



OFFICE OF INSPECTOR GENERAL

Audit Report

2013-AE-C-017

The CFPB Should Strengthen Internal Controls for Its Government Travel Card Program to Ensure Program Integrity

September 30, 2013

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

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Abbreviations

BPD ARC	Bureau of Public Debt, Administrative Resource Center
CCRS	Citibank Custom Reporting System
CFO	Chief Financial Officer
CFPB	Consumer Financial Protection Bureau
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
FTR	Federal Travel Regulation
GAO	Government Accountability Office
GSA	General Services Administration
GTC	government travel card
MCC	merchant category code
M&IE	meals and incidental expenses
OHC	Office of Human Capital
OIG	Office of Inspector General
TAF	Travel Approval Form
<i>Travel Card policy</i>	<i>Policy on Travel Cards and Temporary Duty Travel</i>
Travel Office	Office of Travel and Relocation



Executive Summary:

The CFPB Should Strengthen Internal Controls for Its Government Travel Card Program to Ensure Program Integrity

2013-AE-C-017

September 30, 2013

Purpose

Overall, our objective was to determine the effectiveness of the Consumer Financial Protection Bureau's (CFPB's) internal controls for its government travel card (GTC) program.

Specifically, we assessed compliance with policies and procedures and whether internal controls were designed and operating effectively to prevent and detect fraudulent or unauthorized use of travel cards and to provide reasonable assurance that cards are properly issued, monitored, and closed out.

Background

Through its GTC program, the CFPB provides its employees with the necessary resources to arrange and pay for official business travel and other travel-related expenses and receive reimbursements for authorized expenses. The CFPB's Travel and Relocation Office (Travel Office), within the Office of the Chief Financial Officer, oversees the GTC program. In fiscal year 2012, the CFPB spent more than \$10 million, or about 3 percent of its incurred expenses, on travel. As of April 30, 2013, the CFPB had 743 active cardholder accounts.

Findings

Overall, internal controls for the CFPB GTC program should be strengthened to ensure program integrity. While controls over the GTC issuance process were designed and operating effectively, we found that controls are not designed or operating effectively to (1) prevent and detect fraudulent or unauthorized use of GTCs and (2) provide reasonable assurance that cards are properly monitored and closed out. Specifically, we found the following:

- Cardholders charged approximately \$1,880 in unauthorized transactions on their GTCs.
- Cardholders claimed and received reimbursement for \$320 in unallowable laundry and dry-cleaning transactions and \$324 in potentially unallowable transactions for lodging and meals and incidental expenses.
- The Travel Office did not ensure that cardholders could not exceed their daily cash-advance limit.
- The Travel Office did not ensure that GTC accounts for separated employees were closed in a timely manner.
- The Travel Office did not approve travel vouchers in a timely manner and send past-due account notifications to cardholders, their supervisors, the Chief Financial Officer, and the Office of Human Capital, as appropriate.
- The Travel Office, cardholders, and cardholders' supervisors did not properly submit or approve Travel Approval Forms and travel authorizations.

For our findings that are based on sample testing, the results cannot be projected to the entire population because we did not use statistical sampling. Total noncompliance may be greater than our results indicate.

Recommendations

Our report includes 14 recommendations designed to assist the CFPB in strengthening its internal controls over the GTC program. We recommend that the Chief Financial Officer collect reimbursements from cardholders who received payments for unallowable expenses. We also recommend that cardholders' supervisors review and approve travel authorizations and travel vouchers. Further, we recommend that the Travel Office provide periodic refresher training for cardholders and their supervisors on the proper use of the GTC and the Travel Card policy and procedure, and ensure proper monitoring of the GTC. In its response to a draft of our report, the CFPB concurred with our recommendations and noted that it is taking actions to implement them.

Access the full report: http://www.federalreserve.gov/oig/files/CFPB_Government_Travel_Card_Controls_full_Sep2013.pdf

For more information, contact the OIG at 202-973-5000 or visit <http://www.consumerfinance.gov/oig>.

Summary of Recommendations, OIG Report No. 2013-AE-C-017

Rec. no.	Report page no.	Recommendation	Responsible office
1	10	Collect reimbursements from cardholders who received payments for unallowable expenses and research and collect reimbursement from the two cardholders who used credit hours as leave while on official travel and claimed reimbursement for lodging and meals and incidental expenses.	Office of the Chief Financial Officer
2	10	Conduct an audit of the remaining 183 instances in which cardholders took eight or more hours of leave during an official business trip to determine whether cardholders claimed and received reimbursement for unallowable expenses.	Office of the Chief Financial Officer
3	10	Coordinate with the Office of Human Capital to develop disciplinary actions that may be taken against cardholders who use their government travel card for unauthorized transactions and include these guidelines in the <i>Travel Card</i> policy.	Office of the Chief Financial Officer
4	10	Require the Travel Office to provide to cardholders periodic reminders on the proper use of the government travel card, including the policy associated with laundry expenses.	Office of the Chief Financial Officer
5	10	Coordinate with the Office of Human Capital to obtain personnel leave data and require the Travel Office to expand the monthly cardholder statement review to include cardholders on leave in order to identify potential cases of unauthorized or fraudulent use and incorporate this requirement in the draft internal procedure.	Office of the Chief Financial Officer
6	11	Update the <i>Travel Card</i> policy to include the requirements in recommendations 7 and 8 below.	Office of the Chief Financial Officer
7	11	Require cardholders to note on the travel authorization any days of anticipated leave while on business travel and to note on the travel voucher any days of leave taken while on business travel.	Office of the Chief Financial Officer
8	11	Require cardholders' supervisors to review and approve travel authorizations and travel vouchers in GovTrip in a timely manner and, as a part of that review and approval, verify that expenses anticipated or incurred on days of leave are allowable.	Office of the Chief Financial Officer
9	17	Require the Travel Office to verify that new cardholder account cash-advance limits are set at prescribed amounts and periodically review cardholders' cash-advance transactions to ensure that the prescribed limits are not exceeded.	Office of the Chief Financial Officer
10	17	Require the Travel Office to ensure that all government travel card accounts for employees are closed immediately upon separation and revise the internal draft travel procedure to include this requirement.	Office of the Chief Financial Officer
11	17	Ensure that cardholders' supervisors review and approve travel vouchers in GovTrip consistent with recommendation 8.	Office of the Chief Financial Officer
12	17	Ensure that the Travel Office sends past-due notifications to cardholders, their supervisors, the Chief Financial Officer, and the Office of Human Capital as required in the <i>Travel Card</i> policy.	Office of the Chief Financial Officer

Rec. no.	Report page no.	Recommendation	Responsible office
13	17	Provide periodic refresher training for both cardholders and their supervisors on <ul style="list-style-type: none"> a. the CFPB's <i>Travel Card</i> policy and procedures. b. the submission, review, and approval of completed travel authorizations and vouchers in GovTrip. 	Office of the Chief Financial Officer
14	17	Finalize and approve the internal draft travel procedure.	Office of the Chief Financial Officer



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

September 30, 2013

MEMORANDUM

TO: Stephen Agostini
Chief Financial Officer
Consumer Financial Protection Bureau

FROM: Melissa Heist *Melisse Heist*
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report No. 2013-AE-C-017: *The CFPB Should Strengthen Internal Controls for Its Government Travel Card Program to Ensure Program Integrity*

Attached is the Office of Inspector General's final report on the subject audit. We conducted this audit to identify opportunities for the Consumer Financial Protection Bureau to strengthen the internal controls of its travel card program. We focused on internal controls to prevent and detect fraudulent or unauthorized use of travel cards and over the issuance, monitoring, and close out of travel cards.

We provided you with a copy of our draft report for review and comment. In your response, you stated that you concurred with our recommendations and are in the process of implementing and making changes to the travel card program. We have included your response as appendix B in our report.

