



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Operating efficiently and effectively

Risk Assessment Determines that Travel Card Program Merits an Audit Next Year Because Internal Controls Not Adequate

Report No. 19-P-0307

September 19, 2019



Report Contributors:

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Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GSA	U.S. General Services Administration
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget

Cover Photo: Sample government travel card. (U.S. General Services Administration)

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At a Glance

Why We Did This Project

The Government Charge Card Abuse Prevention Act of 2012 requires the Inspector General of each executive agency with more than \$10 million in travel card spending to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper or erroneous purchases and payments.

Our risk assessment objective was to analyze risks of illegal, improper or erroneous purchases and payments within the U.S. Environmental Protection Agency's (EPA's) travel card program.

This report addresses the following:

- *Operating efficiently and effectively.*

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What We Found

We assessed that the risk of illegal, improper and erroneous purchases for the EPA's travel card program is high enough to warrant an audit because oversight internal controls were not established and put in place after the transition to SmartPay3 on November 30, 2018.

Our assessment determined that the risk for the EPA's travel card program is high enough to warrant an audit.

The EPA obtains commercial travel card services from a contractor bank under the U.S. General Services Administration's SmartPay® Master Contract. On November 30, 2018, the General Services Administration and the EPA transitioned from the SmartPay2 to SmartPay3 contract. All EPA travel cards were transitioned from JP Morgan Chase bank to Citibank as of that date.

We learned that Citibank's online system was not working as intended several months after the official transition on November 30, 2018. We tested transactions between October 1, 2018, through February 28, 2019. This time period included the transition from JP Morgan Chase to Citibank and the government shutdown. We observed several anomalies in the reports for the 5 months reviewed:

- Two of the 10 employees tested on the separated employee list were included on the EPA travel cardholder list.
- Transaction expenses for two of the 10 employees tested did not match the Citibank records.
- The second quarter statistical report to the Office of Management and Budget was blank for both active and new accounts.
- The Total Credit Remaining Report was not available.

Our report contains no recommendations. However, based on our results, we will conduct an audit of the EPA's travel card program in fiscal year 2020.

The EPA said it corrected several of the issues we noted in the third quarter of fiscal year 2019. We will verify whether the corrections were made as part of our fiscal year 2020 audit.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

September 19, 2019

MEMORANDUM

SUBJECT: Risk Assessment Determines that Travel Card Program Merits
an Audit Next Year Because Internal Controls Not Adequate
Report No. 19-P-0307

FROM: Charles J. Sheehan, Deputy Inspector General

A handwritten signature in blue ink that reads "Charles J. Sheehan".

TO: David Bloom, Acting Chief Financial Officer

This is our report on the risk assessment conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this risk assessment was OA&E-FY19-0131. This report contains findings the OIG has identified and represents the opinion of the OIG.

You are not required to respond to this report because this report contains no recommendations. However, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Purpose

Our risk assessment objective was to analyze risks of illegal, improper or erroneous purchases and payments within the U.S. Environmental Protection Agency’s (EPA’s) travel card program.

Background

The Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194), enacted October 5, 2012, states: “The Inspector General of each executive agency with more than \$10,000,000 in travel card spending shall conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments.”

The travel card program balances the need to assure that official travel is conducted in a responsible manner with the need to minimize administrative costs. The Federal Travel Regulation contained in 41 CFR Chapters 300–304 implements statutory requirements and policies for travel by federal civilian employees and others authorized to travel at government expense. The EPA obtains commercial travel card services through a contractor bank under the U.S. General Services Administration’s (GSA’s) SmartPay® Master Contract. Established in 1998, the GSA SmartPay Program provides services to more than 560 federal agencies, organizations and tribal governments and enables authorized government employees to make purchases in support of their organization’s mission.

As of November 30, 2018, the GSA and EPA transitioned from the GSA SmartPay2 Master Contract to the GSA SmartPay3 Master Contract. The bank for all EPA travel cards was changed from JP Morgan Chase to Citibank as of that date.

Travel card charges for the 5-month period of our risk assessment were more than \$11 million, as shown in Table 1.

Table 1: Travel card charge totals

Bank	Month – Year	Travel expense
JP Morgan Chase	October 2018	\$3,888,434
JP Morgan Chase	November 2018	2,968,230
JP Morgan Chase	December 2018 – February 2019	948,696
Citibank	December 2018 – February 2019	3,217,765
Total	October 2018 – February 2019	\$ 11,023,125

Source: Travel card transactions provided by the OCFO.

Responsible Offices

The Office of the Chief Financial Officer (OCFO) is responsible for the EPA's travel card program. Within the OCFO:

- The Office of the Controller issues policies and procedures for official EPA travel (including procedures regarding travel cards) and provides guidance to program offices and regions.
- The Cincinnati Finance Center manages EPA's travel help desk and administers payment of approved travel claims.

