

**OFFICE OF
INSPECTOR GENERAL**

Inspection Report

**The Farm Credit Administration's
Travel Card Program
I-17-02**

**Inspector
Sonya Cerne**

Issued January 31, 2017



FARM CREDIT ADMINISTRATION



EXECUTIVE SUMMARY

I-17-02

AGREED-UPON ACTIONS:

In order to improve the travel card program, the Agency agreed to:

1. Provide education to cardholders on misuse of the government charge card, proper cash advances, delinquencies, potential disciplinary actions, the importance of reviewing statements for accuracy of charges, and the dispute process.
2. Follow up on previous audit recommendations and agreed-upon actions by implementing, and including in the Charge Card Management Plan and/or Operational Handbook for Travel Card Operations, a process to:
 - request and reconcile all active FCA travel cardholders with BFS on a quarterly basis to ensure proper closures; and,
 - provide annual education to travel cardholders on Agency policies and areas of improvement found during internal reviews.

OAS provided an article to be published in the Agency newsletter on the travel card. Educational materials were also provided that will be uploaded to the internal travel site covering the areas found during the inspection. The Charge Card Management Plan was also updated to include the annual education and quarterly review process. Therefore, the agreed-upon actions are resolved and considered closed.

INSPECTION OF THE FARM CREDIT ADMINISTRATION'S TRAVEL CARD PROGRAM

The Farm Credit Administration (FCA or Agency) is an independent Federal agency responsible for regulating, examining, and supervising the Farm Credit System and the Federal Agricultural Mortgage Corporation. In order to meet mission requirements, FCA's employees are sent on official travel. FCA participates in the government-wide General Services Administration's (GSA) SmartPay Travel Card Program and currently contracts with the Bureau of the Fiscal Service (BFS) for travel administration and services. FCA is included under an issued contract with Citibank for charge cards. FCA's Office of Agency Services (OAS) is responsible for the overall administration of the travel card program at FCA.

The objective of this inspection was to determine if FCA's oversight of the travel card program was effective. We found FCA's oversight is generally effective. FCA established and implemented controls over the travel card program. For example, FCA established:

- A process for travel card certifications and recertifications. We randomly sampled employees to verify certifications were completed within the last three years. All of the sampled employees had certifications on file.
- Travel card limits and a methodology to restrict accounts. We found no cardholders had a limit above the standard and when appropriate, the Agency lowered limits on restricted cards.
- A process to ensure travel charges are appropriate and related to official travel. OAS performs monthly audits on travel transactions. An OAS official reviews 10 percent of randomly selected employees' travel transactions each month looking for misuse, cash withdrawals, and verification of authorizations.
- A new Operations Handbook for both travel and purchase cards. This handbook is a detailed step-by-step guide on how OAS completed reviews and documents controls over the program.

Although it is generally effective, there are opportunities to further improve the travel card program.

- We identified 33 exceptions of the 585 transactions judgmentally sampled (5.6 percent):
 - 16 transactions by two individuals (2.7% of the sample) showing misuse of the travel card. In both instances, FCA discovered the misuse during internal reviews and individuals received disciplinary actions prior to our review;
 - Six transactions (1% of the sample) were identified as erroneous charges. The three individuals involved indicated the charges were inaccurate or from potentially stolen card numbers. However, they did not file a dispute with the credit card company; and,
 - 11 transactions (1.9 % of the sample) lacked receipts in the travel system, lacked approvals per Agency policy, or the support and reasoning of official travel was not included in the file.
- Employees had not always made timely payments for travel card expenses; and,
- Two employees were listed as active FCA cardholders even though they were previously separated.

Through increased education to cardholders and documented processes for review, the travel card program could be further improved to reduce delinquencies and potential misuse of the travel card and increase the effectiveness of controls.



January 31, 2017

The Honorable Dallas P. Tonsager, Board Chairman
The Honorable Kenneth A. Spearman, Board Member
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Board Chairman Tonsager and FCA Board Members Spearman and Hall:

The Office of Inspector General (OIG) completed an inspection of the Farm Credit Administration's (FCA or Agency) Travel Card Program. The objective of this inspection was to determine whether FCA's oversight of the travel card program was effective.

We found FCA's oversight of the travel card is generally effective. FCA established and implemented controls over the travel card program. For example, FCA established:

- A process for travel card certifications and recertifications.
- Travel card limits and a methodology to restrict accounts.
- A process to ensure travel charges are appropriate and related to official travel.
- A new Operations Handbook for both travel and purchase cards.