We appreciate the cooperation that we received from the Office of Chief Financial Officer, the Travel and Relocation Office, and the Office of Human Capital. Additionally, we appreciate the cooperation of the Department of the Treasury, Bureau of Public Debt. Please contact me if you would like to discuss this report or any related issues.

Attachment

cc: Dennis Slagter, Chief Human Capital Officer

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Introduction

Objective

Our overall objective for this audit was to determine the effectiveness of the Consumer Financial Protection Bureau's (CFPB's) internal controls for its government travel card (GTC) program. Specifically, we assessed compliance with policies and procedures and whether internal controls were designed and operating effectively to (1) prevent and detect fraudulent or unauthorized use of travel cards and (2) provide reasonable assurance that cards are properly issued, monitored, and closed out.

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)¹ requires Offices of Inspector General (OIGs) to conduct periodic audits or reviews of travel card programs. Other OIGs and the Government Accountability Office (GAO) have performed travel card audits and have found evidence of waste, fraud, and abuse within travel card programs government-wide. We conducted this audit in light of prior reports of travel card abuse in other agencies and the GTC program's susceptibility to waste, fraud, and abuse, as well as the amount the CFPB has expended on official travel.

Background

Through its GTC program, the CFPB provides its employees with the necessary resources to arrange and pay for official business travel and other travel-related expenses and receive reimbursements for authorized expenses. The CFPB's Office of Travel and Relocation (Travel Office), which is a part of the Office of the Chief Financial Officer, oversees the GTC program. The Travel Office consists of four staff members, including the manager. As of April 30, 2013, the CFPB had 743 active cardholder accounts. During the period of our audit, May 1, 2012, through April 30, 2013, 280 GTC accounts were opened and 61 were closed, for a net increase of 219 cardholders. In fiscal year 2012, the CFPB spent more than \$10 million, or about 3 percent of its incurred expenses, on travel.

The CFPB acquires GTC services through the Department of the Treasury's task order to the General Services Administration's (GSA's) master contract with Citibank.² Citibank issues GTCs to CFPB employees, and each cardholder is responsible for all expenses incurred on his or her GTC. The Department of the Treasury's Bureau of Public Debt, Administrative Resource Center (BPD ARC), provides the CFPB with travel card administration services for the GTC through an interagency agreement. This agreement states that BPD ARC will

1. The Government Charge Card Abuse Prevention Act, Public Law 112-194, October 5, 2012.

2. In June 2007, the GSA awarded a set of master contracts, known as the SmartPay2 program, to Citibank, JPMorgan Chase, and U.S. Bank to provide credit card services to government agencies. The contracts cover a four-year base period (December 21, 2007, through November 29, 2011) and two option periods (November 11, 2011, through November 29, 2015, and November 30, 2015, through November 29, 2018).

provide a full range of financial management accounting services for the period of October 1, 2012, through September 30, 2013.

The Citibank cardholder agreement provides the specific requirements for use of the GTC. The cardholder agreement states that cardholders should use their GTC for official travel and official travel-related expenses only. Cardholders are bound to the terms of the cardholder agreement when the cardholder activates, signs, or uses the card. The cardholder agreement also states that Citibank will seek payment for all charges directly from the cardholder regardless of whether the cardholder has been reimbursed by the agency. The Travel Office has access to the Citibank Custom Reporting System (CCRS), which provides customized reports on GTC usage, such as the Account Activity Report and Declined Authorization Report.

Applicable Laws, Regulations, and Guidance

The CFPB is subject to the Charge Card Act, which requires agencies with travel expenditures of \$10 million or more and employees who use GTCs to establish and maintain safeguards and internal control activities to ensure the proper, efficient, and effective use of the GTC. For example, the law requires that agencies (1) provide training to each cardholder and each official responsible for oversight of the use of GTCs; (2) ensure that the GTC of each employee who ceases to be employed by the agency is invalidated immediately upon termination of the employment; (3) use effective systems, techniques, and technologies to prevent or identify unauthorized purchases and conduct periodic reviews; and (4) provide for the appropriate adverse personnel actions to be imposed on employees who fail to comply with applicable GTC terms and conditions or agency regulations or who commit fraud with respect to the GTC, including removal in appropriate cases.

The CFPB complies with the Federal Managers' Financial Integrity Act of 1982, which requires it to establish internal controls in compliance with GAO standards. The Federal Managers' Financial Integrity Act of 1982 required the GAO to issue standards for internal control in the government. Subsequently, the GAO issued *Standards for Internal Control in the Federal Government*, which provides the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. These standards state that internal control is a major part of managing an organization and that internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. These standards also state that internal control serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

The CFPB has determined that it is not required to follow the Federal Travel Regulation (FTR)³ because its travel program does not currently receive appropriated funds.⁴ However, the CFPB's *Policy on Travel Cards and Temporary Duty Travel (Travel Card policy)*, which was approved on June 4, 2012, instructs cardholders to refer to section 301 of the FTR for guidance on issues on which the policy is silent. Section 301 of the FTR provides the general provisions for travel by federal civilian employees and others authorized to travel at the expense of the U.S. government.

3. Federal Travel Regulation, 41 C.F.R., chapters 300–304.

4. However, if the CFPB were to seek an annual appropriation for its travel program, the FTR would apply to the appropriated funds.

In addition, GTC cardholders are required to follow GSA's SmartPay2 program guidelines. These guidelines include information on cardholders' responsibilities, payment of the charge card bill, and the reporting of a lost or stolen card. For example, cardholders should use the GTC to pay for official travel, obtain a cash advance for official travel through an ATM if authorized by the agency, submit payments in full for each monthly bill, and be aware that misuse of the travel charge card could result in disciplinary actions by the agency. Further, cardholders should not use the GTC for personal use, obtain travel advances through the ATM that exceed the expected out-of-pocket expenditures for a trip, or obtain travel advances through the ATM unless on travel or beginning travel shortly.

The CFPB's Travel Card Policy and Practices

The *Travel Card* policy and Travel Office practices provide a framework for the responsibilities of travelers and the Travel Office.⁵ Among other things, travelers are responsible for the following:

- traveling on official CFPB business in accordance with the *Travel Card* policy and the FTR
- completing and submitting travel authorizations, including a signed Travel Approval Form (TAF), in advance of a trip
- paying any charges or fees stemming from noncompliance with the FTR and any expenses incurred for personal convenience

The responsibilities of the Travel Office include, but are not limited to, the following:

- reviewing GTC applications
- ensuring that GTC cardholders complete GSA's online training course prior to card issuance and at least every three years
- serving as the liaison between the CFPB and BPD ARC
- monitoring GTC cardholders' account activity to ensure compliance with SmartPay2 program guidelines
- reporting delinquent accounts, unauthorized charges, and noncompliance with training requirements to the CFPB's Chief Financial Officer (CFO)
- processing and approving travel authorizations, vouchers, and local vouchers for travelers in the GovTrip travel system⁶

In addition to the *Travel Card* policy, on October 1, 2012, the CFPB issued the *Summary of Travel Policy Clarifications and Changes* in response to employees' frequently asked questions concerning the FTR. This document provides guidance for claiming lodging, laundry, and transportation expenses, such as the following:

- **Lodging.** If travelers book lodging outside of GovTrip, they may be responsible for any additional costs incurred, such as amounts above the per diem rate.

5. The CFPB's Travel Office is in the process of finalizing and approving its draft internal procedures.

6. GovTrip is a web-based, end-to-end travel service that provides federal travelers with automated travel planning and reimbursement capabilities.

- **Laundry.** Pursuant to the FTR, laundry expenses are reimbursable for costs incurred at the temporary duty location after four consecutive nights of travel. Moreover, travelers are required to provide with their travel vouchers receipts for laundry expenses claimed for reimbursement, regardless of the amount.
- **Transportation.** Travelers may not be reimbursed for taxis, shuttle services, or other types of courtesy transportation to obtain meals at a temporary duty location unless such meals cannot be obtained at or near the lodging location.

