



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

*Spending Taxpayer Dollars*

# EPA Oversight of Travel Cards Needs to Improve

Report No. 16-P-0282

August 24, 2016



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## Abbreviations

CFC	Cincinnati Finance Center
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GSA	General Services Administration
NASA	National Aeronautics and Space Administration
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget

**Cover photo:** Example of a government travel card. (GSA photo)

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# At a Glance

## Why We Did This Audit

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) conducted this audit to determine whether the EPA's internal controls over travel card rebates and delinquencies have ensured maximum return of dollars to the EPA and to the U.S. Department of the Treasury (Treasury).

The Government Charge Card Abuse Prevention Act of 2012 requires the Inspector General to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper or erroneous purchases and payments.

## This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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Listing of [OIG reports](#).

## EPA Oversight of Travel Cards Needs to Improve

### What We Found

The EPA does not check travel card bank rebates for accuracy. As a result, the agency does not know whether travel card rebates received from the bank are accurate.

The EPA did not comply with the legal requirement to return rebates to each appropriation proportionally or to the U.S. Treasury (an option when rebates are not applied proportionally). Instead, the agency selectively returned travel rebates to only a portion of EPA appropriations within a travel reserve account. As a result, rebates totaling \$240,375 in fiscal year 2014 and \$283,789 in fiscal year 2015 were incorrectly returned to only four of 11 EPA appropriations.

EPA oversight does not maximize sales and productivity-based rebates. The agency's Cincinnati Finance Center does not emphasize that supervisors should hold late-paying travel cardholders responsible, require maximum use of the travel card for official government expenses, or require that all expenses charged on the card are paid directly to the bank. These practices may result in more delinquent accounts and fewer bank rebate dollars.

**Improved EPA oversight could increase the agency's annual rebates by \$14,000 or more.**

### Recommendations and Planned Agency Corrective Actions

We recommend that the EPA's Office of the Chief Financial Officer (OCFO) 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 also recommend that OCFO develop controls and a timeline for addressing late vouchers, revise the travel card policy to institute stronger controls, and modify Concur so that lodging and rental car expenses can only result in a bank card payment. In addition, we recommend that the OCFO require travel cardholders to complete training that covers the importance of split payments, timely payments, and the consequences of failure to comply.

The EPA agreed with all recommendations and provided planned corrective actions with milestone dates. Corrective actions that address the intent of Recommendations 1 and 2 have been partially completed and are open pending completion of the remaining corrective actions. Planned corrective actions appear to address the intent of Recommendations 3, 4, 5 and 6, and these four recommendations are open with corrective actions pending.



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

THE INSPECTOR GENERAL

August 24, 2016

**MEMORANDUM**

**SUBJECT:** EPA Oversight of Travel Cards Needs to Improve  
Report No. 16-P-0282

**FROM:** Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

**TO:** David Bloom, Deputy Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY15-0156. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

The Office of the Chief Financial Officer is responsible for issues noted in this report. This office manages the EPA travel program, ensures that the program complies with federal regulations and EPA policy, and monitors travel program effectiveness.

**Action Required**

In accordance with EPA Manual 2750, your office provided planned corrective actions and completion dates in response to OIG recommendations. All recommendations are open pending implementation of the corrective actions. No final response to this report is required. The OIG may make periodic inquiries on your progress in implementing these corrective actions. Please update the EPA's Management Audit Tracking System as you complete planned corrective actions. Should you choose to provide a final response, we will post your response on the OIG's public 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](http://www.epa.gov/oig).

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# Chapter 1

## Introduction

### Purpose

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) conducted this audit to determine whether the EPA's internal controls over travel card rebates and delinquencies have ensured maximum return of dollars to the EPA and to the U.S. Department of the Treasury (Treasury).

### Background

The Government Charge Card Abuse Prevention Act of 2012 states that the OIG is to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper or erroneous purchases and payments. The OIG is required to report annually to the Office of Management and Budget (OMB) on the implementation of recommendations.

