U.S. DEPARTMENT OF COMMERCE
Office of Inspector General

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Internal Controls for Travel Cards at OAR's Environmental Technology Laboratory Can be Strengthened

Audit Report No. BTD-14908-2/September 2002

PUBLIC RELEASE

Office of Audits, Business and Trade Division

UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

SEP 30 2002

MEMORANDUM FOR: Louisa Koch
Acting Assistant Administrator
Office of Oceanic and Atmospheric Research
National Oceanic and Atmospheric Administration

FROM: Johnnie E. Frazier

SUBJECT: *Internal Controls for Travel Cards at OAR's Environmental Technology Laboratory Can Be Strengthened*
Final Audit Report No. BTD-14908-2-0001

This is our final report on our audit of the Environmental Technology Laboratory's (ETL's) internal controls over the use of travel cards. Regulations mandate that, with few exceptions, federal employees use the card when on official travel. Employees are responsible for all costs charged. Those who misuse or fail to pay undisputed amounts are subject to disciplinary action, and can have the cards canceled and their wages garnished. Our review did not find any material misuse of the travel cards. The few instances where use of the card appeared questionable were provided to ETL managers during the review and resolved. However, we found that certain aspects of ETL's monitoring of travel cards needs improvement: ETL could not provide us with a list of current cardholders, and did not always ensure that accounts were promptly closed when employees left the organization.

In response to the draft audit report, NOAA agreed with our recommendations for improving ETL's management of its travel cards. NOAA stated that it was working with Citibank to improve management of the travel card program by providing ETL managers with access to employees' travel card transactions. However, NOAA disagreed with our conclusion that travel cards should not be used to pay for conference registration fees. NOAA said that the Department of Commerce Travel Handbook considered these costs proper travel expenses if authorized on the travel voucher, and it would continue the practice of using the travel cards for those expenses. NOAA's response is included in its entirety as Attachment 1 to the report.

We appreciate NOAA's response to our report and are pleased that NOAA is working with Citibank to improve its management of the travel card program. We have revised the report accordingly. However, we disagree with NOAA concerning the practice of using travel cards to pay for conference registration fees.

Travel cards, like purchase cards, have increasingly been the subject of recent administration, congressional, and media scrutiny. It has been our experience that problems can be avoided by taking timely action to proactively address problematic practices and to clarify conflicting or confusing rules and regulations. In this case, we will be forwarding the conflicting guidance relating to the payment of conference registration fees to the Department's CFO for resolution. In the interim, NOAA should reconsider its practice of using the travel card to pay for conference registration fees.

NOAA acknowledges in its response that conference fees are business expenses. Accordingly, the costs are expenses of the office and can be paid directly by the government agency. Moreover, the DOC travel handbook section referred to in NOAA's response does not specifically address using travel cards to pay for conference registration fees. Rather, the section allows employees to be reimbursed for conference fees that employees paid "out-of-pocket" by including the costs either on a travel voucher or on a SF-1164, Claim for Reimbursement for Expenditures on Official Business, depending upon where the conference was held. Finally, travel cards should not be used to pay registration fees for conferences held locally or at the employee's duty station. Consequently, we reaffirm our recommendation that ETL discontinue the practice of using travel cards to pay for business expenses not specifically related to official travel.

INTRODUCTION

ETL is one of 12 laboratories in the National Oceanic and Atmospheric Administration's Office of Oceanic and Atmospheric Research. The laboratory creates advanced remote sensors that use light, radio, and sound waves to monitor the oceans and atmosphere. Remote sensing plays a critical role in understanding the interaction of the oceans and atmosphere by collecting long term, high resolution, data sets needed for climate modeling and prediction.

An audit of the DOD/ETL Advanced Sensor Applications Program Joint Project conducted by the Department of Defense's Office of Inspector General, with assistance from our office, raised a number of questions about ETL's financial management. The DOD OIG audit concluded that from FY 1998 through FY 2000, ETL inappropriately charged $1.6 million of unrelated or unsupported costs to the joint project. As a result of the DOD OIG's findings, our office decided to assess ETL's internal controls over its financial management. We divided our audit focus into three areas: (1) budgetary and financial practices, (2) management of travel cards, and (3) oversight of purchase cards. This report addresses only ETL's management of travel cards.

BACKGROUND

The General Services Administration began the government travel charge card program to control travel payments and expenses. The program covers travel charge cards, automated teller machine services, and Government Transportation Accounts. The Federal Travel Regulation mandates that government employees use the card when traveling on official business unless they have an exemption. Exemptions are granted

only under certain circumstances, as when the employee travels infrequently, such as once a year. All uses other than for official travel are strictly forbidden, and misuse of the card can result in disciplinary action.