Overview of the CFPB's GTC Processes

The Travel Office is ultimately responsible for the administration of the CFPB's GTC program; however, BPD ARC assists with the administration of most of the program's functions. Administering the program involves four major processes: (1) coordinating the issuance of cards, (2) reviewing and approving travel authorizations and vouchers, (3) monitoring GTC usage, and (4) closing accounts. Each of these processes is described in more detail below.

Issuing Cards

A CFPB employee who travels four or more times a year must obtain and use a GTC. The employee must first complete the GSA online training and then complete the application and forward it to the CFPB's Travel Office. The Travel Office records receipt of the application and reviews it for completeness, including the certificate of GSA training. The Travel Office then forwards the application to BPD ARC for processing. BPD ARC personnel work directly with Citibank and the applicant to process applications. Upon credit review and approval, Citibank mails the card directly to the Travel Office, which then mails the card, along with information about the card agreement and its terms, to the applicant's home address. Currently, all GTCs are issued with an initial credit limit of \$11,000 or \$12,000, based on the applicant's creditworthiness, and initial cash-advance limits of \$210 per day and \$1,050 per week.

Approving Travel Authorizations and Vouchers

Prior to official travel, a cardholder completes a TAF, which lists the travel dates and the location of the temporary duty travel. The TAF is submitted to the supervisor for approval. The cardholder then creates a travel authorization in GovTrip, which contains the estimated travel expenses, lodging, and mode of transportation. The cardholder attaches the TAF to the travel authorization in the GovTrip system and submits it for review and approval by the Travel Office. Then, the Travel Office reviews the travel authorization for completeness and estimated allowable expenses before approving and ticketing.

When a cardholder returns from a trip, he or she uses GovTrip to complete a travel voucher for all allowable expenses incurred. After the cardholder signs and submits the voucher, the Travel Office reviews and approves it for payment. After the Travel Office approves the voucher for payment, it is submitted to BPD ARC for payment processing.

If the Travel Office finds errors in either the travel authorization or the travel voucher, the office returns the form or forms electronically to the cardholder for correction or amendment. After the cardholder makes the correction or amendment, he or she must re-sign and resubmit the returned form or forms to the Travel Office.

Monitoring Usage

The Travel Office performs monitoring activities related to the GTC. These activities include monitoring for the appropriate use of the GTC, for past-due accounts, and for purchases of premium-class travel tickets.

The Travel Office performs a monthly review of GTC cardholders' statements to determine whether travel cards are being used for personal, non-work-related expenses. The office randomly selects 10 GTC accounts for review each month. The Travel Office reviews the individual charges on statements of these selected cardholders in the Citibank system and, if noncompliance is detected, the CFO is notified and the following notifications are sent:

- At the first instance, the office notifies the cardholder.
- At the second instance, the office notifies the cardholder, his or her supervisor.
- At the third instance, the office notifies the cardholder, his or her supervisor, and the Office of Human Capital (OHC).

The Travel Office uses the CCRS monthly Delinquency Reports, which it receives from BPD ARC, to send to cardholders, as well as the CFO, notifications of past-due accounts identified in the report. According to the CFPB's *Travel Card* policy, cardholders are to receive notifications for accounts that are 30 days past due. Cardholders and their supervisors are to receive notifications for accounts that are 31–60 days past due, and for those GTC accounts that are more than 60 days past due, cardholders, their supervisors, and the OHC all receive the past-due notification. According to the Travel Office, supervisors may have discussions with cardholders when notifications are received.

Finally, the Travel Office obtains a report from BPD ARC that shows GTC cardholders who purchased premium-class travel tickets. The Travel Office is required to report to GSA any and all instances of other-than-coach-class transportation accommodations paid for by the government.

Closing Accounts

BPD ARC closes GTC accounts in GovTrip and with Citibank. According to BPD ARC, the CFPB's OHC and BPD's Human Resources Office separately send exit clearance notices for separating CFPB employees to BPD ARC. When BPD ARC receives an exit clearance notice, a BPD ARC staff member reviews the separating employee's Citibank statement for unpaid balances. If the employee does not have an unpaid balance, BPD ARC closes the account. If there is an unpaid balance, BPD ARC notifies the CFPB's Travel Office, which is then responsible for notifying the separating employee of the unpaid balance.

Finding 1: Controls to Detect Potentially Fraudulent and Unauthorized Use of the GTC Are Not Designed and Operating Effectively

We found that controls are not designed or operating effectively to prevent and detect fraudulent or unauthorized use of the GTC. As a result, we found that 21 of the 743 CFPB cardholders claimed and received reimbursement for unallowable expenses or made unauthorized transactions. Federal and agency-level regulations and guidance contain the following cardholder and agency responsibilities regarding GTCs:

- The CFPB's *Summary of Travel Policy Clarification and Changes* states that pursuant to FTR §301-52.8, employees are responsible for properly itemizing and documenting any expenses they are claiming from the CFPB and may only seek reimbursement for authorized expenses.
- The Citibank cardholder agreement and the FTR state that the GTC is to be used for official travel expenses only.
- GAO's *Standards for Internal Control in the Federal Government* states that internal controls occur at all levels and functions of an entity and include a wide range of diverse activities, such as authorizations, approvals, verifications, and/or reconciliations.
- The Charge Card Act requires agencies to use effective systems, techniques, and technologies to identify unauthorized purchases and conduct periodic reviews.

The Travel Office is not providing cardholders with periodic refresher training beyond the required GSA and new employee GTC training and is not using effective systems, techniques, and technologies to detect fraudulent or unauthorized GTC use. In addition, cardholders' supervisors are not required to approve travel authorizations and vouchers. Without effective and efficient controls, the CFPB is at risk of paying fraudulent claims. Further, the CFPB does not have reasonable assurance that its employees are complying with the *Travel Card* policy and the FTR and does not have reasonable assurance that it is in compliance with the Charge Card Act.

Cardholders Claimed and Received Reimbursement for Unallowable Laundry and Dry-Cleaning Transactions and for Potentially Unallowable Lodging, Meals, and Incidental Expenses

We performed two tests to identify fraudulent use of the GTC and found that five cardholders charged, claimed, and received reimbursement for a total of \$320 in laundry and dry-cleaning expenses that were incurred before the fourth consecutive night of travel. We also found that two cardholders claimed and received reimbursement for a total of \$324 in potentially unallowable lodging and related meals and incidental expenses (M&IE) while using credit hours as leave.

For our first test, we used the Account Activity Report in the CCRS to review all 64 laundry and dry-cleaning transactions that were processed against the following three merchant category codes (MCCs)⁷ to determine whether these transactions had occurred after the fourth consecutive night of travel:

- 7210—Laundry, Cleaning, and Garment Services
- 7211—Laundries—Family and Commercial
- 7216—Dry Cleaners

We found that 11 of the 64 transactions, made by five cardholders, occurred before the fourth night of travel. These transactions amounted to \$320. Further, we found that for 10 of the 11 transactions, the transaction date provided on the voucher did not match the expense date; the expense was actually incurred on a date prior to the date provided on the voucher for reimbursement.

For our second test, we tested a randomly selected sample of 40 of the 223 instances in which GTC cardholders took eight or more hours of leave during an official business trip to determine whether cardholders made transactions on the GTC or claimed reimbursement for lodging and M&IE for those days of leave. These 40 instances of eight or more hours of leave were related to 31 cardholders. We found that travel vouchers for 11 of the 31 cardholders did not indicate that leave had been taken during the business trip. Further testing showed that 9 of these cardholders took sick leave during the business trip; however, the remaining 2 cardholders charged, claimed, and received reimbursement for potentially unallowable expenses while using credit hours as leave. FTR §301-70.501 states that lodging and M&IE can be claimed by cardholders who become ill or injured and take leave (annual or sick) during a business trip. The potentially unallowable lodging claimed by the 2 cardholders was \$217, and the potentially unallowable M&IE claimed by these 2 cardholders was \$107, for a total of \$324.

