Office of Inspector General

Office of Audits and Evaluations
Report No. AUD-15-010

The FDIC's Travel Card Program

September 2015

Office of
Inspector General

Executive Summary

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Why We Did The Audit

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, requiring all executive agencies to establish and maintain safeguards and internal controls for charge cards. While the FDIC Legal Division has determined that the FDIC is not subject to the Charge Card Act, the Corporation has decided to implement certain provisions it determined represent improved security and industry best practices. The statute also requires Inspectors General in the agencies covered by the Charge Card Act to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. Consistent with the spirit of the Charge Card Act, we conducted an audit of the FDIC's Travel Card Program.

The audit objective was to assess key internal controls over the FDIC's Travel Card Program that are intended to mitigate the risk of fraud, misuse, and abuse. To address our objective, we assessed (1) the extent to which the key internal controls align with 12 recognized safeguards and controls that we determined are key controls in mitigating the risk of fraud, misuse, and abuse in government-wide charge card programs and (2) whether the controls are being implemented. Eleven of the 12 safeguards and controls pertain to individually billed accounts (IBA), and the remaining control relates to centrally billed accounts (CBA).

Background

Established in 1998, the General Services Administration (GSA) SmartPay2 Program provides services to more than 350 Federal agencies, organizations, and Native American tribal governments. Customer agencies access GSA SmartPay2 Program solutions by issuing task orders against the GSA SmartPay2 Master Contract from one of three contractor banks, namely, JP Morgan Chase (JP Morgan), Citibank, and US Bank. JP Morgan, the FDIC‘s travel card provider, issues Visa-branded travel cards to employees for use while on official travel.

Any employee who travels for the FDIC may participate in the Travel Card Program. To the extent permissible by law, FDIC employees are not required to use the travel card, but an employee must obtain GSA government rates for air travel, and in those circumstances FDIC employees must use their travel cards or a CBA. In addition, FDIC travelers are required to use the government travel card for train fares and car rentals if the vendors require its use in order to purchase government fare rail tickets and rent cars at the government car rental rate. FDIC employees are authorized to use the travel card to pay for transportation, lodging, and other travel-related expenses when on official business.

IBA travel cards are issued to employees and used to pay for official travel-related expenses, and the FDIC reimburses employees only for authorized and allowable travel expenses. The employee is responsible for making payment to JP Morgan. Full liability for all charges and fees rests with the individual cardholder and, under the terms of the SmartPay2 Master Contract, the FDIC accepts no liability for charges made to IBAs.

If an employee does not have an IBA travel card, the employee may request permission to use the CBA to purchase government airfare and rail tickets. CBA charges are paid directly by the FDIC to JP Morgan. Travelers without an IBA must use a personal charge card or cash for all other official travel expenses. Employees may not have an IBA for several reasons. They may be new employees who have not yet obtained their own travel cards, infrequent travelers, or cardholders whose accounts were suspended or cancelled due to delinquency or misuse.

The FDIC's Circular FDIC 2500.3, entitled, *FDIC-Sponsored Government Travel Card Program*, defines the FDIC's Travel Card Program policies, procedures, and guidelines. Within the FDIC, the Division of Finance (DOF), Travel Services Section (TSS), has overall responsibility for administering the Travel Card Program. According to DOF/TSS, the Agency/Organization Program Coordinator (A/OPC) serves as liaison between the FDIC, JP Morgan, and the cardholder. Administrative Officials (AO) in each Division/Office Administrative Office serve as points of contact for cardholders and are responsible for ensuring proper use of travel cards in accordance with travel card policy.

The Office of Management and Budget (OMB) published and suggested best practices and guidance for government charge card programs. Although the FDIC is not subject to these OMB best practices and guidance, they do provide prudent concepts and business practices that can reduce the risk of fraud and misuse in charge card programs.

Audit Results

Overall, our review did not identify any material weaknesses within the scope of controls and safeguards that we assessed. We determined that the FDIC has established a number of key controls intended to minimize the risk of fraud, misuse, and abuse in the travel card program that were generally consistent with recognized safeguards and controls. For example, the FDIC has provided written policies and procedures for the appropriate use of the charge cards, established spending limits for each charge card account, and ensured that delinquent accounts are addressed and corrective actions are taken to prevent further occurrences. In addition, the FDIC is working to strengthen controls in the area of training and ensuring that the travel card of each employee who ceases to be employed by the agency is invalidated immediately upon separation.

In reviewing individual transactions, we found few policy exceptions, none of which appeared to be of the nature of those that have been the subject of Congressional concern. Moreover, in those cases where the FDIC had detected policy exceptions in the past, employees involved were subject to disciplinary action.

We initially found, however, that the FDIC's Travel Card Program could be strengthened to better align with certain recognized safeguards and controls and to further mitigate associated risks by:

- enhancing policies, procedures, or guidelines that address or clarify requirements for certifying cardholders' continued need and eligibility; training program officials, including officials with responsibility for overseeing the use of the travel card; reviewing Automated Teller Machine (ATM) cash withdrawals for reasonableness and association with official travel; and performing periodic, program-level reviews of cardholder spending and ATM withdrawal limits to ensure they remain appropriate;
- making a greater use of available reports to detect prohibited transactions that may be indicative of potential fraud and misuse; and
- strengthening certain controls over the CBA Program.

We found some transactions that related to on-line hotel reservation services, which could involve ancillary fees that are not reimbursable. We also determined that in situations where on-line hotel reservations are made, the traveler is precluded from using FDIC tax-exemption forms. Further, we learned about a web-based application, the VISA IntelliLink Compliance Management tool, which can be used to test ATM withdrawal transactions and other transactions to identify possible misuses. We discuss the on-line hotel reservation service fees, tax-exempt matters, and the IntelliLink tool in the Observations section of our report.

While the structure of the FDIC's Travel Card Program limits financial risk to the Corporation, its mission is more successfully carried out when its employees maintain a reputation for integrity. Accordingly, as we generally found during our review, the FDIC must remain vigilant in its efforts to have cost-effective controls over this program, in part, to protect that reputation. During and after our audit fieldwork, the FDIC took actions to address our preliminary observations. We have taken these actions into consideration in presenting our findings and making recommendations.

Recommendations and Corporation Comments

Our report contains five recommendations addressed to the Director, DOF, that are intended to strengthen controls and safeguards related to the FDIC's Travel Card Program. The recommendations primarily involve enhancements to policies, procedures, and guidelines to clarify program requirements and formally establish practices. The Director, DOF, provided a written response, dated September 22, 2015, to a draft of this report. In the response, the Director, DOF, concurred with all five of the report's recommendations and described planned actions that were responsive to the recommendations. In addition, the Director, DOF, agreed to consider our observations related to on-line hotel reservation services and use of Intellilink as part of the overall risk-based review and analysis of the Travel Card Program and implement changes as appropriate.

Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, Virginia 22226

Office of Audits and Evaluations
Office of Inspector General

DATE: September 30, 2015

MEMORANDUM TO: Craig R. Jarvill, Director
Division of Finance

/Signed/
FROM: Mark F. Mulholland
Assistant Inspector General for Audits

SUBJECT: *The FDIC's Travel Card Program*
(Report No. AUD-15-010)

This report presents the results of our audit of the FDIC's Travel Card Program. On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, requiring all executive agencies to establish and maintain safeguards and internal controls for charge cards. While the FDIC Legal Division has determined that the FDIC is not subject to the Charge Card Act, the Corporation has decided to implement certain provisions that it determined represent improved security and industry best practices. The statute also requires Inspectors General in the agencies covered by the Charge Card Act and having more than $10 million in travel card spending to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. Consistent with the spirit of the Charge Card Act, we conducted an audit of the FDIC's Travel Card Program.

The audit objective was to assess key internal controls over the FDIC's Travel Card Program that are intended to mitigate the risk of fraud, misuse, and abuse. To address our objective, we assessed (1) the extent to which the key internal controls align with 12 recognized safeguards and controls that we determined are key controls in mitigating the risk of fraud, misuse, and abuse in government-wide charge card programs and (2) whether the controls are being implemented. Eleven of the 12 safeguards and controls pertain to individually billed accounts (IBA), and the remaining control relates to centrally billed accounts (CBA).

As noted earlier, the FDIC is not bound by the Charge Card Act or the government-wide guidance and best practices that are the source of the key safeguards and controls referenced above. Accordingly, we presented our methodology and related criteria to the FDIC's Division of Finance Travel Services Section (DOF/TSS), and DOF/TSS officials expressed no objections to our audit approach. In July 2015, we met with DOF officials to discuss our preliminary observations, and DOF/TSS officials provided technical comments on August 11, 2015, and additional information to address our observations. We incorporated DOF/TSS' comments and additional information in our report, as deemed necessary. We held an exit conference with DOF officials on September 3, 2015 and incorporated DOF's comments in our report, as deemed appropriate.