Liability for charges incurred in using the travel card resides with the individual cardholders, and not the federal government. All undisputed charges must be paid in full by the cardholder by the statement due date. Failure to pay undisputed amounts on time can result in the card being canceled. Accounts more than 61 calendar days past due are suspended. An account may be closed if it has been suspended two times during a 12-month period, is more than 120 calendar days past due, or is misused. Once an account has been canceled, the card normally cannot be reinstated. Cancellations are reported to employees' supervisors and may result in disciplinary action. In addition, the bank may report cancellations to credit bureaus and request salary offsets from the agency. Once an account becomes 180 days past due, the bank writes it off as a bad debt and again notifies the credit bureaus.

Each bureau in the Department has responsibility for managing its own travel card program. The Office of the Secretary issues departmental policy and procedures on use of the card, conducts periodic reviews of the individual units' charge card programs, and monitors their compliance in disciplining employees who misuse the card. Under NOAA's current travel card policy, a program coordinator located at the agency's Office of Finance and Administration in Germantown, Maryland, oversees ETL's travel card program. Besides acting as the primary liaison between the traveler and the bank, the travel card coordinator submits credit card applications, monitors monthly activity reports for inappropriate use or delinquencies, notifies an employee's immediate supervisor of any problems found, and closes accounts at the request of the cardholder's unit. ETL managers' responsibilities are primarily limited to requesting explanations from employees concerning questionable charges and delinquencies, taking appropriate disciplinary action, and notifying the travel card program coordinator when accounts must be closed and returning the associated cards.

During the time period covered by our review, 68 of ETL's 73 federal employees had travel cards. ETL expended $782,871 on travel costs, of which approximately $492,700 was paid directly to employees, both federal and nonfederal, to cover travel costs such as lodging, food, and car rentals. [1]

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to assess the adequacy of ETL's internal controls over travel cards to ensure that employees used the cards properly and paid their bills on time. We focused on card charges incurred during fiscal year 2001. The scope of our audit was limited to ETL's responsibilities for monitoring the cards.

[1] Only federal employees can use travel cards. ETL's nonfederal employees pay their travel expenses with their own funds and are reimbursed upon completion of the trip.

Our methodology included (1) interviews with Department, NOAA, and ETL managers and travel coordinators, (2) reviews of pertinent documentation, including GSA Travel Regulations; the DOC TRAVEL HANDBOOK Exhibit 301-51A, Policy and Procedures for the Use of the Contractor-Issued Government Travel Charge Card; and audit reports prepared by other Inspector General Offices, and (3) evaluations of financial information such as travel voucher summary reports and travel card transactions. To determine whether cards were used properly, we reviewed the fiscal year 2001 charge card activity list for ETL, looking for charges made near the cardholder's home or duty station, purchases at retail stores, costs not covered by official travel, and excessive cash advances. We also looked for delinquent payments and canceled cards, and verified that travel cardholder files contained copies of the application form and signed Employee Acknowledgment Statements. Our primary source of computer-processed data came from non-government systems, thus we did not test the reliability of the data.

We conducted the audit using information provided by the ETL in Boulder, Colorado, the NOAA Office of Finance and Administration in Germantown, Maryland, and Citibank, the Department's bankcard contractor. We performed our fieldwork from December 2001 through March 2002.

We performed the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

FINDING

We found that with few exceptions (as noted below), ETL employees used the travel card for travel-related expenses such as food, lodging, and car rentals, and paid their credit card bills on time. However, to help ensure that ETL employees continue using the card properly, the laboratory needs to strengthen its internal controls over the cards.

Specifically, we found that:

- ETL did not have a list of all travel cardholders. This information is needed so that managers can readily identify employees who have cards, obtain cards for employees who may need to travel more than once during a year, and ensure that only individuals needing cards have them.

- When employees left ETL, the laboratory did not always send copies of the destroyed travel cards and appropriate paperwork to the travel card program coordinator as required by the Department's and NOAA's travel policies. This procedure helps ensure that departing employees no longer have access to their travel card accounts. For instance, we found that two former employees' accounts remained open after they had left ETL. One employee retired in April 2001. The employee's account remained open until January 2002. The other employee resigned in early January 2002. That individual's account remained open until

February 6, 2002. Not promptly closing accounts leaves them vulnerable to misuse.

- Three ETL employees used travel cards to pay for non-travel-related business expenses such as scientific journal subscriptions. Using a travel card for these types of costs is clearly inappropriate.

