



Audit Report



OIG-14-023

CDFI Fund Needs Better Controls Over Travel

January 29, 2014

Office of
Inspector General

Department of the Treasury

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Abbreviations

ARC	Administrative Resource Center
CDFI Fund	Community Development Financial Institutions Fund
FTR	Federal Travel Regulation
JAMES	Joint Audit Management Enterprise System
LEA	Legislative and External Affairs
NACA	Native American CDFI Assistance
TD	Treasury Directive

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*The Department of the Treasury
Office of Inspector General*

January 29, 2014

Mary J. Miller
Under Secretary for Domestic Finance

Donet Graves
Deputy Assistant Secretary for Small Business, Community
Development and Housing Policy

This report represents the results of our audit of the Department of the Treasury's (Treasury) Community Development Financial Institutions (CDFI) Fund's travel expenditures. We initiated this audit in light of broad concerns over the prudent use of government funds for things like travel and conferences. Additionally, concerns were raised to our office by a Treasury official with respect to travel by the former CDFI Fund Director¹ (hereinafter referred to as the Director).

Our overall objective was to determine whether the CDFI Fund followed applicable laws and regulations with respect to travel incurred between July 2010 and June 2012. We tested \$171,894 of \$345,036 in CDFI Fund travel expenditures during this period, including \$26,011 in travel expenditures by the Director. Appendix 1 contains a more detailed description of our audit objectives, scope, and methodology.

In brief, we found weak controls at the CDFI Fund to prevent and detect potentially wasteful spending on travel and to ensure compliance with government-wide and departmental travel rules and regulations. Our testing of 130 travel claims by CDFI Fund officials and staff identified audit exceptions in 129 of them (an exception rate of more than 99 percent). We also found an instance where the Director, another CDFI Fund official, and two

¹ The former Director retired from Federal service on December 28, 2013.

CDFI Fund staff incurred costs for a trip to Hawaii which were neither reasonable nor necessary given the facts and circumstances surrounding the travel purpose. Among other things, the Hawaii trip was approved by Treasury's Office of Legislative Affairs and Treasury's Office of Public Affairs based on information provided by CDFI Fund personnel that we considered misleading. As a separate matter, we noted during our audit that the Director did not have the express authority to administer the CDFI Fund as a result of Treasury Directive (TD) 11-02, *Delegation of Authority for Administering the Community Development Financial Institutions Fund*, which expired in November 2001. We are making seven recommendations to improve controls over CDFI Fund travel and address the expiration of TD 11-02.

In a written response, management agreed with our recommendations to improve controls over processing CDFI Fund travel authorizations and vouchers. Its response noted that travel processing policies and procedures have been implemented at the CDFI Fund to include operational examinations, budget reviews, and management approvals of all authorizations and vouchers as well as several levels of review by CDFI Fund and Treasury officials. The process for approval of the CDFI Fund Director's travel has also been clarified and formalized. With regard to audit exceptions identified in specific travel claims, management determined that \$3,288 of travel expenses are subject to recovery. However, it did not fully agree with our analysis of other noted exceptions to *Federal Travel Regulation (FTR)* and provided explanations for some but not all instances in which recovery was determined unwarranted. Management also addressed the expiration of the Director's authority to administer the CDFI Fund and ratification of Directors' actions since TD 11-02 expired. For one recommendation, related to staff training, management will need to identify its specific corrective actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system. We have summarized and evaluated management's response in the recommendation sections of this report. Management's response is provided in appendix 3.

Background

The Riegle Community Development and Regulatory Improvement Act of 1994² established the CDFI Fund to provide financial assistance in the form of grants, loans, and other investments on a competitive basis to certified community development financial institutions. In July 1995, the CDFI Fund began operations within Treasury with all powers and rights of the administrator assigned to the Secretary of the Treasury.³ Over the years, the CDFI Fund has provided financial and technical assistance to CDFIs operating in underserved communities through its CDFI and Native American CDFI Assistance (NACA) programs. The CDFI Fund also supports community development through its Bank Enterprise Award Program, which provides grants to institutions insured by the Federal Deposit Insurance Corporation, and the New Markets Tax Credit Program, which awards tax credits to community development entities investing in underserved communities.