We conducted this performance audit in accordance with generally accepted government auditing standards. Appendix 1 of this report includes additional details on our objective, scope, and methodology. Appendix 2 contains a glossary of key terms,[1] and Appendix 3 contains a list of acronyms and abbreviations. Appendix 4 includes our assessment of the FDIC's Travel Card Program safeguards and controls. Appendix 5 contains the Corporation's comments on this report, and Appendix 6 contains a summary of the Corporation's corrective actions.

Background

Established in 1998, the General Services Administration (GSA) SmartPay2 Program provides services to more than 350 Federal agencies, organizations, and Native American tribal governments. Customer agencies access GSA SmartPay2 Program solutions by issuing task orders against the GSASmartPay2 Master Contract from one of three contractor banks; namely, JP Morgan Chase (JP Morgan), Citibank, and US Bank. JP Morgan, the FDIC's travel card provider, issues Visa-branded travel cards to employees for use while on official travel.

Any employee who travels for the FDIC may participate in the Travel Card Program. To the extent permissible by law, FDIC employees are not required to use the travel card, but an employee must obtain GSA government rates for air travel, and in those circumstances FDIC employees must use their travel cards or a CBA. In addition, FDIC travelers are required to use the government travel card for train fares and car rentals if the vendors require its use in order to purchase government fare rail tickets and rent cars at the government car rental rate. FDIC employees are authorized to use the travel card to pay for transportation, lodging, and other travel-related expenses when on official business. Contractors may not participate in the FDIC's Travel Card Program.

Individually Billed Accounts

IBA travel cards are issued to employees and used to pay for official travel-related expenses, and the FDIC reimburses employees only for authorized and allowable travel expenses. The employee is responsible for making payment to JP Morgan. Full liability for all charges and fees rests with the individual cardholder and, under the terms of the SmartPay2 Master Contract, the FDIC accepts no liability for charges made to IBAs.

Table 1 on the next page contains select statistics pertaining to IBAs for the calendar years ended December 31, 2012 through 2014.

[1] Certain terms that are underlined when first used in this report are defined in Appendix 2, *Glossary*.

Table 1: Select Travel Card Program Statistics for the IBAs

Program Statistics	2014	2013	2012
Individually Billed Accounts			
Number of IBA Transactions	145,319	174,362	185,290
Total IBA Volume (in millions)	$26.1	$30.3	$32.8
Number of IBA Accounts	6,034	6,754	6,937
Number of Employees	6,863	7,495	7,745
Percent of Employees with Travel Card Accounts	87.9%	90.1%	89.6%

Source: Office of Inspector General (OIG) analysis of data provided by DOF for 2012-2014.

Centrally Billed Accounts

If an employee does not have an IBA travel card, the employee may request permission to use the CBA to purchase government airfare and rail tickets. CBA charges are paid directly by the FDIC to JP Morgan. Travelers without an IBA must use a personal charge card or cash for all other official travel expenses. Employees may not have an IBA for several reasons. They may be new employees who have not yet obtained their own travel cards, infrequent travelers, or cardholders whose accounts were suspended or cancelled due to delinquency or misuse.

The FDIC has five CBAs, namely:

- **The FDIC Air Account**, which is used for invitational[2] and infrequent travelers as well as for employees whose travel cards have been cancelled for delinquency or misuse and is managed by DOF/TSS;
- **The FDIC Executive Account**, which was used, initially, for the Chairman and now for Headquarters executives and is managed by DOF/TSS;
- **The Corporate Employee Program (CEP) Recruitment Account**, which is used for candidates coming in for recruiting events and is managed by the FDIC's Division of Risk Management Supervision (RMS);
- **The Corporate University (CU) Account**, which is used for new hires into the CEP and is managed by CU; and
- **The FDIC International Affairs Account**, which is used for international travel and is managed by the FDIC's Division of Insurance and Research, Office of International Affairs (DIR/OIA).

Table 2 on the next page contains selected statistics pertaining to CBAs for the calendar years ended December 31, 2012 through 2014.

[2] Invitational travel pertains to travel that is authorized for persons who are not FDIC employees but who must travel to participate in activities directly related to official FDIC business.

Table 2: Select Travel Card Program Statistics for the CBAs

Program Statistics	2014	2013	2012
Centrally Billed Accounts			
Number of CBA Transactions			
• FDIC Air	925	1,045	1,026
• FDIC Executive	63	113	28
• CEP Recruitment	348	260	264
• Corporate University	263	205	211
• FDIC International Affairs	48	45	43
Total	**1,647**	**1,668**	**1,572**
Total CBA Volume ($000)			
• FDIC Air	$462	$475	$446
• FDIC Executive	$169	$314	$80
• CEP Recruitment	$152	$104	$133
• Corporate University	$112	$84	$97
• FDIC International Affairs	$157	$130	$194
Total	**$1,052**	**$1,108***	**$950**

Source: OIG analysis of data provided by DOF for 2012-2014.
* Totals may not add due to rounding.

Travel Card Use and Responsibilities at the FDIC

The FDIC's Circular FDIC 2500.3, entitled, *FDIC-Sponsored Government Travel Card Program* (Travel Card Circular) defines the FDIC's Travel Card Program policies, procedures, and guidelines. DOF/TSS has overall responsibility for administering the Travel Card Program. According to DOF/TSS, the Agency/Organization Program Coordinator (A/OPC) serves as liaison between the FDIC, JP Morgan, and the cardholder. Administrative Officials (AO) in each Division/Office Administrative Office serve as points of contact for cardholders and are responsible for ensuring proper use of travel cards in accordance with travel card policy.

The Travel Card Circular requires all employees participating in and supporting the FDIC-Sponsored Government Travel Card Program to adhere to the provisions of this circular. Authorized uses of the IBA travel cards defined in the Travel Card Circular include, but are not limited to, the following:

- Transportation and lodging expenses,
- Meals, and
- Vehicle rentals.

Specific examples of the authorized use of FDIC's IBA travel cards cited in the Travel Card Circular are to obtain government fares when traveling on official business, obtain reasonable cash advances for expected travel expenses from an Automated Teller

Machine (ATM) or a bank, charge official travel expenses, and purchase meals while on official travel. Prohibited use of the FDIC's IBA travel cards includes, but is not limited to, non-travel-related expenses and expenses not reimbursable under the General Travel Regulations (GTR). For example, the GTR cites the following examples of non-reimbursable expenses:

- Travel expenses for indirect routes for personal reasons.
- Personal travel insurance.
- Alcoholic beverages, snacks, and entertainment expenses.
- Personal automobile repairs or expenses.
- Parking fines or fees for traffic violations.
- Luxury accommodations.
- Services imprudently incurred in the performance of official business.

Upon applying for a travel card, an FDIC employee must certify, by completing, signing, and dating a form, FDIC 2500/18, FDIC-Sponsored Government Travel Card Program Employee Acknowledgment Form (EAF), that he/she:

- Received, read, understands, and agrees to abide by the policies and procedures discussed in the Travel Card Circular and the DOF-issued EAF.
- Will abide by such policies, procedures, and other instructions as may be issued by the Corporation's travel card contractor (JP Morgan) pertaining to the use of the travel card issued to the employee for the purpose of conducting official Corporation travel.
- Understands that unauthorized use of the travel card or failure to pay for charges in accordance with the terms of the Travel Card Program may result in cancellation of the employee's travel card privileges and/or in disciplinary action.

With respect to CBAs, the Travel Card Circular references, at a high level, circumstances where employees may use the CBA to obtain GSA government air and rail fares for business travel, namely:

- The employee does not travel enough to participate in the Travel Card Program; and
- The travel card privileges of the employee have been cancelled, and the employee is unable to obtain GSA government air and rail fares.

The Travel Card Circular notes that instructions for use of the CBA can be found on DOF's Travel Homepage.

Government-wide Requirements and Key Safeguards and Controls

The Charge Card Act establishes and reinforces controls, processes, and reporting requirements to avoid improper charges, protect privacy, and effectively manage a government charge card program. Although the FDIC is not bound by this law, the Corporation has endorsed it, by way of a statement made in a Global Message sent to employees in November 2013, and also decided to proceed with implementing certain Charge Card Act provisions, namely:

- Evaluation of the creditworthiness of travel charge card applicants. In this regard, effective October 1, 2013, the creditworthiness of all new FDIC applicants is automatically reviewed by JP Morgan.
- Training required for travel charge cardholders and oversight officials.
- Issuance of and credit limits for restricted travel charge cards (for employees with poor credit or insufficient credit history).

The Office of Management and Budget (OMB) Circular No. A-123, entitled, *Management's Responsibility for Internal Controls, Appendix B Revised, Improving the Management of Government Charge Programs*, (OMB A-123, Appendix B), dated January 15, 2009, establishes standard minimum requirements and suggested best practices for government charge card programs that may be supplemented by individual agency policy and procedures. Although the FDIC is not subject to OMB A-123, Appendix B, this guidance defines prudent concepts and business practices that can reduce the risk of fraud and misuse in charge card programs. Among other things, OMB A-123, Appendix B states that charge card programs should include:

- written policies and procedures for the appropriate use of charge cards;
- mandatory training for cardholders and other program participants;
- risk management controls, such as reviews of cardholder statements and transaction documentation, separation of duties for key functions, and reviews of available data (including the use of data mining, if available) to detect instances of fraud and misuse; and
- periodic reviews of controls to evaluate their effectiveness.

