

**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION**



**OFFICE OF INSPECTOR GENERAL
AUDIT OF THE TRAVEL CARD PROGRAM**

Issued: September 27, 2013



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
BETHESDA, MD 20814

Memorandum

Date: September 27, 2013

TO : Inez Moore Tenenbaum, Chairman
Nancy A. Nord, Commissioner
Robert S. Adler, Commissioner
Marietta Robinson, Commissioner
Ann Marie Buerkle, Commissioner

FROM : Christopher W. Dentel
Inspector General

SUBJECT : Audit of the CPSC's Travel Card Program

The Office of Inspector General has completed its audit of the CPSC's Travel Card Program. A copy of the report is attached.

Management (EXFM and OEX) has been briefed regarding the findings and recommendations of this audit and given an opportunity to respond to them. Management concurred with all of the findings and agreed to implement corrective actions regarding these findings.

If you have any questions about this report or wish to discuss it, please feel free to contact me at 301-504-7644 or cdentel@cpsc.gov.


Christopher W. Dentel
Inspector General

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EXECUTIVE SUMMARY

BACKGROUND

The U.S. Consumer Product Safety Commission (CPSC) Office of Inspector General (OIG) conducted an audit of the Travel Card Program. The OIG conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), to evaluate the effectiveness of the CPSC's internal controls over the appropriateness of travel expenditures made using the U.S. government travel charge card. We reviewed applicable documentation to gain an understanding of the operations of the Travel Card Program and the relevant internal controls. In addition, we evaluated the CPSC's compliance with applicable laws, regulations, policies, and procedures. The CPSC began taking corrective action on many of the findings generated by this audit even before we completed the audit. Unfortunately, they did not fully implement these corrective actions before we completed the fieldwork on this audit. This office looks forward to assessing the effectiveness of these corrective actions in the future.

RESULTS OF EVALUATION AND FINDINGS

This report covers the CPSC's Travel Card Program from October 2010 to December 2011. Overall, we found that the CPSC does have a functioning Travel Card Program. However, management officials have not successfully implemented internal controls mandated by the Federal Travel Regulations (FTR) and the Office of Management and Budget (OMB) to mitigate risks associated with the Travel Card Program. Our findings regarding these issues include the following:

1. **Individually Billed Accounts (IBA) Were Not Always Used Appropriately:**

We found that CPSC employees used their government-issued travel cards in ways that were not appropriate, including purchasing meals while not on official travel; using the travel card to pay a government license renewal fee; and purchasing sample items with cash obtained from Automated Teller Machines (ATM). Other employees made ATM cash withdrawals that exceeded the amount authorized (no employee is authorized to make a cash withdrawal exceeding the total per diem amount to which they were entitled for the trip as a whole). These inappropriate uses totaled \$7,993.20. Furthermore, the CPSC has not properly designed internal controls to monitor improper and erroneous transactions; nor has the CPSC developed written guidance to address improper card usage. Inappropriate use of the travel card violates the terms of the contract with the travel card provider, represents abuse of government-provided resources, and compromises the integrity of the CPSC.

2. **Improvements Needed to Meet the Requirements of OMB Circular A-123, Management's Responsibility for Internal Control, Appendix B, Improving the Management of Government Charge Card Programs:**

The CPSC does not comply with various requirements mandated by OMB Circular A-123, Appendix B. The OIG noted the following areas of noncompliance:

- a) The Division of Financial Services (FMFS) has not established proper training for the approving, authorizing, and certifying officials; nor has FMFS established a refresher course.
- b) FMFS did not adhere to the guidelines for travel card recovery procedures set out in OMB Circular A-123, Appendix B.
- c) The CPSC has not properly assessed performance metrics associated with the Travel Card Program. As a result, CPSC reported inaccurate data for FY 2011 to OMB.
- d) The CPSC has not properly assessed the risks associated with the Travel Card Program, as required by OMB; nor has the CPSC implemented risk management controls, policies, and practices required by the OMB.