Travel Office staff were not aware of these unallowable transactions until we brought them to their attention. We sent the details of our sample results to the Travel Office for further review, and we requested that it provide to us a written explanation of the actions that have been or will be taken.

FTR §301-51.7 states that a traveler may not use the government contractor–issued travel charge card for personal reasons while on official travel. Additionally, FTR § 301-11.31 states that laundry expenses are reimbursable when incurred at the temporary duty station location after four consecutive nights of travel. Further, the CFPB’s *Summary of Travel Policy Clarification and Changes* states that pursuant to FTR §301-52.8, employees are responsible for properly itemizing and documenting any expenses they are claiming from the CFPB and may only seek reimbursement for authorized expenses.

According to GAO’s *Standards for Internal Control in the Federal Government*, internal controls are an integral part of an entity’s accountability for stewardship of government resources. Internal controls occur at all levels and functions of an entity and include a wide range of diverse activities, such as authorizations, approvals, verifications, and/or

7. According to GSA SmartPay2 glossary, an MCC is a four-digit code used to identify the type of business a merchant conducts (e.g., gas stations, restaurants, airlines). The merchant selects its MCC with its bank based on its primary business. The code helps agencies control where purchases are allowable and may determine whether the item is centrally or individually billed.

reconciliations. For example, in the CFPB's purchase card program, approving officials—who typically are the supervisors of the purchase cardholders—review and approve cardholders' purchases and cardholders' monthly statements.

While cardholders are required to complete an online GSA training on the GTC when they apply for a card and the Travel Office provides initial training at new employee orientation, periodic refresher training on allowable reimbursements is not provided. We believe that employees should receive periodic reminders on the proper use of the GTC, including the policy associated with laundry expenses.

Additionally, the Travel Office does not use the Account Activity Report to review laundry transactions and does not review personnel leave data to ensure that vouchers do not include any unallowable charges. We believe that the CFO should consider, based on a cost-benefit analysis, having the Travel Office conduct further review of laundry transactions using the Account Activity Report in the CCRS, since our audit only tested transactions during our scope period. In addition, the CFO could have the Travel Office review leave data against GovTrip voucher data.

Currently, cardholders' supervisors are not required to review travel authorizations or vouchers in the GovTrip system. Employees are required to indicate on the TAF anticipated leave during travel; however, GovTrip does not specifically prompt cardholders to indicate (1) anticipated leave during business travel on their travel authorization or (2) leave taken during business travel on their travel voucher. This information, however, can be captured in the GovTrip "Trip Details" feature, and we observed that some cardholders did use this feature to indicate leave during business travel on both authorizations and vouchers. We believe that supervisory review of travel authorizations and vouchers can enhance internal controls and accountability. In the absence of a specific field in GovTrip for leave, reviews of travel authorizations and vouchers by cardholders' supervisors may identify instances in which cardholders plan to take leave during business travel and instances in which cardholders claim reimbursement for expenses incurred on days of leave, because supervisors should be knowledgeable of their staff's leave schedule.

While our review of transactions from our scope period identified seven GTC cardholders who received reimbursement for claimed unallowable and potentially unallowable expenses, the total reimbursement of claims for unallowable expenses may be greater. Without effective and efficient controls, the CFPB is at risk of paying fraudulent or unallowable expense claims submitted by cardholders. As a result, the level of risk associated with fraud, waste, and abuse may be heightened for the CFPB's GTC program.

Commendable Action

On October 1, 2012, the CFPB issued the *Summary of Travel Policy Clarifications and Changes* in response to employees' frequently asked questions concerning the FTR. This document provides guidance for claiming lodging, laundry, and transportation expenses. With regard to laundry, it states that travelers are required to provide receipts with their travel vouchers for laundry expenses claimed for reimbursement regardless of the amount. Our testing of 64 laundry transactions included 32 transactions that required receipts. We found that receipts for these transactions were included with vouchers in compliance with the guidance.

Cardholders Made Unauthorized Purchases on Their GTC

We found 24 transactions made by 15 cardholders that constituted unauthorized use of the GTC. These transactions totaled approximately \$1,880 and were associated with dry-cleaning and laundry services, transportation services, gasoline stations, restaurants, and cash advances. We did not find any voucher reimbursement claims for the transactions we identified.

Specifically, during the first test described above, we found that 4 of the 64 transactions in the dry-cleaning and laundry testing were unauthorized because they were not associated with an official business trip. These 4 transactions amounted to approximately \$180 and were made by two cardholders.⁸

In our third test related to fraudulent and unauthorized use, we judgmentally selected 57 GTC transactions made by cardholders while on leave. After further testing, we found that 20 of the 57 transactions, made by 13 cardholders, constituted unauthorized use of the GTC. These transactions totaled approximately \$1,700 and were associated with gasoline stations, transportation services, restaurants, and cash advances.⁹ Based on explanations and our review of documentation provided by the Travel Office, we determined that the remaining 37 transactions were allowable transactions.

Travel Office staff were not aware of the unauthorized transactions until we brought them to their attention. We sent the details of our sample results to the Travel Office for further review, and we requested that it provide to us a written explanation of the actions that have been or will be taken.

The Citibank cardholder agreement states that the GTC (1) is only to be used for official travel and official travel-related expenses away from the traveler's official duty station and (2) is not to be used for personal, family, or household purposes. Similarly, the GSA SmartPay2 guidelines state that the GTC should not be used for personal expenses. The Charge Card Act requires agencies to use effective systems, techniques, and technologies to identify unauthorized purchases and conduct periodic reviews. The act also requires that agencies must provide for appropriate adverse personnel actions to be imposed on employees who fail to comply with applicable GTC terms and conditions or agency regulations or who commit fraud with respect to the GTC, including removal in appropriate cases.

Although cardholders are required to complete an online GSA training on the GTC when they apply for a card and the Travel Office provides initial training at new employee orientation, periodic training on the proper use of the GTC is not provided to all cardholders. We believe that employees should receive periodic reminders and/or training on the proper use of the GTC and on any disciplinary actions that may be taken for unauthorized use of the GTC.

While our review of transactions made during our scope period identified 15 GTC cardholders who made unauthorized purchases on the GTC, the total number of GTC cardholders making unauthorized purchases may be greater. Although cardholders are responsible for all charges

8. One of these two cardholders was also one of the five cardholders who charged, claimed, and received reimbursement for laundry and dry-cleaning expenses incurred before the fourth consecutive night of travel.

9. SmartPay2 states that cash advances are only allowed for business travel. Travelers can withdraw these amounts shortly before travel. In the instances noted above, one cardholder took a cash advance a day after the trip was canceled and the other cardholder took a cash advance without an approved travel authorization.

incurred on the GTC, going forward, the Travel Office could use the Account Activity Report in the CCRS to identify unauthorized purchases made by cardholders. Without effective GTC preventative controls and monitoring techniques, the CFPB cannot be assured that its employees are complying with the Citibank cardholder agreement and GSA SmartPay2 guidelines. Further, the CFPB does not have reasonable assurance that unauthorized use of the GTC is identified timely and that cardholders engaging in unauthorized use are disciplined appropriately, and, thus, that the agency is fully complying with the Charge Card Act.

