



U.S. Department of Agriculture  
Office of Inspector General  
Headquarters  
Audit Report

Adequacy of Internal Controls  
Over the Individually Billed  
Travel Card Program



Report No.  
50601-05-HQ  
June 2003



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: June 6, 2003

REPLY TO

ATTN OF: 50601-05-HQ

SUBJECT: Adequacy of Internal Controls Over the Individually Billed Travel Card Program

TO: Edward R. McPherson  
Chief Financial Officer  
Office of the Chief Financial Officer

Lou Gallegos  
Assistant Secretary  
Administration

This report presents the results of our audit of the individually billed travel card program. Our primary emphasis in this audit was to evaluate the adequacy of internal controls at the Department and agency levels to preclude, or detect in a timely manner, misuse of the travel card and the adequacy and consistency of the disciplinary actions taken when misuse was identified.

The Office of the Chief Financial Officer's (OCFO) response to the official draft report is included in exhibit A, with excerpts and the Office of Inspector General's position incorporated into the Findings and Recommendations sections of the report. We found the reply to be very positive and extremely comprehensive regarding the corrective action plans taken and proposed. Based on the response, we have reached management decisions on all of the recommendations. Please follow your agency's internal procedure regarding final action.

Regarding OCFO's supplemental comments on the audit report, we agree that agency heads are responsible for the monitoring and enforcement of Departmental policies. Accordingly, we have forwarded a copy of this report to the secretariat level and agency and staff office heads to ensure the widest distribution possible. Reference is also made to the statistical sampling exhibits as reporting that approximately 1 percent of the transactions were found to be inappropriate. The extent of misuse cited, however, is based on cardholders, and not transactions, and that rate is 15 percent. We have clarified this in exhibit D of the report.

The Departmental Administration response to the official draft report is included as exhibit B, with excerpts and the Office of Inspector General's position incorporated into the Findings and Recommendations sections of the report. Based on the response, we have reached management decisions on all of the recommendations, although we request that a status report on the corrective actions be provided to us by September 15, 2003. Please follow your agency's internal procedures in forwarding documentation for final action to OCFO.

We appreciate the courtesies and cooperation extended to us during this audit.

*/s/*

RICHARD D. LONG  
Assistant Inspector General  
for Audit

Attachment

---

## **EXECUTIVE SUMMARY**

### **Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**REPORT NO. 50601-05-HQ**

---

---

#### **RESULTS IN BRIEF**

---

This report presents the results of our audit of the adequacy of internal controls over the individually billed travel card account (IBA) program. The scope of our review was the IBA activity from October 1, 2001 through March 31, 2002, and encompassed assessing the adequacy of internal controls at the Department and agency levels to preclude, or detect in a timely manner, misuse of the IBAs; determining whether the IBA was used properly by the Department's employees; and evaluating the adequacy and consistency of the disciplinary actions taken when misuse was identified.

Our review disclosed that internal controls over the IBA program need to be strengthened. Methods and measures, such as establishing uniform and consistent review and monitoring processes, have not been formally prescribed. Although current OCFO management is working towards implementing measures to minimize misuse, the conditions we noted stemmed from ineffective controls despite certifications from previous management that they had been instituted in response to our prior recommendations in this area. In the absence of adequate controls, we found evidence that the IBA was used improperly.

Although we did not identify any significant monetary loss to the Department, we estimate that total misuse, to include not using the card when required, totaled more than \$7.7 million. Further, we estimate that over \$5.8 million of the nearly \$78.5 million charged during the period was transacted for other than bona fide travel related charges. The most egregious activity we noted was use of the travel card when employees were not on authorized travel. We also identified a number of obvious cases of misuse at various types of vendors, such as a \$6,000 purchase of an automobile and enrollment in a bartending college. Our analysis of 25 individuals who obtained the most in cash advances from automated teller machines (ATMs) during the scope of the review disclosed that in every case their IBA privileges were repeatedly abused by obtaining excessive cash advances for travel or when not on travel. Twelve of the 25 individuals never traveled for official government purposes, yet their card usage amounted to almost \$196,000 during the review period. Several individuals acknowledged using the withdrawn funds first to pay personal debts and then to repay the Bank, therefore paying for unauthorized withdrawals with subsequent unauthorized withdrawals, and thus creating a kiting scheme. As a result, improper charges, if unpaid, could negatively

impact the Department in the form of lost rebates from the contractor bank (if the delinquencies were eventually written off). In addition, potential rebates were not earned if the travel card was not used while on authorized travel. We also found inconsistent disciplinary actions taken by the agencies when misuse was identified; this was traceable to the lack of specific travel card policy/guidance issued by Departmental Administration (DA) in this area.

We noted that the OCFO and various agencies took action to strengthen the travel card program during the course of our review in response to our interim disclosures.

---

## **KEY RECOMMENDATIONS**

---

OCFO should take action to strengthen internal controls over the IBA program to include the measures enumerated in this report. Among the revisions that should be incorporated are: additional restrictions on the types of purchases authorized when the travel card is used, and limitations on the amount of cash authorized for withdrawal from ATMs. In addition, DA should establish policy/guidance to provide the basis for the fair, equitable, and consistent treatment of all employees when misuse is identified.

---

## **AGENCY RESPONSE**

---

OCFO generally agreed with the findings and recommendations that were made in this report. OCFO supports a strong internal control program for USDA travel cards and will continue to support the agency heads in their management initiatives regarding the travel program. The Assistant Secretary for Administration also agreed with the issues noted in the report and the recommendations. Management decision was reached on all recommendations upon report release.

---

# TABLE OF CONTENTS

---

<b>EXECUTIVE SUMMARY .....</b>	<b>i</b>
<b>RESULTS IN BRIEF .....</b>	<b>i</b>
<b>KEY RECOMMENDATIONS .....</b>	<b>ii</b>
<b>AGENCY RESPONSE .....</b>	<b>ii</b>
<b>INTRODUCTION.....</b>	<b>1</b>
<b>BACKGROUND .....</b>	<b>1</b>
<b>OBJECTIVES .....</b>	<b>1</b>
<b>SCOPE .....</b>	<b>2</b>
<b>METHODOLOGY .....</b>	<b>2</b>
<b>FINDINGS AND RECOMMENDATIONS .....</b>	<b>4</b>
<b>CHAPTER 1 .....</b>	<b>4</b>
<b>USDA’S INTERNAL CONTROLS ARE INADEQUATE TO ASSURE THE INDIVIDUALLY BILLED TRAVEL CARD IS USED PROPERLY.....</b>	<b>4</b>
<b>FINDING NO. 1 .....</b>	<b>4</b>
<b>RECOMMENDATION NO. 1 .....</b>	<b>11</b>
<b>RECOMMENDATION NO. 2 .....</b>	<b>12</b>
<b>RECOMMENDATION NO. 3 .....</b>	<b>12</b>
<b>RECOMMENDATION NO. 4 .....</b>	<b>13</b>
<b>RECOMMENDATION NO. 5 .....</b>	<b>13</b>
<b>RECOMMENDATION NO. 6 .....</b>	<b>13</b>
<b>RECOMMENDATION NO. 7 .....</b>	<b>14</b>
<b>RECOMMENDATION NO. 8 .....</b>	<b>14</b>
<b>FINDING NO. 2 .....</b>	<b>15</b>
<b>RECOMMENDATION NO. 9 .....</b>	<b>16</b>
<b>CHAPTER 2.....</b>	<b>17</b>
<b>PERSONNEL REQUIRMENTS NEED TO BE STRENGTHENED TO IMPROVE THE INTEGRITY OF THE PROGRAM .....</b>	<b>17</b>
<b>FINDING NO. 3 .....</b>	<b>17</b>
<b>RECOMMENDATION NO 10 .....</b>	<b>19</b>
<b>FINDING NO. 4 .....</b>	<b>19</b>
<b>RECOMMENDATION NO. 11 .....</b>	<b>20</b>
<b>RECOMMENDATION NO. 12 .....</b>	<b>21</b>
<b>EXHIBIT A – CHIEF FINANCIAL OFFICER RESPONSE TO DRAFT REPORT .....</b>	<b>22</b>
<b>EXHIBIT B – DEPARTMENTAL ADMINISTRATION RESPONSE TO DRAFT REPORT .....</b>	<b>37</b>
<b>EXHIBIT C - STATISTICAL SAMPLE DESIGN .....</b>	<b>39</b>
<b>EXHIBIT D - STATISTICAL SAMPLE RESULTS .....</b>	<b>41</b>
<b>ABBREVIATIONS.....</b>	<b>44</b>

---

# INTRODUCTION

---

---

## BACKGROUND

---

The Travel and Transportation Reform Act of 1998 (Public Law 105-264) requires government employees to use the Government-issued travel card to pay for official expenses, such as hotel rooms and airline tickets. Conversely, employees are not allowed to use the travel card for non-travel related expenses. The law also gave Federal agencies an oversight role in employee travel card use. The Department has contracted with the Bank of America (the "Bank") to provide travel card services.

The individual cardholder, not the Department, is personally responsible for all "individually billed" travel card account (IBA) payments. Various government regulations and policies, including the Federal Travel Regulations and Ethics Standards, require the cardholders to pay their travel card bills and state that the travel card is not to be used for personal use. The Standards for Ethical Conduct for Employees of the Executive Branch, 5 CFR 2625.704 (a) state, "... An employee has a duty to protect and conserve Government property and shall not use such property, or allow its use, for other than authorized purposes." In addition the agreement signed by United States Department of Agriculture (USDA) personnel upon acceptance of the card states, in part, that the card is to be used "...only for official travel and official travel related expenses ..." and not "... for personal, family or household purposes."