3. **Improvements Needed Over Travel Expenditures Oversight:**

We found that the Travel Card Program lacks adequate oversight to prevent fraud and other forms of waste and abuse. The OIG found problems with the design, implementation, and/or operational effectiveness of the internal controls tested. We identified internal control weaknesses in multiple areas of the Travel Card Program, including the following:

- a) FMFS does not adequately update the directive(s) associated with the Travel Card Program. We found these directive(s) to be inconsistent with the current versions of the FTR and OMB Circular A-123, Appendix B;
- b) FMFS has not established oversight controls that properly monitor CBA activity. Specifically, FMFS did not ensure proper and effective use of the CBA account, monitor CBA account activity, and ensure proper supporting documentation of CBA charges and reconciliations. As a result, we found two transactions that were improperly charged and paid on the CPSC's behalf.
- c) In addition, the CPSC does not have adequate oversight controls over travel transactions. The Accounting Service Provider (ASP) could not locate the proper documentation to support travel transactions totaling \$11,324.22. We also identified \$665.96 in improper travel voucher reimbursements.

MANAGEMENT'S RESPONSE

Overall, management concurred with all of our findings and recommendations. In addition, we find it appropriate to note that in their response to the findings and recommendations, management discusses the timeliness of this audit. Management asserts that the CPSC Travel Program has been significantly "revamped" to include how CPSC employees use the government travel charge card. On the contrary, while as is

true of all audits, the audit scope covers a period in the past. The OIG believes that the findings from the audit are still valid. We identified similar issues with travel charge card transactions in the recent FY 2012 CPSC Financial Statement Audit. Furthermore, while management asserts that “enhanced” internal controls are now in place to remediate the findings in the report, the OIG has not performed any procedures over these new internal controls. Therefore, we are unable to comment on their effectiveness. Ultimately, the most important single internal control over the travel card program is the CPSC directive governing it. This document would not only memorialize the corrective actions taken, but also formalize the changes made in the program to remediate the findings identified in this report. However, to date, CPSC has not issued an updated CPSC Travel directive.

INTRODUCTION

BACKGROUND

The Travel and Transportation Reform Act of 1998, Public Law 105-264, requires federal employees to use travel charge cards for all payments of expenses related to official government travel, including hotels, transportation costs, and meals. By consolidating travel expenditures with a single card vendor, and by streamlining the process for advancing travel funds to federal employees, agencies reduce administrative costs associated with processing federal travel. The General Services Administration (GSA) awards and administers a master contract for the government travel card program, which is part of the GSA SmartPay Program.

The GSA issues the Federal Travel Regulation (FTR) that implements legal requirements and Executive Branch policies for travel by federal civilian employees and others authorized to travel at government expense. The FTR's intent is to interpret legal and other policy requirements in a manner that balances on the one hand, the need to guarantee responsible official government travel, against the need to lessen administrative costs, on the other hand.

The Office of Financial Management, Planning, & Evaluation (EXFM) is responsible for the CPSC's financial policy and financial management, including the management of the travel charge card program, which is administered by the FMFS. FMFS assists in the administration of Travel Card Program by issuing travel-related policies and procedures to address items ranging from authorizations to travel, to reimbursement of government travel expenditures. For FY 2011, FMFS had one employee acting as the Agency/Organization Program Coordinator (A/OPC). The A/OPC is responsible for opening and closing travel accounts, maintaining and updating employee account information, and monitoring travel card training.

Under the Travel Card Program, the CPSC uses two types of travel charge cards: (1) Individually Billed Accounts (IBA) that individual cardholders hold and pay for through reimbursement; and (2) Centrally Billed Accounts (CBA) that FMFS holds and pays for common carrier cost only.

OBJECTIVES

The purpose of our audit was to determine whether the related internal controls, policies, and procedures established to monitor and manage the Travel Card Program were functioning in a reasonable manner. Specifically, the objectives of our audit were to determine:

1. the adequacy of management internal controls over the travel charge card program; and

2. whether the CPSC's Travel Card Program was being effectively managed, using guidance and best practices provided in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*.

SCOPE

This audit covers travel card transaction activity during FY 2011 and the 1st quarter of FY 2012 (October 2010 to December 2011), as administered by EXFM's FMFS at the CPSC headquarters in Bethesda, MD. During the audit scope, the CPSC had approximately 210 cardholders and \$804,494.43 in charges to the IBA and the CBA. All travel cardholders at CPSC headquarters and field locations throughout the United States were included in the scope of the audit. Audit fieldwork took place from February 2012 through March 2013.

METHODOLOGY

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objectives, we obtained an understanding of the CPSC Travel Card Program to include the design, implementation, and operating effectiveness of internal controls, compliance with the CPSC governing policies and procedures, and compliance with applicable federal laws, regulations, and provisions. To obtain this understanding, we conducted interviews with key EXFM personnel, performed walkthroughs of the CPSC travel card internal controls and execution of policies and procedures, inspected relevant supporting documentation, and examined travel card data and reports from the contracted vendor, U.S. Bank, for both the IBA and the CBA.