Conclusion

Controls are not designed or operating effectively to prevent and detect fraudulent or unauthorized use of the GTC. Specifically, the CFPB's Travel Office is not providing periodic training on allowable reimbursements and is not using effective systems, techniques, and technologies to prevent and detect fraudulent or unauthorized use, such as analyzing account data from CCRS reports and leave data that can be provided by OHC. Further, we believe that requiring cardholders' supervisors to review travel authorizations and vouchers in the GovTrip system is a key internal control. Without supervisory review and approval of travel authorizations and vouchers, the CFPB lacks accountability at every stage of the travel approval process. Because our testing was performed on a selection of transactions from our scope period, noncompliance may be greater than our results indicate. Without effective monitoring, the CFPB is at risk of paying fraudulent or unallowable claims. As a result, the CFPB does not have assurance that its employees are complying with the *Travel Card* policy and the Citibank cardholder agreement, and that the agency is fully complying with the Charge Card Act.

Recommendations

We recommend that the Chief Financial Officer

1. Collect reimbursements from cardholders who received payments for unallowable expenses and research and collect reimbursement from the two cardholders who used credit hours as leave while on official travel and claimed reimbursement for lodging and M&IE.
2. Conduct an audit of the remaining 183 instances in which cardholders took eight or more hours of leave during an official business trip to determine whether cardholders claimed and received reimbursement for unallowable expenses.
3. Coordinate with the OHC to develop disciplinary actions that may be taken against cardholders who use their GTC for unauthorized transactions and include these guidelines in the *Travel Card* policy.
4. Require the Travel Office to provide to cardholders periodic reminders on the proper use of the GTC, including the policy associated with laundry expenses.
5. Coordinate with the OHC to obtain personnel leave data and require the Travel Office to expand the monthly cardholder statement review to include cardholders on leave in

order to identify potential cases of unauthorized or fraudulent use and incorporate this requirement in the draft internal procedure.

6. Update the *Travel Card* policy to include the requirements in recommendations 7 and 8 below.
7. Require cardholders to note on the travel authorization any days of anticipated leave while on business travel and to note on the travel voucher any days of leave taken while on business travel.
8. Require cardholders' supervisors to review and approve travel authorizations and travel vouchers in GovTrip in a timely manner and, as a part of that review and approval, verify that expenses anticipated or incurred on days of leave are allowable.

Management's Response

The CFPB concurs with the objectives of these recommendations and is in the process of enhancing its travel program to mitigate the identified risks and promote greater accountability in the use of CFPB resources. This summer, the CFPB initiated a voucher postpayment validation process for certain travel vouchers in order to verify claimed amounts for reimbursement. Further, as noted above, the CFPB established an internal group to evaluate the travel program and identify opportunities for improvement. Informed by the CFPB's internal review and the OIG's review, the new policies and procedures will address the recommendations above, including enhanced controls to better monitor travel card usage and to identify potential cases of improper usage, periodic trainings and reminders on travel card policies and procedures, and recoupment of reimbursements for unallowable expenses. Most notably, the CFPB is developing a travel approval process modeled after the practices of other federal financial regulators involving an open travel authorization for all employees followed by supervisor review and approval of travel vouchers. This process would eliminate the need for cardholders' supervisors to review and approve individual travel authorizations. The CFPB anticipates implementing the new travel program, including the modified authorization and voucher processes, over the next several months.

OIG Comment

The CFPB stated that it concurs with our recommendations and is already taking actions to strengthen the internal controls for its travel card program. The CFPB will develop new or adjust existing policies and procedures, as appropriate, to incorporate our recommendations. Specifically in relation to recommendation 8, which requires cardholders' supervisors to review and approve in a timely manner travel authorizations and travel vouchers, the CFPB is modifying its travel process. The CFPB is eliminating the need for cardholders' supervisors to review and approve individual travel authorizations by implementing open travel authorizations for all employees followed by supervisor review and approval of travel vouchers. We plan to follow up on the Office of the Chief Financial Officer's actions to ensure that each recommendation is fully addressed.

Finding 2: Certain Other GTC Controls Are Not Designed and Operating Effectively

We found that internal controls over the GTC issuance process are designed and operating effectively. However, internal controls over GTC monitoring and close-out are not designed or operating effectively. Specifically, we found the following:

- The Travel Office did not ensure that cardholders could not exceed the daily cash-advance limit.
- The Travel Office did not ensure that GTC accounts for separated employees were closed immediately upon separation.
- The Travel Office did not approve travel vouchers in a timely manner and did not send past-due account notifications to cardholders, their supervisors, the CFO, or the OHC.
- CFPB staff did not properly submit and approve TAFs and travel authorizations.

The Charge Card Act requires that each agency ensure that the account of a separating employee is invalidated immediately upon the termination of employment. GAO's *Standards for Internal Control in the Federal Government* states that internal controls are an integral part of an entity's accountability for stewardship of government resources. It also states that key duties and responsibilities need to be divided or segregated to reduce the risk of error or fraud. Further, FTR § 301-52.18-19 outlines requirements regarding the timely reimbursement of travelers to ensure that cardholders are able to keep accounts current.

The conditions noted above occurred because the Travel Office has not developed processes to mitigate GTC account monitoring and close-out control weaknesses. Further, Travel Office controls related to voucher approvals and past-due notifications are not operating effectively because of the increased workload of the Travel Office staff. Finally, the lack of periodic refresher training contributed to CFPB staff submitting TAFs and authorizations with errors. As a result, the CFPB does not have reasonable assurance that its GTC program is operating efficiently and effectively, and the agency may be at increased risk of noncompliance with the requirements of the Charge Card Act, as well as reputational risk.

Travel Office Lacks a Process to Monitor Cash-Advance Transactions

Our cash-advance-limit testing revealed that 137 of the 553 daily cash-advance transactions made during our scope were over the prescribed daily limit of \$210 per day. These 137 cash-advance transactions were made by 17 employees. The withdrawal amounts that were over the daily cash-advance limit ranged from \$220 to over \$500, and cash-advance overages totaled about \$13,000. According to BPD ARC, cash-advance limits are set at GTC account issuance.

We also tested 10 judgmentally selected transactions to determine the reasonableness of the cash-advance withdrawals based on the associated cardholders' expected out-of-pocket

expenditures. We did not identify any instances in which the cash advance exceeded the expected out-of-pocket expenses for the trip. SmartPay2 states that cash advances are only allowed for business travel and should not exceed out-of-pocket expenses for a trip.

These 17 cardholders were able to exceed the prescribed daily cash-advance limit because Citibank did not activate the electronic key that sets the parameters for cash-advance limits at the time of account activation. The Travel Office manager acknowledged that there is currently no process in place for the Travel Office to verify that cash-advance limits have been activated for an account. According to BPD ARC, it has resolved the issue by directing Citibank to ensure that the cash-advance-limit activation is applied to existing and new accounts as of July 2, 2013. We did not perform additional tests to verify whether Citibank implemented the corrective action. Going forward, the Travel Office could use the Account Activity Report in the CCRS to monitor cash-advance transaction amounts. If the cash-advance limits are not set, the CFPB is at risk of cardholders withdrawing large amounts of cash.

Travel Office Lacks a Process to Ensure the Timely Close-Out of GTC Accounts for Separated Employees

We found that accounts for 18 of the 49¹⁰ GTC cardholders who separated from the CFPB during the period of our audit were closed more than 1 day after their separation date rather than immediately upon separation. For these 18 cardholders, the time elapsed from separation to closure ranged from 1 to 82 days. We did not identify any instance of use of the GTC by these 18 cardholders after their separation.

The Charge Card Act requires that each agency ensure that the account of a separating employee is invalidated immediately upon the termination of employment.¹¹ In practice, the Travel Office stated that the process for closing the accounts of separated employees is performed by BPD ARC; however, this procedure is not currently set forth in a finalized CFPB policy.