Concerns regarding the propriety of the use of the travel card are not new. We conducted an audit of the travel card in response to a Congressional request in February, 1997. More recently, the House Government Reform Committee on Government Efficiency, Financial Management and Intergovernmental Relations held a hearing on this subject in May, 2001 and the General Accounting Office (GAO) issued several reports in 2002. Despite this high level interest regarding curbing the misuse of the travel card, USDA continues to operate under a regulation nearly 19 years old that contains no internal control measures. In our 1997 report, we recommended, and the Department agreed, to enhance its regulations, yet no corrective action was forthcoming (this lack of action is in nonconformity with GAO's Standards for Internal Control in the Federal Government regarding audit followup). As a result, the foremost control the Department has relied upon is its employees' voluntary compliance with the cardholder agreement and ethics standards.

---

## OBJECTIVES

---

The primary objectives of this review were to 1) assess the adequacy of internal controls at the Department and agency levels to preclude, or detect in a timely manner, misuse of the IBAs, 2) to determine if the individual travel card was used properly by the

---

Department's employees, and 3) evaluate the adequacy and consistency of the disciplinary actions taken when misuse was identified.

---

## **SCOPE**

---

We performed fieldwork at the Office of the Chief Financial Officer (OCFO) in Washington, DC, and at Agricultural Research Service (ARS) representing the Research, Education, and Economics (REE) mission area in Beltsville, Maryland. In addition, we met with a travel program official of the Forest Service (FS), and the Natural Resources Conservation Service (NRCS) in Washington, DC. The individual agencies were selected for examination based upon the extent of misuse of the travel card that we preliminarily identified. The period of activity we audited was primarily October 1, 2001 through March 31, 2002 but included other periods as deemed necessary. Our fieldwork was conducted between June and December, 2002. The timeliness of the completion of our audit was impaired because several agencies, most notably the FS, NRCS, and FSA, did not provide us with the information we requested to validate our audit observations in a timely manner. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

---

## **METHODOLOGY**

---

We reviewed the Department's formally promulgated requirements over the individual travel card program set forth in Departmental Regulation (DR) 2300-001, "Agriculture Traveler's Charge Card Program," dated May 15, 1984. We also reviewed the policies and procedures issued by REE, FS, and NRCS governing the use of the travel card. In the absence of formally prescribed controls, we assessed the practices in operation at the Department, REE, FS, and NRCS, Headquarters level. From a universe of almost 55,000 cardholders, who had used the card over 804,000 times at a cost of about \$78.5 million during the scope of our review, we selected a statistical sample of 300 cardholders and examined the travel card usage. In addition, we judgmentally identified other cases of apparent misuse. Our examination of travel card usage was accomplished by obtaining, in raw data format, the Bank's listings of transactions from its Electronic Account Government Ledger System (EAGLS) that included the date, amount, Merchant Category Code (MCC), and the vendor's description of each purchase and its location. Using the database analysis tool, ACL, we obtained each of the sampled employees' card use for the audit period. We then compared this with the National Finance Center's (NFC) travel history to determine if the individual had authorized travel corresponding to the dates of the card activity. This step also enabled us to determine if the card should have been used but was not.

Our review of ATM use consisted of totaling the amount of advances for the 50 cardholders who obtained the highest dollar amount in the audit period; for the first 25, we also compared their ATM activity with their NFC travel history information. We provided the statistically sampled and the most questionable cases to the individual agencies for verification and validation of misuse or an explanation and documentation supporting the propriety of use. For the second set of 25 ATM cases, we reviewed only

the Bank's data. Further, we analyzed MCC activity to determine if established "blocks" (system denials at the transaction level) were effective and where other blocks appeared warranted. We also obtained information from the agencies describing the disciplinary action they had taken against employees for card misuse that occurred within the scope of our review. We further determined whether the agencies had independently identified the cases emanating from our review and sustained that the card was inappropriately used. We obtained and evaluated the procedures used by REE, FS and NRCS to ensure the travel card was surrendered when an employee ceased employment. We also conducted database analyses at the NFC to identify departed employees with active cards. In addition, we reviewed a draft Government-wide report on the use of the travel card issued by the President's Council on Integrity and Efficiency (PCIE), discussed with the General Accounting Office (GAO) their audit experiences in this area, and met with the chief travel card coordinator of the Department of Veterans' Affairs who was cited in a periodical Government Executive as having "best practices" in this regard.

---

## FINDINGS AND RECOMMENDATIONS

---

<b>CHAPTER 1</b>	<b>USDA'S INTERNAL CONTROLS ARE INADEQUATE TO ASSURE THE INDIVIDUALLY BILLED TRAVEL CARD IS USED PROPERLY</b>
------------------	---

Our review disclosed that internal controls have not been formally prescribed to preclude, or detect in a timely manner, misuse of the IBA. In addition, requirements have not been established to ensure the most economical payment method is used for all travel-related expenses (ie, the purchase card in lieu of the travel card).

---

### FINDING NO. 1

#### DEPARTMENTAL AND AGENCY REGULATIONS GOVERNING THE INDIVIDUALLY BILLED TRAVEL CARD NEED STRENGTHENING

---

Internal controls have not been formally set forth by the Department nor the selected agencies/mission areas we reviewed (FS, NRCS, and REE) to provide reasonable assurance that the IBA is used properly. The Department's controls are lacking despite a certification by prior management that they had been implemented in response to our 1997 audit report on this subject. Agency

requirements generally mirror those of the Department, and thus do not contain the specific methods and measures necessary to preclude misuse. As a result, our review disclosed that over \$5.8 million of the nearly \$78.5 million charged during the period of our audit (October 1, 2001 through March 31, 2002) was not transacted for, or attributable to, official Federal government travel. Total misuse, to include not using the card when required, totaled more than \$7.7 million.

The GAO Standards for Internal Control in the Federal Government state "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, and operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained." "A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines of reporting." Written policies and procedures are a critical element of a well-defined control environment.

#### Formal Departmental Guidance Needs Strengthening

USDA's current formal guidance on the use of the travel card appears in the outdated Departmental Regulation (DR) "Agriculture Traveler's Charge Card Program", DR 2300-001, dated May 15, 1984. The DR contains no reference to the misuse of the travel card, and thus no internal controls have been prescribed. Further, no reference is made

---

to automated teller machines (ATMs), presumably because the devices had not yet been placed in widespread circulation at the time the DR was promulgated.

In response to an April 18, 2002 directive from the Office of Management and Budget (OMB), OCFO undertook an overall review of the travel card program with a data call to the agencies on June 13, 2002. The purpose of the data call was to develop a remedial action plan to strengthen the Department's controls in response to OMB's initiative. Although OCFO informed us during the course of our review that revised requirements had been drafted, they had not yet been formally promulgated as of the date of our report. In the interim, OCFO has been working with the agency representatives, called Agency/Organization Program Coordinators (A/OPCs), to reduce the misuse of the travel card and otherwise strengthen the process. OCFO meets monthly with the A/OPCs in what are called Travel Policy User Group (TPUG) meetings to share program direction. In addition, OCFO developed an automated screening process to facilitate the identification of misuse which it provided training on in January and February 2003. In our opinion, however, the Department needs to take further actions to assure that misuse is minimized.

One of the primary control measures the Bank provides the Department that can be employed to preclude abuse in the IBA program is to "block" merchant category codes (MCCs). These codes are used in the business community to describe generally the nature and type of product or service offered for sale. A block triggers a message to the merchant at the point of sale that the pending transaction should be invalidated. Initially instituted by the Department in response to our 1997 recommendation, USDA took action during the course of this audit to block several additional vulnerable codes. This is a very positive and significant action but, in our opinion, should be further expanded. For example, MCCs that remained unblocked, subsequent to even OCFO's recent action, and the activity that transpired within those MCCs during our audit period, follows:

<u>Code No.</u>	<u>Description</u>	<u>Activity</u> <u>No. of Transactions</u>	<u>Dollar Value</u>
5942	Book Stores	238	\$14,251
5999	Miscellaneous and Specialty Retail Stores Not Elsewhere Classified	938	90,110
7299	Other Services Not Elsewhere Classified	311	162,152
7392	Management Consulting and Public Relations Services	30	5,777
7399	Business Services-Not Elsewhere Classified	2,045	119,584
7999	Recreation Services-Not Elsewhere Classified	136	18,271
8220	Colleges, et al	706	100,119

8299	Schools and Educational Services-Not Elsewhere Classified	280	66,378
8398	Charitable and Social Service Organizations	216	38,181
8641	Civic, Social and Fraternal Associations	151	24,727
8699	Membership Organizations-Not Elsewhere Classified	578	123,787
9399	Government Services – Not Elsewhere Classified	<u>645</u>	<u>56,180</u>
		6,274	\$819,518

Among the activity in these MCCs included merchants such as “AT&T Cable Services” (5999), “Bath and Body” (5999), “Cigarettes for Less”(5999), “The Gap” (5999), “Skulls Unlimited” (7299), “Tattoo and More Ink” (7299), “Golf Courses at Hyland Hills” (7999), “Jellybeans Super Skate” (7999), “San Diego Zoo” (7999) “Men in Motion” (8398), and “Oregon Liquor Store” (9399). Numerous charges in some of these categories were for conference fees or membership organizations that, though legitimate, we believe should not be paid for with the individual travel card but through some other payment mechanism (see Finding No. 2).