Each fiscal year, the CDFI Fund requests funding for travel as part of its administrative expenses. In its congressional justifications for appropriations for fiscal years 2010 through 2012, CDFI Fund cited the necessity to increase site visits for monitoring compliance by CDFI Fund grant and New Markets Tax Credit recipients. CDFI Fund personnel also travel for events such as award announcements, conferences, and outreach. Funding levels for travel were \$119,000 in fiscal year 2010, \$181,000 in fiscal year 2011, and \$153,000 in fiscal year 2012.

When traveling, CDFI Fund personnel are required to follow applicable provisions of the Federal Travel Regulation (FTR), departmental travel directives, and guidance provided by Treasury's Office of Travel Services. Travel authorizations and vouchers are approved by individuals designated with approval authority and processed through GovTrip, a web-based system administered by the Bureau of the Fiscal Service's Administrative Resource Center (ARC).⁴ In February 2012, the CDFI Fund implemented its own

² Pub. L. No. 103-325 (Sept. 23, 1994)

³ Pub. L. No. 104-19 (July 27, 1995)

⁴ Effective October 2012, Treasury consolidated and re-designated the Bureau of the Public Debt (BPD) and the Financial Management Service as the Bureau of the Fiscal Service. During the period of our audit, ARC was administered by BPD.

policies and procedures regarding the initiation, examination, review, and approval of CDFI Fund personnel travel authorizations and vouchers.

Results of Audit

Finding 1 Federal Travel Requirements Were Not Consistently Followed

The FTR sets out the requirements that federal civilian employees and others authorized to travel at the government's expense must adhere to with respect to travel activities. The FTR requires that travelers ensure all travel expenses are practical and necessary and exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business. The FTR outlines what are reasonable and necessary travel expenses to ensure that travel is conducted in a responsible manner.

We identified 531 FTR audit exceptions in 129 of the 130 travel claims we sampled.⁵ For purposes of this report, an "audit exception" is either (1) a potential violation where a claimed expense may be ineligible for reimbursement or (2) a potential violation of an administrative nature like the untimely submission of travel claims, inappropriate approvals by undesignated individuals, and/or missed opportunities for cost savings.

Table 1 summarizes the potential violations associated with 223 of 531 audit exceptions that may have been ineligible for reimbursement. Management should follow up to determine the eligibility of the claims for reimbursement.

⁵ We selected our sample of 130 travel claims based on certain attributes, such as (1) travel that was the subject of concern raised by a Treasury official, (2) travel charges claimed that appeared unusual in nature, (3) lodging reimbursements that differed among travelers on the same trip or exceeded per diem amounts, and (4) situations where the travel started prior to approval of the associated travel authorization in GovTrip. See appendix 1 for a detailed explanation of our sample selection.

Table 1. FTR Audit Exceptions

Cost Description	FTR Section	Number of Audit Exceptions	Cost(s)
Unsupported travel claims (e.g., no receipts when required)	§301-52.4	35	\$13,039
Unauthorized costs (e.g., costs not authorized prior to commencing travel)	§301-2.1 §301-2.5 §301-71.103	84	11,138
Lodging reimbursed above authorized per diem	§301-11.100	28	2,747
Excessive meals and incidental expenses (M&IE) (e.g., deduction from M&IE not made for meals provided as part of a conference for which the Government may have paid a fee)*	§301-11.18 §301-11.101 §301-52.2	30	893
Ineligible rental cars (e.g., no advance authorization as required)	§301-2.5(g)	3	871
Lodging taxes for ineligible lodging expenses	§301-11.27	26	375
Lodging cost claimed but not incurred by the traveler	§301-11.100	4	247
Ineligible transportation expenses (e.g., transportation for personal use)	§301-10.420	3	182
Fees for upgrading to business class	§301-10.162	2	103
Ineligible shipping, supplies, and material handling costs	§301-12.1	2	81
Ineligible baggage fee	§301-12.2	1	50

Cost Description	FTR Section	Number of Audit Exceptions	Cost(s)
Ineligible ATM fees	§301-12.1	5	13
Total Number and Costs Related to Audit Exceptions for Management Review		223	\$29,739

* Refer to Finding 2 for \$58 of excessive per diem identified.