Based on the information gathered, we identified specific risks and opportunities for fraudulent, improper, or abusive purchases within the CPSC's program. Thereafter, we determined what key control activities were in place to prevent or detect such occurrences. Additionally, we performed a preliminary assessment of whether the controls were likely to be effective, and we identified any control design inefficiencies based on the control process. As a result of the preliminary assessment, we designed the audit procedures (test of controls) to assess the internal controls' operating effectiveness, to review specific attributes of the program, and to determine compliance with the identified laws, regulations, and provisions governing the program.

To perform our audit procedures at the transactional level, we obtained a population of travel card transactions from the U.S. Bank System. To assess the reliability of U.S. Bank's transactional data we: (1) reviewed related documentation, including an

Independent Service Auditors Report on the effectiveness of U.S. Bank's internal controls; (2) interviewed agency officials knowledgeable about the data; and (3) verified the completeness of the population, by comparing charges listed to travel vouchers, receipts, other source documents and supporting records. Based on this assessment, we determined that the data were sufficiently reliable for purposes of the report.

The U.S. Bank monthly transaction cycle close is mid-month; thus, we selected our sampled items from the period of September 17, 2010 through December 16, 2011. As such, this period included a universe of 4,950 transactions totaling \$804,494.43. The population also included ATM withdrawals. Due to the inherent risk of ATM cash withdrawals, we deemed it appropriate to extract and test the ATM withdrawals as a separate sample. The transactions we extracted totaled 145 items totaling \$20,798.27.

To determine the internal control effectiveness, we obtained a random sample of 45 transactions from the universe. Based on the results of the internal control sample, we used Monetary Unit Sampling to perform tests of transactional completeness and accuracy. This approach resulted in a statistical sample of 87 transactions and an additional three transactions in high dollar amounts (totaling \$35,513.80) for IBAs & CBAs from the universe of 4,950 transactions. As previously noted, we deemed ATM withdrawal transactions to present a higher risk. Therefore, we extracted an additional statistical sample of 66 ATM withdrawals with an additional 12 transactions designated as high-dollar transactions. We drew these transactions from a universe of 145 transactions.

We based all statistical samples on a 95 percent confidence level (reliability) and had an expected error rate of 5 percent.

RESULTS AND FINDINGS

1. *IBAs Were Not Always Used Appropriately*

CPSC employees did not always use IBA travel card accounts appropriately. Following are examples of inappropriate use: the IBA was used for purchases that did not relate to official government travel; or IBA travel card accounts were used for ATM withdrawals that were in excess of either the Meals and Incidental Expense (M&IE) Allowance¹ and/or not used for official travel expenses.

During the relevant period, there were 2,467 IBA transactions totaling \$279,198.15 and 145 ATM withdrawals totaling \$20,798.27. Through a sampled review of IBA transactions and associated ATM withdrawals, we identified:

- Eleven individuals (more than 20 instances), who made ATM withdrawals during official travel that exceeded the total M&IE allowed for the trip. Overall, these individuals withdrew a total of \$6,180.21, while the related maximum M&IE for these trips was \$2,872.00. In one case, an employee made excessive ATM withdrawals totaling \$1,949.47, while on official travel in Las Vegas, NV.
- Additionally, we identified 32 inappropriate purchases totaling \$6,485.55. These transactions resulted from charges and ATM withdrawals that field investigators made for sample purchases,² lack of supporting documentation, a restaurant charge within an employee's local area of employment, and a government vehicle license plate renewal fee.

OMB Circular A-123, Appendix B defines the "travel charge card" as "an individually or centrally billed, government contractor-issued charge card used by authorized individuals for travel-and transportation-related expenses in compliance with the applicable regulations and in support of official government business."

In addition, the Cardholder Agreement with US Bank, which the travel card applicant must sign, states that the applicant understands that the card is to be used for official travel-related expenses. The travel charge card on its face, contains the statement: "For Official Government Travel Only." Inappropriate use of the travel card violates the terms of the contract with the travel card provider. We noted, during the audit, the Office of the

¹Meals and Incidental Expense (M&IE) Allowance is the allowable reimbursement the federal government gives to employees who travels on business. The M&IE is a predetermined rate based on the employees travel destination.

² An undercover investigator may have a need to purchase consumer products on behalf of the CPSC. For the purchase to remain covert, the investigator uses cash, versus the government purchase card embedded with the GSA logo.