The Bank also provides several online reports routinely to the A/OPCs to facilitate the monitoring of travel card activity through its Electronic Account Government Ledger System (EAGLS). For example, the “Account Activity” online report displays charges for all accounts within a specified agency or even a specific location within an agency for any given period of time. This report can be used to verify where travel cards are being used, for what purpose, and the transaction amount. Another report that can be programmed to run on a cyclical basis is entitled the “Authorization/Declines” online report, which lists all transactions that were attempted on an account but were declined, and the reasons for the decline. This report can be used to identify trends of potential program vulnerability. Yet another report lists all ATM activity within a specified timeframe to allow for investigation of abnormal use. Although the availability and use of these reports have been discussed extensively by OCFO in TPUG meetings, our review of the monitoring process of the A/OPCs Department-wide disclosed that USDA agencies had not accessed the Bank system extensively; NRCS and FS, in fact, rarely utilized the online reports during the scope of our audit. Use of these reports should be made a mandatory responsibility of the A/OPCs in the DR.

Although these reports would be extremely helpful in monitoring the propriety of the use of the travel card, we noted other potential reporting routines that could further facilitate the process. For example, the Authorization/Declines report does not show when transactions were consummated even though MCCs were blocked (we were informed that merchants can “force” transactions through even though they have been notified they should be invalidated). We found 435 transactions where the MCCs had been blocked during the scope of our review but nonetheless were completed. In addition,

the Bank makes available on an ad hoc basis a report on inactive travelers. Travel cards should be deactivated when not used (in other words, an employee only rarely, or never, travels). In addition to timely deactivating cards, this report can be used to identify non-travelers who are improperly using the card. We found that several employees used the card for personal purposes but did not travel; the inactive traveler report, therefore, appears to be an invaluable tool on an ongoing, rather than ad hoc, basis.

As discussed in Finding No. 4, we performed a database analysis of employees who had separated from the Department in FY 2001 but still had cards that could be used as of December 5, 2002. Our database analysis was encumbered, however, because the Bank has curtailed its recording of social security numbers (SSNs) in its system though it is a part of the travel card application. One Bank official informed us that it no longer captures SSNs because it is not required to do so although “if it is included on the application, we key it...” As a result, there were 6955 employee records on the Bank’s system which we were unable to match against NFC’s personnel records. The Department’s capability to conduct automated screening such as we performed would be impaired if the social security number not is captured by the Bank.

#### Agency Processes Need Improvement

We also evaluated the internal control processes in place at REE, FS, and NRCS to monitor travel card usage. We found that although the REE system was generally adequate, the processes in place at FS and NRCS were not. In addition, all three agencies decentralized the A/OPC responsibility throughout organizational and geographical boundaries. None of the agencies’ primary coordinators required A/OPCs in the state or field offices to routinely report to them on the results of their monitoring efforts. REE, for example, has 34 A/OPCs and assistants, NRCS has 65, and FS could not promptly provide us a precise number but appears to have more than 100. The OCFO did not have information as to how many A/OPCs there were within the Department nor their span of control (though OCFO did recently issue a data call to obtain the number of employees each agency has dedicated to the program). REE informed us that it holds monthly conference calls with the other A/OPCs within its mission area. Otherwise, the lead A/OPCs of the three agencies we spoke with had no knowledge of what was being done by the assistant A/OPCs nor what their inquiries or reviews had disclosed.

The primary A/OPC official for REE, FS, and, NRCS informed us that they have no written procedures governing their activity. They all indicated that they monitor the Bank’s reports for misuse but do not maintain a written record of referrals back to individuals or their supervisors to resolve questions that may arise. The integrity of the program rests primarily with the voluntary compliance of the Department’s employees and the vigilance of the A/OPC community. Among the employees we found that had significantly misused the travel card, however, was an assistant administrative officer whose duties included that of the A/OPC for a State Office. We found that the individual withdrew in excess of \$17,000 from ATMs during the 6 months of our review. Because

of the reliance placed upon the A/OPCs, if an individual in that position acts improperly, the process becomes considerably more vulnerable. The employee was given a 30-day suspension and the A/OPC duties were assigned to another employee as a result of our audit disclosure.

The role of the A/OPCs should be standardized within the Department. Written procedures should be developed to guide their ongoing monitoring process, to include a checklist of what to look for and how to find it. The referral process by the A/OPCs should be documented (through to conclusion) and centralized within each agency to allow for the development of trends that could be used to further hone the monitoring activity and develop program improvements, such as identifying additional MCCs to block and identify problem offices. For example, we found that three of the top 25 ATM abusers in the Department were located in the same NRCS duty station.

The process of referring questionable activity for resolution should also be standardized (regarding, for example, who should be contacted) and followup should be required. Agency Compliance Units, or the like, should be informed of this activity on an ongoing basis. Information should be obtained and analyzed regarding the span of control (ie, how many employees the individual A/OPCs are responsible for) to better gauge their potential effectiveness and staffing realignments should be made accordingly. In the absence of such a consideration, the control mechanism can become impaired. GAO found, for example, that the Army's administration of the travel card program was "set up to fail" because the A/OPCs were responsible for monitoring too large a number of cardholders.

The absence of monitoring and other detection controls has resulted in an environment conducive to misuse. Primarily using the same EAGLS data routinely available to A/OPCs, our review disclosed misuse of the travel card program.

#### Card Misuse--Transactional Activity

As a result of our statistical random sample testing, we estimate that the travel card was misused by 15% of the cardholders for more than \$5.8 million. We are 95% certain that at least \$3,447,318 were misused. Total ineligible card use, to include not using the card while on travel, was more than \$7.7 million (with a sampling precision of 38.7%). A further breakdown of our statistical projections follows:

Card used while not on travel	\$4,834,765
Card not used while on travel	\$1,927,182
Card misused while on travel	\$966,498

In addition, we judgmentally identified 182 cardholders where card use was highly suspect involving at least one transaction, and numerous other examples where card use was questionable. We contacted FS (which had 69 of the 182), ARS (37), and NRCS (17) officials and found that none of these cases had been internally recognized to be potentially abusive. Examples of the Department-wide misuse follow:

- 147 automotive payments to include individual transactions of \$6,000, \$2,835, and \$2,299.
- 206 internet payments
- Purchases of:
  - Ozzy Osbourne tickets
  - Tattoos
  - Cosmetics
  - Exotic attire
  - Enrollment in a bartending college
- 900 trips to Wal-Mart, Kmart, and Target

In addition to the cases we have forwarded to the agencies for their action, we provided the OCFO with our observations of other questionable activity (1300 additional cases) under separate cover for further action, as it deems necessary.

### Card Misuse -- Cash Activity

The ATM cash advance feature allows travelers to obtain money to defray expenses when the travel card is not accepted. Unlike travel card charges, which monetarily benefit the Department, ATM withdrawals do not generate any rebate revenue and, in fact, cost the Department money in the form of cash advance fees and other Bank surcharges. During the period of our review, there were 63,875 ATM withdrawals costing more than \$137,000 in advance fees.

Our review of ATM use consisted of totaling the cash advances for the 25 cardholders who withdrew the most in the audit period (the range for these 25 was between almost \$11,000 to over \$24,000). The ATM activity was then compared to the employees' NFC travel history to determine if they were on travel status when the card was used. The agencies agreed that all of the cases represented misuse and, in most cases, chronic and intentional misuse. The Compliance Unit of one agency pursued the case of one of our referrals beyond our 6-month scope and found about \$85,000 in ATM abuse over the course of 3 years by the individual. Our limited review of the next 25 cardholders (based on the amount of ATM withdrawals) disclosed that approximately half of these individuals' transactions were exclusively or for the most part ATM activity (ie, there was no associated official travel).

Access to ATMs may pose the single most significant vulnerability to travel card misuse because it represents a readily available source of what is effectively an interest free loan. We found that in some cases the abuse took place because the cardholders were in personal financial need. For example, one employee stated that the funds were used during a period of financial difficulty and then "...thereafter were used to pay the Bank of America Travel card bill in full monthly." In effect, the individual had created a kiting scheme by paying prior unauthorized withdrawals with subsequent unauthorized withdrawals. Others explained their improper withdrawals by citing that they were "in a

bind” or “were falling behind on rent.” These examples emphasize the vulnerability associated with ATM activity.

We found that 12 of the top 25 ATM users did not travel at all during the period of the audit and another 8 traveled on the average of only once per month (ie., not a sufficient number of times to justify the withdrawal of such large sums). The Department of Justice Office of the Inspector General (DOJ/OIG) report entitled “Review of Travel Card Delinquencies,” March 2001, stated that “unauthorized ATM withdrawals often lead to delinquencies because employees do not receive reimbursement for those transactions and may not have the personal funds available to pay the bills.” Written off delinquencies are credited by the Bank against the Department’s rebate revenue. The report also provided the following on the FBI’s experiences in this area as follows:

“The FBI analyzed its delinquent travel card accounts and found that the majority of the written-off amounts were for nonpayment of ATM withdrawals that should not have been made in the first place. To control delinquencies and misuse, the FBI eliminated ATM access from its program. The FBI’s rationale was that credit cards are widely accepted and that any cash outlays needed would not cause a true hardship to the employee. Any hardship situations would be addressed on a case-by-case basis. According to the FBI national coordinator, the FBI has not experienced any problems since it eliminated ATM access and there has been a decrease in travel card delinquencies.”

