

Federal Housing Finance Agency
Office of Inspector General



FHFA's Use of Government Travel Cards


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OFFICE OF INSPECTOR GENERAL
Federal Housing Finance Agency

400 7th Street, S.W., Washington DC 20024

March 20, 2014

TO: Mark Kinsey, Chief Financial Officer

FROM: Russell A. Rau, Deputy Inspector General for Audits
SUBJECT: Audit of FHFA's Use of Government Travel Cards

Summary

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. The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for charge cards. The Office of Management and Budget (OMB) provided supplemental guidance through Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012* (September 6, 2013). The guidance requires each agency head to provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. 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)).

Under the Charge Card Act, Inspectors General (IG) must perform risk assessments and may, if necessary, perform an audit.¹ Status reports on an agency's implementation of its IG's purchase and travel card audit recommendations, if any, must be submitted to OMB by January 31, 2014, for compilation and transmission to Congress and the Comptroller General of the United States.

Accordingly, the Federal Housing Finance Agency's (FHFA or Agency) Office of Inspector General (OIG) completed an audit of FHFA's use of purchase cards and submitted the final report to OMB on January 31, 2014.² This audit report reflects the ongoing efforts of the OIG to monitor FHFA's compliance with the Charge Card Act.

¹ 41 U.S.C. § 1909(d)(1).

² OIG, *FHFA's Use of Government Purchase Cards* (January 31, 2014; AUD-2014-006). Accessed March 5, 2014, at <http://www.fhfaig.gov/Content/Files/AUD-2014-006.pdf>.

Background

OIG's Activity Pursuant to the Charge Card Act

The Charge Card Act requires each agency with more than \$10 million in purchase card spending during the prior fiscal year to jointly report with its OIG to OMB on a semiannual basis regarding employee violations of agency policies on card use, as well as certain other actions taken by the agency's employees.³ OIG conducted a periodic risk assessment as required and found that FHFA's purchase and travel card spending in FY 2013 did not exceed \$10 million. Additionally, the Government Accountability Office provides audit coverage of FHFA's travel card transactions as part of its annual audit of FHFA's financial statements required by the Housing and Economic Recovery Act of 2008. Nonetheless, OIG's periodic risk assessment determined that audits of FHFA's purchase card spending and travel card spending were warranted due to the absence of targeted OIG audit coverage. Therefore, OIG conducted this audit to assess FHFA compliance with laws and regulations related to the use of travel cards with particular emphasis on mitigation of the risk of fraud and inappropriate charge card practices. As mentioned previously, OIG has already reported on the results of its audit of purchase card spending unrelated to travel.

Travel Card Program

FHFA participates in the government-wide General Services Administration (GSA) SmartPay Travel Card program. Benefits of the SmartPay Travel Card program include:

- Cardholder access to GSA City Pair Program reduced airfares;
- Reduced travel processing costs;
- Refunds for card usage; and
- Individually billed account travel cards that are tax exempt in Puerto Rico, the U.S. Virgin Islands, and 11 states.

Under the GSA SmartPay master contract, Citibank is a provider of commercial charge card payment solutions to federal agencies. FHFA participates in the GSA SmartPay program through Treasury's master contract with Citibank. Since July 1, 2009, Treasury's Bureau of the Fiscal Service's Administrative Resource Center has provided travel card administrative services to FHFA. FHFA's Office of Budget and Financial Management is responsible for managing the travel card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures.

³ *Id.* § 1909(c)(3).

As an independent federal agency, FHFA is not subject to the Federal Travel Regulation (FTR).⁴ However, as a matter of administrative convenience, FHFA generally follows the FTR.

When FHFA employees are required to travel, they prepare travel authorizations for approval by their approving officials. A travel authorization must be prepared and approved prior to incurring travel expenses. After the completion of travel, employees must prepare and submit travel vouchers for approval by their authorized approving officials to obtain reimbursement for expenses incurred during travel. As of February 26, 2014, a total of 194 FHFA employees were authorized travel cardholders. Of these FHFA cardholders, 69, or 35.6%, were able to approve their own travel authorizations due to the frequency with which they travel. Upon completion of travel, these “self-approvers” must have their vouchers approved by their designated approving official. During fiscal year 2013, FHFA travel cardholders executed more than 10,000 travel card transactions totaling approximately \$2.1 million. During this same period, FHFA travel cardholders also obtained 147 cash advances totaling \$28,345.70.

OMB Circular A-123 and OMB Memorandum M-13-21

OMB Circular A-123, *Management’s Responsibility for Internal Control*, defines management’s responsibility for internal control in federal agencies.⁵ The Circular defines control standards, including a standard related to control activities that, among other things, requires that internal controls be documented. The circular also requires that internal control be monitored and that deficiencies found in internal control should be reported to responsible management officials.