The act requires the head of each executive agency to establish and maintain specific internal control activities to ensure the proper, efficient and effective use of travel cards. Each agency shall also provide for appropriate adverse personnel actions in the case of an employee failing to comply with applicable travel charge card terms and conditions, applicable agency regulations, or if the employee commits fraud with respect to a travel charge card. According to the act:

Each executive agency shall ensure that, where appropriate, travel card payments are issued directly to the travel card-issuing bank for credit to the employee's individual travel card account.

The act also requires that rebates and refunds that an agency receives due to prompt payment, sales volume or other agency actions on travel charge card accounts are monitored for accuracy and properly recorded as a receipt by the agency.<sup>1</sup>

The General Services Administration (GSA) SmartPay Travel Card Program provides charge cards to federal government employees for official government travel. GSA Federal Travel Regulations require federal government employees to use contractor-issued travel cards for all official travel expenses, unless there is an exemption. The EPA's Official Travel Policy requires Agency Program Coordinators to provide the Cincinnati Finance Center with a quarterly report of travel card misuse or abuse, delinquency and disciplinary action taken.

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<sup>1</sup> According to the master bank contract, the word "rebate" is synonymous with "refund," and the term "rebate" is used throughout this report.

EPA travel cardholders are required to satisfy their financial obligations within the timeframe set by the travel card contractor bank. Per OMB, payment delinquency (i.e., a charge card account balance that is unpaid for more than 61 days past the statement date) associated with a government travel charge card is prohibited. Supervisors are required to take steps for appropriate disciplinary action based on the EPA's *Conduct and Discipline Manual*.

Unless specific statutory authority exists to allow refunds to be used for other purposes, refunds must be returned to the appropriation or to the account from which the funds were expended. The appropriation or account can use refunds for any legitimate purchase for which the funds were returned, or as authorized by statute.



Travelers pay for airline flights with government travel cards.  
(GSA photo)

## Responsible Office

The Office of the Chief Financial Officer (OCFO) is responsible for issues noted in this report. OCFO manages the EPA travel program, ensures that the program complies with federal regulations and EPA policy, and monitors travel program effectiveness. 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 (CFC) manages the Concur Travel Management System, maintains the travel help desk, assists with travel training requests, serves as the EPA travel payment office, and pays proper travel claims (e.g., allowable expenses with required receipts) within 30 calendar days of receipt of travel vouchers. The CFC is also responsible for reviewing available data (including the use of data mining if available) on a quarterly basis to detect delinquency, fraud and misuse,

and to identify trends and observations of relevant indicators of travel card performance.

- The Office of Budget is the central budget office. The office serves in a fiduciary role and provides guidance to ensure proper use of resources.

## Scope and Methodology

We conducted this audit from May 2015 to May 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To determine whether EPA internal controls over travel card rebates and delinquencies ensured maximum return of dollars to the EPA and to the U.S. Treasury, we reviewed the following:

- Public Law 112-194 (the Government Charge Card Abuse Prevention Act of 2012).
- U.S. Code, Title 31 – Money and Finance, Chapter 13, Section 1301.
- The Treasury Financial Manual.
- OMB Circular A-123, Appendix B.
- GSA’s Federal Travel Regulations.
- EPA policies, guidance and memoranda.
- Travel card audit reports from other federal OIGs and the U.S. Government Accountability Office.

We selected a stratified random sample of 20 travel cardholders whose payments were 31 or more days past due during fiscal year (FY) 2014.<sup>2</sup> The sampled cardholders were past due \$30,003 as shown in Appendix 1. We sent questionnaires to all 20 sampled travel cardholders and interviewed 17 of their supervisors. We also contacted GSA and obtained and analyzed GSA travel card data.

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<sup>2</sup> From the universe of employees with past-due balances during FY 2014, we randomly selected five transactions from each of the following groups of cardholders: past due one time; past due two times; past due three to four times; and past due five to seven times. Accounts are “past due” if the travel card contractor bank does not receive payment within 30 days of the billing date for the “Total Payment Due” shown on the billing statement. Any unpaid portion of the “Total Payment Due” appears on subsequent billing statements as a “Past Due Balance.”

