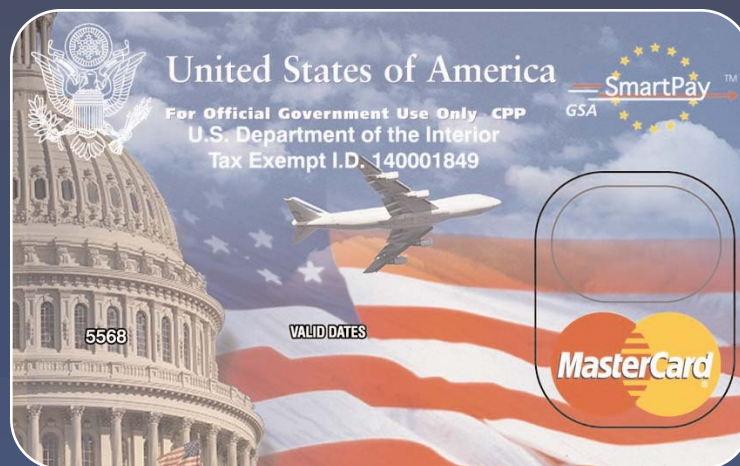
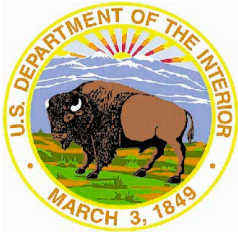


U.S. DEPARTMENT OF THE INTERIOR  
OFFICE OF INSPECTOR GENERAL

*Advisory Report*

# Department of the Interior Travel Charge Card





# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

September 30, 2002

### Memorandum

To: Director, Office of Acquisition and Property Management

From: Roger La Rouché   
Assistant Inspector General for Audits

Subject: Advisory Report on the Department of the Interior Travel Charge Card  
(No. 2002-I-0048)

This report presents the results of our review of the travel card portion of the Department of the Interior's (the Department) charge card program. We previously issued a separate report on the purchase card portion of the program.

We found that the controls over the use of travel cards were not sufficient to ensure that the cards were used only for authorized purposes. However, the Department recently issued guidance, based on our review of purchase cards that addresses the weaknesses we identified. Therefore, we have discontinued our review of the program and have included in our fiscal year 2003 work plan a review of the implementation of the new guidance. Also, we are pleased to note that the Department has taken effective action to reduce the overall delinquency rate on travel card usage and has reduced the amount of charge offs by the Bank of America.

In our report we have made a suggestion to the Department that periodic checks on Bureau and office implementation of the new controls be conducted. The suggestion mirrors a recommendation made in our report of purchase card usage, which the Department has agreed to implement.

We wish to thank the Department, the Bureau of Reclamation, and the National Park Service for their assistance and cooperation during this review. If you have any questions regarding this report, please call Ms. Anne Richards, Central Region Audit Manager, at (303) 236-9243.

cc: Director, National Park Service  
Commissioner, Bureau of Reclamation

# ADVISORY REPORT

This advisory report presents the Office of Inspector General's review of the travel card portion of the Department of the Interior's (the Department) Charge Card Program. The objective of our review was to determine whether Departmental and Bureau administration of the program in question was competent in minimizing improper use of the cards. Although we found the Department and Bureau controls were insufficient in this regard, the Department issued guidance on March 12, 2002, that strengthens controls on the cards. These controls were issued as a result of our audit report titled *Department of the Interior, Integrated Charge Card Program*, (No. 2002-I-0011), dated December 2001. If properly implemented, the new controls should reduce misuse of both travel and purchase cards. As such, we have concluded our review of the travel card after surveying card use in the Bureau of Reclamation (BOR) and the National Park Service (NPS), and we will schedule another review for next year to look at implementation of the new controls. This review will include an evaluation of centrally billing hotel charges, which bills the Bureau for card transactions rather than the individual. Currently, BOR is the only Bureau in the Department that uses this process for billing hotel charges.

## BACKGROUND

In May 1998, a contract was awarded to NationsBank, now the Bank of America, to provide a Charge Card Program to the Department.<sup>1</sup> The program allows one card to be used for three different lines of credit, including micro-purchases, travel expenses, and fuel for government vehicles. Program Coordinators determine each business-line authority by an option set, which is a card-specific code that provides authority for, or restricts, transactions to certain categories of merchants.

