

**Office of Inspector General  
Corporation for National and  
Community Service**

**Review of the Corporation for National  
and Community Service's  
Purchase and Travel Card Programs**

**OIG Report Number  
06-42**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**Prepared by:**

**Office of Inspector General  
Corporation for National and Community Service  
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This report was issued to Corporation management on August 7, 2006. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than February 7, 2007, and complete its corrective actions by August 7, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Review of the  
Corporation for National and Community Service's  
Purchase and Travel Card Programs

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## OFFICE OF INSPECTOR GENERAL

### Executive Summary

The Office of Inspector General (OIG) has completed its review of the Corporation for National and Community Service's (Corporation) Purchase Card and Travel Card Programs. We identified certain areas of noncompliance with policies and procedures, and several areas in the internal control structure that warrant corrective action.

The Corporation has implemented an effective process to identify and address delinquent employee travel and purchase card accounts, but needs to provide up-to-date policies and procedures to ensure that cardholders are aware of user requirements. The Corporation also needs to implement a review process for submitting purchase card and travel card data outside of the organization so that data represents a complete and accurate account of the travel and purchase card programs. In addition, the Corporation needs to develop a process for promptly closing travel card accounts for separated employees.

### Background

The revised Office of Management and Budget (OMB) Circular A-123, Appendix B, "Improving the Management of Government Charge Cards Programs", dated August 5, 2005, provides guidance to Federal managers when using government charge cards to pay for goods and services that support Federal missions. The circular establishes standard minimum requirements and provides best practices for government charge card programs that may be supplemented by individual agency policies and procedures. Agencies are required to provide data and performance metrics reports to OMB annually. Reports must contain the dates of the most recent and next scheduled independent review (e.g., Office of the Inspector General) for all agency charge card programs.

The Corporation's Policy Number 503, "Travel Management" (Revision 3) dated February 15, 2006, provides guidelines for the official use of travel charge cards. New travel charge cardholders must complete training on the appropriate use of the card before the Travel Unit can approve their application. Cardholders are required to use the card for official government travel expenses, pay the charge card bill in full and on a timely basis. Cardholders are personally responsible for all charges made to their card and use of the card may be monitored. As of March 2006, there were 444 Corporation travel cardholders.

Corporation Policy Number 350, "Procuring Supplies and Services" (Revision 1) dated June 26, 2001, provides guidance on using the purchase card to procure supplies and services. The policy defines the purchase card as follows:

...a government-wide commercial purchase arrangement that allows a cardholder to either make micro-purchases (purchases up to \$2,500) under an established Delegation of Authority, or simplified acquisition purchases (purchases over \$2,500 up to \$100,000) under an established Delegation of Authority and Contracting Officer's Warrant instead of submitting a procurement request for award of a purchase order.

As of March 2006, there were 79 Corporation purchase cardholders.

Both charge cards are issued by Bank of America, N.A., under the Master Card International brand name.

The Corporation's travel card and purchase card functions are managed by two separate employees designated as Agency Program Coordinators (APC). The APC for travel matters reports to the director of the Office of Administrative Management Services. The APC for purchase card matters reports to the director of the Office of Procurement Services.

### **Objectives, Scope, and Methodology**

The objectives of our review were to determine whether:

- internal controls over the Charge Card Program are effective;
- policies and procedures are properly documented; and
- annual reporting requirements to OMB have been met and data reported to OMB is accurate and complete.

To achieve these objectives, the OIG:

- reviewed applicable criteria;
- interviewed Corporation staff who process travel and purchase card transactions and manage all elements of the programs;
- analyzed controls to ensure that only eligible persons participate in the travel and purchase card charge card programs.

We conducted our review between March 1, 2006, and May 4, 2006, in accordance with generally accepted government auditing standards. An exit conference was held with Corporation management on June 9, 2006, to discuss the findings and recommendations presented in this report. The Corporation's response to the draft report will be included as Appendix A in the final report.

## Results

### **A. CANCELLATION OF TRAVEL CARD ACCOUNTS**

The Corporation's APC for travel cards did not promptly close cardholder accounts. Bank of America records showed that Corporation travel card accounts were still open for 42 former Corporation employees as of March 7, 2006. According to the Office of Human Capital, the 42 employees separated from the Corporation between June 2001 and February 2006. None of the 42 accounts were found to have an outstanding balance.