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, provides guidance on complying with the Charge Card Act. According to the guidance, each agency head shall provide an annual certification that the appropriate policies and controls are in place and that corrective actions have been taken to mitigate risk; the annual certification should be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C., § 3512(d) (2)) (FMFIA) assurance statement process. As noted earlier, as an independent agency, the FDIC is not required to follow the Charge Card Act and has chosen not to include the Travel Card Program as part of the Corporation's FMFIA reporting or submit semiannual reports to OMB. However, DOF/TSS representatives told us that they prepare similar reports and submit them to FDIC management on a monthly basis.

Audit Results

Overall, our review did not identify any material weaknesses within the scope of controls and safeguards that we assessed. We determined that the FDIC has established a number of key controls intended to minimize the risk of fraud, misuse, and abuse in the travel card program that were generally consistent with recognized safeguards and controls. For example, the FDIC has provided written policies and procedures for the appropriate use of the charge cards, established spending limits for each charge card account, and ensured that delinquent accounts are addressed and corrective actions are taken to prevent further occurrences. In addition, the FDIC is working to strengthen controls in the area of training and ensuring that the travel card of each employee who ceases to be employed by the agency is invalidated immediately upon separation.

In reviewing individual transactions, we found few policy exceptions, none of which appeared to be of the nature of those that have been the subject of Congressional concern. Moreover, in those cases where the FDIC had detected policy exceptions in the past, employees involved were subject to disciplinary action.

We initially found, however, that the FDIC's Travel Card Program could be strengthened to better align with certain recognized safeguards and controls and to further mitigate associated risks by:

- enhancing policies, procedures, or guidelines that address or clarify requirements for certifying cardholders' continued need and eligibility; training program officials, including officials with responsibility for overseeing the use of the travel card; reviewing ATM cash withdrawals for reasonableness and association with official travel; and performing periodic, program-level reviews of cardholder spending and ATM withdrawal limits to ensure they remain appropriate;
- making a greater use of available reports to detect prohibited transactions that may be indicative of potential fraud and misuse; and
- strengthening certain controls over the CBA Program.[3]

While the structure of the FDIC's Travel Card Program limits financial risk to the Corporation, its mission is more successfully carried out when its employees maintain a reputation for integrity. Accordingly, as we generally found during our review, the FDIC must remain vigilant in its efforts to have cost-effective controls over this program, in part, to protect that reputation. During and after our audit fieldwork, the FDIC took actions to address our preliminary observations. Of particular note, the FDIC enhanced its processes for determining employees' continued need for travel cards and cancelling

[3] Our analysis, by each safeguard and control, is provided in Appendix 4.

cardholder accounts for employees leaving the Corporation. We have taken those actions into consideration in presenting our findings and making recommendations.

Individually Billed Accounts

Periodic Review of the Need for a Travel Card. The Charge Card Act states that agencies should perform periodic reviews to determine whether each travel cardholder has a need for the travel card. The Travel Card Circular does not explicitly address this requirement. Rather, the Travel Card Circular provides for an annual review wherein each authorizing division/office is responsible for periodically, at least annually, reviewing the inventory of employees holding travel cards to determine if an employee continues to meet the eligibility criteria, which includes the following:

(1) The travel card is to be used for official travel-related services;

(2) The travel card bill must be paid-in-full by the billing statement due date; and

(3) The employee must understand and comply with all travel card contractor/issuer and FDIC policies and guidelines concerning the Travel Card Program.

As part of this review, each Division/Office Administrative Office must provide certification to DOF/TSS by January 31 of each year that they have performed such a review within the past year. The Travel Card Circular also states that, whether during the annual review or based on interim information, each Division/Office Administrative Office will promptly notify DOF/TSS whenever an employee is no longer eligible for participation in the program because of non-compliance, although this provision does not clearly explain the eligibility factors considered in the review or what actions or inactions would constitute non-compliance. The Travel Card Circular states that DOF/TSS will notify the employee's Division/Office Administrative Office in writing when the travel card is officially cancelled.

The A/OPC informed us that the intent of the annual review provision in the Travel Card Circular is to determine whether travel cardholders have a need for their travel cards. According to the A/OPC, as an annual practice, DOF/TSS sends an email to each Division/Office Administrative Office requesting them to review the travel card activity of their respective employees, identify those employees who will not be travelling within the next 12 months, and request that the travel cards for those employees be cancelled. We noted that the Travel Card Circular does not mention the provision to identify employees who will not be travelling within the next 12 months.

We reviewed documentation supporting the annual certification process for 2013 through 2015 and found the following:

- The completed certifications identified employees who were not expected to be traveling within the next 12 months and therefore had no need for the travel card. However, the completed certifications did not explicitly address whether the employees who were expected to be traveling within that period continued to meet the eligibility criteria identified in the Travel Card Circular.

- There was no record of a review or a certification for 2013 that a review had been performed.
- DOF/TSS received certifications from 52 percent of Division/Office Administrative Offices in 2014.
- For the 2015 annual certification process, DOF/TSS received certifications from 95 percent of Division/Office Administrative Offices. This improvement in the number of certifications received for 2015 resulted from DOF/TSS following up with the divisions/offices and requesting responses.
- DOF/TSS did not notify an employee's Division/Office Administrative Office in writing when his or her travel card was officially cancelled as part of the 2014 annual review process. We pointed this out to DOF/TSS, and they prepared written notifications for the travel card cancellations in the 2015 annual review process.
- DOF/TSS' email notifications to Division/Office Administrative Offices were sent on April 23, 2014 and January 14, 2015 for the 2014 and 2015 annual reviews, respectively. Accordingly, the annual certification process was not completed by January 31 of each year as prescribed in the Travel Card Circular.

In its August 11, 2015 technical comments, DOF/TSS stated that the only eligibility or compliance requirements that can be addressed by the Division/Office Administrative Offices is whether travelers are expected to complete the minimum number of trips during the upcoming calendar year. DOF/TSS officials added that the Travel Card Circular is not intended to require Division/Office Administrative Offices to certify traveler compliance with any eligibility other than the "frequency of travel" requirement.

The FDIC should revise its policies, procedures, and guidelines to clarify that, in addition to identifying employees who were not expected to be traveling in the upcoming 12-month period, the annual review of employees holding travel cards should include determining and explicitly addressing an employee's continued need for the travel card. Any revisions to the policies, procedures, and guidelines should include a description of the annual certification process, explanation of the eligibility requirements, and identification of the organization(s) responsible for determining cardholders' compliance with those eligibility requirements. Allowing cardholders to maintain travel card accounts when not needed for government travel unnecessarily increases the risk of misuse.

Training. The Charge Card Act requires that appropriate training be provided to each travel cardholder and each official with responsibility for overseeing the use of the travel card. According to OMB A-123, Appendix B, AO training should include training on oversight tools and techniques, as well as roles and responsibilities. The Travel Card Circular states that new employees and existing employees applying for travel cards must participate in training prior to receiving a card, and this training requirement must be satisfied every 3 years.

Contrary to the Travel Card Circular, we found that DOF/TSS does not currently have a recurring training program for existing employees. However, DOF/TSS in a joint effort with CU has developed an on-line computer-based instruction (CBI) travel card training module for new and existing employees. The A/OPC informed us that the CBI training module was being piloted (90-day Pilot) with several groups, and DOF/TSS expects the 90-day Pilot to be completed later in 2015.

The Travel Card Circular does not address the training requirement for each official with responsibility for overseeing the use of the travel card, which includes the Division/Office AOs. Such training would encompass AO roles and responsibilities as well as oversight tools and techniques. The A/OPC informed us that AOs are trained on the use of JP Morgan's online system and reports once they are appointed to this role. According to the A/OPC, in practice, DOF/TSS program staff is available to answer questions from the AOs, attend periodic AO meetings to discuss the travel card program, and inform AOs of travel card training programs offered by GSA SmartPay and other vendors. The A/OPC is currently working with the JP Morgan representative to develop AO training for divisions and offices to be conducted in the latter part of 2015.

In its technical comments, DOF/TSS stated that until early 2015, training announcements were sent by JP Morgan to the Division/Office Administrative Offices who forwarded the announcements to their respective AOs. Training is now announced through JP Morgan Chase Communications Website.

While DOF/TSS has taken positive steps by piloting the CBI training module and working with the JP Morgan representative to develop training for divisions and offices in 2015, the FDIC needs to revise its policies, procedures, and guidelines to address recurring training for program officials, including those with responsibility for overseeing the use of the travel card and ensure the training provides information regarding oversight tools and techniques. Absent formal requirements that mandate recurrent training for all cardholders and oversight officials, there is an increased risk that cardholders and oversight officials may not receive the training and retain knowledge of current requirements for use of the travel cards.