Executive Director issued a memorandum to cease obtaining cash advances from the government travel card for sample purchases.

Ultimately, these issues occurred due to the lack of effective oversight by FMFS. FMFS relies on supervisors to review their respective employees' travel transactions and report to FMFS any improper or erroneous items. But FMFS has not provided proper training to supervisors on how to review travel authorizations against charge card bank statements, developed written procedures to address improper transactions, nor provided supervisors with guidance on "next steps to take" if they encounter an employee who has used their travel card for improper purchases.

We recommend that FMFS:

1. develop and implement procedures to instruct supervisors on how to monitor and detect improper and erroneous travel card usage.
 2. review and update CPSC Directive 1300.1, *CPSC Travel Policy and Procedures*, to provide for coordination with EXRM and to educate travel cardholders and their supervisors of the penalties associated with erroneous and improper transactions.
 3. update CPSC Directive 1300.1, Appendix 5, *Use of Automated Teller Machines (ATM) for Cash Advances*, to ensure that it reflects changes in the Government Travel Card Programs and adheres to the intent of the government Travel Card Program, as defined by OMB Circular A-123, Appendix B.
 4. strengthen its adherence to CPSC Directive 1300.1, Appendix 5, by developing standard operating procedures to conduct periodic reviews over ATM cash withdrawals for reasonableness and association with official travel; and to contact employees to inquire about questionable or suspicious transactions.
2. ***Improvements Needed for Compliance with the Requirements of OMB Circular A-123, Appendix B***

The CPSC has not fully satisfied the following requirements made mandatory by OMB Circular A-123, Appendix B:

- a) *Travel Card Training* – FMFS has not established a system of training in compliance with Chapter 3 of OMB Circular A-123, Appendix B. OMB Circular A-123, Chapter 3, requires training on the use of the federal travel charge card as follows:
 - All program participants must be trained prior to appointment;
 - All program participants must take refresher training a minimum of every three years;

- All program participants must certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions; and
- Copies of all training certificates must be maintained pursuant to U.S. National Archives and Records Administration (NARA) requirements.

FMFS uses the SmatPay2 online travel training course administered by the U.S. General Services Administration. Although this satisfies the training requirements for the travel charge card holders who take the training, FMFS does not properly require all program participants to complete training. OMB Circular A-123, Appendix B, Chapter 3.3 states, “all program participants, including card holders and charge card managers (including Agency/Organization Program Coordinator (A/OPC), Approving officials, and other accountable/billing officials), must be trained in charge card management.”

Our review of the training completed during the audit scope period determined that only new travel cardholders completed the online training course. Furthermore, FMFS has not properly structured the required mandatory refresher training course. OMB Circular A-123, Appendix B 3.4 states: “all program participants must be trained prior to appointment, and all program participants must take refresher training, at a minimum, every three years.”

The A/OPC, prior to appointment, is required to receive training on the role and responsibilities of the A/OPC, including proper management, control, and oversight tools and techniques (see FTR Part 301-70, and FTR 301-70.700 through 708). The A/OPC must also receive the same training as the cardholders. We observed that FMFS has not allocated sufficient time and resources to develop the training card program. This could lead to improper travel card usage, which could lead to fraud, waste, and abuse within the Travel Card Program. Because FMFS is not monitoring the charge card program effectively to ensure compliance with the training requirements mandated by OMB Circular A-123, Appendix B, the travel charge card program may be susceptible to the risk of improper, abusive, and fraudulent travel charges.

We recommend:

5. FMFS conduct training for all CPSCs approving, accountable, and billing officials associated with the Travel Card Program. In addition, FMFS should track and retain documentation of the training completed by all participants.
 6. The A/OPC should complete the required GSA SmartPay Travel training, at a minimum, once every three years, but should also attend the annual GSA SmartPay Training Conference.
- b) *Review of IBA Accounts* – FMFS did not always cancel IBAs when employees separated from the CPSC, collect travel cards from separated employees, or review

accounts for infrequent use.