The CFPB Travel Office does not have a process in place to ensure that the accounts of separated cardholders are closed immediately upon employee separation. BPD ARC is primarily responsible for closing accounts of separated CFPB employees. BPD ARC explained that it receives employee separation notifications for CFPB GTC cardholders from the CFPB and BPD Human Resources and that the cardholder departure dates provided on these notifications do not always match. BPD ARC officials also stated that the standard time frame to complete the exit clearance process, which includes the closing of GTC accounts of separating cardholders, is within 30 days from the date of notice from the CFPB or BPD Human Resources.

Although individuals with active GTCs after separation could potentially use their cards for personal use, we did not identify any unauthorized activity in any of these accounts. However, because the CFPB is not ensuring that GTCs are closed immediately upon employee separation, the agency is at risk of separated employees using the card, and it is also at risk of not complying with the requirements of the Charge Card Act.

10. Of the 61 accounts closed during our scope, 49 were those of separated employees.

11. For the purposes of this report and our testing, we interpreted the term *invalidate* to mean closure.

Travel Office Did Not Approve Travel Vouchers in a Timely Manner and Did Not Send Past-Due Notifications to Cardholders, Their Supervisors, the CFO, or the OHC

We found that 134 of the 10,832 travel vouchers processed during our audit scope had an elapsed approval time frame between the receipt and approval dates in GovTrip that was greater than 30 days. Because GovTrip does not capture the number of times a cardholder resubmits a voucher with corrections to the Travel Office, we conducted further testing and found that 48 of the 134 travel vouchers were approved 31 or more days after the Travel Office received complete vouchers. Further, we found that 3 of those 48 took more than 60 days to approve.

FTR § 301-52.18-19 requires that an approving official or agency should reimburse travelers within 30 calendar days of the submission of a proper travel claim to ensure that cardholders are able to keep accounts current and avoid delinquencies. The Travel Office stated that its goal is to approve a complete voucher within 5 business days of receipt.

In May 2013, the Office of the Chief Financial Officer implemented an expedited approval process as a temporary measure to reduce the volume of pending travel authorizations and travel vouchers in GovTrip and to expedite payment to the travelers. Approximately 1,300 actions pending approval in GovTrip were processed from May 2, 2013, through June 3, 2013. Vouchers approved under this process included conditions that vouchers were being paid without review but would be subject to a 100 percent postaudit review. While this measure temporarily reduced the backlog of travel authorizations and vouchers, as of August 5, 2013, the volume of pending actions in GovTrip had reached 1,266.

In addition, we found that for 20 of our sample of 24 past-due account balances, notifications were not sent to cardholders, their supervisors, the CFO, or the OHC as required by the *Travel Card* policy.¹² We randomly selected a sample of 24 of the 470 cardholders from the monthly Delinquency Reports, which show past-due account balances. Specifically, we found that notifications were not sent to 3 cardholders and the CFO whose accounts were 30 days past due; to 11 cardholders, their supervisors, and the CFO for accounts that were 31–60 days past due; and to 6 cardholders, their supervisors, the CFO, and the OHC for accounts that were over 60 days past due. According to the Travel Office, the notification process was discontinued due to the backlog of travel authorizations and vouchers pending approval.

The *Travel Card* policy states that notifications for past-due accounts will be issued

- to the traveler for an account that is 30 days past due
- to the traveler and the traveler’s supervisor for an account that is 31–60 days past due
- to the traveler, the traveler’s supervisor, and the OHC for any account that is over 60 days past due
- to the CFO for all accounts that are past due

According to the Travel Office manager, several factors account for the late approval of travel vouchers, the failure to send past-due account notifications, and the need for the temporary

12. One of these 20 cardholders had separated from the CFPB in March 2012 and, therefore, was not at the agency to receive a notification.

expedited approval process. The Travel Office manager told us that Travel Office was not able to manage the increasing volume of work during our audit period due to resource limitations. While we determined that the number of cardholders increased by 219 during our scope (to a total of 743 active cardholders as of April 30, 2013), the number of Travel Office staff members has not increased. Further, the Travel Office manager stated that travelers frequently submit vouchers in GovTrip with errors, requiring the forms to be returned to travelers for correction and causing the approval time frames to be extended. Finally, the CFPB centralized the process of approving travel authorizations and vouchers within the Travel Office, rather than delegating some of the responsibility to travelers' supervisors. Currently, supervisors only review and approve TAFs, which do not contain enough detail to assist with the oversight of employee travel.

While the Travel Office reviews and approves cardholders' travel authorizations and vouchers, we believe that if supervisors review and approve travel authorizations, which contain the estimated travel expenses for lodging and transportation, and travel vouchers, which contain all claimed expenses, the backlog of pending items in GovTrip can be alleviated and controls would be enhanced. Requiring cardholders' supervisors to review and approve authorizations and vouchers can reduce the number of pending items in GovTrip, because supervisors should be more knowledgeable of their staff's travel plans than the Travel Office and can more efficiently review and approve authorizations and travel vouchers.

A consulting company conducted an independent performance audit of the CFPB's operations and budget and provided its report to the CFPB in November 2012.¹³ Regarding travel, the consulting company recommended that "the initial authorization be approved by the supervisor of the traveler and that the supervisor also approve the travel voucher before it is routed to the Travel Office for review and payment." In response to these recommendations, the CFPB conducted benchmarking with other agencies regarding travel processes to identify best practices. The CFO stated that the CFPB's travel volume was most similar to two of the five agencies included in its benchmarking analysis. We noted that both agencies require their managers or supervisors to review and approve cardholders' vouchers. Based on the benchmarking results, the CFPB has proposed changes to the travel program.

We believe that delays in the approval of travel vouchers can potentially result in the cardholder having to choose between paying statement balances with personal funds to keep the account current or allowing the account to become past due or delinquent. Further, if a cardholder allows his or her account to become past due or delinquent, the available balance is reduced by the amount owed, which could prevent the cardholder from undertaking future official business travel. Consequently, delays in the approval of travel vouchers and failure to monitor delinquency reports, notify appropriate personnel regarding past-due account balances, and ensure that corrective actions are taken to prevent further occurrence may result in noncompliance with the *Travel Card* policy and may also result in reputational risk for the CFPB.

13. ASR Analytics, LLC, *Consumer Financial Protection Bureau: Independent Performance Audit of CFPB Operations and Budget*, November 13, 2012.

Travel Office, Cardholders, and Supervisors Did Not Properly Submit and Approve TAFs and Travel Authorizations

During our audit, we tested a random sample of 53 of the 10,832 vouchers and 120 of the 39,153 transactions processed during our scope. We found 10 occurrences in which the necessary approvals for TAFs or travel authorizations were not obtained before travel. Of the 10 instances, we noted the following:

- 2 instances in which the Travel Office did not review and approve travel authorizations prior to a cardholder's departure date
- 4 instances in which cardholders did not submit a proper travel authorization at least one day prior to their departure date
- 1 instance in which the cardholder did not sign the TAF
- 1 instance in which the cardholder's supervisor signed the TAF 97 days after the departure date
- 2 instances of late approvals on one TAF (the cardholder signed three days after the departure date and the supervisor signed four days after the departure date)

Our review of these instances of noncompliance shows that these cardholders were eventually authorized for official travel.

The *Travel Card* policy states that travelers must complete and sign a TAF and a travel authorization in GovTrip in advance of their travel. In addition, the *Travel Card* policy states that in advance of an employee's travel, supervisors are to either sign the TAF or approve the travel authorization in GovTrip.

According to Travel Office staff, many travel authorizations are submitted to the Travel Office with errors and have to be returned to the traveler for correction. Travel Office staff believe that employees made these errors because of inadequate training on the CFPB's *Travel Card* policy as well as inadequate training on the GovTrip system. Although cardholders are required to complete online GSA training on the GTC prior to applying for a card and the Travel Office provides initial training at new employee orientation, periodic refresher training is not provided.