As discussed, the governing DR is silent on ATM use but the Department, working with the Bank, previously imposed a \$300 daily and a \$1000 weekly maximum. Agencies have had the discretion to modify these amounts, however, and have done so up to \$2000 (a weekly maximum but the total could have been withdrawn in a single day). During the course of our audit, OCFO took action to remove the agencies discretion and impose the \$300 limit daily across-the-board and lower the weekly limit to \$375. Given the widespread acceptance of charge cards, it appears that cash needs while on travel could be further limited to incidental amounts, such as tips to porters or perhaps meals at fast food restaurants. In our estimation, the daily cash allowance prescribed in the DR should be reduced to the minimum commensurate with travel needs as determined by the number of days scheduled for travel versus an arbitrary amount. The top 3 ATM users, for example, made 258 withdrawals in the period; 213 (83%) of these were for the maximum allowable daily amount. For the purpose of our examination, we established a threshold of \$50 per day (M&IE limits ranged from \$30 to \$46 per day in fiscal year 2002). As noted, ATM misuse represents the most vulnerable area in the IBA program.

Our review provided significant impetus for strengthening the program as the result of our interaction with the agencies. One agency, for example, promptly modified its instructions and alerted all of its A/OPCs of the types of problems we had surfaced. As noted, the Compliance Unit of another agency undertook an internal examination of the

cases we had referred to the agency to encompass an expanded review of the cited cardholders' travel histories. In addition, that agency publicized our audit and its own internal review as a cautionary to its employees not to misuse the card.

Our prior audit (1997) on this subject included the following recommendations:

- Identify and develop internal control requirements, with the assistance of agency travel coordinators and American Express (the contractor Bank at that time), which provide reasonable assurance that ....the card is not used for transactions outside of the scope specified in the cardholder agreement.
- Identify and develop internal control requirements which provide reasonable assurance that the charge card program is monitored effectively to detect and prevent unauthorized use.

Although OCFO, the entity responsible for final action in the Department, certified corrective action had been taken in 1998 (under different management that is currently in place), our review clearly disclosed that the weaknesses stated in our audit over 5 years ago remained unchecked. The Inspector General Act of 1978 requires final action on all audit recommendations within one year of issuance and the GAO Standards of Internal Control in the Federal Government require a system of audit followup to ensure the integrity of agreed upon actions to audit recommendations.

We notified the Chief Financial Officer (CFO) via a Management Alert of our initial disclosures of card abuse on August 28, 2002, specifically that there were extensive non-travel expenditures being incurred by the Department. The CFO expressed great concern and advocated a "zero tolerance" view of misuse of the card. We recommended at that time that the CFO emphasize to agency heads the need to ensure the use of the travel card be limited to appropriate travel related expenses. He informed us that he had discussed this matter at the Secretariat level.

---

## **RECOMMENDATION NO. 1**

---

To OCFO: Reassess the need for cash withdrawals while on travel status, limit the amount to the minimum reasonable predicated upon scheduled days of travel, and amend

DR 2300-001 accordingly.

### **Agency Position**

OCFO agreed with the recommendations and stated it would limit cash advances to the meals and incidental expenses rate, and thus advances should not exceed \$50 per day, multiplied by the number of days in travel status. Specific requirements were set forth in Interim Guidance issued on April 11, 2003 in response to the draft report. DR 2300-001 will be revised accordingly by October 1, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

---

**RECOMMENDATION NO. 2**

---

To OCFO: Amend DR 2300-001 to standardize the functions of the A/OPCs and include checklists of what the A/OPCs are to look for, how to find it, and what to do once potential abuse is identified. Potentially abusive ATM activity should be emphasized in the A/OPCs' review. Further, require that all examination and referral activity be documented, to include the action taken.

**Agency Position**

OCFO agreed with the recommendation and stated that A/OPC responsibilities would be clearly defined and that all examination and referral activity will be required to be documented. Specific requirements were set forth in Interim Guidance issued on April 11, 2003 in response to the draft report. DR 2300-001 will be revised accordingly by October 1, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

---

**RECOMMENDATION NO. 3**

---

To OCFO: Amend DR 2300-001 to recommend that agencies centralize all organization-wide monitoring to facilitate the development of trend data and to provide assurance that the reviews are being performed at the field/area/forest A/OPC level.

**Agency Position**

OCFO agreed with the recommendation and stated it will require that a reporting process be established to ensure the results of monitoring is centralized to enhance effectiveness. Specific requirements were set forth in Interim Guidance issued on April 11, 2003 in response to the draft report. DR 2300-001 will be revised accordingly by October 1, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

---

**RECOMMENDATION NO. 4**

---

To OCFO: Further restrict the MCCs available to be charged to those that are only clearly travel related.

**Agency Position**

OCFO agreed with the recommendation and stated that additional MCCs not clearly related to travel would be blocked by May 11, 2003. Interim Guidance issued on April 11, 2003 prohibited the payment of conference fees with the travel card.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001 to include the listing of blocked MCCs.

---

**RECOMMENDATION NO. 5**

---

To OCFO: Review the reports made available by the Bank and expand upon what is routinely provided to Department officials, and mandate their use in the DR 2300-001.

**Agency Position**

OCFO agreed with the recommendation and stated that it has analyzed the available reports and provided a guide for their use. Specific requirements were set forth in Interim Guidance issued on April 11, 2003 in response to the draft report. DR 2300-001 will be revised accordingly by October 1, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

---

**RECOMMENDATION NO. 6**

---

To OCFO: Amend DR 2300-001 to include a listing of all blocked MCCs to better educate employees as to what is considered improper use.

### **Agency Position**

Although OCFO disagreed with our recommendation that the DR be amended to include a listing of blocked MCCs, it will amend its guidance to educate employees as to what is considered improper use, which will address this issue. Specific requirements were set forth in Interim Guidance issued on April 11, 2003 in response to the draft report. DR 2300-001 will be revised accordingly by October 1, 2003.

### **OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

---

## **RECOMMENDATION NO. 7**

---

analyses.

To OCFO: Work with the Bank to ensure it records USDA employees' social security numbers in its database to enable the Department to conduct IBA program-wide

### **Agency Position**

OCFO agreed with the recommendation and stated that the Bank has agreed to ensure IBA travel card applications contain a social security number.

### **OIG Position**

We concur with the management decision. Final action has also been achieved.

---

## **RECOMMENDATION NO. 8**

---

responsible for monitoring and develop a model that would promote effectiveness. Provide guidance to the agencies accordingly regarding their A/OPC organization.

To OCFO: To ensure A/OPCs are not assigned more employees than they can monitor effectively, obtain and analyze data showing how many employees each A/OPC is

### **Agency Position**

OCFO did not agree with this recommendation, stating that it was the responsibility of agency heads to ensure there is adequate staffing to meet agency travel requirements. Specific requirements dealing with the designation of employee(s) and alternate(s) to act as A/OPCs have been

included, however, in the Interim Guidance issued on April 11, 2003. DR 2300-001 will be revised accordingly by October 1, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

---

**FINDING NO. 2**

**PAYMENT OPTIONS OTHER THAN THE INDIVIDUAL TRAVEL CARD WOULD INCREASE BENEFITS TO THE DEPARTMENT**

---

We found that USDA employees were routinely charging high dollar conference fees, etc, to the IBA when other available payment means would have been more economical. This occurred because the Department had not established a requirement that these types of payments be made through other mechanisms. As a result, USDA has lost rebate revenue because more remunerative

payment vehicles were not used.

The individually billed accounts are one of three payment mechanisms made available to the Federal Government under the General Services Administration's "Smart Pay Program". The others are a centrally billed account (CBA), wherein billings are directed to an organizational unit, and not an individual, and the purchase card program, which allows for the procurement of operational needs within a prescribed monetary limit. The Bank rebates a percentage of the cards' monetary usage back to the Department. The purchase card and the CBA generate more revenue to the Department than the individual travel card.<sup>1</sup> As a result, there is a negative monetary impact to the Department if the incorrect card is used or if no card is used at all.

The Management Alert we issued to the CFO on August 28, 2002 summarized numerous types of transactions in which the individual travel card was used to procure services where it appeared the more appropriate (ie, remunerative) payment vehicle was the purchase card. Our review disclosed the following activity:

<u>Vendor Description</u>	<u>No.</u>	<u>Dollar Amount</u>
Associations	748	\$167,628
Conference Centers, et al.	128	28,234
Educational Institutions	<u>107</u>	<u>21,488</u>
	983	\$217,350

---

<sup>1</sup> Purchase card accounts refund up to 1.42%, centrally billed accounts refund up to 1.42%, and individually billed accounts refund only .4%.

---

Mission related fees such as associations, meetings, training, and conferences, though they may take place while in travel status, are not expenses that are incurred to support the subsistence of the traveler while on the road. REE policies state, in part, that "since the majority of the events that require a registration fee also entail traveling to the event and, for the convenience of the employee, use of a travel card is the preferred method of payment." REE requirements also, however, limit such charges to \$1,000; if the registration fees exceed that amount other methods of payment, such as the purchase card, are required. Given the additional benefit that accrues to the Department when the purchase card, for example, is used in lieu of the travel card, all charges of this type should be charged to the purchase card. Additional planning may be required in that registration fees would be paid before the traveler arrives. In addition, DR 5013-6, Use of the Purchase Card and Convenience Check, dated February 22, 2000, may need clarification as it currently states that the purchase card is not to be used for "travel related purchases." Use of the purchase card would also reduce the vulnerabilities associated with the travel card itself.