Review of ATM Cash Withdrawals. OMB A-123, Appendix B, states that charge card managers are required to review ATM cash withdrawals for reasonableness and association with official travel. The Travel Card Circular does not directly address this requirement, but rather states that questionable use of cash advances (withdrawals) will be researched in a timely manner. We noted that the Travel Card Circular does not define the term "questionable use."

During our fieldwork, we determined that DOF/TSS' research of questionable uses of cash withdrawals involves forwarding via email on a monthly basis a report of employees who have made 10 or more cash withdrawals within the specific month to each Division/Office Administrative Office requesting that they ask their respective employees to provide a written explanation for the withdrawals. Included in the email is a request that the Division/Office Administrative Office notify DOF/TSS if a response cannot be sent within 15 business days so that provisions can be made for extending the timeframe. However, we found that this control/program may miss some unauthorized cash withdrawals (for example, ATM withdrawals taken for personal use in situations where less than 10 ATM withdrawals were made in any given month).

We reviewed a judgmental sample of 34 of 10,794 ATM cash withdrawals that were taken between January 1, 2013 and June 30, 2014, to determine whether they were associated with official travel and reasonable. The Travel Card Circular states that ATM withdrawals cannot be made earlier than 72 hours prior to the official travel date, which we considered as being associated with the official travel requirement. In addition, the Travel Card Circular states that ATM withdrawals should closely approximate reimbursable out-of-pocket expenses incurred while on official travel, including per diem (reasonableness requirement). We found three instances of noncompliance involving both requirements. Specifically, one cardholder took a cash withdrawal more than 72 hours prior to the cardholder's official travel date. Two cardholders took cash withdrawals and did not submit associated travel vouchers, which may be indicative of personal use of the travel card. We referred the two exceptions to DOF/TSS for appropriate action.

In addition, we compared the list of all cardholders who took ATM cash withdrawals to a list of employees who filed travel vouchers to determine if the ATM cash withdrawals were associated with official travel and were not for personal use. We found that all cardholders submitted travel vouchers or had a valid explanation for not submitting a travel voucher, such as the ATM withdrawal was taken in anticipation of authorized official travel, but the trip was subsequently cancelled.

We also reviewed ATM cash withdrawal limits for each active account. At the establishment of each travel card account, DOF/TSS establishes two basic ATM cash withdrawal limits: a Daily Amount Limit (daily limit) and an Other Amount Limit (7-day limit). The ATM control generally limits employees to a cash withdrawal of $250 per day and $500 in a 7-day period. JP Morgan allows the FDIC to establish two additional ATM cash withdrawal limits: a Cycle Amount Limit (cycle limit) and a Monthly Amount Limit (monthly limit).

We found that the two basic ATM cash withdrawal limits were not established for 34 of the 5,862 active accounts at January 30, 2015. Nine of the 34 accounts did not have any of the four limits mentioned above. Twenty-five of the 34 accounts did not have a daily limit or 7-day limit but had a cycle limit established. Twenty-three of the 25 accounts had a cycle limit of $2,000 and one each had a cycle limit of $2,500 and $15,000. We referred all 34 exceptions to DOF/TSS for appropriate action. The A/OPC told us that JP Morgan corrected the 34 exceptions.

The FDIC should revise its policies, procedures, and guidelines to describe the process for researching the questionable use of cash withdrawals to include, at a minimum, the organizations involved in the research and the factors to be considered in determining whether the cash withdrawals are reasonable, appropriate, and associated with official travel.

Periodic Review of Spending Limits. OMB A-123, Appendix B, states that organizations should perform periodic reviews of spending limits to ensure appropriateness. The Travel Card Circular does not address this requirement.

We determined that 97 percent of active accounts at June 30, 2014, had a spending limit of $15,000, and over 2 percent of active accounts had a spending limit of $7,500. We compared the account balances for 6,019 accounts with balances between January 1, 2013 and June 30, 2014, against established monthly spending limits. We found that 97 percent of the accounts reviewed had a high account balance of $5,000 or less, and approximately 49 percent of the accounts reviewed had a high account balance of $1,000 or more. The average and median high account balance was $1,435 and $1,031, respectively, far below the established limits.

In its technical comments, DOF/TSS stated that based on DOF's understanding of the FDIC-negotiated agreement with the National Treasury Employees Union (NTEU), changing cardholder credit limits would be considered a "change in working conditions" and would require negotiation with the NTEU. DOF/TSS added that this would preclude DOF from actively changing cardholder credit limits on an on-going basis. Further, DOF/TSS officials told us that negotiations with NTEU could be time consuming.

Periodic reviews of cardholders' limits as work assignments and travel requirements change is an important control for ensuring that limits remain at appropriate levels to allow organizations to better manage and control program risks. The FDIC should revise its policies, procedures, and guidelines to include a cost-effective process for periodically reviewing travel card spending limits to ensure their appropriateness.

Identification and Detection of Improper Purchases and Misuse. The Charge Card Act states that agencies should utilize effective systems, techniques, and technologies to prevent and identify improper purchases. The Travel Card Circular states that travel card charges, especially charges appearing on the Retail Charges Report, along with use of cash advances, will be researched in a timely manner. The Travel Card Circular does not identify other reports, such as the Transaction Detail Report,[4] which can be used to research charges.

We determined that the FDIC uses the following systems and techniques to prevent improper purchases and misuse:

- requiring new applicants to complete travel card training and undergo credit checks prior to account issuance;

[4] The Transaction Detail Report can be used to monitor purchases (charges) and lists account name, account number, transaction identification, transaction date, postdate, purchase method, merchant name, merchant city and state, merchant category code (MCC), transaction type, and amount.

- establishing travel card spending limits and ATM cash withdrawal limits;
- assigning authorized MCCs; and
- monitoring the number of cash withdrawals from ATMs.

DOF/TSS stated that AOs review and research the Retail Charges Report or Transaction Detail Report to identify questionable charges on a monthly basis. According to DOF/TSS, each month they generate a Retail Charges Report that identifies charges listed as "retail" (i.e., not related to travel, such as charges other than transportation, lodging, meals, and vehicle rentals) for review, as a key control. For any charge greater than $15 identified from the Retail Charges Report, DOF/TSS forwards a listing to the appropriate AOs, who work with the employee to determine the nature of the charges. The employee is required to provide a written explanation of the nature of the charge, and failure to respond may result in the suspension or cancellation of the travel charge card. DOF/TSS reviews the explanations and determines whether the charge is considered a personal misuse of the card. Any misuses of the card are noted in the cardholder profile maintained by DOF/TSS.

However, our review found that DOF/TSS and the AOs do not routinely review the Transaction Detail Report to identify questionable charges related to airfare, lodging, transportation, vehicle rental, and meals – charges that by definition are not included in the Retail Charges Report. In this regard, we interviewed five AOs and found that all five AOs receive the Retail Charges Report listing from DOF/TSS on a monthly basis and perform the requested follow-up. Two of the five AOs stated that they performed independent reviews of the Retail Charges Report for questionable charges; three AOs did not perform such independent reviews. One of the five AOs performed an independent review of the Transaction Detail Report. The FDIC may further mitigate the risk of misuse and abuse of the travel card if AOs more consistently utilize reports related to non-retail charges.

As we were completing our field work, we became aware of an incident involving travel card use for purchases made near or at the cardholder's duty station (referred to as local charges in our report), and we performed additional testing of these types of charges made by employees in one FDIC division during February 2015 to determine the extent to which employees were using their travel cards close to their duty stations. [5] We also performed additional testing of retail charges (identified with MCCs that were not directly associated with travel-related charges for airlines, lodging, and car rentals), in light of a recent Department of Defense (DOD) OIG report identifying travel card charges made at selected establishments for personal use.

We found that all sampled transactions we reviewed were used for official travel-related services. Three of the transactions, however, related to on-line hotel reservation services,

[5] We judgmentally selected DCP for our testing because this Division has a large number of travel card transactions. In addition, we selected February 2015, which is outside the January 1, 2013 – June 30, 2014 scope of our audit, because we wanted to test more current charges to ensure that supporting documentation (such as travel vouchers), as needed, would be more readily available for our review.

which could involve ancillary fees that are not reimbursable. Further, we determined that in situations where on-line hotel reservations are made, the traveler is precluded from using FDIC tax-exemption forms. We discuss the on-line hotel reservation services fees and tax-exempt matters later in the Observations section of our report.

We also became aware of best practices that can be used to identify possible misuse and abuse of the travel card, such as comparison of local charges incurred by the employee to merchant cities and review of the declined authorization activity that could indicate personal use. The FDIC does not currently perform these tests, which can be performed using JP Morgan's reports. Further, we learned about a web-based application, the VISA IntelliLink Compliance Management tool, which can be used to test ATM withdrawal transactions and other transactions to identify possible misuses, and we discuss this tool later in the Observations section of our report.