The travel APC is the sole employee responsible for Corporation travel matters. The APC informed us that, due to a number of other travel-related duties, she was unable to close the accounts. She stated that closing accounts is time consuming because she must access Bank of America's Electronic Account Government Ledger System (EAGLS) and delete each account individually. After our review began, the APC attempted to close the 42 accounts, but a subsequent listing of open accounts still contained two separated employees whose accounts remained open.

The Corporation's Clearance for Final Salary Payment form, highlights a section where the APC certifies that the separating employee has no further responsibility or indebtedness relating to the travel card. However, there are no procedures that describe the specific actions to be taken to close the accounts.

Accounts that are allowed to remain open for separated employees, regardless of whether the former employees are in possession of the cards, are a vulnerability that could allow credit card fraud to occur. However, closing or freezing a cardholder's account in a timely manner, specifically, as soon as employees provide notice that they will be leaving the Corporation, or in cases where they relocate and will no longer be working in positions requiring use of the card, will strengthen internal control over this function. This procedure should aid in reducing the risk of any unauthorized travel card charges.

#### Recommendation:

We recommend that the Corporation institute procedures to ensure that:

- (1) The APC cross-checks the list of open travel card accounts to the list of separated employees to identify accounts belonging to former employees;
- (2) Travel card accounts are closed within a reasonable time period, but at least monthly, for employees who have left the Corporation.

Corporation Response:

The Corporation agrees with the recommendations. The travel card APC has closed all accounts and the separation listing is now up to date. The accounts were not closed due to a backlog and account system problems experienced by the travel card provider (Bank of America). If this problem continues to occur in the future, the APC will document each occurrence and place this information in the Corporation's travel file. The APC also will document the Standard Operating Procedures to close out travel cards.

Auditor Response:

The procedures described in the Corporation's response are sufficient in addressing the finding. We believe the APC should contact the travel card provider to determine if the account system problems can be resolved.

**B. COMPLIANCE WITH REVISED OFFICE OF MANAGEMENT AND  
BUDGET CIRCULAR A-123, APPENDIX B**

*Charge Card Management Plan*

OMB Circular A-123, Appendix B, Chapter 2, requires that agencies develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of the Circular. The Circular highlights elements that are required in each agency management plan. Those elements are as follows:

1. Identification of key management officials and their responsibilities for each charge card program. These officials will include, but are not limited to, Agency/Organization Program Coordinator (A/OPC), Approving Officials or other equivalent officials, and other accountable/billing officials.
2. Establishment of a process for formal appointment of cardholders and approving officials, where applicable.
3. Implementation of a process to ensure the credit worthiness of new travel and purchase charge card applicants consistent with Appendix B, Chapter 6, of Circular A-123.
4. Description of agency training requirements.
5. Management controls, policies, and practices for ensuring appropriate charge card usage and oversight of payment delinquencies, fraud, misuse, or abuse.
6. Establishment of appropriate authorization controls.
7. Implementation of policies and practices to ensure strategic sourcing consistent with Appendix B, Chapter 8, of Circular A-123.

8. Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis<sup>1</sup>, and other relevant transactions and program management issues.
9. Documentation and record retention requirements.
10. Recovery of travel and purchase charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.
11. Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to the OMB guidance, including, but not limited to, evaluating the effectiveness of training, risk management controls, refund management controls, strategic sourcing policies, and tax recovery efforts.

### *Purchase Card Policy and User Guide*

Corporation Policy 350 and the Purchase Card User's Guide do not include the following information that is required by Circular A-123 to be included in the charge card management plan:

- Implementation of policies and practices to ensure strategic sourcing consistent with Appendix B, Chapter 8, of the Circular.
- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues.
- Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to the OMB guidance, including, but not limited to, evaluating the effectiveness of training, risk management controls, refund management controls, strategic sourcing policies, and tax recovery efforts.

### *Travel Card Policy*

Corporation Policy 503 does not address the following required elements for the charge card management plan, as prescribed in the Circular A-123 Appendix B guidance.

- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis and other relevant transactions and program management issues.
- Recovery of travel charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.

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<sup>1</sup> A spend analysis is an evaluation of goods and services purchased to detect patterns and identify opportunities for savings.

- Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to the OMB guidance, including, but not limited to, evaluating the effectiveness of training, risk management controls, refund management controls, strategic sourcing policies, and tax recovery efforts.

### Training Requirements

Circular A-123, Appendix B, Chapter 3, requires that agencies provide training on charge card management. Both travel card and purchase card APCs receive continuous training on their respective charge card programs.