## Prior Reports

EPA OIG Report No. [14-P-0037](#), *Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Travel*, issued December 11, 2013, found the EPA's lack of management oversight and weak internal controls enabled Beale's travel abuse. In addition, EPA OIG Report No. [15-P-0294](#), *EPA Needs Better Management Controls for Approval of Employee Travel*, issued September 22, 2015, recommended that the EPA:

- Evaluate the effectiveness of its executive approval framework after 1 year.
- Require the CFC to run and review quarterly reports for frequent travelers traveling to the same location.
- Submit irregularities to the designated position within OCFO.

On September 24, 2010, the Treasury Inspector General for Tax Administration issued the report titled *Although Citibank Travel Rebates Have Significantly Increased, They Were Not Properly Allocated, Resulting in the Misappropriation of Funds* (Reference Number: [2010-10-124](#)). The Treasury Inspector General found that the Internal Revenue Service travel card rebate program lacked sufficient management oversight, and did not ensure travel rebates were maximized, accurate and properly allocated. The method used to distribute the quarterly travel rebates caused a misappropriation of funds to occur.

On February 16, 2012, the National Aeronautics and Space Administration (NASA) Inspector General issued *Audit of NASA's Purchase and Travel Card Programs* (Report No. [IG-12-010](#)), which reported improper application of rebates. NASA's Inspector General said rebates were not returned to the correct appropriation or account, resulting in possible misapplication and augmentation of funds.



Lodging expenses should be placed on the government charge card. (Bureau of Labor Statistics photo)

## **Chapter 2**

### **Bank Travel Card Rebates Are Not Reviewed for Accuracy**

The EPA does not check travel card bank rebates for accuracy. The Government Charge Card Abuse Prevention Act of 2012 requires that each agency review rebates for accuracy and proper recording. The EPA does not review travel rebates for accuracy because GSA provides oversight of the master bankcard contract. As a result, the EPA does not know if travel card rebates received from the bank are accurate.

#### **Despite Requirements, EPA Does Not Review Travel Card Rebates for Accuracy**

Per the Government Charge Card Abuse Act of 2012, the head of each executive agency that has employees who use travel charge cards shall establish and maintain specific internal control activities to ensure the proper, efficient and effective use of such travel charge cards. The act requires that rebates and refunds based on prompt payment and sales volume be monitored for accuracy. The EPA does not review travel card rebates for accuracy and is not in compliance with the act.

GSA is beginning to conduct reviews (and plans future audits) as a no-cost, value-added benefit of the SmartPay program. These reviews will help agencies comply with the act's requirements regarding rebate validation; however, this has not begun. GSA stated that each agency is ultimately responsible for monitoring the rebates for accuracy.

#### **EPA Does Not Obtain Bank Reports to Verify Rebate Accuracy**

The EPA did not obtain bank rebate reports to verify travel rebate accuracy, because the agency viewed this function as GSA's responsibility since GSA provides oversight of the master bankcard contract. However, the act specifically places the responsibility for reviewing the accuracy of rebates with each individual agency. EPA staff also stated that bank rebate information is not verified because they are not aware of how much is spent on travel. However, in a January 2016 meeting, CFC staff stated that reports (including total expenditures and file turn calculations) can be requested from the bank, and the EPA could begin reviewing rebate accuracy.

Meanwhile, the EPA does not have reasonable assurance that the rebates received from the credit card company are accurate. Table 1 notes the total amount of rebates the EPA received in FY 2014 and FY 2015.

**Table 1: Rebates the EPA received from bank**

Description	FY 2014	FY 2015
Rebates received	\$ 240,375	\$ 283,789

Source: OIG rebate analysis.

## **Recommendation**

We recommend that the Office of the Chief Financial Officer:

1. Institute a process to verify the accuracy of travel card rebates.

## **Agency Response and OIG Evaluation**

The EPA agreed with Recommendation 1 and provided corrective actions that meet the intent of the recommendation. The EPA will verify the bank refund with the agency’s calculation and spending. The new procedure became effective with third quarter FY 2016 rebates. The agency has completed a portion of the corrective actions. Recommendation 1 is open pending completion of the corrective actions.

## Chapter 3

### Rebates Are Not Returned to Appropriations

The EPA did not correctly return travel rebates to each appropriation as required. Instead, the EPA only applied the rebates toward the four largest appropriations within a reserve account. The Government Charge Card Abuse Prevention Act of 2012 requires that rebates be properly recorded, and the Treasury Financial Manual (Section 4530, Agency Refunds) requires that refunds must be returned to the appropriation or account from which the purchase was made that generated the refund.