Per CPSC Directive 1300.1, *CPSC Travel Policy and Procedures, Section 5(h)(2) (b)*, “to qualify for a travel charge card, an employee must provide a statement from his/her supervisor they will travel at least twice a year.” During the audit period, the CPSC had 210 open travel card accounts. We reviewed a listing of separated employees provided by the Office of Human Resources (EXRM) against the list of open travel cards provided by FMFS and identified the following:

- An employee separated from the agency on 4/2/2011, but at the time of our review, the employee’s travel card was still active. CPSC closed the account prior to the completion of the audit. We also discovered there were seven other accounts that CPSC closed after the employee’s separation date. However, we found no evidence that any travel card transactions occurred on the cards in question after the employee’s termination date.
- Seven instances in which CPSC issued travel cards to individuals but the cards were not used during the scope of the audit; of those instances, three cards were beyond 180 days of inactivity.
- There were 104 instances in which a CPSC employee used a travel card at least once, but the travel cards had not been used for more than 180 days; in one instances, the card had not been used in the past 1,045 days.

We also found that FMFS’s travel recovery procedures did not comply with OMB Circular A-123 Appendix B. OMB Circular A-123, Appendix B, Section 2.3, provides agencies guidance on the “required elements” of an agency’s charge card management plan. OMB Circular A-123 requires the agency to recover travel cards from all *employees who terminate their employment with the agency*. FMFS does not recover travel cards from all employees who terminate their employment with the agency. Although there is a process in place to accomplish this, CPSC does not follow the process consistently. During our discussion with FMFS regarding the process used to recover travel cards when employees separate or are terminated from the agency, FMFS indicated that some employees bring the card to FMFS upon separating from the CPSC, but at other times, the cardholder disposes of the card on their own and gives notice of this fact to FMFS. By not deactivating and canceling travel charge cards properly, the CPSC exposes itself to unnecessary risk of inappropriate charges.

We recommend:

7. FMFS reiterate to management that travel cards should be issued only to employees with a bona fide need.
8. FMFS update the travel charge card management plan to reflect that upon closing an employee’s account or when an employee is separating from the agency, the CPSC must recover the card. CPSC should develop a process for Headquarters

and the Field Division to recover travel cards. CPSC should document this process formally and apply the process consistently.

9. FMFS perform a review at each year-end, to compare the listing of separated employees prepared by EXRM to the travel card “account status changed” data from US Bank to ensure that none of the employees that have separated from the CPSC still has an active travel card account. FMFS should also consider deactivating the accounts or lowering the spending limits of individuals who are not using their travel cards at least twice per year.

c) *Performance Metrics Data Requirement* – FMFS has neither allocated sufficient time and resources, nor established procedures to report Travel Card Program statistics properly to OMB. OMB A-123, Appendix B, Chapter 5 requires each agency to report timely and accurate data to assess:

- compliance with legislative and administrative requirements;
- the effectiveness of efforts to mitigate risks of fraud, waste, and abuse; and
- performance trends in managing costs and other relevant indicators of program success.

We reviewed the statistical report FMFS submitted to OMB for the period ending 9/30/2011. Although submitted timely, the report did not contain accurate data. During our review, we noted the following reporting errors:

- FMFS reported the agency having 213 active travel cards. We reviewed the card status report as of 9/30/2011, and determined that there were 202 active cards and 11 cards that required activation.
- FMFS reported that the agency did not have any instances of card misuse/abuse and that CPSC took no disciplinary action during the reporting period. However, we confirmed with EXRM that the agency had one instance of card misuse/abuse and that CPSC took disciplinary action during the reporting period.
- We reviewed the travel card accounts that were authorized to make ATM withdrawals and determined that there was one travel card that had a credit limit of \$5,000 and 100% withdrawal capabilities. FMFS reported all travel cards had a withdrawal limit of \$0 - \$3,000
- FMFS overstated the percentage of infrequent users at the agency, by reporting that 119 employees traveled one time or less during the reporting period. After comparing the transaction report with the inactive card report, we determined that 98 employees used their travel card infrequently during the reporting period.

Because FMFS management had not implemented the necessary policies, procedures, and techniques to ensure compliance with OMB Circular A-123, Appendix B, the efficiency and integrity of the charge card program may be impaired, and there is increased risk of fraud, misuse, and delinquency by charge cardholders.

We recommend:

10. FMFS develop written procedures to perform a statistical review in accordance with OMB Circular A-123, Appendix B. A supervisor should review the statistical review before transmittal to OMB. The Program Coordinator and the supervisor should sign the review to document its completion and obtain supervisory review prior to its transmission to OMB.

d) *Risk Management Requirements* – FMFS has neither allocated sufficient time and resources, nor established the procedures required by OMB to mitigate risks associated with the Travel Card Program. OMB Circular A-123, Appendix B requires agencies to implement risk management controls, policies, and practices to ensure the efficiency and integrity of the Travel Card Program. The risk management controls, policies, and practices are designed to eliminate payment delinquencies, card misuse, fraud, and other forms of waste and abuse. Because the CPSC has not implemented the necessary policies, procedures, and practices to ensure compliance with OMB Circular A-123, Appendix B, the efficiency and integrity of the charge card program may be impaired. The OMB has charged agencies to implement:

- general risk management controls, policies, and practices;
- risk management controls, policies, and practices addressing payment delinquencies; and
- risk management controls, policies, and practices addressing charge card misuse.