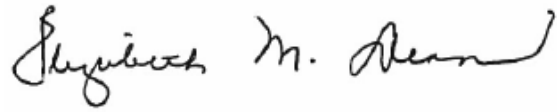
We identified opportunities to improve the travel card program. In response to our report, the Agency agreed to:

1. Provide education to cardholders on misuse of the government charge card, proper cash advances, delinquencies, potential disciplinary actions, the importance of reviewing statements for accuracy of charges, and the dispute process.
2. Follow up on previous audit recommendations and agreed-upon actions by implementing, and including in the Charge Card Management Plan and/or Operational Handbook for Travel Card Operations, a process to:
 - request and reconcile all active FCA travel cardholders with BFS on a quarterly basis to ensure proper closures; and,
 - provide annual education to travel cardholders on Agency policies and areas of improvement found during internal reviews.

OAS provided an article to be published in the Agency newsletter on the travel card. Educational materials were also provided that are to be uploaded to the internal travel site covering the areas found during the inspection. The Charge Card Management Plan was also updated to include the annual education and quarterly review process. Therefore, the agreed-upon actions are resolved and considered closed.

We appreciate the courtesies and professionalism extended by FCA personnel to the OIG staff. If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads "Elizabeth M. Dean". The signature is written in a cursive style with a large initial "E" and a long, sweeping underline.

Elizabeth M. Dean
Inspector General

Enclosure

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BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent Federal agency responsible for regulating, examining, and supervising the Farm Credit System and the Federal Agricultural Mortgage Corporation. The mission of the Agency is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

As part of the mission, FCA employees are required to complete official government travel. For travel expenses, FCA participates in the government-wide General Services Administration (GSA) SmartPay Travel Card Program and currently contracts with the Bureau of the Fiscal Service (BFS) for travel administration and services. FCA is included under an issued contract with Citibank for charge cards. FCA uses government travel cards for official travel and travel related expenses to include transportation, lodging, meals, and incidentals.

FCA's travel card program includes two types of charge accounts for travel: individually billed accounts and the centrally-billed account. For the individually-billed accounts, each designated cardholder is responsible for account payments. For the centrally-billed account, travel expenses are paid by the agency directly. FCA's Office of Agency Services (OAS) is responsible for the overall administration of the charge card programs and management of the centrally-billed account.



Each government agency must adhere to the requirements set forth in the Office of Management and Budget (OMB) Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. The circular stipulates that agencies must develop and maintain written policies and procedures related to charge card programs. This includes an annual submission of the agency's Charge Card Management Plan that outlines the agency's system of internal controls over the charge card programs.

In addition, the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) supplemented OMB Circular A-123, Appendix B with reporting and audit requirements and augmentation of existing controls. The Charge Card Act and OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, also mandated each Inspector General perform assessments of charge card programs¹. The Office of Inspector General (OIG) completes an annual risk assessment and initiated this inspection as part of our ongoing efforts in this area.

¹ FCA does not meet the threshold for a required travel audit set forth in the Charge Card Act. The Charge Card Act did not establish a threshold for purchase card programs. Inspectors General must perform an annual assessment of purchase cards. As part of our ongoing efforts, the OIG performs an annual assessment of all charge card programs.

Prior Reviews

The OIG has conducted several reviews to include the following:

- In 2014, the OIG conducted an audit, [*The Farm Credit Administration's Travel Card Program \(A-14-03\), August 2014*](#). The objective was to determine whether FCA's oversight of the travel card program was effective. The Agency agreed to:
 - Provide education to cardholders, at least annually;
 - Determine a process for quarterly transaction activity reports;
 - Document procedures on placing or removing an account in restricted status and reconciliations of open status accounts;
 - Evaluate the sufficiency of existing check out procedures; and
 - Update the Charge Card Management Plan, PPM 711, and PPM 826.

All agreed-upon actions were addressed and closed by September 2014.

- The OIG also performed an inspection, [*Distribution, Usage and Control of Purchase and Travel Cards at the Farm Credit Administration \(I-09-01\), June 2009*](#). The objective was to determine the effectiveness and efficiency of the implementation of government purchase and travel cards at FCA. For travel cards, the inspection found FCA had adequate controls over the program and there were no delinquencies over 60 days. The Agency agreed to update policies, determine if limits should be lowered during low activity levels, and provide transaction reports on a quarterly basis.