According to one EPA manager, it would take too much time and effort to apply the small amount of travel rebates to each of the appropriations; in particular, those that receive smaller rebate amounts. As a result, rebates of \$240,375 from FY 2014 and \$283,789 from FY 2015 were incorrectly applied toward only four of the 11 appropriations.

#### EPA Must Comply With Federal Requirements

The Government Charge Card Abuse Prevention Act of 2012, Section 3, Management of Travel Cards, subsection h(1)(B)), requires that rebates and refunds based on travel charge card accounts' prompt payment and sales volume are correctly recorded as a receipt of the agency.

Comptroller General of the United States Decision B-217913.3 states that rebate checks may be deposited, “. . . to the general fund of the Treasury where, because of the processing costs and time involved, the agency elects not to credit rebates to the appropriation originally charged.”



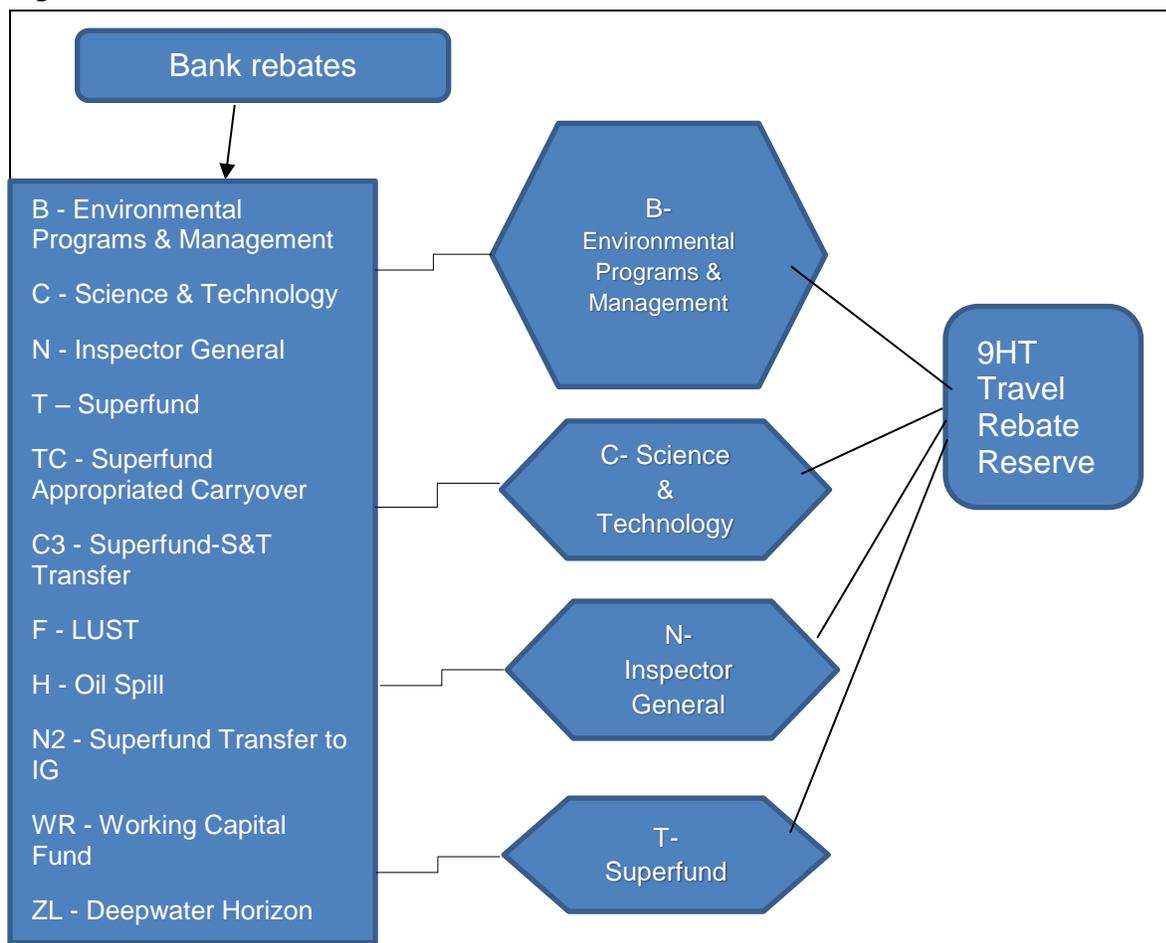
The U.S. Department of the Treasury has specific requirements that federal agencies must follow. (Treasury photo)