---

**RECOMMENDATION NO. 9**

---

To OCFO: Research charges which may be incurred while in travel status but where other payment means would enhance benefits to the Department and implement changes to the

DR2300-001 and 5013-6 accordingly.

**Agency Position**

OCFO agreed with the recommendation and stated that it will prohibit the use of the travel card for non-travel related expenses. Specific requirements were set forth in Interim Guidance issued on April 11, 2003 in response to the draft report. DR 2300-001 will be revised accordingly by October 1, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to formally promulgate the requirements in the Interim Guidance in DR 2300-001.

<b>CHAPTER 2</b>	<b>PERSONNEL REQUIREMENTS NEED TO BE STRENGTHENED TO IMPROVE THE INTEGRITY OF THE PROGRAM</b>
------------------	---

We found that disciplinary actions to be taken when card misuse was identified have not been formalized. Further, no Department-wide process has been instituted governing the procedures necessary to obtain surrender of travel cards by former employees upon departure from the Department.

---

**FINDING NO. 3**

**THE DEPARTMENT HAS NOT ISSUED ANY FORMAL REQUIREMENTS GOVERNING DISCIPLINARY ACTIONS**

---

The Department has not issued any formal policy/guidance governing disciplinary actions to be taken specifically when the travel card is misused. The Department's measures are lacking despite a certification by prior management that they had been implemented in response to our 1997 audit report on this subject. As a result, disciplinary actions that

have been taken have been applied in an inconsistent manner from agency to agency and even within an agency.

The most current USDA policy/guidance in this area is Amendment No. 230 of Department Personnel Manual, Chapter 751, issued in May 1994. The manual lists various "types of misconduct" and penalties for the first and subsequent offenses. As noted, none of these types of misconduct specifically include travel card abuse, though there is a general reference to "credit cards" regarding improper use of property. This is the same policy/guidance that was in effect when we issued our 1997 report. Our report recommended at that time that appropriate disciplinary action be determined in the event employees misused their card and that specific policy/guidance be issued in this regard. The only remedial action forthcoming, however, was a policy memorandum from the then Director of the Office of Human Resources Management cautioning all USDA employees not to misuse the card which noted, in part, that employees who do so may "...become subject to appropriate administrative action, to include disciplinary action." The OCFO certified that final action on this recommendation had been achieved on October 1, 1998. As can be seen in this report, this action did not mitigate the condition, however.

We requested information from the twelve agencies represented in our random sample regarding the disciplinary actions taken by the agencies as a result of misuse of the travel card during the period October 1, 2001 through March 31, 2002 (the scope of our audit). The agencies responded as follows:

<u>Agency</u>	<u>Number of Actions</u>
Forest Service	20
Natural Resources Conservation Service	10
Farm Service Agency	8

---

Food Safety and Inspection Service	4
Agricultural Marketing Service	1
Grain Inspection, Packers & Stockyard Administration	1
Agricultural Research Service	1
Animal & Plant Health Inspection Service	1
Food and Nutrition Service	0
Foreign Agricultural Service	0
Office of the Chief Financial Officer	0
Rural Housing Service	<u>0</u>
	46

The actions taken ranged from a verbal warning to termination of the employee(s) responsible for the misuse of the travel card. In most cases it was impossible to determine why the disciplinary actions were so much in variance in that information describing the gravity of the offense was explicitly not provided. We did note, however, that several cases represented repeat offenses and yet penalties imposed did not appear adequate to address the severity of that misconduct. Although GSA has not established minimum/maximum penalties, rather leaving this determination to the Departments, it has provided policy/guidance indicating that penalties should be made progressively more severe if recurrence is noted. Nonetheless, the agency information we obtained does depict a significant amount of discretion being employed as to what actions are to be taken. (We did not assess the individual cases in detail and thus acknowledge that the individual circumstances vary significantly). The following cases depict similar offenses (significant ATM abuse), but widely ranging disciplinary actions which illustrates the apparent disparity:

Agency	\$ Abuse	Travel	Action
A	\$24K	No Travel	Letter of Reprimand
B	21K	No Travel	5 Day Suspension
B	21K	Limited Travel	5 Day Suspension
D	20K	Limited Travel	14 Day Suspension
A	18K	No Travel	Letter of Reprimand
C	18K	Limited Travel	14 Day Suspension
D	13K	Extensive Travel	Counseled
D	11K	No Travel	Counseled

The seriousness of travel card abuse becomes exacerbated when the employee does not have sufficient funds to make repayment. A routine EAGLS report shows returned check activity. Between October 1, 2001 and March 31, 2002, there were over \$650,000 in returned checks, stop payments, et al. This problem has continued subsequent to our audit scope as about \$270,000 in this activity took place between October and December 2002. Our review disclosed three employees whose Bank

activity consisted for the most part if not entirely, of nonsufficient funds (NSF) checks, returned check fees, and recurring late fees.

We found that 8 employees had “bounced” 3 or more checks. Two of these individuals had 5 NSF checks during the period of our audit (6 months). According to GAO, “knowingly writing three or more NSF checks is potential bank fraud under 18 U.S.C. 1344.” Despite the gravity of such abuse, we found no evidence that disciplinary action was taken against these employees.

Although we acknowledge that management should have flexibility to mete out disciplinary action based upon the circumstances involved, specific uniform policy/guidance should be issued and should be enforced to serve as a substantive deterrent to misuse and ensure the fair and equitable treatment of all employees. GAO recently issued reports to the Army and Navy which recommended that guidelines and procedures for disciplining employees be established for individuals that misused the travel card. Congress also addressed this issue by requiring, in the Department of Defense Appropriations Act of 2003, that travel card disciplinary procedures be established.

---

**RECOMMENDATION NO 10**

---

To Departmental Administration (DA): Establish USDA policy/guidance to provide the basis for appropriate and consistent disciplinary actions specific to misuse and

nonpayment of the travel card.

**Agency Position**

DA agreed to assure that USDA policies reflect appropriate, consistent agency-wide policy to serve as a guide with respect to abuse of the IBA travel card program. The policy will be issued by February, 2004.

**OIG Position**

We concur with the management decision. To achieve final action, DA needs to issue the policy/guidance to provide the basis for appropriate and consistent disciplinary actions specific to misuse and nonpayment of the travel card.

---

**FINDING NO. 4**  
**VULNERABILITY TO CARD MISUSE EXISTS DUE TO WEAK EXIT PROCESSING PROCEDURES**

---

Our review disclosed that the Department has not prescribed standardized procedures to be followed when employees separate from USDA, to include the surrender of travel cards. As a result, reasonable assurance is lacking that employees will return their travel cards and discontinue use.

Our review of the procedures issued by REE, FS, and NRCS also disclosed weaknesses in the measures prescribed. REE's guidance, for example, states that the travel charge card should be returned to the employee's supervisor upon termination of employment. Generally, however, only the A/OPC has access to the Bank's system to cancel the card. As a result, the employee's supervisor would have to voluntarily seek out the A/OPC to coordinate this critical activity. Vulnerability exists in this process as shown by REE's recent screening of its charge card rolls, performed at the request of the OCFO, in which it found 126 employees who had departed the Department but still had active cards. Further, in two of the responses to our data requests, the FS acknowledged that the employees had left the agency, yet the accounts remained open. The FS reply revealed the potential problems in this area if stringent exit procedures are not applied, as follows:

"(The individual) apparently resigned from the Forest Service via the (national forest) sometime in 2000. The Personnel section does not notify Financial Management (nor any other section on the Forest) when an employee moves on. We finally terminated his travel account in July 2002 after a cross check of account holders to travel authorizations alerted us that he had no reason to have a card as he had no authorization to travel on. At that time we asked Personnel about his status and was (sic) told they thought he had "moved on" to an outside job.

P.S. (We have no way of knowing if this employee may have originally turned his card into someone at the District. We do know he never used his card during CY2002 both during and after the time he was employed. He started using it a full 18 months after he left...").

Our database analysis of employees who had separated from the Department in FY 2001 disclosed 1549 individuals who still had cards that could be used as of December 5, 2002. (We provided this listing to OCFO under separate cover). We traced several of these through the system and found most in a deactivated status but found at least one completely active. Bank officials felt that the A/OPCs had improperly handled the account closure in these cases.

We concluded, therefore, that standardized policy/guidance was needed in USDA so that adequate and uniform requirements would reduce the risks associated with weak exit processing procedures.

---

**RECOMMENDATION NO. 11**

---

To OCFO: Provide the results of our data base analyses to the agencies for prompt adjudication.

**Agency Position**

OCFO agreed with the recommendation and stated it will provide the lists of separated employees to the agencies by May 6, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, OCFO needs to provide evidence of the dissemination of the lists.

---

**RECOMMENDATION NO. 12**

---

To DA: Develop a standardized checklist for all agencies when processing employee terminations. Ensure A/OPCs are required to attest in writing that travel cards have been surrendered and that the Bank has been contacted to cancel the cards.

**Agency Position**

DA agreed to develop the recommended checklist by November, 2003.

**OIG Position**

We concur with the management decision. To achieve final action, DA needs to issue the checklist.