JP Morgan's reports could be leveraged by DOF/TSS and AOs to facilitate identification of possible fraud, misuse, and abuse, or noncompliance with FDIC policies, procedures, and/or guidelines. Doing so would help further mitigate risk in the Travel Card Program. Accordingly, the FDIC should enhance its policies, procedures, and guidelines to address such reviews, including associated organizational responsibilities and the frequency and manner in which the reviews should be performed.

Cancellation of Cardholder Accounts for Separating Employees. The Charge Card Act includes a provision requiring an agency to ensure that the travel card of each employee who ceases to be employed by the agency is invalidated immediately upon separation. The Travel Card Circular states that, when a travel card is returned or cancelled for any reason, including employee separation, the Division/Office Administrative Office must send an email to DOF/TSS noting the reason for return/cancellation and the effective date of cancellation. DOF/TSS must cancel the cardholder's account and provide a written confirmation to the AO.

We reviewed the accounts of cardholders who separated from the FDIC between January 1, 2013, and June 30, 2014, to determine whether the accounts had been cancelled upon the cardholder's departure. Of the 1,051 accounts that we reviewed, 498 had not been cancelled upon the cardholder's separation from the FDIC, and 128 of the 498 accounts were cancelled more than 30 days after the employee's departure.

We judgmentally selected a sample of eight accounts that were cancelled more than 30 days after the employee's departure to determine the reason for the exceptions. We found that, in most instances, DOF/TSS received an email notification of the employee's separation prior to the employee's separation date, but DOF/TSS did not process these notifications in a timely manner. The other reason for the exceptions was that the AOs did not provide timely notification of the separations to DOF/TSS.

Importantly, no new purchases were made under the 128 accounts following the cardholders' separations. Nevertheless, untimely cancellation of cardholder accounts for separating employees presents an increased risk of unauthorized use of the accounts.

During the course of our audit, DOF/TSS established a control designed to help ensure timely cancellation of travel card accounts for separating employees. Specifically, in October 2014, DOF/TSS implemented a monthly process wherein they obtain a PaymentNet report listing all open accounts and compare the report to human resources information to identify open accounts held by separating employees. DOF/TSS will cancel any travel card account identified by this report. The process was created in response to DOF/TSS' calendar year 2015 goal to audit travel card accounts on at least a quarterly basis to ensure that no separated employee has an active travel card account. In addition, DOF/TSS told us that they started using a bimonthly Separations Report in March 2015 to identify employees who left the Corporation.

Recommendations

We identified some steps the FDIC could take to improve the Travel Card Program's controls and are recommending that policies, procedures, and guidelines be established or clarified. We also noted that the Travel Card Circular could be updated to address the current status of various administrative items related to the FDIC's Travel Card Program, and we are providing our observations in this regard in separate correspondence to DOF management.

We recommend that the Director, DOF:

1. Enhance policies, procedures, and guidelines to address or clarify the following:

    a. Administrative Officials' and DOF/TSS' responsibilities and expectations for determining cardholders' continued eligibility for the travel card.
    b. Administrative Officials' and DOF/TSS' responsibilities and expectations for annually certifying employees' continued need for the travel card by the established January 31 date.
    c. Training for program officials, including those with responsibility for overseeing the use of the travel card, such as Division/Office Administrative Office personnel. These procedures should include information regarding oversight tools and techniques.
    d. Review of Automated Teller Machine cash withdrawals to determine reasonableness, appropriate use, and association with official travel.
    e. Oversight of travel card spending limits and Automated Teller Machine withdrawal limits by performing periodic program-level reviews of cardholders' spending limits and Automated Teller Machine withdrawal limits to ensure such limits remain appropriate.

2. Strengthen controls for mitigating the risk of fraud, misuse, and abuse of the travel card by (a) leveraging JP Morgan's reports to identify questionable or prohibited transactions and (b) enhancing policies, procedures, and guidelines to provide for such reviews, including organizational responsibilities and the frequency and manner in which the reviews should be performed.

Centrally Billed Accounts

Supervisor Verification of CBA Charges. The Charge Card Act states that executive agencies should ensure that officials with authority to approve travel (supervisors) verify that centrally billed account charges are not reimbursed to employees. We reviewed the Travel Card Circular, procedures, and guidelines and determined that the traveler's supervisor does not receive any notification that the traveler has incurred CBA charges, thus increasing the risk that CBA charges could be reimbursed to the traveler and not be detected. The Travel Card Circular states that instructions for use of the CBA can be found on DOF's Travel Homepage. These instructions consist of steps for an employee to send his/her travel authorization through an email to the Travel Card Application/Corporate Account Mailbox for processing. There is no instruction for the employee to copy his/her supervisor in the email.

In light of the lack of guidance, we reviewed all CBA payments between January 1, 2013 and June 30, 2014. We found that all payments were made to JP Morgan and not the cardholders.

We discussed this matter with DOF/TSS on July 30, 2015, and the next day the A/OPC requested that the CBA procedures on DOF's Travel Homepage be updated to include an instruction that the employee's supervisor be copied on all CBA authorization emails to the Travel Agency. In addition, we noted that the Frequently Asked Questions on DOF's Travel Homepage includes a discussion about the traveler providing a comment on the travel voucher to denote the use of a CBA for air fare and/or rail fare. However, we determined that travelers did not provide this information on the travel vouchers we reviewed.

During our review, we found that DOF had established a detective control (CBA charge audit) to ensure CBA charges are not reimbursed to the traveler. On a monthly basis, the Travel Policy Group forwards a monthly CBA report to the Travel Audit Section. The Travel Audit Section reviews the CBA report against a Travel Audit Web focus Airfare report, which shows air fare reimbursement requests submitted by travelers. The review is designed to determine whether travelers have claimed reimbursement for airline tickets charged to the CBA. While this control effectively addresses airfare charges, the report:

- does not include all CBA charges, such as rail fare and, in the case of the FDIC Executive CBA, hotel charges; and
- may not include a CBA charge if the traveler claims the charge after DOF/TSS has performed its monthly review.

These limitations increase the risk that payments to employees for CBA charges go undetected. We discussed this matter with DOF/TSS, and they informed us that in the instances where CBA invoices include rail charges or hotel charges, the Travel Audit Section reviews the traveler's travel voucher to determine if the charges were claimed. DOF/TSS also provided us an updated version of the CBA audit procedures.

Written Procedures for Key CBA Processes. According to the United States Government Accountability Office (GAO) *Standards for Internal Controls in the Federal Government*, management is responsible for documenting in its policies the internal control responsibilities of the organization. During our review, we found that key steps in the CBA process were not fully documented. These steps include the request and approval for travel using the CBA; the reconciliation process, which includes the resolution of disputed and erroneous charges; and the payment process, which includes the request and refund of unused airline tickets. More specifically, we noted the following:

- **The CU Account** did not have written procedures for any of the key steps in the CBA process: request for travel using the CBA, and approval, reconciliation, and payment of CBA charges. Moreover, we found that the CU CBA has the same official responsible for each of the key steps in the CBA process. GAO *Standards for Internal Controls in the Federal Government* states that segregation of duties helps prevents fraud, waste, and abuse in the internal control system. Inadequate segregation of duties increases the risk of potential fraud or abuse of the FDIC CU CBA.
- **The CEP Recruitment Account** did not have procedures for any of the key steps in the CBA process: request for travel using the CBA, and approval, reconciliation, and payment of CBA charges. In addition, we found that the lack of written procedures resulted in the account being "30 days past due" eight times and "60 days past due" once in a rolling 12-month period. In these instances, RMS had reassigned responsibility for managing the CEP Recruitment Account to an employee without providing guidance in the form of written procedures.
- **The FDIC Air Account and the FDIC Executive Account** did not have written procedures for the key steps in the CBA process. During our audit, DOF/TSS drafted procedures and provided us a copy. We noted that the draft procedures did address the reconciliation (including resolution of disputed and erroneous charges) and payment (including requests and refunds of unused airline tickets) of CBA charges.
- **The FDIC International Affairs Account** did not have written procedures for any of the key steps in the CBA process. This CBA is used for international travel, primarily for DIR/OIA employees. Although DOF prepared guidance for DIR/OIA international travelers, the guidance does not mention the International Affairs Account. Rather, the DIR/OIA Point of Contact makes the determination to use the CBA when advising travelers on international travel protocols.

DOF/TSS told us that they updated the CBA procedures to include additional language regarding the tracking of required credits and the dispute resolution process and provided a copy of the procedures to us on August 12, 2015. We noted that the procedures are not dated and apply to two of the five CBAs, namely FDIC Air and FDIC Executive.

Having written guidance for key steps in the CBA processes would help mitigate the risk of delinquent payments for CBA charges and reimbursement of CBA charges to travelers. Further, written guidance for all key processes will help ensure that all individuals involved in CBA activities, now and going forward, clearly understand their respective roles and responsibilities.

