



Office of Inspector General

August 12, 2010

MEMORANDUM

TO: M/CFO, Chief Financial Officer, David Ostermeyer

FROM: IG/A/PA, Acting Director, Michael W. Clinebell /s/

SUBJECT: Review of USAID's Travel Card Program (Report No. 9-000-10-002-S)

This memorandum transmits our final report on the subject review. We considered your comments on the draft in finalizing the report and have included your response in its entirety in the appendix.

The report contains three recommendations. On the basis of information provided by management in response to the draft information report, we determined that management decisions have been reached on all three recommendations. Determination of final action for these recommendations will be made by the Audit, Performance and Compliance Division on completion of the planned corrective actions.

I appreciate the cooperation and courtesy extended to my staff during this review.

SUMMARY

To reduce U.S. Government travel costs and improve managerial oversight of employees' travel expenditures, Congress passed Public Law 105–264, Travel and Transportation Reform Act, on October 19, 1998. The act mandates that all federal employees use a travel charge card for travel expenses while on official travel, unless their agency's program coordinator has granted an exemption.

To comply with the act, USAID provides a Citibank travel card to its employees and personal services contractors who are required to travel on official business.¹ Citibank issues travel cards in the employee's name, and the employee is liable for all payments. USAID is not responsible for delinquent or unpaid transactions on the card. However, USAID does receive a rebate from Citibank: the higher the volume of money spent on the card, and the fewer days taken to pay the balance owed, the higher the rebate-earning potential. In fiscal year 2009, USAID received approximately \$28,000² in rebates from Citibank for charges made to the individually billed travel cards.

The Financial Policy and Support Division in USAID's Office of the Chief Financial Officer has direct responsibility for monitoring and managing USAID's travel card program. For the fiscal year ended September 30, 2009, USAID had 2,691 active travel cards, with total charges of approximately \$6.8 million.³

This review was conducted to determine whether the travel card program is operating effectively. The review found that USAID could revise existing policies and improve certain procedures to operate the program more effectively. The review identified the following problems: (1) cardholders did not always use their travel cards while on official travel, (2) USAID officials did not deactivate travel cards for separated employees in a timely manner, and (3) USAID officials could not provide documentation to confirm compliance with Agency policies.

This report includes three recommendations to improve the operating effectiveness of USAID's travel card program. Specifically, we recommend that the Financial Policy and Support Division:

- Update Automated Directives System Chapter 633, "Financial Management Aspects of Temporary Duty Travel," to require employees and personal services contractors submitting travel expense claims to make a notation in the remarks section of the travel voucher when the travel card is not used while on official travel.

¹ Exceptions are made on a limited basis when requested by the employee and for employees traveling no more than once per year. The policy also exempts employees and personal services contractors from using their travel cards in locations where the U.S. Embassy has issued a warning of credit card fraud.

² The dollar amount (\$28,000) was not audited.

³ Neither the number of active travel cards (2,691) nor the dollar amount (\$6.8 million) was audited.

- Develop a procedure for the program coordinator to review a list of separated employees and personal services contractors each quarter against the travel card vendor database for active cards to ensure that the travel cards of separated employees and personal services contractors are deactivated in a timely manner.
- Maintain documentation of the steps performed to detect improper use and delinquent payments.

In response to this report, the Office of the Chief Financial Officer generally agreed with all three recommendations and presented plans to implement the recommendations by October 1, 2010. On the basis of information provided by management in response to the draft information report, we determined that management decisions have been reached on the recommendations.

Management comments are presented in their entirety in the appendix.

REVIEW RESULTS

The review found that USAID's Automated Directives System (ADS) Chapter 633, "Financial Management Aspects of Temporary Duty Travel," includes policies and procedures to ensure that employees understand how to request a travel card, the laws and regulations governing the use of the card, and USAID management's responsibilities for making the travel card program effective. The policy also provides officials in the Financial Policy and Support Division of USAID's Office of the Chief Financial Officer with guidelines for detecting improper use and delinquent payments. However, USAID could revise existing policies and improve certain procedures to operate the program more effectively. The review identified the following issues:

- Cardholders did not always use their travel cards while on official travel.
- USAID officials did not deactivate travel cards for separated employees in a timely manner.
- USAID officials could not provide documentation to confirm compliance with Agency policies.