All agreed-upon actions were addressed and closed by September 2009.

INSPECTION RESULTS

The objective of this inspection was to determine if FCA's oversight of the travel card program was effective. We found FCA's oversight is generally effective. FCA established and implemented controls over the travel card program. For example:

- FCA has a documented process for travel card certifications and recertifications. New FCA employees certify they understand these policies and procedures when they are issued the travel card. Every three years, employees must recertify that they will adhere to the policies and procedures. We randomly sampled employees to verify certifications were completed within the last three years. All of the employees selected to review had certifications on file.
- Travel card limits and restricted accounts were established. As of October 2016, FCA had a total of 294 travel cardholders. The standard travel limit for travel cards is \$8,000. Of the 294 cardholders, 243 had the standard limit. The following chart shows the breakdown of limits and number of cardholders in each category:

| Limits | Number of Cardholders |
|--------------------|-----------------------|
| \$20 | 1 |
| \$1000 | 16 |
| \$2500 | 5 |
| \$5000 | 29 |
| \$8000 | 243 |
| Grand Total | 294 |

We found no cardholders had a limit above the standard amount. Further, we found the Agency lowered limits on restricted cards, which are cards that have been restricted due to creditworthiness.

- FCA has a process to ensure travel charges are appropriate and related to official travel. OAS performs monthly audits on travel transactions. An OAS official reviews 10 percent of randomly selected employees each month for misuse, cash withdrawals, and verification of authorizations on travel transactions.
- FCA implemented a new Operations Handbook for both travel and purchase cards. This handbook is a detailed step-by-step guide on how OAS completes reviews and documents controls over the program.

While the travel card program oversight is generally effective, there are opportunities for improvement in cardholder education, certain administrative controls, and items identified in our previous review.

Transaction Testing

When an employee uses their travel card, the charge is included on reports with the employee, expense, merchant, date, location, and additional items listed per transaction. We reviewed FCA's travel activity for Fiscal Years 2015 and 2016. We judgmentally sampled 585 transactions for further review². Most of the transactions contained proper documentation, approvals, and information supporting official travel expenses. From our judgmental sample, we identified the following 33 exceptions of the 585 transactions sampled³:

- 16 transactions by two individuals showing misuse of the travel card. One individual used their travel card to purchase airline tickets for family members. The other individual did not follow

² We judgmentally sampled the transactions based on: activity, type, location, and number of charges; cash withdrawal periods; and travel timeframes. Because our sample was judgmental and not statistically sampled, we cannot project our findings to the entire population.

³ Of the exceptions found, we determined that a referral for investigations was not deemed necessary after a review of the travel system, conducting interviews, and discussions with officials.

Agency policy on cash advances. In both instances, FCA also discovered the misuse during internal reviews and individuals received disciplinary actions prior to our review.

- Six transactions between three individuals were identified as erroneous charges. All three individuals indicated the charges were inaccurate or from potentially stolen card numbers. However, none of the individuals filed a dispute for the charges with the credit card company, as of our review. Two of the individuals stated they were unaware of the transactions until our conversation and they filed a dispute after our discussions. The remaining individual was aware of the transactions, but stated the credit card company would not allow a dispute claim because the transactions were past the 60-day window to file a claim.
- 11 transactions lacked receipts in the travel system, lacked approvals per Agency policy, or the support and reasoning of official travel was not included in the file.

Cardholder education is a valuable tool to remind employees of Agency policy and travel card requirements. Cardholders sign an agreement at issuance of the travel card that states the overall requirements and personal use restrictions. FCA and BFS consider the actual re-signing of the one-page statement of cardholder responsibility to be the refresher training required every three years. Beyond the agreements, there are limited trainings on travel cards. In response to similar issues found during our 2014 audit of the travel card program, Agency officials agreed to provide education to cardholders annually. Education has not been provided other than in August and November 2014. The Agency revised its internal travel site in August 2016 with common travel site links and information. This may be an efficient site to provide annual education through a presentation or fact sheets on common areas of misuse, etc.