During our audit, we shared the detailed results of our tests with CDFI Fund management and were told that action was being taken to collect ineligible claims reimbursed to travelers. We did not confirm whether repayments were made.

Table 2 summarizes the remaining 308 audit exceptions related to untimely submission of travel claims, inappropriate approvals by undesignated individuals, and missed opportunities for cost savings. Federal agencies should pursue opportunities to lower costs in order to maximize the use of their resources.

Table 2. Other Audit Exceptions

Description	FTR Section	Number of Audit Exceptions
Approval of travel authorizations by an undesignated official	§301-71.104	75
Approval of travel vouchers by an undesignated official	§301-71.200	72
Untimely submission of travel claims	§301-52.7	62
Avoidable lodging taxes	§301-11.28	42
Travel authorizations approved after travel started	§301-71.105 §301-2.1 §301-2.5	18
Avoidable Travel Management Center (TMC) fees	§301-2.3 §301-71.203(a)	15

Description	FTR Section	Number of Audit Exceptions
Use of hourly airport parking instead of long-term parking	§301-2.3 §301-71.203(a)	10
Avoidable lodging expense (e.g., extended stays)	§301-2.3 §301-71.203(a)	5
Avoidable M&IE expense (e.g., extended stays)	§301-2.3 §301-71.203(a)	3
Avoidable car rental expense (e.g., rental upgrades, local rental for D.C. travel)	§301-2.3 §301-71.203(a)	3
Avoidable flight expenses (e.g., fees for missed flights, late bookings)	§301-2.3 §301-71.203(a)	2
Unauthorized acceptance of payments from non-federal source	§304-3.13(b)	1
Total Number of Exceptions		308

Given the number of the audit exceptions identified and based on our interviews with CDFI Fund personnel, we attribute the potential violations with federal travel requirements and missed opportunities for cost savings to (1) a lack of training with respect to federal and departmental travel requirements and (2) a lack of meaningful supervisory review of travel authorizations and vouchers. In fact, we were told by one official who approved over half the travel claims we tested that she did not review them.

Recommendations

We recommend that the Deputy Assistant Secretary for Small Business, Community Development and Housing Policy:

1. Determine whether travel claims identified with audit exceptions were improperly reimbursed to employees and recover funds, as appropriate.

Management Response

Management agreed with our recommendation and determined that \$3,288 related to 27 instances of questioned travel expenses was subject to recovery. Management also provided explanation for some travel claims not subject to recovery. In 84 instances where travelers incurred costs without pre-

authorization, management determined that either the expenses were not for items that required specific approval under FTR Section 301-2.5 or provided after-the-fact approvals for those expenses where specific approval was required. In 18 of the 30 instances in which employees were reimbursed for per diem without reduction to reflect the value of meals served at a conference, management determined that the Government did not pay a conference fee and that no meals were provided at the Government's expense. With respect to the 35 instances where travel claims were not supported by required documentation, management stated that it has obtained receipts for 30 of them. For the remaining 5 instances, management stated the majority represented claims for airfare that were submitted without receipts. While management recognized receipts were required for these claims, this departure from the FTR created little, if any risk, of loss to the Government.

OIG Comment

Management's response meets the intent of our recommendation. However, we would caution that departure from the FTR with regard to lack of receipts for airfare does pose a risk of loss to the Government, as a traveler has the ability to manipulate expenses on both the authorization and voucher. Additionally, receipts facilitate the review of travel claims incurred by those involved in the approval process.

2. Ensure that the CDFI Fund implements a training regime (both urgent and periodic refresher training) for all staff who might travel as part of their official duties, including management and approving officials. This training should include both federal and Treasury travel requirements, as well as the prudent use of travel funds.