Specifically, the CPSC needs to implement the following additional areas of risk management policies, and practices to ensure the efficiency and integrity of the Travel Card Program:

- the appropriate controls to ensure compliance with federal laws, federal and agency regulations, and to monitor program effectiveness;
- review available data (including the use of data mining, if available) to detect instances of delinquency, fraud, and misuse and identify trends and outliers in relevant indicators of charge card program performance;
- maintain a policy that ensures that administrative and/or disciplinary actions are initiated in the event cardholders or other program participants fail to meet their responsibilities with respect to appropriate use and timely payment of the charge card;
- communicate the agency's policy with respect to administrative and/or disciplinary actions to cardholders, and other program participants, including when referral to an agency OIG is appropriate and/or required;

- incorporate all controls, practices, and procedures related to centrally billed account delinquencies in the agency’s charge card management plan, consistent with section 2.3 of OMB Circular A-123, Appendix B;
- implement split disbursement and salary offset procedures for travel charge card programs (or request a waiver from the Director of the OMB in writing);
- identify specific risks associated with the charge card program, and implement strict internal controls to mitigate these risks to the greatest extent; and
- develop policies and procedures to mitigate risks associated with the charge card program.

We recommend:

11. FMFS review the risk management requirements stipulated by the OMB Circular A-123, Appendix B, Chapter 4, and implement controls, policies, and procedures to ensure efficiency and integrity of the Travel Card Program, by mitigating the risks of fraud, misuse, and travel card delinquency.

3. Improvements Needed Over Travel Expenditure Oversight

a) *Out-of-Date Travel Directives* – FMFS does not have written standard operating procedures over the Travel Card Program but has relied on directives as formalized policies to govern the Travel Card Program. CPSC Directive 1300.1, *CPSC Travel Policy and Procedures*, and its appendices one through four, have not been updated since July 1996, and refer to an “ADFS” department and positions that are no longer relevant to CPSC due to agency reorganizations over the last several years. FMFS has not updated its policies regarding the travel card to ensure compliance and consistency with federally mandated regulations and provisions. This could lead to possible travel card misuse, which could leave the Travel Card Program susceptible to fraud, waste, and abuse. We identified the following irregularities in CPSC Directive 1300.1 that relate to the Travel Card Program:

- CPSC Directive 1300.1, Appendix 7, Section 3 states, “all travel requirements shall continue to be observed fully, and all official travel must be authorized on CPSC form 243.” Federal Travel Regulation (FTR) 301-50.3 states, “You must use the E-Gov Travel Services (ETS) when your agency makes it available to you.” CPSC began using the E2 Solutions as the official ETS on October 1, 2009, and has since converted to GovTrip in October 1, 2010. The directive has not been updated to reflect the use of ETS.
- CPSC Directive 1300.1, Appendix 5, 1b, allows employees to use the government travel card to obtain ATM cash advances for the sole purpose of purchasing sample items. This contradicts the Federal Travel Regulation 301-70.706, which states, “An employee is required to use the government contractor-issued travel charge card for expenses directly related to official travel.”

- CPSC Directive 1300.1, Appendix 1, advises employees on the authorized mileage allowances. We noted that the allowances in the current directives are not current and date back to July 1996.

We recommend:

12. FMFS management review and revise each CPSC directive associated with the Travel Card Program to include current practices being performed, regulations established by the OMB, and regulatory requirements established by the FTR. We also recommend the review and update of travel directives periodically, or as needed.

- b) *Oversight of Centrally Billed Account* – Overall, we found that FMFS’s oversight of the CBA activity has not always been effective. FMFS relies on an Accounting Service Provider (ASP) to make monthly payment to the CBA for charges incurred, but the ASP does not review the CBA for any potential erroneous transactional activity. The lack of oversight performed by FMFS can lead to improper travel usage, which could lead to fraud, waste, and abuse.