- Three ETL employees used their travel card to pay for conference registration fees. These costs are expenses of the office and can be paid directly by the government agency. Travel cards can never be used for conferences held locally or at the employee's duty station.

We recognize that ETL managers have limited access to their employees' charge card records because the travel card reports provide the information at the line office level. However, NOAA has informed us that it is working with Citibank to establish a Financial Management Center (FMC) level report hierarchy. Since ETL is a FMC, the revised report hierarchy will provide ETL's managers with access to employees' travel card reports directly from Citibank's automated system. NOAA expects the project to be completed by the end of FY 2002. According to NOAA, providing FMCs access to the travel card information will permit the FMCs to better manage the travel card program.

In the meantime, ETL cardholders have signed statements, certified by their supervisors, agreeing to follow the DOC travel handbook and acknowledging that the card is to be used only for expenses incurred while on authorized government travel. Also, as noted in OMB Circular No. A-123, "Management Accountability and Control," managers are responsible for ensuring that programs, such as the government-wide travel program, "are managed with integrity and in compliance with applicable law." Consequently, ETL managers must make every effort to administer the program as carefully and efficiently as possible

RECOMMENDATIONS

We recommend that the Director of the Environmental Technology Laboratory take the following actions to strengthen ETL's monitoring of its employees' use of travel cards:

1. Develop a current list of ETL travel cardholders and update it as necessary.

2. Ensure that the travel accounts of former employees are closed. To accomplish this, managers should submit destroyed travel cards and appropriate paperwork to the NOAA travel card program coordinator, and follow-up with either the coordinator or charge card contractor to ensure that accounts are closed.

3. Discontinue the practice of using travel cards to pay for business expenses not specifically related to official travel.

4. Annually, remind all travel cardholders that travel cards are to be used only for official travel-related expenses such as air and rail tickets, transportation services, lodging, food, automobile expenses, and fuel.

NOAA COMMENTS

NOAA concurred with two of the four recommendations and concurred in part with the remaining two recommendations. Specifically, NOAA said that the Department of Commerce Travel Handbook Section 301-9.1 (e) Other Expenses, stipulates that reimbursement may be made for registration fees for attendance at meetings and conferences if specifically authorized on the travel order. Therefore, it would continue the practice of using the travel card to pay for those costs. NOAA also asked us to clarify our report to reflect that there have been instances when Citibank reinstated a canceled credit card, and that Citibank reports cancellations and not delinquencies to credit bureaus. NOAA further requested that we include a statement that it was working with Citibank to improve the management of the travel card program by providing financial management centers, such as ETL, direct access to the travel card reports. Currently, the travel card report information is generated at the line office level. A copy of NOAA's response is included as Attachment 1 to the report.

OIG RESPONSE

We are pleased that NOAA is working with Citibank to improve its management of the travel card program by providing managers with direct access to travel card information, and have revised our report accordingly. We also clarified certain language in the report as NOAA requested. However, we believe that the travel card should not be used to pay for conference registration fees. As NOAA acknowledges in its response, conference registration fees are business expenses. Accordingly, the costs are expenses of the office rather than expenses to the individual employees and can be paid directly by the government agency.

Moreover, the travel handbook section that NOAA refers to does not address using Government travel cards to pay for conference registration fees. Mandatory use of the Government contractor-issued travel charge card was not required until 1998, as a result of Public Law 105-264. DOC Travel Handbook Section 301-9.1 is dated May 1990, and provides for employees to be reimbursed for "out-of-pocket" conference fee expenses (emphasis added). The employee can be reimbursed by including the fees on a travel voucher or on a Form 1164, Claim for Reimbursement for Expenditures on Official Business, depending upon whether the conference required travel or was held locally. In this regard, we believe it is preferable and more consistent with the principles of the Commerce Acquisition Manual (CAM) to use a purchase card for these costs. CAM Chapter 13, Purchase Card Procedures, Section 3-Operational Guidance and Procedures, specifically lists conference registration fees as an allowable purchase card expense.

Finally, we discussed the apparent procedural conflicts with the Commerce Bank Card Center, which responded that conference registration fees should not be paid with a travel card because (1) the expense does not fall under the category of travel related expenses, especially if the conferences are held locally, and (2) using a travel card places the responsibility for payment on the cardholder rather than the government. We also discussed the issue with the Department's travel card coordinator who acknowledged that the DOC travel handbook was outdated and should no longer include conference registration fees as a miscellaneous travel related expense.

As appropriate, the Department needs to examine applicable policies and procedures to identify any apparent conflicts between the use of the government travel card and the purchase card. Accordingly, we will be referring this issue to the Department's CFO for resolution.