The goals of the Charge Card Program are to streamline and standardize operations and reduce administrative and transactional costs — which are constantly changing due to shifts in the number of cardholders. As of September 2001, the Department had 54,905 cardholders with travel authority.

In addition to the Program's goals is the incentive to improve efficiency in the payment process through the Smartpay Program, which allows Bureaus to make payments on a daily basis. In fiscal year (FY) 2001, the Department paid \$189,975,000 on 1,233,000 travel transactions.

### Small Purchases Card

In our audit report titled *Department of the Interior, Integrated Charge Card Program*, we reviewed the small purchase card, finding that the Department did not always examine or validate card transactions. We also reported that the Department had

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<sup>1</sup>The Travel and Transportation Reform Act of 1998, Public Law 105-264, requires Federal employees to use Federal charge cards for all payments of expenses of official Government travel.

not established an effective process to train approving officials on how to conduct reviews of charge card activity. As a result, improper transactions went undetected. This resulted in the loss of monies, the cost of disciplinary action, and the potential loss of confidence in the Department.

The Department agreed that in order to make its Charge Card Program more effective and efficient, more human controls were needed. The Department has already taken some corrective actions, which include issuing revised guidance and conducting training for reviewing officials. In addition, individual Bureaus have taken action to address specific Bureau issues, including disciplinary action, training, and steps to hold reviewing officials accountable.

### **Travel Card**

The travel line includes centrally billed transactions, which are charge card transactions billed directly to the Bureau, and individually billed transactions, which are charge card transactions charged to an employee's card for which he/she must pay. Centrally billed transactions include air and ground transportation charges; individually billed items include lodging, meals, and ATM advances. The BOR is the only Departmental Bureau authorized to centrally bill lodging transactions.

## **RESULTS OF SURVEY**

The primary weakness in the travel card was that supervisors and other knowledgeable officials were not comparing receipts and invoices with travel vouchers, which is essentially the same weakness we encountered with the purchase card. In our report titled *Department of the Interior, Integrated Charge Card Program*, we stated that the Department had not established an effective process to review and validate purchase transactions. Based on the recommendations in our report, the Department issued new guidance that addresses both the purchase and travel cards. The new guidance requires that approving officials:

- Take Internet-based training that explains their duties and responsibilities and shows how to accomplish them.
- Reconcile monthly statements to the travel vouchers for the travelers over which they have approval authority.

We believe these controls help minimize the risk of the travel card being misused.

We are pleased to note that the Department has taken aggressive action to reduce the rate of delinquencies in individual billing and has reduced the amount of write-offs, which are amounts due that are deemed uncollectible, by the Bank of America. Specifically, the Department has implemented procedures to withhold the wages of employees with delinquent accounts. The Department has successfully reduced its overall delinquency rate to 4 percent, which is significantly less than many Federal

agencies. Further, the Bank of America write-offs for Department employees' accounts have gone from \$880,000 in FY 2000 down to \$190,000 in FY 2001 (a 78.4 percent drop) and only \$46,000 in the first half of FY 2002.

The following presents the details of our review at NPS and BOR as well as our comments on centrally billed hotel charges and our suggestion for strengthening the travel card review environment.

## **National Park Service**

Based on our review of travel card controls at the NPS Intermountain Region and Denver Service Center, we found that NPS was effective in minimizing travel card abuse because it relied on its Budget and Finance offices to review travel charges to travel vouchers. Any discrepancies identified, such as an airline ticket without a matching travel authorization or voucher, were referred to the appropriate supervisors for action. However, NPS plans to transition to the new control procedures as required by the March 12, 2002 Departmental guidance, and it will rely on the approving officials rather than the Budget and Finance offices.

## **Bureau of Reclamation**

We reviewed the travel card controls at BOR, which included reviewing its policies and procedures for card use, procedures for travel vouchers, and individual travelers' statements at the Reclamation Service Center – where we interviewed approving officials and travelers.