Appendix B of OMB Circular A-123, *Improving the Management of Government Charge Card Programs*, originally issued in 2005, prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs. FHFA issues an annual Charge Card Management Plan to comply with OMB Circular A-123. The Agency’s Charge Card Management Plan summarizes key charge card data and outlines policies and procedures critical to the management of FHFA’s charge card program to ensure that FHFA follows a system of internal controls and mitigates the potential for fraud, misuse, and/or delinquency.

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, provides supplemental guidance to Appendix B of OMB Circular A-123 related to implementation of the Charge Card Act, including requirements for:

- Federal agencies to establish certain safeguards and internal controls for the government charge card program; and

⁴ The FTR, promulgated by the Administrator of the General Services Administration (GSA), is contained in 41 CFR 300-304. The FTR implements statutory requirements and Executive branch policies for travel by federal civilian employees and others authorized to travel at government expense.

⁵ The Government Accountability Office’s *Standards for Internal Control in the Federal Government*, November 1999, states that internal control is an integral component of an organization’s management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

- Reports on purchase (including travel cards) or integrated card violations, and penalties for violators, including removal when circumstances warrant.

Objective

The overall objective of the audit was to assess FHFA's use of government travel cards. The specific objective was to determine whether FHFA complied with applicable travel card laws and regulations and whether the Agency has implemented adequate travel card internal controls to help avoid fraud and inappropriate charge card practices.

Finding: FHFA Can Further Strengthen Controls Over Official Employee Travel

OIG did not identify misuse or fraudulent travel card transactions during the audit. OIG further notes that with limited exceptions FHFA has implemented adequate safeguards and internal controls with respect to travel cards. The audit identified instances of noncompliance with applicable travel regulations, policies, and procedures. Specifically,

- FHFA travelers did not always obtain trip authorizations prior to traveling and incurring travel expenses on travel cards;
- FHFA travelers did not always create and submit travel vouchers in a timely manner upon completion of travel using travel cards; and
- Cash advances using the travel cards exceeded FHFA limits and did not always correspond in timing with the dates of the travel.

Several control weaknesses contributed to this noncompliance. Increased management attention to these areas will result in the further strengthening of controls that will assist FHFA with improving compliance with applicable travel card regulations, policies, and procedures.

Cardholders Did Not Always Obtain Travel Authorization Prior to Incurring Expenses

FHFA can enhance controls related to cardholder travel authorizations. Specifically, FHFA travel cardholders did not always obtain approved travel authorizations prior to the trip departure dates. For example, 258 of 2,306, or 11%, of FHFA cardholder travel authorizations during 2013 were not approved prior to the travel occurring. The 258 authorizations totaled \$336,750.98. For 203, or 9% of the authorizations totaling \$273,340.36, the travelers did not even create the travel authorization (regardless of approval) prior to the trip departure dates. The FTR requires that individuals obtain approved authorization prior to incurring travel expenses. At FHFA, employees/travelers designated as "Self-approvers" submitted 170 of the 258 travel authorizations, or 65.9%, of travel authorizations that were not approved prior to the trip departure dates. Self-approvers also submitted 148 of 203 travel authorizations, or 72.9%, of travel authorizations that were not created prior to the trip departure dates. Self-approvers did obtain annual limited open authorizations to incur certain expenses throughout the year. Other FHFA travelers, however, should create individual trip authorizations prior to travel to ensure that FHFA appropriately obligates (i.e., reserves) funds prior to expenses being incurred.

Travel authorizations serve as an important travel control in that the authorization provides evidence that employee travel spending, including use of the travel card, is necessary and properly approved. In the absence of approved travel authorizations in advance of travel or with such a significant number of self-approvers, the risk of unauthorized expenses increases. FHFA should remind employees and approving officials of their responsibilities as travelers and authorizers. A properly and timely prepared and approved travel authorization is an effective control to ensure that all travel is necessary for completing the mission of the Agency and in accordance with the FTR and FHFA travel policies and procedures.

Travel Vouchers Were Not Submitted by Travelers in a Timely Manner

FHFA travelers did not always submit travel vouchers in a timely manner after travel completion. Specifically, the audit identified a total of 84 travel vouchers for \$107,401.36, or 4.2%, of all travel vouchers for FY 2013 that were created more than 30 days after trip completion. FHFA policies and procedures require travelers to submit travel vouchers five days after trip conclusion or every 30 days for those on continuous travel. These requirements are further promulgated by the FTR and are in place to reduce the risk of delinquency. Failure to create and submit travel vouchers in a timely manner increases the risk that FHFA travelers will not be reimbursed for travel expenses in a timely manner, which could subsequently result in travelers becoming delinquent on their government travel cards. In order to reduce noncompliance and delinquencies, FHFA should remind all travelers, upon trip completion, to promptly create travel vouchers and submit them for approval.