---

# EXHIBIT A – CHIEF FINANCIAL OFFICER RESPONSE TO DRAFT REPORT

Page 1 of 15



APR 24 2003

United States  
Department of  
Agriculture

Office of the Chief  
Financial Officer

1400 Independence  
Avenue, SW

Washington, DC  
20250

TO: Richard D. Long  
Assistant Inspector General for Audit

FROM: Edward R. McPherson *Edward R. McPherson*  
Chief Financial Officer

SUBJECT: Comments on 50601-05-HQ: Adequacy of Internal Controls Over the Individually Billed Travel Program

Here are our comments on your audit of the Department of Agriculture's (USDA's) Travel Program.

This report indicates the Office of the Chief Financial Officer (OCFO) is responsible for all corrective action on many of the issues. Travel cards are issued to agency staff; agency heads are responsible to ensure the monitoring and enforcement of Departmental travel policies. OCFO is responsible for providing policy guidance and oversight - accountabilities that we embrace. Agencies own management of the travel card program. Accordingly, this audit should be primarily addressed to the agency heads responsible for the traveling employees. Agency heads must ensure, at the operational level, that travel policy is being followed throughout their organizations.

Pages (i) and 10 of the report state that several employees were creating a "Ponzi" type scheme. The actions described in the report do not match a "Ponzi" scheme and we recommend that the reference be deleted.

The report states that your "... review disclosed that over \$5.8 million of the nearly \$78.5 million charged during the period of our audit. . . was not transacted for, or attributable to official Federal government travel." Exhibits A and B of the report show that this dollar amount is actually an estimate calculated from estimated transactions of 8,268 out of a universe of 804,458 -- or approximately 1 percent inappropriate transactions. Further, out of the statistical sample of 300 travel cards, 52 incidents were actually determined to be "improper use." Of those 52, 32 incidents were primarily incidents of using the travel card to pay conference fees, official travel for other employees, and for office supplies. Many of these items were authorized by managers and existing agency policies, and were reimbursed on the travel voucher. These 32 employees received verbal counseling on the proper methods to purchase official items. The remaining 20 incidents of improper use were referred to personnel for administrative action.

On page 4, the report states, "Our review disclosed that internal controls have not been formally prescribed to preclude, or detect in a timely manner, misuse of the IBA." This report neglects to mention that over the past several years, OCFO has proactively issued numerous official policy letters and guidance to address travel issues, to include:

AN EQUAL OPPORTUNITY EMPLOYER

Richard D. Long

2

- Using the online Electronic Account Government Ledger System (EAGLS) reports to address misuse and delinquency, to include lists of available reports and how to use them. Additionally:
  - Lists of open travel card accounts have been provided to agency coordinators with instructions to look for separated employees.
  - Pre-suspension reports have been provided to agency staff to address delinquency issues.
- Training for agency staff on the EAGLS reporting system.
- Incorporating proper travel card use into the Ethics regulations.
- Clarifying what expenses are exempt from direct travel card use and eligible for ATM use.
- Prescribing agency responsibility to:
  - Address travel card misuse
  - Address travel card delinquency
  - Close accounts when employees leave the agency.

Many actions have been taken by OCFO since June 2002 to address the issues disclosed by the audit report. These include:

- Lowering credit limits on 56,333 (65%) of the Individual Billed Account travel cards from \$25K to \$10K or less.
- Lowering ATM weekly cash advance limits on 44,733 (52%) travel cards from \$1000 to \$375.
- Requiring agencies to cancel cards as appropriate for separated cardholders.
- Blocking 224 out of 778 (29%) Merchant Category Codes Not Related to Travel. These codes are no longer available for travel charge card use.
- Initializing the travel card deactivation and cancellation processes for infrequent travelers (approximately 6,000 cards deactivated or cancelled to date).
- Providing three training sessions to agency personnel on data mining to detect improper use of travel card.
- Publishing and widely distributing the brochure "Travel Card Do's and Don'ts for Employees." (March 2003)
- Issuing interim guidance on the travel card program. (April 11, 2003)

As you know, I support a strong internal control program for USDA travel cards and will continue to support the agency heads in their management initiatives regarding the travel program. Our responses to the specific audit recommendations are provided as an attachment.

Attachment

cc: Phyllis Fong, Inspector General  
Robert Young, Assistant Inspector General for Audits

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 1:**

To OCFO: Reassess the need for cash withdrawals while on travel status, limit the amount to the minimum reasonable predicated upon scheduled days of travel, and amend DR 2300-001 accordingly.

**Management Response:** We concur.

OCFO has reviewed the need for cash withdrawals. Items exempted from mandatory travel card use often need to be purchased using cash. USDA needs to provide this cash to the traveler. Using the travel card at an ATM machine to receive cash advances is the most flexible and cost effective method currently available.

Interim guidance was issued on 4/11/03 to provide guidance until the revised DR 2300-001 is approved and issued.

The interim guidance limits cash advances (ATM withdrawals) in section 6d.

“You may use the travel card to obtain cash advances for exempted expenses described in Section 6c. Funds may be advanced for travel expenses covered under the exemptions to the use of the travel charge card. These cash advances are limited to meals and incidental expenses rate (M&IE) for the location of the temporary duty location and other cash expenses identified in Section 6c of this policy. For this reason, cash needs should not exceed \$50 per day. USDA will reimburse travelers for service fees for ATM advances not exceeding \$50 per day multiplied by the number of calendar days in domestic travel status, for a maximum of seven calendar days or \$375 per week. USDA’s weekly limit for international travel is \$1,021. Cash obtained from the ATM in amounts greater than required for the travel duration are considered excessive cash advances. Actual use of the card may be verified from the reports provided to USDA by the contractor bank.”

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03
Final Clearance DR 2300-001	10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 2:**

To OCFO: Amend DR 2300-001 to standardize the functions of the A/OPCs and include checklists of what the A/OPCs are to look for, how to find it, and what to do once potential abuse is identified. Potentially abusive ATM activity should be emphasized in the A/OPCs' review. Further, require that all examination and referral activity be documented, to include the action taken.

**Management Response:** We concur. OCFO issued interim travel card guidance on 4/11/03. The interim guidance will be incorporated into the Amended DR 2300-001. The guidance addresses this audit recommendation by:

- Clearly defining the responsibilities of the A/OPCs. These responsibilities include
  - Reviewing contractor reports for violations to the “*USDA Zero Tolerance Policy*”
  - Notify the appropriate manager(s), employees' immediate supervisor, or the employee, in accordance with agency procedures, of possible misuse or delinquencies of 60 days or more.
- Attachment B-1 of the interim guidance includes a summary of available contractor bank reports and how they can be used.
- The “*USDA Zero Tolerance Policy*” outlined in section four of the interim guidance specifically emphasizes potentially abusive ATM activity.
- The interim guidance also requires that all examination and referral activity related to travel card misuse be documented.

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03
Final Clearance DR 2300-001	10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 3:**

To OCFO: Amend DR 2300-001 to require agencies to centralize all organization-wide monitoring to facilitate the development of trend data and to provide assurance that the reviews are being performed at the field/area/forest A/OPC level.

**Management Response:** We concur. OCFO issued interim travel card guidance on 4/11/03. The interim guidance will be incorporated into the Amended DR 2300-001. The guidance requires agency heads to establish a reporting process to ensure that the results of the monitoring activity performed by A/OPCs is transmitted to a central point in the agency in order to enhance the effectiveness of central oversight of the travel card program and expedite the development and reporting of trends and statistics.

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03
Final Clearance DR 2300-001	10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 4:**

To OCFO: Further restrict the MCCs available to be charged to those that are only clearly travel related.

**Management Response:** We concur. Additional merchant category codes (MCC) not clearly relate to travel will be blocked. Several of these MCCs are used to pay for conference fees. OCFO issued an interim travel card policy on 4/11/03 prohibiting the payment of conference fees with the travel card. The MCCs are scheduled to be blocked 30 days after the issuance date of the interim policy memo.

The following additional MCCs will be blocked:

- 4119 Ambulance services
- 4215 Courier svc – air + ground freight forwarders
- 5192 Books periodicals and newspapers
- 5310 Discount Stores
- 5942 Book stores
- 5994 New dealers and newsstands
- 7392 Management consulting and public relations services.
- 8211 Elementary and secondary schools
- 8220 Colleges, et all
- 8249 Vocational and trade schools
- 8299 Schools and educational services – not elsewhere classified
- 8398 Charitable and social service organizations
- 8641 Civic, social and fraternal associations
- 8699 Membership organizations – not elsewhere classified

In the audit report, OIG recommended several MCCs that OCFO should consider blocking. OCFO analyzed transactions for these MCCs from January through December 2002 and determined that 5999, 7299, 7399, 7999, and 9399 should be restricted, but not completely blocked. Below are the results of the analysis and an explanation of why OCFO decided to restrict but not block the codes.