At BOR, the primary control for minimizing improper use of the cards was in the hands of the supervisor/approving official; however, the Bureau had no specific requirement in place for the approving official to compare charge card receipts to travel vouchers and supporting documentation. In practice, the approving officials performed a limited review of charge card statements based on their knowledge of travel completed by their employees. The statements were not reviewed the same time as the travel vouchers and supporting documentation. This process was inadequate because the approving officials relied on memory rather than actually comparing the statements to the vouchers. If only several trips were involved, this process would have worked; however, reliance on memory doesn't suffice when there are multiple trips and travelers because charges and vouchers may cover several billing cycles. For example, airline tickets may be purchased in April when the reservation is made, rather than in June when the travel occurs. This would require an approving official to remember travel for all employees over the span of several months.

We believe that the approving officials should formally reconcile statements to vouchers. The Department's new guidance, combined with the training for approving officials, should, if effectively implemented, be able to minimize abuse of the cards.

## **Centrally Billed Hotel Charges**

In April 1999, the Department authorized the BOR's pilot project to centrally bill hotel expenses. In November 1999, BOR's final report on the project supported the centrally billing of hotel charges and recommended that the Department apply the process to other Bureaus. The process has been ongoing at BOR; however, the Department has yet to expand it to other Bureaus because it has been waiting for the results of our review of the project, which we will conduct during FY 2003.

We understand central billing is in place to increase the benefits the Department reaps from the process. Because the Bureaus pay the Bank of America on a daily basis, the Department gets a rebate based on prompt payment. Also, increasing the number of items billed in this manner decreases the amount individual employees must pay, which will decrease delinquent payments. Nonetheless, we believe that the Department should wait to expand the process beyond BOR until the new control environment is in place and operating effectively. We plan to include the process in our review of the new Departmental controls over travel card use. The review will be scheduled for next year to allow time for the new control environment to be firmly established and for centrally billing hotel charges to be perceived as normal operations.

## **Suggestion for an Additional Safeguard**

The main control identified in the new Departmental guidance (approving officials comparing cardholders' statements to travel vouchers and receipts) relies on human action. As such, there is no assurance that the process will be conducted properly. In fact, the prior credit card audit found that reviewers did not actually check the statements against individual invoices or other supporting documentation. While the training for approving officials should help mitigate this problem, we believe continual checks of the control environment are necessary. Accordingly, we believe that the Director of the Office of Acquisition and Property Management should ensure that management control reviews are periodically conducted to review the reconciliation process and the control environment over the Charge Card Program. The overall management control review process is established in the Office of Management and Budget Circular A-123, *Management Accountability and Control*.

Section 5(a) of the Inspector General Act (5 U.S.C § App. 3) requires the Office of Inspector General to list this report in its Semiannual Report to the Congress.

Although this advisory report does not require a response, we would appreciate being kept apprised of the actions the Department takes on our suggestion. If you have any questions regarding this report, please call Ms. Anne Richards, Regional Audit Manager, or Mr. Lee Scherfel, Senior Auditor, at (303) 236-9243.

## APPENDIX

### SCOPE AND METHODOLOGY

We performed our survey work from December 2001 through July 2002 in Lakewood, Colorado, at the Bureau of Reclamation Service Center and the National Park Service's Intermountain Region office and Denver Service Center. We examined current policies and procedures at both Bureaus. We did not conduct detailed transaction testing due to the issuance of new guidance, which significantly changed the way the Bureaus review charge card transactions.

We conducted the survey in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

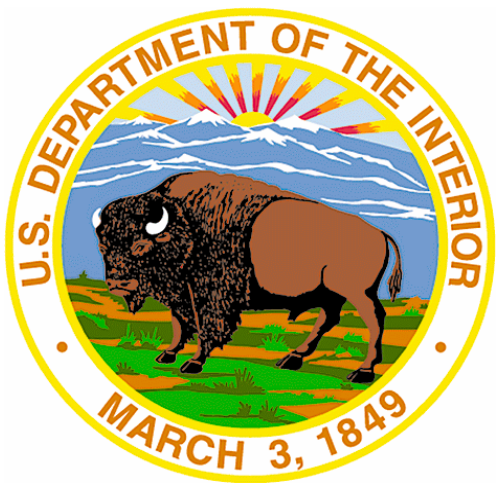
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