Controls over Cash Advances

OIG identified 42 instances when cash advances exceeded FHFA's \$210 daily limit and two instances when FHFA employees obtained cash advances several days after returning from travel and over three weeks prior to their next trips. The FTR also states that the use of cash advances should be minimized. FHFA's Charge Card Management Plan identifies a \$210/daily and a \$1,050/weekly cash advance limit. During the audit period, three cardholders (who were frequent travelers) took a total of 42 cash advances for \$14,283 that exceeded FHFA's daily limits. This was possible because these cardholders did not have appropriately configured cash advance limits within Citibank's system due to the limits not being configured properly at card re-issuance. FHFA has contacted Citibank and requested that it correct this immediately. OIG recommends that FHFA perform a periodic review of cardholder cash advance limits to ensure that card limits comply with FHFA's policies and procedures.

OIG also identified that two FHFA employees obtained two travel card cash advances totaling \$462 outside of acceptable travel windows. For example, one employee obtained a cash advance 8 days after a previous trip concluded and 23 days before the next trip. FHFA's *Citibank Travel Charge Card – Frequently Asked Questions* states that travelers may obtain cash advances for estimated out-of-pocket expenses shortly before travel occurs. OIG does not consider the two instances misuse or abuse because the employees were frequent travelers and the cash advances were taken in reasonable proximity to the approved travel. The timing of the advances, however, is questionable and warrants that FHFA reiterate to employees that travelers should only obtain cash advances shortly before travel.

Conclusion

While overall FHFA implemented sound internal controls, it can enhance compliance with travel and travel card regulations, policies, and procedures.

Recommendations

OIG recommends that FHFA enhance travel and travel card controls to improve compliance with applicable regulations, policies, and procedures by:

1. Notifying employees that all travel should have properly approved authorizations prior to commencing travel.
2. Notifying employees to complete travel vouchers in a timely manner upon completion of travel.
3. Performing a periodic review of travel cardholder ATM limits.
4. Notifying employees that they should obtain cash advances either during or immediately preceding travel.

FHFA provided comments (see Attachment A) agreeing with OIG's recommendations. Attachments B and C contain OIG's evaluation of FHFA's comments.

Scope and Methodology

In order to accomplish its objective, OIG:

- Obtained relevant policies, procedures, and data related to FHFA's travel card program;
- Interviewed FHFA officials and reviewed relevant guidance; and
- Analyzed FHFA's travel card transactions for compliance with laws, regulations, and FHFA policies and procedures.

OIG conducted its fieldwork at FHFA's offices in Washington, DC. The scope of the audit was October 2012 through September 2013.

OIG assessed the reliability of data received for this audit as determined necessary by corroborating the information with other source data. OIG considered the risk of fraud as it related to the audit objective.

OIG assessed the internal controls related to the audit objective. Specifically, OIG evaluated the control standards that were significant to the audit objective, including control activities, information and communication, and monitoring. The findings were not considered significant to the audit objective but were disclosed in order to facilitate compliance with the requirements set forth by the Charge Card Act.

OIG performed fieldwork for this audit from January 2014 through March 2014 in accordance with generally accepted government auditing standards. Those standards require that audits be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions included herein, based on the audit objective.

OIG appreciates the cooperation of FHFA staff in completing the audit. This audit was led by Kevin Carson, Audit Director, and Theodore Kirby, Auditor-in-Charge, who was assisted by Anya Maffei-Philbert, Auditor

cc: Melvin L. Watt, Director
Edward DeMarco, Senior Deputy Director
Eric Stein, Special Advisor and Acting Chief of Staff
Richard Hornsby, Chief Operating Officer
John Major, Internal Controls and Audit Follow-up Manager

Attachments:

Attachment A: FHFA's Comments on OIG's Findings and Recommendations
Attachment B: OIG's Response to FHFA's Comments
Attachment C: Summary of FHFA's Comments on the Recommendations

Attachment A


FHFA's Comments on OIG's Findings and Recommendations



Federal Housing Finance Agency

MEMORANDUM

TO: Russell A. Rau
Deputy Inspector General for Audits

FROM: Mark Kinsey 
Chief Financial Officer

SUBJECT: FHFA's Use of Government Travel Cards (Audit Report No. AUD-2013-018)

DATE: March 10, 2014

Thank you for the opportunity to respond to the Federal Housing Finance Agency-Office of Inspector General's (FHFA-OIG) draft audit report titled, FHFA's Use of Government Travel Cards, Audit Report No. AUD-2013-018. This report presents the results of FHFA-OIG's audit to assess FHFA's compliance with laws and regulations related to the use of travel cards with particular emphasis on mitigation of the risk of fraud and inappropriate charge card practices.