FCA could also improve the reporting process to help identify unauthorized charges. OAS provides quarterly reports to FCA managers showing all charges made to the travel cards by each employee. These reports have been identified as a tool to verify charges related to official government travel. FCA's PPM 711 states supervisors will take appropriate actions for improper transactions based on the quarterly report. We randomly selected a quarterly report distribution for Fiscal Year 2016. The reports were issued to managers by email in April 2016. OAS requested each responsible official respond to the report if they find no discrepancies and charges appear to be appropriate and related to official travel. If discrepancies were noted, OAS asked management to state the employee's name, discrepancy, and action taken. Of the eight distributions reviewed for the quarter, four responses were received as requested. Three offices failed to respond at all. One office responded to the quarterly report that there would be a delay in processing, but had not responded on the accuracy of the transactions as of October 2016.

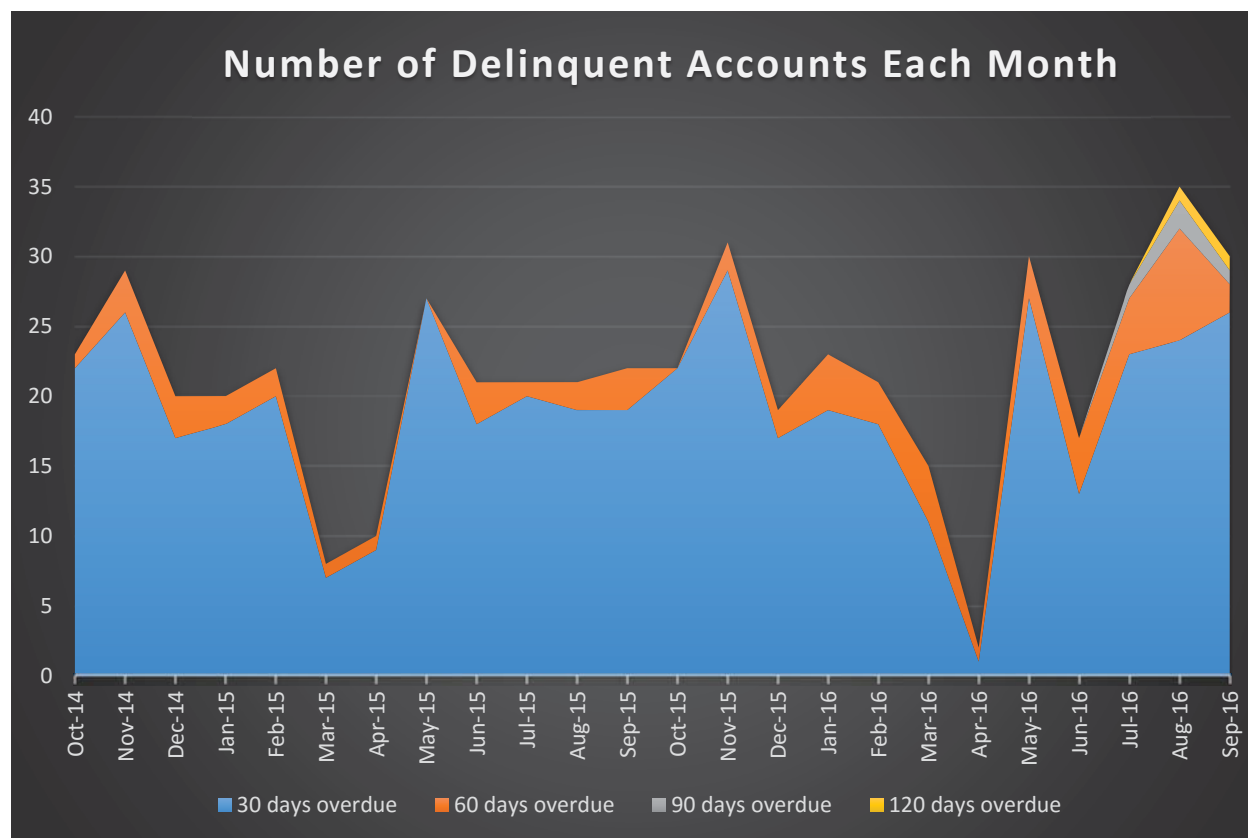
Administrative Controls

Delinquencies

Over the 24-month period reviewed, employees had not always made timely payments for travel card expenses. When an employee is issued a travel card, the user agreement states accounts must be paid in full by the due date. In addition, FCA's PPM 711 states an example of government card misuse is a delinquent account, which can lead to disciplinary action.