The Treasury Financial Manual (Section 4530, Agency Refunds) requires that, “Unless specific statutory authority exists that allows refunds to be used for other purposes, refunds must be returned to the appropriation or account from which the purchase was made that generated the refund.”

## Travel Rebates Need to Be Correctly Allocated to Appropriations or Returned to Treasury

The EPA does not return travel card rebates back to all appropriations that generated the rebate. Instead, on a quarterly basis, the EPA identifies rebate amounts for only the top four appropriations with the largest travel expenditures based on travel card usage, and places the funds into the 9HT reserve account rather than return the funds to each appropriation or to the Treasury's general fund. (Figure 1).

**Figure 1: Flow of travel card rebates from bank to the 9HT travel reserve account**



Source: OIG analysis of EPA process.

For FY 2014 and FY 2015, the following four appropriations had the highest expenditures:

- B - Environmental Programs and Management
- C - Science and Technology
- N - Inspector General
- T - Superfund

The EPA identifies the top four appropriations for rebate funds, but does not return the funds proportionally to each of the 11 appropriations that contributed to generating the rebates. The funds retained in the reserve account are available for use in the event of Anti-Deficiency Act violations until the funds expire and are returned to the Treasury.<sup>3</sup> The EPA also indicated that it may use the combined rebates to allow for additional travel ceiling for unexpected agency priorities; or, if none arise, it uses the rebates to cover potential future overruns. According to the OCFO's Office of Budget staff, no funds were spent from the 9HT account.

In October 2015, EPA OIG inquired about its travel card rebate money, and in November 2015, the office received a portion of the travel card rebate totaling \$9,369. The rebate amount is based on the EPA's Office of Budget calculations of EPA OIG travel for FY 2015. However, the Office of Budget did not calculate a rebate for the "Superfund Transfer to IG" travel (N2), but recently agreed to do so starting with FY 2016.

## **EPA Management Put Travel Rebates Into a Fiduciary Reserve Account**

According to the EPA, management decided to put travel rebates into a reserve account years ago, but there is no policy or procedure to document that decision or the process currently in use. In addition, the EPA's Office of Budget made the decision to hold travel rebates in a fiduciary reserve account for up to 7 years.

The EPA explained that the rebate money is needed in the fiduciary reserve as a buffer against anti-deficiency violations, but the biggest benefit to the EPA is using the rebate to issue additional travel ceiling for agency priorities. The agency also said the funds derived from rebates are not legally required to be returned to the program offices, and cited 31 U.S. Code § 1514, which states the head of each executive agency "shall prescribe by regulation a system of administrative control not inconsistent with accounting procedures prescribed under law." The OIG agrees that rebates only need to be returned to each appropriation and not each budget code.

An EPA manager explained that it would take too much time and effort to apply the small amount of travel rebates to each of the fund codes. Comptroller General Decision B-217913.3 specifically addresses allowable options for treatment of rebates and states that, in such a situation, the agency can opt to deposit rebates to the general fund of the Treasury.

The EPA had not developed or implemented any internal policies, procedures or guidelines for the allocation of rebates, even though the EPA began receiving

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<sup>3</sup> The OIG offers no opinion on the propriety of the agency's assertion that the funds retained in the reserve account were available for use in the event of an Anti-Deficiency Act violation.

rebates with the inception of the SmartPay 1 card in 1998. OCFO management stated that they will provide a new policy for handling rebates.

## **Travel Card Rebates Are Not Applied to Correct Appropriations**

The EPA has not complied with appropriation legal constraints of time, purpose and amount, which limit the deposit of a refund to only the source from which the funds originated. The EPA is not in compliance with the Government Charge Card Abuse Prevention Act of 2012, Comptroller General Decision B-217913.3, or the Treasury Financial Manual.