Management Response

Management agreed with our recommendation and noted that the CDFI Fund has implemented travel processing procedures which include operational examinations, budget reviews, and management approvals of all travel authorizations and vouchers. Additionally, management stated that after travel payments

have been processed, Departmental Office's travel staff review and audit 100 percent of CDFI Fund travel vouchers so that any errors can be corrected promptly, and any recurring problems can be identified and addressed through further training or other appropriate means.

OIG Comment

We acknowledge management's agreement with the recommendation. However, the response does not directly address the need for staff training in travel requirements. We reiterate our concern that given the extent of exceptions found in our audit, urgent and periodic refresher training of both travelers and approving officials is essential to help ensure these exceptions do not reoccur. Management should record its corrective actions addressing the training needs noted in our recommendation in JAMES.

3. Ensure that CDFI Fund approving officials are reminded of their responsibility to review travel authorizations and vouchers for compliance with the FTR and Treasury requirements for travel and to reject claims that are in violation or not supported.

Management Response

Management agreed with our recommendation and noted that the CDFI Fund has implemented travel processing procedures which include operational examinations, budget reviews, and management approvals of all travel authorizations and vouchers.

OIG Comment

Management's response meets the intent of our recommendation.

Finding 2 Number of Travelers and Cost of a Hawaii Trip Were Excessive

Federal agency personnel have a responsibility to act as careful stewards of taxpayer dollars ensuring that funds are used for purposes that are appropriate, cost effective, and limited to what is

necessary to accomplish an agency's mission. The FTR requires that travel related expenses be reasonable and in line with what a prudent person would incur when conducting personal business.

We found a case where CDFI Fund officials and staff incurred costs for a trip to Hawaii which were neither reasonable nor necessary given the facts and circumstances surrounding the travel purpose. The Director, the Manager of Legislative and External Affairs (LEA), an Associate Manager of LEA, and the NACA Portfolio Manager traveled to Honolulu, Hawaii from August 21 to 26, 2011, to announce the fiscal year 2011 NACA awards. Travel expenditures totaling \$13,435 were incurred for this trip. Prior to the trip, CDFI Fund's LEA office provided a memorandum on July 26, 2011, to Treasury's Office of Legislative Affairs and subsequently, on August 1, 2011, to Treasury's Office of Public Affairs and the Deputy Assistant Secretary for the Office of Small Business, Community Development and Housing Policy notifying them of three potential locations for announcing the 2011 NACA awards—Hawaii, Minnesota, and South Dakota—with Hawaii being the CDFI Fund's recommended site for the announcement.

An official in Treasury's Office of Public Affairs communicated approval of the Hawaii trip via e-mail on August 5, 2011. However, we found the trip's approval was based on information provided by the CDFI Fund that we consider misleading. In its memorandum, the CDFI Fund noted that the travel distance to Hawaii should be a minimal consideration since the Director was already scheduled to speak at events in Hawaii the week of August 22. We found, however, that this was not the case. In fact, there were no speaking engagements planned for the Director until after the travel was approved.

There were concerns expressed about this trip in e-mails between Treasury personnel. In an August 4, 2011 email, the Office of Public Affairs noted that

"CDFI is proposing they do their NACA awards in Hawaii the last week of August when [the Director] is planning to be there for 2 speeches already."

"Is this 3 press hits all in one day? Don't love optics of this [...] If she's [the Director] there anyway, that helps but if

she's already doing 2 open press speeches (or are they closed?) seems a bit like stepping on ourselves..."

An official with the Office of Legislative Affairs noted in an e-mail response that

"...after some thought and discussion with [the Assistant Secretary of Legislative Affairs], I told CDFI that we were ok with it so long as PA [Public Affairs] was ok with it. We advised about the optics of the locale and on the number of staff traveling (given Hill interest on travel) but that from a pure Hill perspective, Senate and House representation, it was fine by us—again pending AOK from you all."

When we inquired about the necessity of the three managers accompanying the Director for the 2011 NACA awards announcement scheduled on August 24, we were told that their purpose was to provide logistical support and to handle media and congressional relations. This explanation lacked plausibility and we believe the number of travelers was excessive given the trip's purpose and itinerary (see appendix 2 for the Hawaii trip itinerary).