Scope and Methodology

We conducted this risk assessment from April through July 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective.

To answer our objective, we reviewed applicable laws, Office of Management and Budget (OMB) requirements, and EPA policies and procedures. We conducted interviews with EPA personnel to understand internal controls and the travel card transition from JP Morgan Chase to Citibank. We also reviewed the GSA contract and interviewed GSA staff to gain an understanding of the reasons for delays with the transition to the new SmartPay3 contract managed by Citibank. The period for our transaction testing was October 1, 2018, through February 28, 2019. This period included the transition from JP Morgan Chase to Citibank and the government shutdown. We began transaction testing of the EPA's controls, but issues with the transition to the SmartPay3 contract limited our ability to test transactions.

Prior Audit Coverage

EPA Office of Inspector General (OIG) Report No. [17-P-0377](#), *EPA's Travel Card Program at Low Risk for Unauthorized Purchases*, issued September 6, 2017, found that the EPA travel card program was at low risk for unauthorized purchases and should continue to follow its internal controls and procedures set forth in its travel policies and OMB guidance. The report made no recommendations.

EPA OIG Report No. [16-P-0282](#), *EPA Oversight of Travel Cards Needs to Improve*, issued August 24, 2016, recommended that the EPA institute a process to verify the accuracy of travel card rebates, and establish and implement policies and procedures to correctly distribute travel card rebates. We found that the EPA should develop controls and a timeline for addressing late vouchers, revise the

travel card policy to institute stronger controls, and modify the EPA's Concur Travel Management System so that lodging and rental car expenses can only result in a bank card payment. In addition, we found that the EPA should require travel cardholders to complete training that covers the importance of split payments, timely payments, and the consequences of the failure to comply. Corrective actions were completed for all six recommendations.

Results

Based on our results of the risk assessment, we determined we will need to conduct an audit of the EPA's travel card program in fiscal year (FY) 2020. Details on specific issues identified follow.

Citibank Transition Difficulties

The EPA obtains commercial travel card services from a contractor bank under the GSA's SmartPay® Master Contract. On November 30, 2018, the GSA and EPA transitioned from GSA SmartPay2 to the GSA SmartPay3 contract and all EPA travel cards were transitioned from JP Morgan Chase to Citibank. After the transition, over the course of several months, the GSA coordinated interagency meetings to address issues with the transition to Citibank. Although the Citibank card changeover took place on schedule, transition difficulties continued during our risk assessment with the bank's internet-based application, CitiManager®.

CitiManager® is an online tool that cardholders and travel card administrators can customize to efficiently manage accounts. The GSA contract specifies that the bank's internal control tools may assist with identifying unusual spending patterns and monitoring transactions to identify potential misuse, fraud, waste and abuse. Administrators of CitiManager® can:

- Set credit and ATM limits.
- Manage delinquency and unauthorized charges.
- Block Merchant Category Codes.
- Suspend accounts.
- Implement salary offset under the authority of OMB Circular A-123 Appendix B, Chapter 4.4.2.

During interviews with the EPA Office of Acquisition Solutions and GSA staff, we learned that Citibank's CitiManager® system was not working as intended after the transition due to delays caused by the government shutdown as well as transition issues. The GSA stated the EPA's Concur travel system continued to follow the EPA's internal travel process and provided the agency with travel reports during the transition. However, the transition took much longer than expected due to difficulties experienced after the transition to CitiManager®. The OCFO stated the agency's internal controls were sufficient because the:

(1) Merchant Category Code blocks are established on the cards, (2) the OCFO

checks for transactions and declines and monitors delinquency reports, and (3) the EPA uses a clearance process for cardholders who leave the agency.

We observed the following anomalies in the transaction data, internal EPA reports and quarterly reports to OMB:

- No refunds were reported for the last quarter of FY 2018.
- On an EPA quarterly report to the OMB, the number of active accounts was blank for the first two quarters of FY 2019.
- Zero net new accounts were reported in the second quarter of FY 2019.
- The total Credit Remaining Report was not available.
- Two of the 10 employees on the separated employee list were included on the EPA travel cardholder list.
- Transaction expenses for two of the 10 employees did not match the Citibank records.
- For one out of the 10 sample transactions, the credit limit per Citibank records did not match the credit limit per the EPA travel cardholder list.
- As of July 16, 2019, 20 percent of travel cardholders had not activated their travel card received in November 2018.

The EPA stated that it corrected several of these issues in the third quarter FY 2019. In addition, the EPA stated that some travelers' credit limits were temporarily increased during the government shutdown when the agency was unable to process payroll or travel vouchers. We will verify this as part of our future audit.

Agency Response and OIG Evaluation

We issued a discussion document presenting our results to the agency for its review on July 18, 2019, and met with the agency on July 31, 2019, to discuss the results. The EPA agreed with our proceeding directly to a final report.

Distribution

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