These issues are further addressed below.

Cardholders Did Not Always Use Their Travel Card While on Official Travel

According to ADS Chapter 633, "Financial Management Aspects of Temporary Duty Travel," employees and personal services contractors are required to use the card for official travel expenses. Travelers must use their card to pay for lodging, meals, rental vehicles, excess baggage, and other official travel expenses. An exception may be made on a limited basis when requested by the employee and for employees traveling no more than once per year. The policy also exempts employees and personal services contractors from using their travel cards in locations where the U.S. Embassy has issued a warning of credit card fraud.

During fiscal year (FY) 2009, 7,890 travel expense claims totaling about \$9.6 million⁴ were submitted and paid to employees and personal services contractors. From a sample of 81 of the 7,890 travel expense claims totaling \$134,264, auditors found that 51 (63 percent) were filed by employees who did not use their travel cards, and no documentation of an exemption was available. While employees or personal services contractors can be exempt from using the travel card, USAID's policy does not require the employee or personal services contractor to provide an explanation on their travel vouchers for not using the travel card.

⁴ Neither the number of travel expense claims (7,890) nor the dollar amount (\$9.6 million) was audited.

The nonuse of travel cards by employees and personal services contractors not only violates USAID's policy, but also reduces the rebate USAID receives from Citibank. The amount of the rebate is based on the volume of money spent on the card and the number of days to pay the balance owed. The higher the volume of money spent on the card, and the fewer days taken to pay the balance owed, the higher the rebate earning potential. During FY 2009, USAID paid \$9.6 million to employees and personal services contractors for travel expenses; however, only \$6.8 million was charged to the travel cards. If the additional \$2.8 million had been charged to the travel cards, USAID could have received approximately \$8,800⁵ in additional rebates from Citibank.

Recommendation 1. We recommend that the Financial Policy and Support Division update Automated Directives System Chapter 633, "Financial Management Aspects of Temporary Duty Travel," to require employees and personal services contractors submitting travel expense claims to make a notation in the remarks section of the travel voucher when the travel card is not used while on official travel.

USAID Officials Did Not Deactivate Travel Cards for Separated Employees in a Timely Manner

According to Automated Directives System Chapter 633, "Financial Management Aspects of Temporary Duty Travel," on separation from the Agency, employees and personal services contractors must return their travel cards to the Agency program coordinator to close their travel card accounts.

From a sample of 62 out of a total of 255 employees and personal services contractors who separated from USAID during FY 2009, the review determined that 13 (21 percent) employees or personal services contractors still had active travel cards. Cardholders should get their cards deactivated prior to ending employment with USAID; however, the cards of these separated employees and contractors were still active 3 to 12 months after their holders' departure.

When an employee leaves USAID, he or she is supposed to return the travel card to the program coordinator, who is responsible for closing the employee's account. USAID's Office of Human Resources is responsible for verifying that the employee has obtained an e-mail or signature from the program coordinator indicating the travel card account has been closed. However, the program coordinator explained that this process is not effective because employees and personal services contractors sometimes separate from USAID without informing the program coordinator or the Office of Human Resources that their cards need to be deactivated.

Although the review found that these employees had not used their cards after their separation date, USAID's delinquency rate could rise if employees used the cards and

⁵ We arrived at this figure by multiplying \$2.8 million by .00315, the rate Citibank uses to rebate USAID for payments made within 30 days of the statement date.

failed to make payment on the balance due. A higher delinquency rate could reduce the rebate USAID receives from Citibank.