Our calculations showed that rebates totaling \$240,375 from FY 2014 and \$283,789 from FY 2015 were incorrectly placed in a reserve account under only four of 11 appropriations, instead of all the appropriations from which the funds were originally expended. The funds were also not returned directly to the Treasury.

The EPA did not allocate travel rebates correctly. The Office of Budget retained the majority of the \$524,164 in travel card rebates received for FY 2014 and FY 2015 in the travel reserve account's biggest spending appropriations, even though the EPA's travel expenditures were funded from many different appropriations.

According to the EPA, distributing rebates to the agency's offices would eliminate the following benefits:

- The full travel ceiling available directly to offices so they can plan appropriately.
- The ability for an office to receive some relief when unexpected high-priority travel needs occur.

During a February 2016 meeting with OCFO, management stated that they can easily change the current practice and return rebates to all 11 appropriations within the 9HT Reserve Account.

## **Recommendation**

We recommend that the Office of the Chief Financial Officer:

2. Establish and implement policies and procedures to correctly return travel card rebates to the original appropriations or directly to the U.S. Treasury, for better use.

## **Agency Response and OIG Evaluation**

The EPA agreed with Recommendation 2 and completed a portion of the corrective actions in May 2016. In response to Recommendation 2, the EPA updated its Travel Rebate Standard Operating Procedures to require funds to be distributed to the original appropriations. The updated procedures describe how the EPA will distribute the rebates across appropriations based on the proration of travel obligations. According to the agency, this method of distribution will be retroactively applied to the beginning of FY 2016.

The agency completed a portion of the corrective actions for Recommendation 2. This recommendation is open pending completion of the remaining corrective actions.

# Chapter 4

## Travel Card Rebates Are Not Maximized

EPA oversight does not maximize sales and productivity-based rebates. The Treasury Financial Manual states that agencies must take steps to maximize sales and productivity refunds in accordance with OMB Circular A-123. EPA oversight is not effective because the agency's CFC does not emphasize that supervisors should hold late-paying travel cardholders responsible, require maximum use of the travel card for official government expenses, or require that all expenses charged on the card are paid directly to the bank from vouchers. As a result, the EPA may have more delinquent accounts and receive fewer rebate dollars from the bank.

### Travel Cardholders Must Comply With Federal and EPA Requirements

The Treasury Financial Manual, Chapter 4500, states that agencies must take steps to maximize sales and productivity refunds in accordance with OMB Circular A-123, Appendix B, Chapter 7: Refund Management.

Appendix B of OMB Circular A-123 (Revised) Section 2.2 states that:

Maintaining a charge card management plan is important because the establishment of written, formal policies and procedures are critical to assure that a system of internal controls is followed, and to minimize the potential for fraud, misuse, and delinquency.

Section 2.3 covers, among other things, agency training requirements, management controls, policies, and practices for appropriate charge card usage and oversight of payment delinquencies, fraud, misuse, or abuse, and appropriate authorization controls. Section 4.5 prohibits payment delinquency associated with a government travel card. The agency may impose administrative and/or disciplinary actions on delinquent travel cardholders.

Examples from the EPA's official travel policy include:

- Cardholders must pay their financial obligations within the timeframe established by the bank.
- Travel authorizing officials, in consultation with the agency program coordinators, will take the necessary steps for appropriate disciplinary action.
- The travel card contractor bank notifies employees and the employees' Agency Program Coordinators of accounts unpaid for all undisputed

charges 45 days after the billing date for the *Total Payment Due*. The Coordinator notifies the employees' supervisors, subject to the local bargaining unit agreement, via email or memorandum that the bank has reported that accounts have outstanding balances and will suspend charging privileges if the balances remain unpaid at 60 days past the original billing date.

- CFC is responsible for consolidating the Agency Program Coordinator quarterly reports of travel card misuse or abuse, delinquency and disciplinary action taken in conjunction with travel card infractions.
- Travel cardholders are required to indicate on their travel vouchers an amount to directly pay the bank. At a minimum, split disbursement requires direct payment for common carrier transportation, lodging or hotel costs, and all proper transaction fees. The CFC will not process a travel voucher without an amount shown to pay the travel card contractor bank.