In addition to the trip's approval being based on questionable information, the Director and the three others embarked on a day trip from Honolulu to Kona, Hawaii (the Big Island) without Treasury's prior approval or knowledge. The group flew to the Big Island on August 23 to tour the Kanu o ka Aina Learning 'Ohana, a nonprofit educational provider that received technical assistance awards in 2009, 2010, and 2011 totaling \$413,124.

No events or site tours were originally scheduled for August 23. It was noted in CDFI Fund e-mail correspondence dated August 19 that with respect to August 23, the

"[Vice Chairman] (Bank of Hawaii) is helping coordinate a site visit to one of the better projects in Hawaii. I've spoken to [the Director] and [sic] few times and she is on board with it. I think it will be quite memorable! And we have nothing else planned for Tuesday."

This email excerpt shows that the visit to the Big Island was not contemplated at the time the trip to Hawaii was proposed to or approved by Treasury.

We also identified \$235 in ineligible costs associated with this trip. Specifically, the Director was reimbursed lodging of \$177 that was not incurred and the Associate Manager of LEA was reimbursed extra per diem of \$58.

It should be noted that prior to October 2012, there was no formal policy for supervisory approval of the Director's travel. Instead, there was a practice of requesting approval from Treasury's Office of Public Affairs and Treasury's Office of Legislative Affairs for trips where public appearances were planned. However, the travel authorizations themselves were administratively approved in GovTrip, Treasury's travel management system, by the Director's subordinate staff. In October 2012, the Deputy Assistant Secretary for Small Business, Community Development and Housing Policy issued a memorandum requiring his approval of certain matters to include senior executive travel.⁶ Subsequently, in January 2013, this control was further strengthened when the responsibility for approving the Director's travel authorizations and vouchers in GovTrip was assigned to two members of the immediate staff of the Under Secretary for Domestic Finance. These changes in the approval process represent an improvement in controls over the Director's travel.

Recommendations

We recommend that the Deputy Assistant Secretary for Small Business, Community Development and Housing Policy:

1. Ensure that travel requests by the Director include information on things such as travel mission and purpose, duration and itinerary, staffing needs specific to each trip, and reasonableness of travel estimates. Only those trips (location, duration, and number of travelers) that are justified should be approved.

⁶ Memorandum, "Document and Issues Clearance" (dated Oct. 10, 2012) provides clearance procedures on documents and issues related to the CDFI Fund, Small Business Lending Fund, and the State Small Business Credit Initiative.

Management Response

Management agreed with our recommendation and noted that the process for approval of the CDFI Fund Director's travel has been clarified and formalized.

OIG Comment

We acknowledge management's agreement with this recommendation although the response lacked specificity that the approval process includes a review of the travel mission and purpose, duration and itinerary, staffing needs specific to each trip, and reasonableness of travel estimates. We caution again that only those trips (location, duration, and number of travelers) that are justified should be approved.

2. Seek reimbursement of \$235 for ineligible costs associated with the trip to Hawaii.

Management Response

Management stated it will seek reimbursement of \$177 erroneously reimbursed to the CDFI Fund Director. However, management determined that the \$58 reimbursed to the Associate Manager of Legislative and External Affairs was appropriate as the per diem entitlement was miscalculated when the travel authorization was prepared, but the employee was, in fact, entitled to the full amount reimbursed.

OIG Comment

Management's response meets the intent of our recommendation.

Finding 3 Administrative Authority of the CDFI Fund Director Expired and Needs to Be Re-delegated

While reviewing authorities within the CDFI Fund to approve the expenditure of travel funds, we noted that the Director's authority to administer the CDFI Fund as delegated by the Under Secretary

of Domestic Finance expired on November 2, 2001.⁷ Since that time, six Directors have served without an express delegation of authority.