CBA Spending Limits. As noted earlier, OMB A-123, Appendix B, states that organizations should perform periodic reviews of spending limits to ensure appropriateness. The Travel Card Circular does not address this requirement.

Similar to what we did for IBAs, we compared the account balances for five CBAs between January 1, 2013, and June 30, 2014, against established monthly spending limits, as shown in Table 5.

Each CBA can be set up to have multiple transacting accounts, which are used for making purchases. At the time of our review, the FDIC had one transacting account for each of the CBAs. A CBA cardholder cannot exceed the limits on the transacting accounts, and if additional credit is needed for any of the CBAs, the FDIC can add transacting accounts or increase the limit of a transacting account.

Table 3: Comparison of Spending Limits for CBAs

	Monthly Spending Limits ($000)	Spending Limits for Transacting Accounts ($000)	Monthly High Account Balance ($000)	Times Limits were Greater than High Account Balance*
Centrally Billed Accounts				
FDIC Air	$1,275	$750	$96	8 Times
FDIC Executive	$200	$1,000	$110	9 Times
CEP Recruitment	$400	$200	$56	4 Times
Corporate University	$300	$200	$60	3Times
FDIC International Affairs	$100	$100	$39	3 Times

Source : OIG analyses of data from JP Morgan ‘s PaymentNet system.
* Compared to transacting account limits.

We found that the spending limit for the FDIC Executive Account was nine times the high account balance. The spending limit for the FDIC Air Account was more than eight times its highest monthly account balance. We also noted that the spending limit for the FDIC Executive Account ($200,000) was lower than the spending limit for its associated transacting account ($1,000,000). Since the FDIC cannot exceed the limit set for the CBA, the FDIC should consider reducing the transacting account limit from $1,000,000 to the established $200,000.

DOF’s Corporate Management Control (CMC) informed us that they performed an analysis of spending limits for the five CBAs in 2014 and recommended that the limits be reduced for three of the CBAs. In its written comments, DOF/TSS stated that it continues to evaluate the credit lines associated with the CBA accounts. As part of the 2014 CMC review, DOF/TSS reduced the credit lines associated with the CEP, CU, and

FDIC Air Accounts by $200,000, $100,000, and $525,000, respectively. DOF/TSS added that DOF must ensure that available credit limits are sufficient to meet significant unexpected fluctuations in use.

Having high monthly spending limits for FDIC CBAs that have limited use presents an inherent risk to the FDIC since the Corporation is directly responsible for paying all charges related to these accounts. Having policies, procedures, and guidelines for periodically reviewing CBA travel card spending limits and making adjustments, as appropriate, would enhance the FDIC's Travel Card Program controls.

Recommendations

We recommend that the Director, DOF:

3. Enhance the CBA charge audit process, as appropriate, to ensure all CBA charges claimed after DOF/TSS has performed its monthly review are included in the audit.

4. Develop written procedures for key CBA processes which include, at a minimum, the request to use a CBA for travel; travel charge approval, reconciliation, and payment; and segregation of duties.

5. Develop policies, procedures, and guidelines for performing periodic, program-level reviews of CBA spending limits to ensure they remain appropriate.

Observations: On-line Hotel Reservation Services and Use of IntelliLink

On-line Hotel Reservation Services. In performing an analysis of possible prohibited travel card charges, we identified instances where travelers made on-line hotel reservations. In one case, the traveler was charged a service fee for the reservation, which is ancillary in nature, and not generally reimbursable as a travel expense under the GTR.

Although no service fees were charged in the other cases, we determined that in situations where on-line hotel reservations are made, the traveler is precluded from using FDIC tax-exemption forms when incurring lodging expenses in any of the states that offer the exemption for hotel occupancy taxes.

Eleven states provide exemptions from sales and/or occupancy taxes on hotels/motels for government employees on official travel – Alaska, Delaware, Florida, Kansas, Massachusetts, Missouri, New York, Oregon, Pennsylvania, Texas, and Wisconsin. DOF's Website contains the appropriate state tax exemption forms to be completed and submitted to lodging establishments. Further, DOF encourages employees in official business travel status to use hotel tax exemption forms, when applicable. We talked to several hotel representatives who said the hotel exemption form will not be accepted in those states that offer the exemption for hotel occupancy tax when the hotel reservation was made through on-line hotel reservation services.

We reviewed transaction files for 2014 and determined that there were 35 on-line hotel reservation service transactions charged to travel cards. We did not obtain travel vouchers for these charges to quantify amounts attributable to federal and state lodging taxes expenses.

We are referring these matters to DOF for further study because it may (1) be beneficial to reiterate to FDIC employees the Corporation's position on reimbursement of ancillary fees associated with using on-line hotel reservation services and (2) provide an opportunity to reduce travel expenses.

Use of IntelliLink. During our audit, the JP Morgan and Visa representatives informed us that Visa has a web-based application, Visa IntelliLink Compliance Management, which provides analytics and tools such as investigative reporting, misuse detection, and program and regulatory compliance. Specifically, IntelliLink has business rules that:

- score ATM withdrawal transactions without associated travel charges (hotels, rental car, etc.);
- test for ATM withdrawals that exceed weekly maximum amounts;
- score transactions to identify possible fraudulent and misuses transactions; and
- identify local charges (currently being developed).

In its written comments, DOF/TSS said that DOF has previously attempted to use the VISA IntelliLink tool and found it to be cumbersome and that it did not offer significant value as compared to the reporting tools already available through the JP Morgan PaymentNet. As discussed above, the local charges business rule for the VISA IntelliLink tool is currently being developed, and we encourage DOF/TSS to use this particular tool to test for local charges.

Corporation Comments and OIG Evaluation

The Director, DOF, provided a written response, dated September 25, 2015, to a draft of this report. The response is presented in its entirety in Appendix 5. In the response, the Director concurred with all five of the report's recommendations. In addition, the response describes planned corrective actions to address the recommendations. DOF intends to complete planned actions by May 31, 2016.

A summary of the Corporation's corrective actions is presented in Appendix 6. The planned actions are responsive to the recommendations, and the recommendations are resolved. DOF also agreed to consider our observations related to on-line hotel reservation services and use of IntelliLink.

Objective, Scope, and Methodology

Objective

The audit objective was to assess key internal controls over the FDIC's Travel Card Program that are intended to mitigate the risk of fraud, misuse, and abuse. To address our objective, we reviewed the FDIC's Travel Card Program internal controls to assess (1) the extent to which they align with twelve recognized safeguards and controls that we determined are key controls in mitigating the risk of fraud, misuse, and abuse in government-wide charge card programs and (2) whether the controls are being implemented. Eleven of the twelve controls reviewed pertain to IBAs, and the remaining control relates to CBAs.

We conducted this performance audit from April 2014 to July 2015 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The conclusions and findings in this report are based on information provided by the FDIC and certain analyses that we performed through July 2015. We caution that projecting the results of our audit to future periods is subject to risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

Scope and Methodology

To gain an understanding of relevant government-wide requirements and to identify key safeguards and controls, we:

- Reviewed and analyzed government-wide statutes, policies, procedures, and guidelines, including but not limited to:
  - Public Law 112-194, Government Charge Card Abuse Prevention Act of 2012, dated October 5, 2012
  - OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012,* dated September 6, 2013
  - General Services Administration's (GSA) SmartPay Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, dated November 18, 2013
  - OMB Circular A-123, Appendix B (Revised), *Improving the Management of Government Charge Card Programs,* dated January 15, 2009
- Contacted officials in GSA's SmartPay Program to obtain their perspectives on Travel Card Program controls.
- Interviewed OIG officials at another federal agency to discuss their approach for conducting Travel Card audits.

Objective, Scope, and Methodology

- Interviewed a Visa representative to determine tools available to identify questionable charges.
- Reviewed the recently issued U.S. Department of Defense (DOD) OIG report entitled, *DOD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments*, dated May 19, 2015.

To obtain an understanding of the FDIC's internal controls intended to mitigate the risks of fraud, misuse, and abuse, we:

- Reviewed and analyzed Travel Card Program policies, procedures, and guidelines, including:
  - The Travel Card Circular, FDIC Circular 2500.3, *FDIC-Sponsored Government Travel Card Program*, dated December 20, 2013;
  - Procedures and guidelines on DOF's internal Web site pertaining to matters such as training and frequently asked questions; and
  - DOF's Circular 2510.4, *FDIC General Travel Regulations (GTR), Regular Duty Travel-Volume 1,* dated August 5, 2011.
- Interviewed officials in DOF, including the A/OPC and AOs in other divisions and offices that had responsibility for administering and implementing the Travel Card Program. Specifically, we interviewed AOs in the following divisions/offices: Division of Resolutions and Receiverships, RMS, CU, DIR/OIA, and OIG.
- Interviewed the JP Morgan representative to the FDIC to determine the types of internal controls that JP Morgan employs.