### Purchase Card Training

To determine if purchase cardholders and their respective approving officials had certified that they had received training, understood the regulations and procedures, and knew the consequences of inappropriate actions, we judgmentally selected a sample of 25 purchase cardholders from the universe of 79 cardholders. All sampled purchase cardholders had received training. Three training certificates for approving officials were not available and we therefore could not determine whether the three individuals had received the necessary training.

Corporation Policy Number 350, “Procuring Supplies and Services”, which includes a section on purchase card procedures, has not been updated in more than four years. The purchase card APC developed a Purchase Card User’s Guide that was updated to incorporate many of the changes required by Circular A-123, Appendix B. However, as of the audit date, the guide had not been approved for release to the purchase cardholders.

### Travel Card Training

To determine if travel cardholders certified that they had received training, understood the regulations and procedures, and knew the consequences of inappropriate actions, we tested a judgmental sample of 149 travel cardholders from the universe of 444 cardholders by reviewing training certificates. We could not verify that 11, or 7 percent, of the cardholders tested had completed training. We also could not determine that 38, or 25 percent, of those cardholders had received refresher training because their training certifications had surpassed the two-year requirement for refresher training.

Evidence of travel card training is maintained in a web-based database created and controlled by the General Services Administration. The travel APC does not maintain copies of training certificates but uses the database to determine who has received training and when the employee completed it. The APC can also determine who needs to receive refresher training that must be completed every two years. However; this requirement is not documented in the training materials or on the Corporation’s travel web page. The APC presumed that a reminder is sent to each cardholder when it is time for them to take the refresher course.

Corporation Policy Number 503, “Travel Management”, had not been updated in almost four years prior to its February 2006 update (Revision 3). The 2006 revision does not include the new requirements of Circular A-123, Appendix B.

Without up-to-date policies and procedures, there is an increased risk for abuse or misuse of the purchase and travel cards due to cardholders’ unawareness of usage requirements. This could potentially lead to higher delinquency rates.

Recommendation:

We recommend that the Corporation:

- (3) Ensure that the APCs and their supervisors review the revised Circular A-123, Appendix B, to adhere to the requirements outlined in the guidance.
- (4) Update Corporation policies so that they are clear and current.

Corporation Response:

The Corporation agrees with the recommendations. The APCs and their supervisors have reviewed and understand the guidance in the Circular. The Corporation’s procurement policy is being revised and is in the internal clearance process.

Auditor Response:

The Corporation’s response addresses recommendation (3), and part of recommendation (4). There is no mention of plans to revise the travel card policy and therefore we reiterate our recommendation that the travel card policy be revised and updated also.

**C. INCOMPLETE DATA AND PERFORMANCE METRICS REPORT  
AND NARRATIVE INFORMATION TO THE OFFICE OF MANAGEMENT  
AND BUDGET**

Data and Performance Metrics

Chapter 5 of OMB Circular A-123, Appendix B, requires agencies report to OMB, and maintain for their own use, the following data, and performance metrics for purchase and travel cards:

- Number of cards;
- Number of active accounts;
- Percentage of employees that are cardholders;
- Net number of new accounts (new less cancelled);
- Charge card dollars spent and total refunds earned;
- Number of abuse cases reported by the OIG; and

- Number of administrative and/or disciplinary actions taken for card misuse (including delinquency).

#### Purchase Card Only

- Ratio of purchase cardholders to approving officials ;
- Average number of monthly purchase card transactions reviewed per approving official;
- Number of purchase cardholders with contracting warrants above \$2,500; and
- Number of purchase cardholders with transaction limits of \$2,500 or more who do not hold contracting warrants.

#### Travel Card Only

- Number and percentage of travel cards with monthly and/or transaction limits (\$0 - \$2,500; \$2,501 - \$5,000; \$5,001 - \$7,500; \$7,501 and above.);
- Number and percentage of travel cards with ATM withdrawal limits (\$0 - \$2,500; \$2,501 - \$5,000; \$5,001 - \$7,500; \$7,501 and above); and
- Percentage of travel cardholders that travel less than five times annually.

Circular A-123 requires all agencies, including the Corporation, to report these items on an annual basis, beginning in the first quarter of Fiscal Year 2006. The first report was due on January 31, 2006.

#### Purchase Card

The information that the purchase card APC submitted for data and performance metrics on the January 31, 2006, report did not provide the following required information:

- Charge card dollars spent and total refunds earned.