Administrative authority over the CDFI Fund was provided in the Riegle Act which established that the CDFI Fund would be managed by an administrator appointed by the President and confirmed by the Senate. The administrator would have various duties, including “determining the character of and necessity for expenditures of the Fund and the manner in which they shall be incurred, allowed, and paid.”⁸ In 1995, the CDFI Fund was placed within the Department of the Treasury and all powers and rights of the administrator were transferred to the Secretary of the Treasury.⁹ In turn, the Secretary delegated administrative authority to the Under Secretary of Domestic Finance,¹⁰ who re-delegated the authority to the Director of the CDFI Fund in TD 11-02.

According to TD 00-05, *Department of the Treasury Orders and Directives System* issued May 1999, Treasury management is to review directives 4 years after date of issuance.¹¹ We alerted legal counsel at the CDFI Fund in October 2012 and Treasury General Counsel in November 2012 about this matter, and were told that the directive would be re-evaluated.

Recommendations

We recommend that the Under Secretary for Domestic Finance work with the Treasury Office of General Counsel to

1. Ensure that administrative authority of the CDFI Fund is re-delegated to the Director.

⁷ See TD 11-02, *Delegation of Authority for Administering the Community Development Financial Institutions Fund*, dated Nov. 2, 1998.

⁸ 12 U.S.C. §4703, *Establishment of National Fund for Community Development Banking*

⁹ *Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995* (Public Law 104-19; July 27, 1995)

¹⁰ Treasury Order 101-20, *Administering the Community Development Financial Institutions Fund*; (dated Aug. 14, 1995)

¹¹ Superseded by TD 00-05 issued April 12, 2010

Management Response

Management agreed with our recommendation and noted that the Under Secretary for Domestic Finance signed TD 13-05, *Delegation of Authority for Administering the Community Development Financial Institutions Fund*, dated October 31, 2013.

OIG Comment

Management's response meets the intent of our recommendation.

2. Determine whether actions authorized by the Directors of CDFI Fund since the expiration of TD 11-02 in November 2001 require ratification.

Management Response

Management agreed with our recommendation and determined that the actions authorized by the Directors of the CDFI Fund since the expiration of TD 11-02 in 2001 do not require ratification.

OIG Comment

Management's response meets the intent of our recommendation.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during this audit. If you wish to discuss this report, you may contact me at (202) 927-5400 or Donna Joseph, Deputy Assistant Inspector General for Financial Management and Information Technology Audits at (202) 927-5784. Major contributors to this report are provided in appendix 4.

/s/

Marla A. Freedman
Assistant Inspector General for Audit

We initiated an audit of the Community Development Financial Institutions (CDFI) Fund travel in June 2012 in light of the Administration's broad concerns over prudent use of government funds for travel. Additionally, concerns were raised to our office by a Department of the Treasury (Treasury) official with respect to travel by the CDFI Fund Director. The objective of our audit was to determine whether the CDFI Fund followed applicable laws and regulations with respect to travel expenditures incurred from July 1, 2010, through June 30, 2012, in support of the CDFI Fund programs.

To accomplish our objectives, we:

- researched applicable laws, regulations, policies and procedures related to travel;
- interviewed Treasury and CDFI Fund officials and personnel to determine roles and responsibilities with regard to travel decisions and approvals;
- selected a sample of 130 travel vouchers from a universe of 328 travel vouchers representing \$171,894 of \$345,036 in total travel expenditures for the 2-year audit period. The 130 claims were made by 42 travelers of the CDFI Fund. Our sample included 16 travel vouchers representing expenses of \$26,011 for travel by the Director. Our selection was based on attributes such as (1) travel that was the subject of concern raised by a Treasury official, (2) travel charges that appeared unusual in nature (e.g., for items such as materials and shipping), (3) lodging reimbursements that differed among travelers on the same trip or over per diem amounts, and (4) situations where the travel started prior to approval of the related authorization in GovTrip;
- tested the sample for compliance with provisions of the Federal Travel Regulation and Treasury Directives to include requirements for the proper authorization of travel, the allowability of amounts claimed, and the review and approval of claims reimbursed.