To determine the effectiveness of internal controls intended to mitigate the risk of fraud, misuse, and abuse, we compared the FDIC's Travel Card Program controls to 12 key safeguards and controls that we determined to be key controls in mitigating these risks in government charge card programs. We also performed various analyses of program controls, such as comparing cardholder spending limits to cardholder account balances to determine cardholder use of available spending limits; comparing individual ATM cash withdrawals to travel vouchers submitted by employees to determine the reasonableness and proper use of ATM cash withdrawals; determining the timeliness of account cancellations for cardholders who separated from the FDIC from January 1, 2013, through June 30, 2014; and comparing CBA charges posted to the Travel Audit Web focus Airfare report to the CBA report from DOF/TSS to determine whether CBA charges were reimbursed to the traveler.

In addition to program controls, we reviewed numerous non-statistical samples of transactions for compliance with FDIC policies, procedures, and guidelines. Non-statistical samples are judgmental and cannot be projected to the population of transactions. A description of our sampling methodology follows.

Objective, Scope, and Methodology

Analysis for Local Charges

To determine if the employees used their travel card for local travel and possible personal transactions, for February 2015, we:

- ran the PaymentNet report, Account Activity Report, which reflects transaction information by organization and location hierarchy, including field office;
- reviewed transactions for DCP;
- compared the employee's field office to the merchant location (city and state);
- judgmentally selected transactions for which the employee's field office was at or near the merchant location;
- obtained, where possible, a travel voucher for each transaction to determine the reason for the travel charge; and
- if a travel voucher was not obtained, and/or we were unable to determine the reason for the travel charge, worked with DOF/TSS to obtain an explanation from the cardholder for the charge.

Analysis for Non-Travel-Related Charges

To determine if the employees used their travel cards for non-travel- related charges, for February 2015, we:

- ran the PaymentNet report, Account Activity Report, which is used to monitor purchases, for February 2015;
- excluded all transactions with a merchant category code in the 3000 series – travel-related services (airfare, lodging, and car rental);
- judgmentally selected transactions to review to determine if the transactions were travel-related;
- obtained, where possible, a travel voucher for each transactions to determine the reason for the travel charge; and
- if a travel voucher was not obtained, and/or we were unable to determine the reason for the travel charge, worked with DOF/TSS to obtain an explanation from the cardholder for the charge.

We performed our work at the FDIC's Virginia Square Offices in Arlington Virginia.

As described in the Scope and Methodology section of this Appendix, we performed audit procedures to identify and obtain an understanding of the FDIC's internal controls for mitigating the risks of fraud, misuse, and abuse in the FDIC's Travel Card Program. We also compared the FDIC's Travel Card Program controls to recognized safeguards and controls that we determined to be key controls in mitigating the risks of fraud,

Objective, Scope, and Methodology

misuse, and abuse in government charge card programs. Consistent with our audit objective, we did not assess the adequacy of the FDIC's overall internal control or management control environment. Our report identifies several internal control areas that could be improved to better align with certain recognized safeguards and controls to further mitigate associated risks.

We relied on data included in JP Morgan's PaymentNet system to select numerous non-statistical samples of transactions for detailed analysis to determine compliance with FDIC policies, procedures, and guidelines. We determined that the data provided was sufficiently reliable for purposes of sampling and analyzing by performing various procedures, such as reconciling data to FDIC cardholder travel vouchers and DOF/TSS and Division of Administration reports. We did not perform an assessment of data reliability controls in JP Morgan's systems or the FDIC's travel voucher system (New Financial Environment (NFE)). However, we did review the accuracy and completeness of selected data in JP Morgan's system and NFE for the transactions we selected by comparing information in the systems to supporting documentation (when it was available).

We did not perform tests of compliance with the Charge Card Act because the FDIC is not subject to the statute. However, we did consider the provisions of the statute in selecting the 12 safeguards and controls that were used as the principal criteria for our assessment of the FDIC's Travel Card Program controls. We assessed the risk of fraud and abuse related to our objective when selecting audit criteria, designing audit procedures, and evaluating audit evidence.

Glossary

Term	Definition
Abuse	An unauthorized use of the travel card that is so flagrant, willful, or egregious that immediate action is warranted or, after being advised of a violation of the policy, the employee persists in unauthorized use.
Administrative Official (AO)	A point of contact for cardholders who is responsible for ensuring proper use of travel cards in accordance with travel card policy.
Agency/Organization Program Coordinator A/OPC	The individual serving as the focal point for management, task order administration, establishing and maintaining accounts, and issuance and destruction of cards. The A/OPC oversees the card program for his or her agency/organization and establishes agency/organization guidelines. The A/OPC helps set up accounts; serves as liaison between the cardholder and the card contractor; provides on-going advice; audits card accounts as required; and keeps necessary account information current.
Centrally Billed Account (CBA)	A card/account established by the contractor at the request of the agency/organization. These may be card/cardless accounts. Payments are made directly to the contractor by the agency/organization.
Corporate Employee Program (CEP)	An FDIC initiative that sponsors the development of newly hired Financial Institution Specialists for entry-level positions.
Data Mining	An automated process used to scan databases to detect patterns, trends, and/or anomalies for use in risk management, spend patterns, and other areas of analysis.
Fraud	Any act of corruption or attempt to cheat the government or corrupt the government's agents, including, but not limited to, the use of government charge cards to transact business that is not sanctioned, not authorized, not in one's official government capacity, not for the purpose for which the card was issued, or not as part of official government business.
GSA SmartPay2 Master Contract	A follow-on contract to the GSA SmartPay contract that was put in place in 2008 for a 10-year period (expires in 2018). It contains additional requirements in the areas of data mining, strategic sourcing, electronic access system, additional innovative payment tools, etc.
Infrequent Traveler	An FDIC traveler who travels less than twice a year.
Individually Billed Accounts (IBA)	A government contractor-issued charge card used by authorized individuals to pay for official travel and transportation-related expenses for which the contractor bills the cardholder, and for which the individual is liable to pay.
Merchant Category Code (MCC)	A four-digit number used to identify the type of business a merchant conducts (e.g., gas stations, restaurants, airlines). The merchant selects the MCC with its bank. The code controls where purchases are allowable and may determine if the item is centrally or individually billed.

Glossary

Term	Definition
Misuse	The use of the travel card for any purpose or activity not authorized by the FDIC's Travel Card Circular. There are two general types of misuse: • **Corporate Misuse** occurs when an employee uses the travel card to purchase business-related goods or services that are not reimbursable as a travel expense under the GTR. • **Personal Misuse** occurs when an employee uses the travel card for a purpose or in a manner not authorized by the GTR or the FDIC's Travel Card Circular. Personal misuse includes a charge that is not reimbursable by the FDIC under the GTR or the FDIC's Travel Card Circular through a travel voucher, and a cash advance was not authorized.
PaymentNet	JP Morgan Chase's Internet-based program administration and reporting application that provides a single system to manage all aspects of card programs in support of business objectives.
Travel Services Section (TSS)	DOF's Travel Services Section has overall responsibility for administering the Travel Card Program.

Acronyms and Abbreviations

Acronym/Abbreviation	Explanation
AO	Administrative Official
A/OPC	Agency/Organization Program Coordinator
ATM	Automated Teller Machine
CBA	Centrally Billed Account
CBI	Computer-based instruction
CEP	Corporate Employee Program
CU	Corporate University
DCP	Division of Depositor and Consumer Protection
DIR/OIA	Division of Insurance and Research, Office of International Affairs
DOD	Department of Defense
DOF	Division of Finance
EAF	Employee Acknowledgment Form
FMFIA	Federal Managers' Financial Integrity Act of 1982
GAO	United States Government Accountability Office
GSA	General Services Administration
GTR	General Travel Regulations
IBA	Individually Billed Account
MCC	Merchant Category Code
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMS	Division of Risk Management Supervision
TSS	Travel Services Section (Division of Finance)

Assessment of the FDIC's Travel Card Program Safeguards and Controls

Assessment of the FDIC's Travel Card Program Safeguards and Controls

Key Safeguards and Controls Intended to Minimize the Risk of Fraud, Misuse, and Abuse	Addressed in FDIC Policies, Procedures, and/or Guidelines?	Implemented and Operating as Intended?
Has Travel Card policies regarding travel charge cards issued for various components and/or organizations, credit limits established for various categories of cardholders, and categories of employees eligible to be issued travel cards.	√	√
Ensures that the creditworthiness of an individual be evaluated before the individual is issued a travel card.	√	√
Performs periodic reviews of travel cardholders to determine whether each travel cardholder has a need for the travel card.	P	P
Provides training to each travel cardholder and each official with responsibility for overseeing the use of travel cards.	P	√
Identifies key program officials and their responsibilities (including A/OPC and division/office administrative coordinators).	√	√
Ensures that charge card managers review ATM cash withdrawals for reasonableness and association with official travel.	P	P
Ensures that delinquent payments are addressed and corrective actions are taken to prevent further occurrences.	√	√
Performs periodic reviews of spending limits to ensure appropriateness.	N	N
Utilizes effective systems, techniques, and technologies to prevent or identify improper purchases, defined as unauthorized and inaccurate purchases.	P	P
Provides for appropriate adverse personnel actions to be imposed in cases in which employees of the agency fail to comply with applicable travel charge card terms and conditions or applicable agency regulations or commit fraud with respect to a travel charge card.	√	√
Ensures that travel card accounts are cancelled immediately upon an employee's termination of employment.	√	P*
Ensures that officials with authority to approve official travel verify that centrally billed account charges are not reimbursed to an employee. **	P	P

Source: OIG analysis of recognized key safeguards and controls, FDIC's Travel Card Program policies, procedures, and/or guidelines and the results of selected control assessments.