5999, Miscellaneous and Specialty Retail Store: Analysis showed that 36% of all charges (based on dollars) were from merchants that clearly provide travel related services. Merchants that were clearly not travel related made up 37% of purchases. While vulnerable to abuse, this MCC is also clearly used for travel related services. Because of this vulnerability to abuse, this MCC code was restricted in November 2002 to \$2,000 a week for almost all travel cards. In OCFO's analysis, merchants identified as clearly travel related included:

- NAM-SEOUL HOTEL
- BEST WESTERN HOTELS

**Office of the Inspector General  
50601-05-HQ**

**Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

- THE INNS OF DUCHESNE
- PACIFIC ISL AVIATION-SAI
- DOUG FOX PARKING

7299, Other Services (Not Elsewhere Classified): Analysis showed that 76% of all charges (based on dollars) were from merchants that clearly provide travel related services. Merchants that are clearly not travel related made up 4% of purchases. While vulnerable to abuse, this MCC is also clearly used for travel related services. Because of this vulnerability to abuse, this MCC code was restricted in November 2002 to \$2,000 a week for almost all travel cards. In OCFO's analysis, merchants identified as clearly travel related included:

- Park Vista (provides temporary housing to people on extended travel to Washington DC)
- POST RESIDENTIAL SERVICES (provides temporary housing for extended travel)
- HALE KOA HOTEL
- DAYS INN
- SPOKANE INTERNATIONAL AIR

7399, Business Services (Not Elsewhere Classified): Analysis showed that 36% of all charges (based on dollars) were from merchants that clearly provide travel related services. Merchants that are clearly not travel related made up 46% of purchases. While vulnerable to abuse, this MCC is also clearly used for travel related services. Because of this vulnerability to abuse, this MCC code was restricted in November 2002 to \$2,000 a week for almost all travel cards.

Analysis also showed that over 3,000 transactions and over \$60,000 in purchases were from Carlson Wagonlit Travel. Carlson Wagonlit Travel is one of USDA's travel management service contractors that employees are required to use per FTR and USDA travel policies. USDA cannot require that employees use Carlson Wagonlit to reserve their travel plans, require that employees use the travel card to pay for the reservations, and then block the related transaction fees. OCFO is working Carlson Wagonlit to change their MCC code to 4722, Travel Agencies and Tour Operators. If Carlson Wagonlit successfully changes their MCC code, 7399 will be blocked. However, due to the number of non-USDA parties involved no date can be given for when or even if the MCC code will be changed.

7999, Recreation Services (Not Elsewhere Classified): Analysis showed that 52% of all charges (based on dollars) were from merchants that clearly provide travel related services. Merchants that are clearly not travel related made up 5% of purchases. While vulnerable to abuse, this MCC is also clearly used for travel related services. Because of this vulnerability to abuse, this MCC code was restricted in November 2002 to \$2,000 a week for almost all travel cards. In OCFO's analysis, merchants identified as clearly travel related included:

- MCGUIRE'S RESORT
- ROYAL GORGE RAINBOW LODGE

**Office of the Inspector General  
50601-05-HQ**

**Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

- BUDGET HOTEL

9399, Government Services (Not Elsewhere Classified): Analysis showed that 40% of all charges (based on dollars) were from merchants that clearly provide travel related services. Merchants that are clearly not travel related made up 20% of purchases. While vulnerable to abuse, this MCC is also clearly used for travel related services. Because of this vulnerability to abuse, this MCC code was restricted in November 2002 to \$2,000 a week for almost all travel cards. In OCFO's analysis, merchants identified as clearly travel related included:

- CITY OF EUGENE-AIRPORT
- CITY OF FRESNO AIRPORT
- CITY OF ALB AVIATION PKG
- MIDWAY PRKING

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Scheduled date for blocking additional non-travel related MCCs	5/12/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General**  
**50601-05-HQ**  
**Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 5:**

To OCFO: Review the reports made available by the Bank and expand upon what is routinely provided to Department officials, and mandate their use in the DR 2300-001.

**Management Response:** We concur. This recommendation was addressed by the interim travel card policy issued on 4/11/03. The interim guidance will be incorporated into the revised DR 2300-001. OCFO analyzed the reports made available and provided a guide to their use as attachment B-1 of the interim guidance. In addition, the interim guidance clearly lists the A/OPC's responsibilities and details what information the A/OPC should provide to immediate supervisors for action.

(8) Monitor the contractor-issued monthly charges and delinquency reports identified in Attachment B of this policy

(a) Review the contractor's reports to identify employees who:

- 1 have left USDA
- 2 have violated the "USDA Zero Tolerance Policy"
- 3 have had additional administrative restrictions placed on their accounts

Electronic and web based reports should be used whenever possible to reduce paperwork in accordance with the Paper Reduction Act.

(9) Notify the appropriate manager(s), employee's immediate supervisor, or the employee, in accordance with established agency procedures, of possible misuse of delinquencies of 60 days or more. For consistent notification procedures within USDA, agencies should use the Inappropriate Use, Unauthorized Use and Delinquent Memoranda found in Attachment B of this policy for warning employees of potential travel card misuse and delinquency

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03
Final Clearance DR 2300-001	10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 6:**

To OCFO: Amend DR 2300-001 to include a listing of all blocked MCCs to better educate employees as to what is considered improper use.

**Management Response:** We do not concur. USDA currently has 224 blocked MCCs and expects to block an additional 15 (see recommendation No. 4). We do not believe that providing this voluminous list in a regulation will be educational to USDA employees. In addition, many MCC descriptions are ambiguous and would provide little educational value. An employee reading that USDA has blocked MCC 8398, "Charitable and social service organizations" would likely not make the connection that they should not charge their conference fees on their travel card. A hotel room on official travel is considered a proper travel card transaction. Obtaining a hotel room near a relative's house during vacation is not proper use of the travel card. A listing of blocked MCCs will not provide this education to employees.

However, OCFO supports amending the guidance to educate employees as to what is considered improper use. The interim travel card policy issued by OCFO on 4/11/03 addresses this issue.

USDA restricts most MCCs that offer services and/or products that are non-travel related expenses. As a precautionary measure for those merchants who are misclassified within the travel card program, employees are prohibited from use of their travel card to procure the following:

- (a) Book and Magazine Subscriptions
- (b) Membership fees
- (c) Training and Conference Fees
- (d) Higher Education Expenses
- (e) Theme Parks
- (f) Management Consulting Services
- (g) Automobile Purchases; Car Repairs and Services
- (h) Clothing, Lingerie, Outerwear, Shoes, & Furniture
- (i) Hair Services, Cosmetics, Tattoos & Massages
- (j) Emergency Medical Services
- (k) Office Supplies
- (l) Computers, Televisions or Digital Equipment
- (m) Any other service or product is prohibited for personal, family, or household purposes

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03

**Office of the Inspector General  
50601-05-HQ**

**Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

Final Clearance DR 2300-001

10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 7:**

To OCFO: Work with the Bank to ensure it records USDA employees' social security numbers in its database to enable the Department to conduct IBA program-wide analyses.

**Management Response:** We concur. OCFO met with bank officials to address this issue on March 13, 2003. The bank responded on 3/31/03 and agreed to perform a manual review process to ensure all USDA IBA Travel Card Applications contain a Social Security Number.

**Date Corrective Action will be Completed:**

Requested action to the BoA	3/13/03
Bank concurred with USDA's request	3/31/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 8:**

To OCFO: To ensure A/OPCs are not assigned more employees than they can monitor effectively, obtain and analyze data showing how many employees each A/OPC is responsible for monitoring and develop a model that would promote effectiveness. Provide guidance to the agencies accordingly regarding their A/OPC organization.

**Management Response:** We do not concur. Agency heads have the responsibility to ensure that there is adequate staffing to meet agency travel requirements. OCFO issued interim guidance on 4/11/03 stating it is the responsibility of agency heads to designate employee(s) and alternate(s) to act as A/OPCs.

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03
Final Clearance DR 2300-001	10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ**

**Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 9:**

To OCFO: Research charges which may be incurred while in travel status, but where other payment means would enhance benefits to the Department and implement changes to the DR 2300-001 and 5013-6 accordingly.

**Management Response:** We concur. OCFO has reviewed USDA travel card charges and will revise DR 2300-001 to educate employees that these purchase are improper for the travel card and direct them to use other procurement methods. OCFO will also block the related MCCs as appropriate.

The interim travel card policy issued on 4/11/03 prohibits the use of the travel card for non-travel related expenses and specifically lists conference fees and office supplies as prohibited items. DR 2300-001 will be revised by 10/24/03 to incorporate the policies outlined in the interim policy. The merchant category codes for the newly prohibited items have either already been blocked, or will be blocked on 5/12/03.

The following charges have been determined to be incurred while in travel status, but improper for the travel card.

- **Conference fees** (MCCs 7392, 8220, 8299, 8398, 8641, 8699, 8211, and 8249 scheduled to be blocked – 5/12/03)
- **Shipping Services** (MCC 4215 scheduled to be blocked – 5/12/03)
- **Photocopies** (MCC 7338 blocked 11/02)
- **Office Supplies** (MCC 5943 blocked 11/02)

OCFO has determined that DR 5013-6 will not require modification. DR 5013-6 prohibits the purchase card from being used for “travel related” services. The items listed above are considered improper for the travel card. The purchase card or other acquisition procedures will be used to procure non-travel services and products.

**Date Corrective Action will be Completed:**

Issued Interim Guidance on the USDA Travel Charge Card Program	4/11/03
Amended DR 2300-001	4/23/03
Final Clearance DR 2300-001	10/01/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

**Office of the Inspector General  
50601-05-HQ  
Adequacy of Internal Controls Over the Individually Billed Travel Card Program**

**Audit Recommendation No 11:**

To OCFO: Provide the results of our data base matches to the agencies for prompt adjudication.

**Management Response:** We concur. OCFO asked OIG for additional information so that the list can be provided to specific agencies. OIG provided the requested information on 4/15/03. OCFO will provide the OIG's data base matches of separated employees to the agencies' travel coordinators.