Please provide your audit plan addressing the recommendations within 60 calendar days, in accordance with Department Administrative Order 213-5. The plan should be in the format specified in Exhibit 7 of the DAO. Should you have any questions regarding the preparation of the audit action plan, please call Michael Sears, Assistant Inspector General for Auditing, on (202) 482-1934.

Attachment

cc: Sonya Stewart, Chief Financial Officer/Chief Administrative Officer
Dr. William D. Neff, Acting Director, ETL
Mack A. Cato, Director, Audit, Internal Controls, and Information Management Office

ATTACHMENT 1

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

APR 26 2002

MEMORANDUM FOR: Michael Sears
Acting Assistant Inspector General for Auditing

FROM: Sonya G. Stewart

SUBJECT: Response to the Office of Inspector General (OIG) Draft Inspection Report: Internal Controls for Travel Cards at OAR's Environmental Technology Laboratory (ETL) Can be Strengthened
Draft Audit Report No. BTD-14908-2-XXXX

The National Oceanic and Atmospheric Administration (NOAA) appreciates the opportunity to respond to your draft inspection report. We concur with two of the four recommendations and concur, in part, with the two remaining recommendations. While we agree that travel cards should not be used for other business expenses not specifically related to travel costs, we take exception to the recommendations to discontinue the use of travel cards for the payment of conference registration fees. According to the Department of Commerce Travel Handbook, payment of conference registration fees is considered a proper travel expense and permitted when authorized on a travel order.

Attachment

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Internal Controls for Travel Cards at OAR's Environmental Technology Laboratory (ETL) Can be Strengthened - Draft Audit Report No. BTD-14908-2-XXXX/March 2002

Recommended Changes for Factual Information

OIG Background, Paragraph 2:

NOAA Comment: We request changes be made to paragraph 2, line 6, so that it reads as follows: "Once an account has been canceled, the card is not normally reinstated." The reason for this change is to reflect the fact that there have been instances where a cancelled Citibank card has been reinstated. In addition, we request changes be made to paragraph 2, line 8 so that it reads as follows: "In addition, the bank may report cancellations to credit bureaus and request salary offsets from the agency." The reason for this change is to reflect the fact that the bank reports cancellations, not delinquencies, with the Citibank card.

OIG Finding Number 1: ETL did not have a list of all travel card holders. This information is needed so that managers can readily identify employees who have cards, obtain cards for employees who may need to travel more than once a year, and ensure that only individuals needing cards have them.

NOAA Comment: We request that the following be added to this finding: "Currently, the Citibank travel card reports are not a practical management tool at the Financial Management Center (FMC) level. The travel card reports provide cardholder information at the NOAA Line Office level. NOAA is working with Citibank to establish a FMC level report hierarchy. This project is expected to be completed this fiscal year and will enable NOAA FMCs to access travel card reports through Citibank's automated system - Citidirect. This capability will allow FMCs to better manage the travel card program.

NOAA Response to OIG Recommendations

OIG Recommendations: We recommend that the Director of Environmental Technology Laboratory (ETL) take the following actions to strengthen ETL's monitoring of its employees' use of travel cards.

OIG Recommendation 1: Develop a current list of ETL travel cardholders and update it as necessary.

NOAA Response: NOAA concurs.

OIG Recommendation 2: Ensure that the travel accounts of former employees are closed. To accomplish this, managers should submit destroyed travel cards and appropriate paperwork to the NOAA travel card program coordinator, and follow-up with either the coordinator or charge card contractor to ensure that accounts are closed.

NOAA Response: NOAA concurs.

OIG Recommendation 3: Discontinue the practice of using travel cards to pay for conference registration fees and other business expenses not specifically related to travel costs.

NOAA Response: NOAA concurs in part. We agree to not use travel cards to pay for business expenses not specifically related to travel. However, we will continue the practice of using travel cards to pay for business expenses specifically related to travel costs, such as and including conference registration fees in concert with the Department of Commerce Travel Handbook Section 301-9.1 (e) Other Expenses, which stipulates, "..When authorized on a travel order, reimbursement may be made for registration fees for attendance at meetings or conferences in connection with activities of the Department."

OIG Recommendation 4: Annually, remind all travel cardholders that travel cards are to be used only for travel related expenses such as air and rail tickets, transportation services, lodging, food, automobile expenses, and fuel and may not be used for conference registration fees and other business expenses not specifically related to travel costs.

NOAA Response: NOAA concurs in part. We agree to annually remind all travel cardholders that travel cards are to be used only for travel expenses, however, travel expenses are to include conference registration as per the Department of Commerce Travel Handbook.