*During the course of the audit, DOF/TSS established additional controls designed to help ensure the timely cancellation of travel card accounts for separating employees. We did not test these new controls.

**We enhanced our review of CBA controls by adding controls related to the requisition, approval, reconciliation (including resolution of disputed and erroneous charges), and payment (including requests for and refunds of unused airline tickets) processes.

√ - Indicates that the control was addressed in policies, procedures, and/or guidelines and/or was implemented.
P - Indicates that the control was partially addressed in policies, procedures, and/or guidelines and/or was partially implemented.
N - Indicates that the control was not addressed in policies, procedures, and/or guidelines and/or was not implemented.

Corporation Comments

Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, VA 22226-3500 Division of Finance

September 22, 2015

TO: Mark F. Mulholland
Assistant Inspector General for Audits and Evaluations
Office of Inspector General

FROM: Craig R. Jarvill, Director /**Signed**/
Division of Finance

SUBJECT: Management Response to the Office of Inspector General Draft Audit Report Entitled, "The FDIC's Travel Card Program" (Assignment No. 2014-031)

The Division of Finance (DOF) has completed the review of the subject Office of Inspector General (OIG) Draft Audit Report dated August 25, 2015. We appreciate the OIG's observations and the opportunity to improve the Agency's Travel Card Program. The FDIC has established a number of key controls intended to minimize the risk of fraud, misuse, and abuse in the travel card program that were generally consistent with recognized safeguards and controls. Furthermore, the effective management and monitoring of key internal controls are critical components of FDIC's Travel Card Program that have been embedded throughout all phases of the process.

As noted by the OIG, the FDIC is not bound by the Charge Card Act or the government-wide guidance that was the source of the key safeguards and controls referenced in the report, but we have implemented similar measures that either meet or exceed Travel Card industry standards. The OIG specifically noted that FDIC has written policies and procedures for the appropriate use of the charge cards, established spending limits for each charge card account, and ensured that delinquent accounts are addressed and corrective actions are taken to prevent further occurrences in a timely manner. Additionally, the FDIC is strengthening controls in the area of training and ensuring employees' travel cards are promptly terminated upon separation.

In summary, DOF is committed to ensuring that employees are both aware of and comply with all Travel Card policy and procedures and we have implemented various preventive, detective, and compensating controls to reduce the risk of fraud, waste, and abuse. As part of that commitment, DOF concurs with the OIG's five recommendations and have already begun efforts to address the enhancements discussed in the report.

Below is a description of the FDIC's specific corrective actions for the five OIG recommendations.

1. Enhance policies, procedures, and guidelines to address or clarify the following:
    a. Administrative Officials' and DOF/Travel Service Section's (TSS) responsibilities and expectations for determining cardholders' continued eligibility for the travel card.
    b. Administrative Officials' and DOF/TSS' responsibilities and expectations for annually certifying employees' continued need for the travel card by the established January 31 date.

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c. Training for program officials, including those with responsibility for overseeing the use of the travel card, such as Division/Office Administrative Office personnel. These procedures should include information regarding oversight tools and techniques.
d. Review of Automated Teller Machines cash withdrawals to determine reasonableness, appropriate use, and association with official travel.
e. Oversight of travel card spending limits and Automated Teller Machines withdrawal limits by performing periodic program-level reviews of cardholders' spending limits and Automated Teller Machines withdrawal limits to ensure such limits remain appropriate.

DOF Management Response: DOF concurs with this recommendation.

Corrective Action: While DOF believes that existing procedures ensure that effective controls are in place with regard to items 1(a) through 1(e) above, DOF will enhance existing procedures and guidance to further document the processes, and will outline in more detail the roles of participants in the listed tasks.

Completion Date: April 30, 2016.

2. Strengthen controls for mitigating the risk of fraud, misuse, and abuse of the travel card by (a) leveraging JP Morgan's reports to identify questionable or prohibited transactions and (b) enhancing policies, procedures, and guidelines to provide for such reviews, including organizational responsibilities and the frequency and manner in which the reviews should be performed.

   DOF Management Response: DOF concurs with this recommendation.

   Corrective Action: While DOF believes that use of existing tools have been effective, DOF is currently working on creating new reports that will use data drawn from the JPMorgan Chase PaymentNet system and from the NFE Travel & Expense Module to more effectively identify possible personal/prohibited use of the travel card.

   Completion Date: May 31, 2016.

3. Enhance the Centrally Billed Account (CBA) charge audit process, as appropriate, to ensure all CBA charges claimed after DOF/TSS has performed its monthly review are included in the audit.

   DOF Management Response: DOF concurs with this recommendation.

   Corrective Action: DOF agrees that existing procedures should be enhanced to eliminate the possibility of a CBA transaction being claimed on a travel expense report after the audit process has been completed.

   Completion Date: December 31, 2015.

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4. Develop written procedures for key CBA processes which include, at a minimum, the request to use a CBA for travel; travel charge approval, reconciliation, and payment; and segregation of duties.

   DOF Management Response: DOF concurs with this recommendation.

   Corrective Action: DOF has already begun enhancing the existing procedures, and once completed, these enhanced procedures will be rolled out to all administrators responsible for managing CBAs.

   Completion Date: April 30, 2016.

5. Develop policies, procedures, and guidelines for performing periodic, program-level reviews of CBA spending limits to ensure they remain appropriate.

   DOF Management Response: DOF concurs with this recommendation.

   Corrective Action: While DOF has performed recent reviews of CBA spending limits, DOF will document procedures for carrying out this task on an annual basis.

   Completion Date: March 31, 2016.

Observations

Finally, the report contained the following observations: 1) consider studying situations where on-line hotel reservations are made that precluded the traveler from using FDIC tax-exemption forms when incurring lodging expenses in any of the states that offer the exemption for hotel occupancy taxes; and 2) consider using Visa's web-based application IntelliLink Compliance Management, which provides analytics and tools such as investigative reporting, misuse detection, and program and regulatory compliance to test for local charges. DOF will consider the OIG's observations as part of the overall risk based review and analysis of the Travel Card program and will implement changes as appropriate.

Questions regarding this response should be directed to Thompson H. Sawyer, Jr. (703) 562-6398 or Stephen T. O'Neill at (703) 516-5635.

cc: Barbara A. Ryan, Deputy to the Chairman and Chief Operating Officer
Steven O. App, Deputy to the Chairman and Chief Financial Officer
Elaine Stankiewicz, Senior Advisor, Deputy to the Chairman and CFO
Thompson H. Sawyer, Jr., Deputy Director, Financial Operations
James H. Angel, Jr., Deputy Director, Corporate Management Control

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Summary of the Corporation's Corrective Actions

This table presents corrective actions taken or planned by the Corporation in response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	While DOF believes the existing procedures ensure that effective controls are in place with regard to items 1(a) through 1(e), DOF will enhance existing procedures and guidance to further document the processes and will outline in more detail the roles of participants in the listed tasks.	4/30/2016	$0	Yes	Open
2	While DOF believes the use of existing tools has been effective, DOF is currently working on creating new reports that will use data drawn from the JP Morgan Chase PaymentNet system and from the NFE Travel & Expense Module to more effectively identify possible personal/prohibited use of the travel card.	5/31/2016	$0	Yes	Open
3	DOF agrees that existing procedures should be enhanced to eliminate the possibility of a CBA transaction being claimed on a travel expense report after the audit process has been completed.	12/31/2015	$0	Yes	Open
4	DOF has already begun enhancing the existing procedures, and once completed, these enhanced procedures will be rolled out to all administrators responsible for managing CBAs.	4/30/2016	$0	Yes	Open
5	While DOF has performed recent reviews of CBA	3/31/2016	$0	Yes	Open

Summary of the Corporation's Corrective Actions

	spending limits, DOF will document procedures for carrying out this task on an annual basis.				

[a] Resolved – (1) Management concurs with the recommendation, and the planned, ongoing, and completed corrective action is consistent with the recommendation.
(2) Management does not concur with the recommendation, but alternative action meets the intent of the recommendation.
(3) Management agrees to the OIG monetary benefits, or a different amount, or no ($0) amount. Monetary benefits are considered resolved as long as management provides an amount.

[b] Recommendations will be closed when (a) Corporate Management Control notifies the OIG that corrective actions are complete or (b) in the case of recommendations that the OIG determines to be particularly significant, when the OIG confirms that corrective actions have been completed and are responsive.