The CBA is a separate US Bank charge account used by CPSC to accumulate purchased common carrier transportation services (*e.g.*, airlines, train, buses, etc.) and the related travel agent booking fees for CPSC travelers. During the audit period, the CPSC incurred \$504,498.01 in charges to its CBA.

GovTrip is the web based travel system that allows employees to create travel orders and expense reports (during the audit period, CPSC also utilized manual authorization and voucher forms, which allowed employees to contact SATO directly and make travel reservations). When travel arrangements occur, the charges incurred post automatically against the CBA. Monthly, FMFS forwards the CBA bill to their ASP for payment. The ASP performs a review of the bill, but only to make sure transactions are aligned with the correct organization code. Because employees have the authority to make travel arrangements directly with SATO, without authorization – per se, and FMFS/ASP does not review the bill for erroneous charges, the chances are high that fraudulent or erroneous transactions can and do occur.

During a review of CBA transactions, specifically, we found:

- GovTrip voucher 0R47Z8: This authorization was canceled, but the flight charge of \$370.90 was charged against the CBA. Neither FMFS nor the ASP was able to provide evidence that the CPSC received a refund for the canceled trip.
- Voucher 12-C24300001: While on official travel in Mumbai, India the employee took personal leave and made flight reservations to Paris, France without an authorization. The flight was charged to the CBA.

We recommend:

13. FMFS perform a monthly review of all CBA charges submitted by the financial service provider. The procedures developed to govern this review should include that FMFS: (1) review the CBA reconciliation performed; (2) align transactions charged to the CBA to approved obligations; and (3) maintain all supporting documentation of the review and follow-up of all transactions. The procedures developed should include a requirement that the A/POC conducting the review and the individual performing the supervisorial review both document their actions by signing off on their work product.

c) *Travel Payment Deficiencies* – FMFS’ oversight of IBA travel expenditures needs improvement. During the audit, we identified instances where oversight activities designed to ensure that agency funds were used in an allowable, effective, and economical manner, did not always function as intended. We found that CPSC officials did not always ensure that costs claimed on individual travel vouchers were accurate, allowable, and actually incurred by the traveler. This included validating that claimed expenses were supported by proper documentation, miscellaneous expenses were appropriately explained and documented, and calculations were correct.

The conditions noted occurred because of lack of oversight and unfamiliarity with Federal compliance by the applicable approving officials and travelers. Ineffective oversight of travel expenditures can result in inappropriate use of agency resources and violations of agency policies and procedures. As a result, employees may be reimbursed for charges that they did not actually incur, that were unallowable, or reimbursed for more than that to which they are actually entitled. Without proper monitoring of travel expenditures, a precedent may be set that inappropriate charges are tolerated by the agency.

Specifically, we found:

- Four instances where the formal authorization to travel did not occur through the appropriate authoritative channels prior to travel. FTR-2.1 states, “that generally you must have written or electronic authorization prior to incurring any travel expense.”
- Eleven instances where neither FMFS nor the ASP could locate the proper documentation to support travel transactions totaling \$11,324.22. Per FTR 301-52.4, travelers “must provide receipts for any lodging expense; and any other expense costing over \$75.”
- Twenty-seven instances where the employee failed to submit their travel vouchers within five working days, as required by the FTR. FTR 301-52.7 states “unless your agency administratively requires you to submit your travel claim within a

shorter timeframe, you must submit your travel claim as follows: (a) within 5 working days after you complete your trip or period of travel; or (b) every 30 days if you are on continuous travel status.”

- Four instances where the traveler claimed and was paid for improper hotel/lodging fees:
 - GovTrip voucher 0R3SVI: The employee claimed the full lodging allowance of \$206, but the hotel receipt only validates hotel charges of \$109.87, resulting in an overpayment of \$96.13.
 - GovTrip voucher 0RD39K: The employee claimed total hotel reimbursement of \$197.47, but the receipt only validates a payment of \$106.47, resulting in an overpayment of \$91.00.
 - GovTrip voucher 0RI2GT: The employee claimed the maximum authorized hotel MI&E of \$85 per day for two days, but hotel receipts only validate hotel charges of \$70 per day, resulting in an overpayment of \$30.00.
 - GovTrip voucher 0RVR4F: The employee’s itinerary was dated 9/13/2011 through 9/17/2011, but the employee was reimbursed for lodging and per diem for 9/12/2011, an overpayment of \$146.00.
- In addition, we identified two instances where the traveler did not provide accurate receipts to substantiate claims:
 - GovTrip Voucher 0R3SVI: The employee could not provide a receipt to substantiate an alleged ticket cost of \$159.40. Since a receipt could not be provided, the transaction is unsupported and found to be invalid. The voucher was overpaid \$159.40.
 - Voucher 11-2431608: The employee submitted two vouchers for this authorization. The second voucher was filed to request reimbursement for charges the employee failed to claim at the time of the first submission. There was a transaction for “copies and printing” on 10/21/2010 for \$62.56 that was claimed on both vouchers. There was also a charge of \$80.87 claimed, which did not have receipt support; thus, resulting in an overpayment of \$143.43.