The Charge Card Act requires that agencies provide training on agency travel charge card policy and procedures and the use of the GTC. Without proper training, approvals and authorizations could be delayed due to errors. Such delays could result in the potential risk of increased cost for travel expenses.

Conclusion

While controls over the GTC issuance process were designed and operating effectively, we found that controls are not designed or operating effectively to provide reasonable assurance that cards are properly monitored and closed out. Specifically, controls for cash-advance transactions, GTC account close-outs, the travel voucher approval process, past-due notifications, and submission and approval of TAFs and travel authorizations should be strengthened. The Travel Office has not developed processes to mitigate GTC monitoring and close-out control weaknesses. Further, Travel Office controls related to voucher approvals

and past-due notifications are not designed or operating effectively because of the increased workload of the Travel Office staff. Finally, the lack of refresher training contributed to CFPB staff submitting TAFs and authorizations with errors. As a result, the CFPB's GTC program is not operating efficiently and effectively, the agency may be at increased risk of noncompliance with the requirements of the Charge Card Act, and the agency also could face reputational risk. Because our testing was performed on a selection of samples from our scope period, noncompliance may be greater than our results indicate.

Recommendations

We recommend that the Chief Financial Officer

9. Require the Travel Office to verify that new cardholder account cash-advance limits are set at prescribed amounts and periodically review cardholders' cash-advance transactions to ensure that the prescribed limits are not exceeded.
10. Require the Travel Office to ensure that all GTC accounts for employees are closed immediately upon separation and revise the internal draft travel procedure to include this requirement.
11. Ensure that cardholders' supervisors review and approve travel vouchers in GovTrip consistent with recommendation 8.
12. Ensure that the Travel Office sends past-due notifications to cardholders, their supervisors, the CFO, and the OHC as required in the *Travel Card* policy.
13. Provide periodic refresher training for both cardholders and their supervisors on
 - a. the CFPB's *Travel Card* policy and procedures.
 - b. the submission, review, and approval of completed travel authorizations and vouchers in GovTrip.
14. Finalize and approve the internal draft travel procedure.

Management's Response

The CFPB stated that it concurs with the objectives of these recommendations and is in the process of enhancing its travel program to mitigate the identified risks and promote greater accountability in the use of CFPB resources. As discussed above, these updated policies and procedures will address the recommendations above, including enhanced controls to monitor, verify, and provide notification regarding a cardholder's account status; periodic trainings and reminders on travel card policies and procedures; and a modified travel approval process involving an open travel authorization for all employees followed by supervisor review and approval of travel vouchers. The CFPB anticipates implementing the new travel program, including the modified authorization and voucher processes, over the next several months.

OIG Comment

The CFPB has concurred with our recommendations and is already taking actions to strengthen the internal controls for its travel card program. The CFPB will develop new or adjust existing policies and procedures, as appropriate, to incorporate our recommendations. We plan to follow up on the Office of the Chief Financial Officer's actions to ensure that each recommendation is fully addressed.

Other Matter for Management's Consideration

During our audit, we found two transactions associated with blocked MCCs that were processed. Although the CFPB has blocked certain MCCs, merchants are able to force transactions through without the proper authorizations from the credit card company.

The Travel Office could use the Declined Authorization Report, available in the CCRS, which shows how many times a merchant attempted to process a transaction, to determine whether cardholders are attempting to use their GTC for purchases at blocked merchants. We believe that reviewing the Declined Authorization Report could provide the Travel Office with insight into which cardholders are potentially making unauthorized transactions.

Appendix A

Scope and Methodology

Our overall objective for this audit was to determine the effectiveness of the CFPB's internal controls for its GTC program. Specifically, we assessed compliance with policies and procedures, and we assessed whether internal controls were designed and operating effectively to (1) prevent and detect fraudulent or unauthorized use of travel cards and (2) provide reasonable assurance that cards are properly issued, monitored, and closed out. The scope of our audit included travel card data from May 1, 2012, to April 30, 2013.

To accomplish our overall objective, we reviewed the CFPB's *Travel Card* policy, the draft internal procedures, and the *Summary of Travel Policy Clarifications and Changes*. We also reviewed the FTR, the Charge Card Act, GAO's *Standards for Internal Control in the Federal Government*, and other relevant documentation pertaining to the travel card program. We interviewed the Travel Office manager and staff to obtain information on the program's operation and internal controls. We also spoke with BPD ARC officials to gain an understanding of BPD ARC's roles and responsibilities. We obtained data from the CFPB's Travel Office and its OHC, the GovTrip Travel System, and the CCRS.

We did not have direct access to the GovTrip Travel System; therefore, we relied on the CFPB to extract and provide to us requested documentation. We observed Travel Office staff as they extracted documentation from the GovTrip system for our sample selections. We verified the accuracy and completeness of the documentation from GovTrip by tracing data to source documents. CFPB officials noted that the agency is in the process of replacing the GovTrip system with another travel system and that it will consider incorporating a requirement that would permit the OIG direct access to the system to facilitate future audits of the GTC.

For all sample selections, our findings could not be projected to the entire population because we did not use statistical sampling. However, we believe that the evidence obtained from these sample selections provides a reasonable basis for our findings and conclusions.

Based on the information we gathered from all sources and our understanding of the processes and procedures of CFPB's GTC program, we identified the internal controls for complying with policies and procedures and applicable guidance.

To determine compliance with policies and procedures and applicable guidance, we performed the following:

- We tested a random sample of 120 of the 39,153 cardholder transactions. We excluded travel-related and cash-advance fees.
- We tested a random sample of 53 of the 10,832 vouchers from GovTrip. We performed further tests on the 10,832 vouchers to determine whether vouchers were approved for payment within 30 calendar days.

- We randomly selected 10 of the 1,519 centrally billed account¹⁴ transactions to determine proper use of the account.

To determine whether internal controls were designed and operating effectively to prevent and detect fraudulent or unauthorized use of travel cards, we performed the following:

- We tested the CFPB's blocked MCCs to determine whether controls prevent unauthorized or fraudulent transactions by filtering the Account Activity Report in the CCRS for these blocked MCCs. Further, we reviewed Citibank's listing of all allowable MCCs to determine whether any allowable MCCs were suspicious based on our judgment. We did not identify any additional MCCs that should be blocked.
- We reviewed BPD ARC premium-class travel report to determine whether any GTC cardholders purchased premium-class travel tickets for official travel. We did not find any purchases of premium-class travel tickets.
- Using data analytics, we performed the following fraud tests:
 - **Use of GTC while on leave during business travel.** We analyzed the OHC's personnel and leave data and GovTrip data to identify any GTC cardholders who took leave during business travel. We identified 223 instances, attributable to 108 employees, of leave taken during business travel. Of the 223 instances, we selected a random sample of 40 instances and performed further analysis to match vouchers associated with each instance to determine whether cardholders claimed lodging and M&IE during leave.
 - **Use of GTC while on leave.** We used the OHC's personnel and leave data and the Account Activity Report in the CCRS to identify any GTC cardholders who used their GTC while on eight or more hours of leave. From the Account Activity Report, we excluded payments, miscellaneous credits and debits, airline charges, and most hotel charges. We identified 82 instances in which cardholders had a transaction on the same day they were on leave. We matched the 82 instances with GovTrip data to exclude one day before and one day after official travel, which resulted in 61 instances. We excluded 4 of 61 instances, which appeared to be legitimate charges. We used the GovTrip Travel System to identify the vouchers that corresponded to the 57 transactions to determine whether these GTC cardholders were on official travel and authorized to use the GTC.
 - **GTC transactions made by non-CFPB employees.** We used the OHC's personnel and leave data and the Account Activity Report in the CCRS to determine whether purchases were made by individuals who were not CFPB employees. We did not identify any use of GTC or purchases made by non-CFPB employees.