I am pleased that FHFA-OIG concluded that no instances of misuse or fraudulent travel card transactions were found. The FHFA-OIG audit report recognized that FHFA implemented adequate travel card safeguards and internal controls, with limited exceptions. The FHFA-OIG audit report identified instances of noncompliance with applicable travel regulations, policies, and procedures. The FHFA-OIG audit report noted that certain travel and travel card controls could be strengthened to improve compliance with applicable regulations, policies, and procedures. FHFA agrees that the FHFA-OIG's recommendations would improve compliance with applicable regulations, policies, and procedures. To that end, FHFA plans to comply with all of the FHFA-OIG's recommendations contained in the audit report as discussed below.

Policies and Procedures

FHFA-OIG Recommendation #1:

FHFA-OIG recommends that FHFA notify employees that all travel should have properly approved authorizations prior to commencing travel.

FHFA-OIG Recommendation #2:

FHFA-OIG recommends that FHFA notify employees to complete travel vouchers in a timely manner upon completion of travel.

FHFA-OIG Recommendation #4:

FHFA-OIG recommends that FHFA notify employees that they should obtain cash advances either during or immediately preceding travel.

FHFA Response for FHFA-OIG Recommendations #1, 2 and 4:

FHFA agrees with the recommendations. FHFA will send an email to staff notifying them of the FHFA-OIG audit findings and recommendations, and outlining their responsibilities in processing travel documents and obtaining cash advances. Additionally, FHFA will discuss the issues as part of the roll out of the new travel management system, Concur. Actions will be completed by June 30, 2014.

FHFA-OIG Recommendation #3:

FHFA-OIG recommends that FHFA should perform a periodic review of travel cardholder ATM limits.

FHFA Response:

FHFA agrees with the recommendation. FHFA will work with Fiscal Services and Citibank to perform a periodic review of travel cardholder ATM limits. The review will be conducted annually beginning September 30, 2014. FHFA would like to acknowledge the dedicated FHFA-OIG staff that worked with FHFA during this audit.

If you have any questions relating to our response, please do not hesitate to call me at (202) 649-3780.

Attachment B

OIG's Response to FHFA's Comments

On March 10, 2014, FHFA provided comments to a draft of this report, agreeing with OIG's recommendations and identifying specific actions it would take to address the recommendations. FHFA agreed to send an email to staff notifying them of the FHFA-OIG audit findings and recommendations, and outlining the staff's responsibilities in processing travel documents and obtaining cash advances. Additionally, FHFA will discuss these issues as part of the roll out of the new travel management system. FHFA agreed to complete these actions by June 30, 2014. FHFA also agreed to work with Treasury's Bureau of the Fiscal Service and Citibank to perform a periodic review of travel cardholder ATM limits. FHFA will conduct the review annually beginning September 30, 2014.

OIG considers the planned actions sufficient to resolve the recommendations, which will remain open until OIG determines that the agreed-upon actions are completed and responsive to the recommendations. OIG considered the Agency's full response (attached as Appendix A) in finalizing this report. Appendix C provides a summary of management's comments on the recommendations and the status of agreed-upon actions.

Attachment C

Summary of FHFA's Comments on the Recommendations

This table presents management's response to the recommendations in OIG's report and the status of the recommendations as of when the report was issued.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved: Yes or No ^a	Open or Closed ^b
1.	FHFA will send an email to staff notifying them of the FHFA-OIG audit findings and recommendations, and outlining their responsibilities in processing travel documents.	6/30/2014	\$0	Yes	Open
2.	FHFA will send an email to staff notifying them of the FHFA-OIG audit findings and recommendations, and outlining their responsibilities in processing travel documents.	6/30/2014	\$0	Yes	Open
3.	FHFA agreed to work with Treasury's Bureau of the Fiscal Service and Citibank to perform a periodic review of travel cardholder ATM limits.	9/30/2014	\$0	Yes	Open
4.	FHFA will send an email to staff notifying them of the FHFA-OIG audit findings and recommendations, and outlining their responsibilities in processing travel documents.	6/30/2014	\$0	Yes	Open

^a Resolved means: (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; or (3) Management agrees to the OIG monetary benefits, a different amount, or no amount (\$0). Monetary benefits are considered resolved as long as management provides an amount.

^b Once OIG determines that the agreed-upon corrective actions have been completed and are responsive, the recommendations can be closed.

Additional Information and Copies

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