaches to address the second finding regarding frequent traveler use of government travel cards. We are in discussions with GSA on the requirements for the mandatory use of travel cards. Given that all of our transportation charges are processed using a centrally billed charge card and the unique nature of our workforce we want to ensure we develop a viable solution.

In the coming year, the Office of Budget, Finance and Award Management will continue to work with the Office of Information and Resource Management to strengthen controls for managing NSF's IBA travel cards. We look forward to collaborating with your office to address the areas identified in the audit report. If you have any questions concerning our responses, please contact John Lynskey at (703) 292-8280.

Appendix B: Objective, Scope and Methodology

The objectives of this performance audit were to determine the adequacy of NSF's controls over the travel card program and to identify instances of inappropriate card use. Our scope was travel card controls and activity from October 1, 2011 through December 31, 2013.

To complete our objectives, we reviewed NSF and federal criteria to understand the rules governing the travel card program; interviewed the current and previous APCs to gain an understanding of NSF's procedures to manage the program; and met with the JPMorgan Chase account representative for NSF's charge card program as well as an official with Visa Inc. to understand the tools and resources available for monitoring travel card transactions and overseeing the program. We also interviewed Hewlett Packard, which provided contract services for FedTraveler (staff) CBA transactions, and CWTSato Travel which provided contract services for SATO (guest) CBA transactions, regarding the monthly reconciliations they performed for NSF. In addition, we interviewed Division staff responsible for reviewing panel and guest transportation charges.

We utilized data obtained from JPMorgan Chase and FedTraveler, and tested a risk-based sample of travel card transactions occurring during our scope period. To develop the risk-based sample, we developed 18 IBA transaction tests at both the transaction level and cardholder level, and 10 CBA risk-based transaction tests at the transaction level to identify anomalies in travel card data that could indicate fraud or abuse. Examples of IBA and /or CBA risk factors at the transaction level included:

- Transactions occurring on a holiday,
- Charges to merchant names or Merchant Category Codes that we suspected may not be travel-related,
- Suspect charges identified from the JPMorgan Chase report containing detailed information on items purchased from certain vendors,
- ATM withdrawals with no travel-related charges (i.e., hotel/car rentals) to a traveler's IBA card within two weeks before or after the ATM transaction date, and
- Charges from merchants located in the Washington, D.C. Metropolitan area.

Examples of IBA risk factors at the cardholder level included: cardholders with declined charges, late payment charges, and/or lost/stolen card(s) during the audit scope period.

We assigned risk scores for each of the 18 IBA travel card attributes tested and calculated the total risk score for all 12,020 transactions made between October 1, 2011 and December 31, 2013. Based on our review of the risk scores and number of cardholders with high risk transactions, we tested 85 transactions with a total risk score above a certain level made by 50 cardholders. In addition to the highest risk transactions for these 50 cardholders, we manually reviewed and judgmentally selected

171 additional transactions that appeared unusual. Therefore, we tested a total of 256 transactions for these 50 cardholders.

We also manually reviewed and judgmentally selected 181 other IBA transactions for 61 additional IBA cardholders whose transactions did not score the minimum total level but appeared to be unusual. For example, we decided to test a cardholder with several ATM purchases over the standard limit of \$250 per week, a cardholder with multiple local hotel charges, and a cardholder who was the sole purchaser for a vendor with a specific merchant category code that was not travel-related. Therefore, we tested a cumulative total of 437 IBA transactions, totaling \$64,813, made by 111 NSF cardholders.

When testing IBA transactions, we reviewed the related Expense Reports and receipts in FedTraveler, searched DFM files for inquiry and misuse letters sent to cardholders for transactions that did not have a related Expense Report, and verified if cardholders requiring remedial training as a result of misusing their travel card completed the training.

For CBA account testing, we focused on those transactional risk-factors with the highest risk of inappropriate use. Specifically, for the CBA staff account transactions, we reconciled 73 transactions totaling approximately \$290,700 to related expense reports in FedTraveler to determine if the charge was for an authorized NSF trip.

For the CBA guest account transactions for panels, we tested a statistical sample of 237 transactions totaling \$56,538 for which traveler names in the SATO transactions did not match the panelist names in NSF's Report Server for the same panels to determine if the CBA charges were valid. We also reviewed a judgmental sample of 84 transactions totaling \$4,794 with invalid panel IDs to determine if these travel charges were proper. For CBA guest account charges for group travel meetings, we tested 1,708 transactions totaling approximately \$464,300 for three of the larger group travel meetings to Divisions' records of group meeting attendance to determine if the CBA charges were for guests who attended the Divisions' group travel meetings. In addition, we interviewed DFM individuals and administrative staff in four Divisions on the review and reconciliation process of CBA charges for panels and group travel.

Additionally, we performed testing to determine whether travelers with six or more trips in a fiscal year obtained and used an IBA travel card and whether IBA cardholders who held travel cards for three or more years completed travel card refresher training, as required. We also tested whether cardholder IBA accounts were canceled on a timely basis when cardholders left the agency, and tested DFM's procedures to identify and manage delinquent IBA accounts requiring a salary offset.

During the course of this audit, we relied on information and data received from JPMorgan Chase, FedTraveler, and NSF travel contractors Hewlett Packard and CWTSato Travel in electronic format that had been entered into a computer system or that resulted from computer processing. We tested the reliability of JPMorgan Chase's

computer-processed data by matching transaction dates, transaction amounts, and vendor names against receipts and costs claimed in FedTraveler. We also performed hash total checks to verify completeness of the contractor-reconciled CBA transactional data. We performed limited testing of the reliability of data by corroborating some results with NSF and JPMorgan Chase officials independent of the computer system. Based on our assessment, we concluded the computer-processed data was sufficiently reliable to use in meeting the audit's objectives.

We reviewed NSF's compliance with applicable provisions of pertinent laws and guidance, including the:

- GSA's SmartPay guidance,
- Federal Travel Regulation,
- Travel and Transportation Reform Act of 1998 – Public Law 105-264,
- Office of Management and Budget Circular No. A-123, Appendix B Revised, dated January 15, 2009,
- NSF's *Travel Charge Card Information Guide* dated February 2007, and NSF's Government Travel Card Webpage.

We identified instances of noncompliance with these laws and regulations, as discussed in our audit findings.

Through interviewing NSF staff and reviewing documentation, we also obtained an understanding of the management controls over the travel card program. We identified some internal control deficiencies which we discuss in our findings. We did not identify any instances of fraud, illegal acts, or abuse.

We conducted this performance audit between January 2014 and May 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

We held an exit conference with NSF management on May 7, 2015.