#### Travel Card

Because the OMB report is a consolidated report prepared by the two APCs, the travel APC relied on the reporting template provided by the purchase card APC to submit travel card information. The Corporation purchase card report was submitted January 31, 2006. The Corporation's travel data and performance metric report and narrative information was not submitted until March 8, 2006. The travel APC stated that she was delayed in sending the information because she was waiting for data from Bank of America. We note that the EAGLS system contains all of the information needed to prepare the report for OMB.

The information that was submitted for data and performance metrics did not include the following required information:

- Total refunds earned;
- Number and percentage of travel cards with monthly and/or transaction limits (\$0 - \$2,500; \$2,501 - \$5,000; \$5,001 - \$7,500; \$7,501 and above.);
- Number and percentage of travel cards with ATM withdrawal limits (\$0 - \$2,500; \$2,501 - \$5,000; \$5,001 - \$7,500; \$7,501 and above.); and
- Percentage of travel cardholders that travel less than five times annually.

### Narrative Information

All agencies are required to report to OMB, and maintain for their own use, the following narrative information:

- The date(s) of most recent and next scheduled independent review (e.g., Office of Inspector General) for all agency charge card programs;
- A description of the current process for monitoring delinquencies, including which reports the agency reviews and what actions are taken when a problem is discovered;
- A description of the steps the agency takes to address protracted turnaround time (more than 15 working days) following voucher submission for travel voucher reimbursement, if applicable;
- A description of the method the agency utilizes to identify and detect possible card misuse, including the use of any specialized information technology solutions as well as any requests to charge card vendors for data reports;
- Future agency plans (within the next 12 months) to enhance charge card systems by automating reviews to detect instances of abuse, misuse, and fraud; and
- A description of any best practices the agency employs in charge card management.

Circular A-123 requires that all agencies, including the Corporation, report these items on a biannual basis beginning in the first quarter of Fiscal Year 2006.

The narrative section submitted by the travel APC provided the required information and therefore was considered complete. The purchase card APC provided the required narrative information. However, in the comments associated with the most recent and next scheduled independent review, the reference was to internal audits that the APC conducts. We do not consider the APC audits to be independent, and recommend that, in the next submission of the narrative information, the APC make reference to any independent audits or reviews.

As a result of our review of the required OMB submission, we determined that the Corporation did not submit accurate or timely data and performance metrics reports and narrative information to OMB for the reporting period ending January 31, 2006. This incomplete information could lead to OMB relying on inaccurate purchase card and travel card data submitted by the Corporation.

We recommend that the Corporation:

- (5) Implement a review process to ensure that it is reporting accurate and complete data to OMB; and
- (6) Ensure that the data and performance metrics report and narrative information are submitted by the due date, as required by the Circular.

Corporation Response:

The Corporation agrees with the recommendations. The Director, OPS will review the report for completeness and accuracy prior to its submission to OMB. The Director, OPS will also ensure that both the Purchase and Travel APCs prepare and submit the reports to OMB in a timely manner.

Auditor Response:

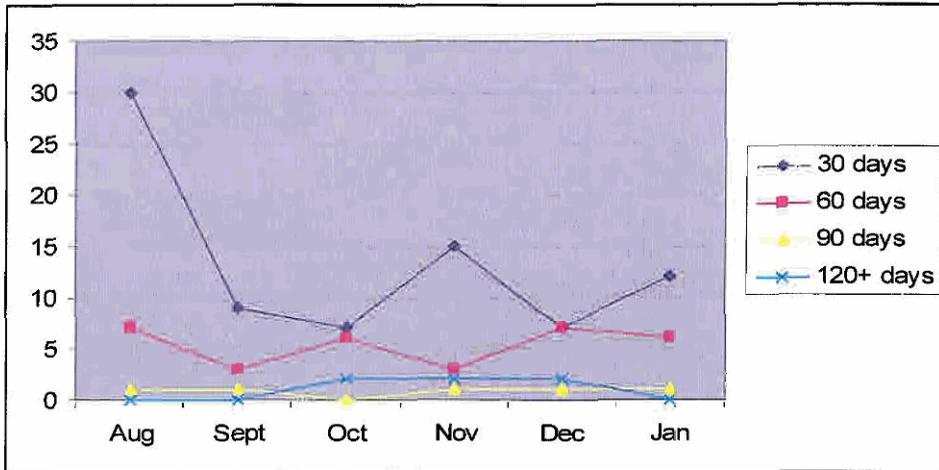
The procedures described in the Corporation's response should be sufficient to prevent the recurrence of the finding in the future.