***Recommendation 2.** We recommend that the Financial Policy and Support Division develop a procedure for the program coordinator to review a list of separated employees and personal services contractors each quarter against the travel card vendor database for active cards to ensure that the travel cards of separated employees and personal services contractors are deactivated in a timely manner.*

USAID Officials Could Not Provide Documentation to Confirm Compliance With Agency Policies

According to ADS Chapter 633, “Financial Management Aspects of Temporary Duty Travel,” USAID’s program coordinator is required to review details of monthly card transactions to detect improper use and delinquent payments. Further, according to ADS 596, “Management’s Responsibility for Internal Control,” internal control activities should be recorded accurately and timely, and documentation of what was performed should be readily available.

To comply with ADS Chapter 633, USAID’s program coordinator scans two card transaction reports monthly looking for charges made to vendors whose goods or services are not related to the cardholder’s work and large or frequent cash withdrawals. The program coordinator uses an Automated Teller Machine (ATM) Transaction Report and a Merchant Category Code (MCC) Transaction Report to complete the improper use review. The ATM Transaction Report provides a list of all cash transactions completed by the cardholder and the date of the transactions for each month. The ATM Report is used to identify frequent or unusual trends in cash withdrawals. The MCC Transaction Report lists all transactions by the type of vendor and by the cardholder each month. The MCC Report is used to identify vendors whose goods or services are not related to the cardholders’ business (e.g., retail stores and personal service vendors).

The program coordinator judgmentally selects card transactions and verifies that the employee in question was approved for official travel or contacts the employee to verify that the charges complied with USAID’s ADS Chapter 633. In addition, to detect delinquent payments, USAID’s program coordinator identifies all employees with payments outstanding more than 60 days⁶ past the due date. If an employee is delinquent, the program coordinator advises the employee to pay the account balance and informs the employee that continuous delinquency can result in card suspension.

⁶ ADS 633, “Financial Management Aspects of Temporary Duty Travel,” defines payments as delinquent when they are 30 days past the due date. We used this definition in conducting our review.

The review found that USAID was unable to provide documentation of the work performed to comply with ADS Chapter 633. For FY 2009, 21 of 24 (88 percent) monthly card transaction reports reviewed for improper use did not have documentation (e.g., a list of transactions reviewed) to confirm that steps were performed. Also, from a sample of 77 delinquent accounts out of 1,250 for FY 2009, the review determined that 75 (97 percent) of the delinquent accounts selected did not have documentation (e.g., follow-up e-mails to employees and resolution) to confirm that steps were performed.

The program coordinator explained that he was unaware of the requirement to maintain documentation of the steps performed to detect improper use and delinquent payments. Consequently, USAID may not be able to confirm that the program coordinator performed the appropriate steps to ensure that improper use and delinquent payments are detected and addressed timely.

Recommendation 3. *We recommend that the Financial Policy and Support Division maintain documentation of the steps performed to detect improper use and delinquent payments.*

EVALUATION OF MANAGEMENT COMMENTS

The Office of the Chief Financial Officer (M/CFO) generally agreed with all three recommendations. Based on management comments, a management decision has been reached on each recommendation. Determination of final action for these recommendations will be made by the Audit, Performance and Compliance Division on completion of the planned corrective actions.

Recommendation 1. Management generally agreed with the recommendation to improve card usage. M/CFO will add language to Automated Directives System Chapter 633 to require notation in the remarks section of the employee's travel voucher when the travel card is not used. M/CFO requested that the recommendation not include a requirement of approval by the travel approving official because supervisory approval of the employee's notation cannot be accommodated in the Agency's travel management system (E2). The review team agrees with M/CFO's request and has made appropriate revisions to the draft report recommendation. The target date for completion of planned corrective action is October 1, 2010.

Recommendation 2. Management generally agreed with the recommendation to deactivate travel cards in a timely manner. The Financial Policy and Support Division (M/CFO/FPS) will prepare a formalized document, *USAID Travel Card Procedure Manual*, instructing the program coordinator to obtain a list of separated employees and personal service contractors each quarter and compare the list with the travel card database for active cards to ensure that the travel cards are deactivated in a timely manner. The review team agrees with M/CFO's response and has made appropriate revisions to the draft report recommendation. The target date for completion of planned corrective action is October 1, 2010.