14. A centrally billed account is a card/account established by the charge card vendor at the request of the agency/organization. A centrally billed account may be a card or cardless account, and payments are made directly to the charge card vendor by the agency.

- **Laundry and dry cleaning.** We used the Account Activity Report in the CCRS to identify MCCs associated with laundry or dry cleaning. We identified 64 transactions associated with three MCCs and requested documentation from the Travel Office to determine whether cardholders claimed laundry or dry-cleaning reimbursements on or after the authorized date (i.e., the fourth consecutive night of travel) and provided the appropriate receipt for the claim.
- **High-dollar travel transaction.** We used the Account Activity Report in the CCRS to determine whether transaction amounts were reasonable. We excluded payments, miscellaneous credits, and blank MCC codes. We sorted all transaction amounts from the highest to lowest, and we selected the top 30 transactions for review. We requested documentation for these 30 transactions to determine whether the transaction amounts, such as the per diem rates for lodging, were reasonable. We did not find any transactions that were unreasonable.

To determine whether internal controls provide reasonable assurance that cards are properly issued, monitored, and closed out, we performed the following tests:

- We tested controls over the GTC issuance process by randomly selecting 10 applications from the 280 GTC accounts that were opened during our scope. We reviewed the application routing process and training certification for our sample to determine whether applications were properly completed and approved and whether proof of training was documented. Further, we tested GTC credit limits for all 280 cardholder accounts that were opened during our scope. We did not find any credit limits that exceeded the prescribed amount. We also tested all cash-advance transactions that occurred during our scope to determine whether controls over GTC issuance prevent travelers from exceeding the authorized amounts. We performed these tests by reviewing related reports in the CCRS, such as the Account Activity Report. We also tested 10 judgmentally selected cash-advance transactions to determine the reasonableness of cash-advance transactions based on a cardholder's expected out-of-pocket expenditures. We did not identify any instances in which the cash-advance transactions exceeded the expected out-of-pocket expenses for the trip.
- We tested controls over GTC monitoring by selecting a judgmental sample of 24 (2 instances per month) of 1,498 past-due account balances from the Monthly Delinquency Reports in the CCRS to determine whether cardholders, their supervisors, the CFO, or the OHC were notified that accounts were past due. We also inspected all four of the Travel Office's monthly compliance reviews of cardholder statements to ensure that reviews were completed and to determine whether any instances of personal, non-work-related use of the GTC were detected.
- We tested controls over GTC close-out for all 49 GTC cardholders who separated from the CFPB during the period of our scope to determine whether accounts were closed in a timely manner. We also used the Account Activity Report in the CCRS to determine whether employees used their GTC after separation.

We performed the audit from March 2013 to August 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards

require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B

Management's Response



1700 G Street, N.W., Washington, DC 20552

September 30, 2013

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System and
Consumer Financial Protection Bureau
20th and C Streets, NW
Washington, DC 20551

Dear Mr. Bialek,

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report *"The CFPB Should Strengthen Internal Controls for Its Government Travel Card Program to Ensure Program Integrity."* We have reviewed the report and concur with the draft recommendations.

We are pleased that your review did not identify any weaknesses that are material or significant to the Bureau's financial operations. As discussed in your report, in FY2012, travel comprised approximately three percent of the Bureau's incurred expenses. Nevertheless, we agree with the process improvements included in your recommendations and are already taking action to strengthen the internal controls around the Bureau travel card program.

In an effort to enhance the Bureau's travel program overall, several months ago the Bureau established an internal working group to evaluate the existing program and identify opportunities for improvement. As a part of this process, the Bureau is reviewing existing travel program controls and will develop new or adjust existing policies and procedures, as appropriate, to incorporate your recommendations. The following comments provide additional detail on our planned actions to enhance our processes and controls.

Thank you again for your review.

Sincerely,

A handwritten signature in blue ink that reads "Stephen J. Agostini".

Stephen Agostini
Chief Financial Officer

consumerfinance.gov

Recommendation 1. Collect reimbursements from cardholders who received payments for unallowable expenses and research and collect reimbursement from the two cardholders who used credit hours as leave while on official travel and claimed reimbursement for lodging and M&IE.

Recommendation 2. Conduct an audit of the remaining 183 instances in which cardholders took eight or more hours of leave during an official business trip to determine whether cardholders claimed and received reimbursement for unallowable expenses.

Recommendation 3. Coordinate with the OHC to develop disciplinary actions that may be taken against cardholders who use their GTC for unauthorized transactions and include these guidelines in the Travel Card policy.

Recommendation 4. Require the Travel Office to provide to cardholders periodic reminders on the proper use of the GTC, including the policy associated with laundry expenses.

Recommendation 5. Coordinate with the OHC to obtain personnel leave data and require the Travel Office to expand the monthly cardholder statement review to include cardholders on leave in order to identify potential cases of unauthorized or fraudulent use and incorporate this requirement in the draft internal procedure.

Recommendation 6. Update the Travel Card policy to include the requirements in recommendations 7 and 8 below.

Recommendation 7. Require cardholders to note on the travel authorization any days of anticipated leave while on business travel and to note on the travel voucher any days of leave taken while on business travel.

Recommendation 8. Require cardholders' supervisors to review and approve travel authorizations and travel vouchers in GovTrip in a timely manner and, as a part of that review and approval, verify that expenses anticipated or incurred on days of leave are allowable.

The Bureau concurs with the objectives of these recommendations and is in the process of enhancing its travel program to mitigate the identified risks and promote greater accountability in the use of Bureau resources. This summer, the Bureau initiated a voucher post-payment validation process for certain travel vouchers in order to verify claimed amounts for reimbursement. Furthermore, as noted above, the Bureau established an internal group to evaluate the travel program and identify opportunities for improvement. Informed by the Bureau's internal review and the OIG's review, the new policies and procedures will address the recommendations above, including enhanced controls to better monitor travel card usage and identify potential cases of improper usage; periodic trainings and reminders on travel card policies and procedures; and recoupment of reimbursements for unallowable expenses. Most notably, the Bureau is developing a travel approval process modeled after the practices of other federal financial regulators involving an open travel authorization for all employees followed by supervisor review and approval of travel vouchers. This process would eliminate the need for cardholder supervisors to review and approve individual travel authorizations. The Bureau anticipates implementing the new travel program, including the modified authorization and voucher processes, over the next several months.

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Recommendation 9. Require the Travel Office to verify that new cardholder account cash-advance limits are set at prescribed amounts and periodically review cardholders' cash-advance transactions to ensure that the prescribed limits are not exceeded.

Recommendation 10. Require the Travel Office to ensure that all GTC accounts for employees are closed immediately upon separation and revise the internal draft travel procedure to include this requirement.

Recommendation 11. Ensure that cardholders' supervisors review and approve travel vouchers in GovTrip consistent with recommendation 8.

Recommendation 12. Ensure that the Travel Office sends past-due notifications to cardholders, their supervisors, the CFO, and the OHC as required in the Travel Card policy.

Recommendation 13. Provide periodic refresher training for both cardholders and their supervisors on

a. the CFPB's Travel Card policy and procedures.

b. the submission, review, and approval of completed travel authorizations and vouchers in GovTrip.

Recommendation 14. Finalize and approve the internal draft travel procedure.

The Bureau concurs with the objectives of these recommendations and is in the process of enhancing its travel program to mitigate the identified risks and promote greater accountability in the use of Bureau resources. As discussed above, these updated policies and procedures will address the recommendations above, including enhanced controls to monitor, verify, and provide notification regarding a cardholder's account status; periodic trainings and reminders on travel card policies and procedures; and a modified travel approval process involving an open travel authorization for all employees followed by supervisor review and approval of travel vouchers. The Bureau anticipates implementing the new travel program, including the modified authorization and voucher processes, over the next several months.



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