We recommend:

14. FMFS division strengthens controls over payment authorizations, to ensure properly approved payments are validated. FMFS should ensure travel costs are reimbursed in accordance with the FTR, including the use of per diem rates for

meal expenses. To accomplish this, we recommend that after the initial review by the traveler's first level superior is performed, a second level review is performed on both the travel authorizations and vouchers to ensure all internal control reviews have been performed prior to the processing of the obligation and payment.

15. FMFS follows-up on each condition item that mentions either an overpayment of per diem or reimbursements due to the Commission, and recoups the unallowable reimbursement paid.
16. Lastly, we also recommend that FMFS develop training tools and require refresher training to supervisors, authorizing and approving officials that identify their responsibilities and requirements for issuing travel authorizations and approving travel claims for transportation, subsistence and miscellaneous expense allowance in accordance with the FTR and other applicable regulations.

CONCLUSION

Based on the results and findings noted above, the CPSC has not complied with its or the general federal government Travel Card Program regulations, policies, and procedures. Moreover, the CPSC's Travel Card Program has significant internal control weaknesses. We have discussed our recommendations with management. Management plans to take the proper action to remediate the issues noted and will implement policies and procedures to strengthen the program through the development of a Corrective Action Plan (CAP).

APPENDIX A: MANAGEMENT RESPONSE



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
4330 EAST WEST HIGHWAY
BETHESDA, MD 20814

Date: September 24, 2013

To: Christopher Dentel
Inspector General

From: Jay Hoffman
Chief Financial Officer

A handwritten signature in black ink, appearing to read "Jay Hoffman".

On behalf of the financial management team, I am pleased to accept your audit report on the CPSC travel card program.

As you state in your report, this audit covers the timeframe October 2010 through December 2011. Much has transpired since December 2011 and the issuance of your draft audit report in September 2013. I wanted to take a moment and communicate to you and your team some of the good progress that has been made in resolving the findings and recommendations issued in this report during the intervening two years.

Since these findings were reported, the agency has made significant changes to policies and procedures to direct appropriate usage of the travel card. Specifically, the Executive Director issued guidance in 2012 ending the practice of using the travel card for sample purchases, resolving a major source of inappropriate usage. This past year the office of Finance drafted a new travel card directive to strengthen internal controls pertaining to the oversight and appropriate use of the card, and that directive is actively being reviewed and cleared through the appropriate agency processes as of this writing, and we expect to formally publish that directive in fiscal year 2014. In addition to strengthening policies and procedures, the Office of Finance has also taken specific steps to improve compliance with applicable laws and regulations. In 2013, the agency held comprehensive training on the Federal Travel Regulation, the GovTrip system and use of the travel card. The agency has also established an online training cadence for all of our cardholders to ensure that they are current on their cardholder responsibilities. The Office of Finance is better integrated with the employee departure process, and travel cards are physically collected from departing employees rather than simply deactivated. The accountant that oversees our travel card program is leveraging analytical tools through the U.S. Bank online portal to proactively identify problem transactions and to manage credit limits and card activation status. Lastly, the agency has eliminated the use of manual travel vouchers as a method of reimbursement, and handles all travel reimbursements through the automated GovTrip system.

Internal controls over the travel card have been further enhanced as a result of the agency's implementation of the OMB Circular A-123 Appendix A program. As part of the process of implementing this program, internal controls for the agency's major financial cycles were documented. This past year, agency management tested the sixteen identified internal controls pertaining to the travel program and proactively used those testing results to mitigate identified issues.

The Office of Financial Management acknowledges that the timeframe of the just completed audit precludes you from making an audit determination on the enhanced internal controls. We also acknowledge that while much has been done to address the findings and recommendations in your report, work remains for me and my team to complete. I am personally committed to continuing our implementation of a robust travel charge card program, and will keep you apprised of our progress.

I appreciate the efforts and leadership of the Office of the Inspector General. Please convey my appreciation to your team for the many hours of work invested in completing this audit.