We conducted our fieldwork at the CDFI Fund and Departmental Offices in Washington, D.C., between June 2012 and May 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2
Hawaii Itinerary

Attached to the voucher for each employee who traveled to Hawaii was a memorandum to the file prepared by CDFI Fund Legislative and External Affairs, dated September 28, 2011, 1 month after the trip's end. The memorandum was prepared for the purpose of providing background details and answering questions that had been raised with regard to the official days of travel the Government was paying for and approval of the last minute site visit to Kona (Big Island) on August 23, 2011. Included as an attachment to the memorandum was the following itinerary, provided to the travelers on the evening of Sunday, August 21, 2011, after their arrival in Hawaii.

Monday, August 22

9:00 – 11:00	Small Business/CRA Roundtable sponsored by the Federal Reserve of San Francisco
1:00 – 2:00	Meet and Greet with CNHA's Board of Directors
2:30 – 5:30	Possible Site Visits

Tuesday, August 23

9:00 – 5:00	Site Visit to Kanu o ka Aina Learning Ohana
5:30 – 8:30	Reception - CNHA's 10 th Annual Native Hawaiian Convention

Wednesday, August 24

9:00 – 12:00	Grants & Philanthropy Forum
12:00 – 12:30	NACA Program Award Announcement
12:30 – 1:45	Lunch with Senator Inoye, Gates Foundation, etc.
2:30 – 4:30	"Growing Economies in Indian Country: Taking Stock of Progress and Partnerships" workshop
5:00 – 6:00	Native CDFI Network meeting
6:00 – 8:00	Reception - CNHA's 10 th Annual Native Hawaiian Convention

Thursday, August 25

9:00 – 12:30	Policy Roundtable
	11:30 – 12:00 Senator Akaka speaks
	12:00 – 12:15 Director Gambrell speaks
1:00 – 3:00	Possible Grand Opening of micro-business at Disney Resort
3:00 – 5:30	Possible Site Visits

Appendix 3
Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 9, 2014

Marla A. Freedman
Assistant Inspector General for Audit
Office of the Inspector General
Department of the Treasury
Washington, DC 20220

Dear Ms. Freedman:

Thank you for providing us with a copy of the Office of the Inspector General's (OIG) formal draft report, *CDFI Fund Needs Better Controls Over Travel* (Draft Report). The Office of Domestic Finance appreciates the important work of the OIG and your audit of travel expenditures of Treasury's Community Development Financial Institutions Fund (CDFI Fund), as well as your willingness to work with Treasury informally as you prepared the Draft Report. Treasury shares OIG's commitment to the prudent use of taxpayer dollars for government travel, as evidenced by the fact that the audit that is the subject of the Draft Report was initiated as a result of the concerns that we raised to your office. This letter provides our official response to the Draft Report.

While we agree with many of the recommendations in the report, there are areas in which we do not fully share OIG's analysis. Our position on each of the recommendations in the Draft Report is set out below.

For the first recommendation under Finding 1, we have reviewed, as recommended, each of the questioned travel expenses to determine whether recovery was warranted. We have determined that recovery was warranted in 27 instances, with a total of \$3,288.47 being subject to recovery. Recovery of these funds has already begun, and claims for the remaining amounts will be sent for collection processing.

In the course of our review, we determined that the audit report overstates the number and nature of the discrepancies that occurred. Most importantly, Table 1 of the report asserts that in 84 instances travelers incurred costs without pre-authorization. These instances occurred when a necessary element of expense was not itemized in the cost estimate that forms part of the travel authorization. In most cases, however, the expenses were not for items that require specific approval under Federal Travel Regulations (FTR) section 301-2.5; it was therefore appropriate for the travelers to incur the expenses, and the CDFI Fund was required to reimburse them without separate approval. In those few instances where specific approval was required, we have determined that the expenses were appropriate, and have provided after-the-fact approvals, as contemplated in the FTR. Finally, while even the most accurate and comprehensive travel cost estimate will not be able to anticipate every possible condition that may occur during travel, we are working with the CDFI Fund to improve the quality and accuracy of their estimates.