If a cardholder’s account is not paid by the due date, the account can go into delinquency status. FCA’s monthly delinquency reports sort cardholder accounts into categories of 30-day increments. For example, the listing shows cardholder accounts 30 days past due, 60 days past due, up to over 180 days each month. Delinquent accounts can go into presuspension, suspension, and cancellation status if not paid. During our review of the delinquency reports, we found 59 accounts that were 60 days past due, 4 accounts 90 days past due, and 2 accounts as 120 days past due over the 24-month period.

The following chart shows all delinquent accounts for the period of our review:



In our previous audit, [FCA’s Travel Card Program, August 2014](#), we identified delinquencies over a 19-month period, with 27 accounts that went into presuspension. However, during this review of a 24-month period, there were on average 2 accounts per month (59 in total) that were in presuspension.

OAS’s oversight process with delinquencies is to issue notifications to cardholders and their supervisors if any account goes into the 60 days overdue category. Agency officials stated this was not always completed due to transition in the oversight roles and reorganization within FCA. OAS had several personnel changes in oversight roles within the charge card program over the last two years.

Closure of Accounts

We found discrepancies in the active travel cardholder listing. FCA’s policies and procedures state when employees leave the Agency, they are to complete and submit the FCA Form 302, Employee Check Out Record. This form contains an area for travel card clearance. FCA is also responsible for notifying BFS of employees’ separations.

In order to test the control, we requested a listing of all current FCA travel cardholders, which was provided by BFS. The listing was compared to active employees in the personnel system. We identified four individuals that were listed as active cardholders, but were no longer employees. Two of the four individuals were recent separations. The other two separated from the Agency in 2012 and 2015, respectively. BFS showed both of the accounts were closed when the individuals left the Agency. However, they still appeared on the report for active travel cardholders assigned to FCA. It was unclear why these individuals were listed as active cardholders. We did not see any charges from either cardholder on the transaction listings after separating from the Agency.

In response to our last audit in 2014 on travel cards, FCA stated it would review the BFS listing for active cardholders quarterly. However, this was not being conducted. Officials stated they are looking at the listing annually. We also found the quarterly review requirement was not in the Travel Card Operations Handbook, which documents the internal procedures used for the travel card program.

Agreed-Upon Actions 1-2

In order to improve the travel card program, the Agency agreed to:

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In response to the inspection, OAS provided an article to be published in the Agency newsletter on the travel card. Educational materials were also provided that will be uploaded to the internal travel site covering the areas found during the inspection. The Charge Card Management Plan was also updated to include the annual education and quarterly review process. Therefore, the agreed-upon actions are resolved and considered closed.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this inspection was to determine if FCA's oversight of the travel card program was effective. We conducted the inspection at FCA's headquarters in McLean, VA from October 2016 through January 2017. We limited our scope to Fiscal Years 2015 and 2016.

We took the following steps to accomplish the objective:

- Identified and reviewed applicable Federal laws, regulations, and guidance related to the objective.
- Reviewed prior reviews related to the inspection objective.
- Conducted interviews with personnel from the Office of Agency Services, Office of Examination, and the Office of Information Technology.
- Identified and reviewed applicable internal FCA policies and procedures.
- Requested and reviewed the listing of all active travel card accounts and limitations for each account as of October 2016. Compared listing to current employees to determine if terminated and transferred employees were removed. Determined if the limitations were within established guidelines and appropriate.
- Randomly sampled training records of cardholders to ensure training certificates and refresher trainings were completed.
- Requested and reviewed travel activity on each travel card account for the Fiscal Years 2015 and 2016 for potentially improper, illegal, or erroneous charges by judgmentally sampling charges based on merchant coding, locations, dates, and amounts. Verified documentation in the travel and credit card system. Because our sample was judgmental, it cannot be projected to the entire population.
- Determined if reports showing travel charges were sent to management and whether the officials responded accordingly.
- Analyzed delinquency reports for each month in the Fiscal Years 2015 and 2016.

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the inspection to obtain sufficient, competent and relevant evidence that supports a reasonable basis for our findings, conclusions and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objectives. We assessed the risk of fraud related to our inspection objective in the course of evaluating evidence. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

ACRONYMS

| | |
|-----|---------------------------------|
| BFS | Bureau of the Fiscal Service |
| FCA | Farm Credit Administration |
| GSA | General Services Administration |
| OAS | Office of Agency Services |
| OIG | Office of Inspector General |
| PPM | Policies and Procedures Manual |

R E P O R T

Fraud | Waste | Abuse | Mismanagement



FARM CREDIT ADMINISTRATION

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