Recommendation 3. Management agreed with the recommendation to maintain documentation of the steps performed to detect improper use and delinquent payments. M/CFO/FPS will prepare a formalized document, *USAID Travel Card Procedure Manual*, outlining the steps to be performed during the monthly and quarterly reviews of card use and delinquency data. The target date for completion of planned corrective action is October 1, 2010.

Management comments are presented in their entirety in the appendix.

MANAGEMENT COMMENTS



MEMORANDUM

July 27, 2010

TO: IG/A/PA, Acting Director, Michael W. Clinebell

FROM: M/CFO, David D. Ostermeyer /s/

SUBJECT: M/CFO Comments on Draft Informational Report of USAID's Travel Card Program

This memorandum is in response to the Office of Inspector General's request for feedback on the draft report of USAID's Travel Card Program. While M/CFO generally agrees with the results of the audit as stated in the draft report we would like to point out some of the challenges that we face in addressing the full extent of the noted recommendations.

M/CFO recognizes that there is more to be done to make the Travel Card program more efficient and to maximize the use of the cards, as well as the rebates. However, given the environment that we operate in, it is unrealistic that 100% usage of the cards for eligible purchases will be achieved in the near future.

Agency staff travel in countries and to locations which create limitations on maximizing travel card usage. Many of the countries traveled to have high rates of credit card fraud or are cash based economies where there is little chance to use a card. Since the individual traveler is responsible for the card issued in their name, along with the payment of charges, we must allow them the option not to use the cards when they believe it might result in adverse effects.

With these comments in mind, M/CFO would like to address the specific recommendations in the draft report:

Recommendation 1: *We recommend that the Financial Policy and Support Division update Automated Directives System 633, "Financial Management of Financial Management Aspects of Temporary Duty Travel," to require personnel submitting travel expense claims to note on the travel voucher why they did not use their travel card while on official travel, and that the notation be approved by the travel approving official.*

Management Decision: The Office of the Chief Financial Officer agrees with the recommendation to improve card usage. M/CFO will add language to ADS 633 to require a notation in the remarks section of the employee's travel voucher when the

travel card is not used. M/CFO asks that the recommendation not include a requirement of approval by the travel approving official because supervisory approval of the employee's notation cannot be accommodated in the Agency's travel management system (E2).

Target Date: 10/01/2010

Recommendation 2: *We recommend that the Financial Policy and Support Division update Automated Directives System 633, "Financial Management of Temporary Duty Travel," to include a procedure for the program coordinator to review a list of separated employees and personal services contractors each quarter against the travel card vendor database for active cards to ensure that separated employees' and personal services contractors' travel cards are deactivated in a timely manner.*

Management Decision: The Office of the Chief Financial Officer agrees with the recommendation to deactivate Travel Cards in a timely manner. The Financial Policy and Support Division will prepare a formalized document, USAID Travel Card Procedure Manual, outlining a procedure to be used by the program coordinator to obtain a list of separated employees and personal service contractors each quarter and to compare the list with the travel card database for active cards to ensure that travel cards are deactivated in a timely manner.

Target Date: 10/01/2010

Recommendation 3: *We recommend that the Financial Policy and Support Division maintain documentation of the steps performed to detect improper use and delinquent payments.*

Management Decision: The Office of the Chief Financial Officer agrees with the recommendation to maintain documentation. The Financial Policy and Support Division will prepare a formalized document, USAID Travel Card Procedure Manual, outlining the steps performed during the monthly and quarterly reviews, of card usage and delinquency data. The Financial Policy and Support Division now maintains electronic copies of all monthly reports generated and any electronic communication with card holders. This information is now stored in a separate limited access directory, located on an agency network drive.

Target Date: 10/01/2010