Appendix 3
Management Response

Table 1 also identifies 30 instances in which employees were reimbursed for per diem without reduction to reflect the value of meals served at a conference for which the Government may have paid a fee. Our understanding is that OIG questioned reimbursement whenever an individual received a meal at a conference, without OIG determining whether the Government paid a conference fee. With respect to 18 of these instances, we have determined that the Government did not, in fact, pay a conference fee, that no meals were therefore provided at Government expense, and that reimbursement of the unreduced per diem was therefore appropriate. For the remaining 12 instances, reimbursement claims totaling \$437.57 for the overpayment of meals expense identified will be sent for collections processing. To ensure that overpayment of meals will not happen in the future, the CDFI Fund has implemented procedures by which each traveler's voucher will be reviewed by the CDFI Fund's operations staff, staff of the office of the Deputy Chief Financial Officer (DCFO), and the traveler's manager to determine whether payment can be approved and processed.

Finally, Table 1 identifies 35 instances where travel claims were not supported by required documentation. With respect to 30 of these instances, we have subsequently obtained receipts showing that the employee incurred the expenses claimed. These 30 instances represent \$11,878 of the \$13,039 that Table 1 identifies as "unsupported travel claims." In one of the remaining five instances, we identified prior to the audit that the employee received a double payment for airfare, and the funds were promptly recovered. We also note that the vast majority of these instances represent claims that were submitted without receipts for airfare. While we recognize that these receipts were required and should have been presented, we believe that this departure from the requirements of the FTR created little, if any risk, of loss to the Government. We note that the applicable Government fare is shown on the travel authorization, that an employee generally cannot complete travel without incurring an expense in that amount, and that records of actual airfare expenses are available in other Government systems.

We agree with the second recommendation under Finding 1. The CDFI Fund has implemented travel processing policies and procedures which include operational examinations, budget reviews, and management approvals of all travel authorizations and vouchers. During the travel authorization, travel voucher, and travel payment processes, several levels of officials (including CDFI Fund operations staff, staff of the office of the DCFO, and the traveler's manager) must review for conformance with the FTR and ensure that receipts are attached to support the request for reimbursement. Protocols have been established on how to handle situations where no receipts are presented. In addition, after travel payment has been processed, 100 percent of CDFI Fund travel vouchers are now reviewed and audited by Treasury's Departmental Offices (DO) travel staff, so that any errors can be corrected promptly, and any recurring problems can be identified and addressed through further training or other appropriate means.

We agree with the third recommendation under Finding 1. The training we have provided for CDFI Fund approving officials is discussed in our response to recommendation 2.

We agree with the first recommendation under Finding 2. The process for approval of the CDFI Fund Director's travel has been clarified and formalized. We appreciate that the Draft Report includes the following (at page 10):

Appendix 3
Management Response

Subsequently, in January 2013, this control was further strengthened when the responsibility for approving the Director's travel authorizations and vouchers in GovTrip was assigned to two members of the immediate staff of the Under Secretary for Domestic Finance. These changes in the approval process represent an improvement in controls over the Director's travel.

We agree in part with the second recommendation under Finding 2. We will seek reimbursement of the \$177 erroneously reimbursed to the CDFI Fund Director. However, the \$58 reimbursed to the Associate Manager of Legislative and External Affairs was appropriate. In that case, the employee's per diem entitlement was miscalculated when the travel authorization was prepared, but the employee was, in fact, entitled to the full amount reimbursed.

We agree with the first recommendation under Finding 3. The Under Secretary for Domestic Finance has signed Treasury Directive 13-05, *Delegation of Authority for Administering the Community Development Financial Institutions Fund*, dated October 31, 2013. A copy of that Treasury Directive may be found at <http://www.treasury.gov/about/role-of-treasury/orders-directives/Pages/td13-05.aspx>.

We agree with the second recommendation under Finding 3. We have determined that the actions authorized by the Directors of the CDFI Fund since the expiration of Treasury Directive 11-02 in 2001 do not require ratification.

Thank you for the opportunity to review the Draft Report. We value the role of strong oversight, and we look forward to continuing to work with your office in the future.

Sincerely,



Don Graves, Jr.
Deputy Assistant Secretary for
Small Business, Community Development,
and Housing Policy

Appendix 4
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