**Date Corrective Action will be Completed:**

Disseminate list of separated employees to agencies 5/06/03

**Responsible Organization:** Credit, Travel, and Accounting Policy Division

**Point of Contact:** Tawanda Smith

---

# EXHIBIT B – DEPARTMENTAL ADMINISTRATION RESPONSE TO DRAFT REPORT

Page 1 of 2



**United States  
Department of  
Agriculture**

Office of the  
Assistant Secretary  
for Administration

1400 Independence  
Avenue SW

Washington, DC  
20250-0103

MAY 15 2003

**TO:** Richard D. Long  
Assistant Inspector General for Audit

**FROM:** Clyde Thompson *Clyde Thompson*  
Associate Assistant Secretary for Administration

**SUBJECT:** Adequacy of Internal Controls Over the Individually Billed Travel Card Program

This is in response to your request for comments regarding the official draft report on "Adequacy of Internal Controls Over the Individually Billed Travel Card Program". Our response to your draft report is as follows:

**Audit Recommendation #10:**

**Change recommendation to:** "To Assistant Secretary for Administration (ASA): Establish USDA policy/guidance to provide the basis for appropriate and consistent disciplinary actions specific to misuse and nonpayment of the travel card."

**Management Response:** Departmental Administration will work with other Federal agencies to assure that USDA policies reflect appropriate, consistent agency-wide policy to serve as a guide to take disciplinary actions with respect to fraudulent and abusive activity and delinquency related to the travel card.

In order to do this we will contact non-USDA agencies to determine policies that they have implemented regarding travel card misuse. We will develop a list of "best practices" relating to disciplinary policies and will work with Mission Area Human Resources offices to share these practices through the quarterly Employee Relations Officers Meetings. If necessary, we will clarify and update existing policies to confirm that all of the necessary tools are in place to assist agencies in effectively using disciplinary action to correct credit card abuse and to prevent future abuse.

**Date Corrective Action will be Completed – February 2004**

**Responsible Organization:** Office of Human Resources Management, Personnel Policy and Partnership Division

**Points of Contact:** Keith Prue and Denise Leger-Lee

**Management Response:** We will also remind employees that travel card misuse is a serious offense and that USDA will take action against employees who abuse government credit cards.

AN EQUAL OPPORTUNITY EMPLOYER

Richard D. Long  
Page 2

**Date Corrective Action will be Completed – September 2003**

**Responsible Organization:** Office of Human Resources Management, Personnel Policy and Partnership Division

**Points of Contact:** Keith Prue and Denise Leger-Lee

We believe that these efforts combined with the efforts of the Office of the Chief Financial Officer (OCFO) to more stringently control issuance of travel cards, to block usage at inappropriate venues, and to monitor travel card usage will significantly reduce instances of travel card misuse.

**Audit Recommendation # 11:**

**Change recommendation to:** “To ASA: Develop a standardized checklist for all agencies when processing employee terminations. Ensure that A/OPC’s are required to attest in writing that travel cards have been surrendered, and the Bank has been contacted to cancel the cards.”

**Management Response:** Departmental Administration will work with Mission Areas to develop a basic checklist that agencies can incorporate into their exit process for departing employees. The checklist will remind agencies that travel cards must be surrendered and the Bank contacted to cancel the cards upon an employee’s separation.

**Date Corrective Action will be Completed – November 2003**

**Responsible Organization:** Office of Human Resources Management, Personnel Policy and Partnership Division

**Points of Contact:** Keith Prue and Denise Leger-Lee

We would also suggest that as a backup procedure, OCFO, Agency Travel Coordinator, obtain a regular list of separating employees from the National Finance Center to reconcile with the list of active credit card holders. This could serve as a double check in case of a failure in exit procedures.

We thank you for the opportunity to comment. If you have any questions, please feel free to contact Ruthie Jackson, Director, Office of Human Resources Management at (202) 720-3585.

---

## EXHIBIT C - STATISTICAL SAMPLE DESIGN

Page 1 of 2

U.S. Department of Agriculture  
Adequacy of Internal Controls Over the  
Individually Billed Travel Card Program

The general statistical sample design for this audit was a stratified simple random sampling scheme where U.S. Department of Agriculture (USDA) cardholders were selected from universe data acquired from the Bank of America. The data acquired from the Bank of America consisted of 402,624 USDA cardholder transactions in an October thru December 2001 dataset and 431,108 USDA cardholder transactions in a January thru March 2002 dataset. These 833,732 transactions were reduced to 804,458 by restricting the transactions to only individually billed cardholders and by eliminating all OIG transactions. OIG was excluded from the scope because its Internal Affairs Unit is independently conducting assessments of this type. The final transaction universe of 804,458 was used to construct the final universe of 54,948 cardholders by aggregating all transaction information by cardholder (i.e., account number). The 54,948 cardholders were stratified into six strata using the cumulative square root of the frequencies methodology (Cochran, SAMPLING TECHNIQUES) with respect to the total bill amount.

The following table gives the specifics of the stratification used in this sample design.

STRATA	BOUNDARY Total Bill Amount	Number Of Cardholders	Total Bill Amount	n=300
1	0-900	21,692	8,410,477.19	16
2	900-2,400	14,128	21,930,356.71	42
3	2,400-4,700	9,235	31,137,784.09	60
4	4,700-8,400	5,593	34,924,626.59	67
5	8,400-15,300	3,199	35,242,006.34	68
6	Over 15,300	1,101	24,252,055.48	47
TOTAL		54,948	155,897,306.40	300

A sample size of 300 cardholders was selected. The sample size of 300 was proportionally allocated with respect to the total bill amount to the individual strata (STRATA 1-6). The cardholders were selected with equal probability without replacement within each strata. The sample unit within each strata was a cardholder. The table above contains the details for this allocation and sample selection. A 95% two-sided confidence level was used for all the statistical estimates in this review.

### Statistical Analysis

All statistical sample design, selection, and statistical estimation were accomplished on a DELL Pentium Personal Computer using SAS and SUDAAN. The statistical estimates used for projections along with their standard errors were produced using the Windows version of SUDAAN, a software system that analyzes sample survey data gathered from complex multistage sample designs. SUDAAN was written by B.V. Shah of Research Triangle Institute, Research Triangle Park, North Carolina.

The term sample precision (sp), as used in the report for estimating dollar values and number of occurrences is defined as

$$sp = \frac{t * STDERR}{PTEST}$$

where

t - t factor for a 95% two-sided lower confidence level  
 PTEST - point estimate (estimate of the total, mean, or number of occurrences)  
 STDERR - standard error of the point estimate

The sample precision for estimating percentage values is defined as

$$sp = t * STDERR$$

where

t - t factor for a 95% two-sided lower confidence level  
 STDERR - standard error of the point estimate (percentage value)

---

## EXHIBIT D - STATISTICAL SAMPLE RESULTS

Variable Description	Point Estimate	Lower 95% Confidence Interval	Upper 95% Confidence Interval	Sampling Precision
<b>Excessive ATM Use while on Travel</b>	\$507,909.85	\$217,384.31	\$798,435.38	57.2%
<b>Total Misuse while on Travel<sup>2</sup></b>	\$966,498.07	\$382,009.04	\$1,550,987.10	60.5%
<b>Card Use while not on Travel</b>	\$4,834,765.25	\$2,635,437.08	\$7,034,093.42	45.5%
<b>Total Card Misuse<sup>3</sup></b>	\$5,801,263.32	\$3,447,318.24	\$8,155,208.40	40.6%
<b>Card not used while on Travel</b>	\$1,927,181.72	\$9,042.01	\$3,845,321.44	99.5%
<b>Total Ineligible Card Use<sup>4</sup></b>	\$7,728,445.04	\$4,738,970.73	\$10,717,919.36	38.7%
<b># of Cardholders</b>				
<b>Total Misuse<sup>3</sup></b>	8,268	4,233	12,304	48.8%
<b>Total Ineligible Card Use<sup>4</sup></b>	10,206	6,000	14,413	41.2%
<b>% of Cardholders</b>				
<b>Total Misuse<sup>3</sup></b>	15%	7.7%	22.4%	7.3%
<b>Total Ineligible Card Use<sup>4</sup></b>	18.6%	10.9%	26.2%	7.7%

<sup>2</sup> Total Misuse While on Travel includes both questionable card use while on travel and excessive ATM use while on travel.

<sup>3</sup> Total Card Misuse includes all questionable card use while on travel, excessive ATM use while on travel, and card use while not on travel.

<sup>4</sup> Total Ineligible Use includes total card misuse plus all instances noted of card not used while on travel.

---

## ABBREVIATIONS

---

A/OPCs	Agency/Organization Program Coordinators
ARS	Agricultural Research Service
ATM	Automated Teller Machines
ASA	Assistant Secretary of Administration
CBA	Centrally Billed Account
CFO	Chief Financial Officer
DA	Departmental Administration
DOJ/OIG	Department of Justice Office of the Inspector General
DR	Departmental Regulation
EAGLS	Electronic Account Government Ledger System
FS	Forest Service
FTR	Federal Travel Regulations
FY	Fiscal Year
GAO	U.S. General Accounting Office
GSA	General Services Administration
IBA	Individually Billed Account
MCC	Merchant Category Code
NFC	National Finance Center
NRCS	Natural Resources Conservation
NSF	Nonsufficient Funds
OCFO	Office of the Chief Information Officer
OHRM	Office of Human Resources Management
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
REE	Research, Education, and Economics
SSN	Social Security Numbers
USDA	U. S. Department of Agriculture