**NOTEWORTHY ACCOMPLISHMENTS**

The purchase card APC has taken a proactive approach by conducting internal reviews of several purchase cardholders to ensure that they are adhering to the current Corporation policies and procedures. The reviews have ensured that the purchase cardholders are following current policies and procedures in using their cards. The purchase card APC also performs a monthly review of purchase card transactions that are provided by Bank of America's EAGLS system to identify delinquencies and misuse of the purchase card.

The travel card APC conducts a monthly review of delinquent travel card accounts and submits a monthly delinquency report to the Corporation's Deputy Chief Financial Officer. The report identifies the number of cardholders whose accounts are 30 days past due and 60 or more days past due. It also includes the correspondence that is sent to each cardholder informing them of their delinquencies, as well as the results of a random review of five employees and their travel card transactions over the past year.

The chart below shows the decline, over a six-month period (August 2005 to January 2006), in cardholder delinquencies:



The decline in cardholders who were delinquent also resulted in an approximate 60 percent decline in total outstanding balances owed to Bank of America.

This report is intended for the information and use of the Corporation for National and Community Service, Office of Inspector General and the U.S. Congress.

This report is a matter of public record and its distribution is not limited.

*Carol Bates*

Carol M. Bates  
 Assistant Inspector General for Audit  
 May 4, 2006

## **Appendix A**

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### **Response of the Corporation for National and Community Service**

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE**

**Date:** August 2, 2006

**To:** Carol Bates  
Assistant Inspector General for Audit

**From:** David Eisner   
Chief Executive Officer

**Subject:** Comments on OIG Draft Report, *Review of the Corporation for National and Community Service Purchase and Travel Card Programs*

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Thank you for the opportunity to review and comment on the draft audit report on your review of the Purchase and Travel Card programs. We are pleased that the report found that the Corporation has instituted an effective process to identify and address delinquent employee travel and purchase card accounts. The report also commended the proactive approach used by the purchase card APC to review and ensure that purchase card holders are adhering to the current Corporation policies and procedures as well as the travel card APC's procedures for reviewing delinquent accounts. The Corporation would like to express its appreciation for the effort your staff made in making this a successful and productive audit.

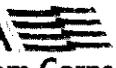
The report made six recommendations to further improve the oversight and administration of the Purchase and Travel Card programs. The Corporation agrees with these recommendations and has begun to implement them. OPS and OAMS have provided specific responses to each of the six recommendations below, noting that two of the corrective actions have been completed; therefore, this response serves as notice of final action for those items.

Attachment

cc: Jerry Bridges, Chief Financial Officer  
Bill Anderson, Deputy CFO for Financial Management  
Ritchie Vinson, Director, Office of Procurement Services



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## Corrective Actions

**Recommendation 1** – Institute procedures to ensure that the travel card APC cross-checks the list of open travel card accounts to the list of separate employees to identify accounts belonging to former employees.

**Corporation response** – The Corporation agrees with the recommendation. The travel card APC has closed all accounts and the separation listing is now up to date. The accounts were not closed due to a backlog and account system problems experienced by the travel card provider (Bank of America.) If this problem continues to occur in the future, the APC will document each occurrence and place this information in the Corporation's travel file. [Corrective Action Completed]

**Recommendation 2** – Institute procedures to ensure that travel card accounts are closed within a reasonable time period, but at least monthly, for employees who have left the Corporation.

**Corporation response** – The Corporation agrees with the recommendation. The APC will document the SOPs to close out travel cards.

**Recommendation 3** – Ensure that the APCs and their supervisors review the revised Circular A-123, Appendix B, to adhere to the requirements outlined in the guidance.

**Corporation response** – The Corporation agrees with the recommendation. The APCs and their supervisors have reviewed and understand the guidance in the Circular. [Corrective Action Completed]

**Recommendation 4** – Update the Corporation's policies and procedures so that they are clear and current.

**Corporation response** – The Corporation agrees with the recommendation. The Corporation's procurement policy is being revised and is in the internal clearance process.

**Recommendation 5** – Implement a review process to ensure that reports to OMB are accurate and complete.

**Corporation response** – The Corporation agrees with the recommendation. The Director, OPS will review the report for completeness and accuracy prior to its submission to OMB.

**Recommendation 6** – Ensure that the data and performance metrics report and narrative information are submitted by the due date, as required by the Circular.

**Corporation response** – The Corporation agrees with the recommendation. The Director, OPS will ensure that both the Purchase and Travel APCs prepare and submit the reports to OMB in a timely manner.