In March 2013, the EPA's Office of General Counsel issued a "Quick Ethics Tip," titled *Mandatory Use of the Government Travel Card*, and advised, ". . . OCFO/Travel not to process any vouchers in which the traveler failed to abide by Public Law 105-264 and the implementing regulations."<sup>4</sup> The ethics tip mentioned that some employees wonder if they can use their personal cards for official travel so they can accrue personal benefits, miles or points. It also explained that employees must use the government travel card when they are on official travel, and cannot use a personal card if the employee has a government-issued travel card.



Travel card usage requirements also apply to meals, unless the use of the card is impractical.  
(Department of Defense photo)

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<sup>4</sup> Public Law 105-264 requires federal employees to use federal travel charge cards for all payments of expenses for official government travel.

## EPA Does Not Maximize Travel Card Rebates

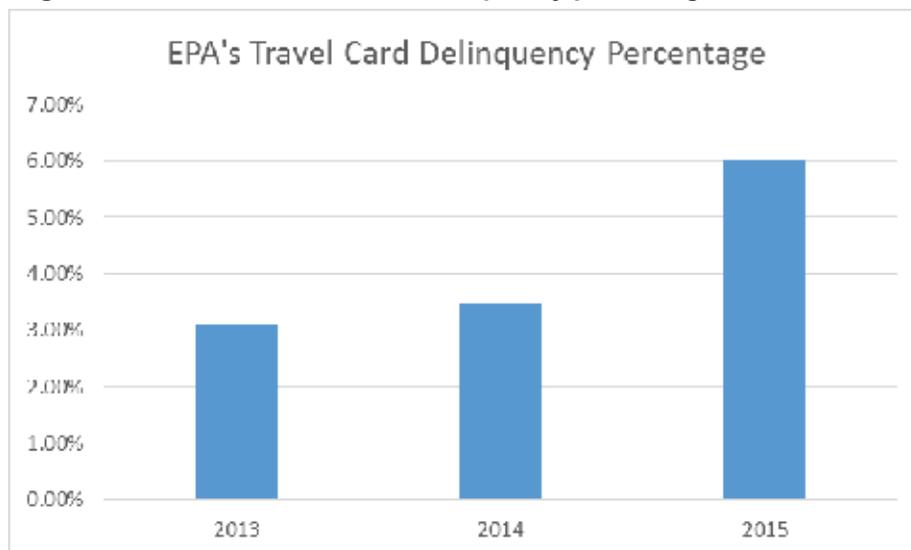
The EPA does not earn the maximum amount of sales and productivity rebates for individually billed accounts due to travel cardholders making late payments and travelers not splitting voucher payments to pay all card expenses. According to GSA data, the EPA travel card delinquency rate has been above the average for some agencies with similar monthly travel expenditures. For example, the EPA had higher delinquency rates than Commerce and NASA during FYs 2013–2015. In addition, the EPA’s FY 2015 delinquency rate was considerably higher than the average delinquency rate for all federal agencies (Table 2). According to OIG’s analysis of delinquency data, the EPA’s FY 2015 delinquency percentage increased 74 percent from FY 2014 (Figure 2).

**Table 2: EPA travel card delinquency rate compared to similar agencies**

Fiscal year	EPA	Commerce	NASA	All agencies
2013	3.09%	1.69%	0.19%	4.30%
2014	3.46%	1.01%	0.33%	4.39%
2015	6.02%	1.05%	2.14%	3.91%
3-year average	4.19%	1.25%	0.89%	4.20%

Source: OIG analysis of average delinquency rates found in GSA SmartPay data.

**Figure 2: Increase in the EPA’s delinquency percentage from 2013–2015**



Source: OIG analysis of the EPA delinquency data from GSA SmartPay.

The EPA has a process for issuing delinquency notifications to travel cardholders; however, it has not consistently notified travel cardholders and supervisors regarding delinquent accounts past due 61 or more days. In our sample of 20 cardholders with past due accounts, six were delinquent 61 or more days. Four of these six cardholders had more than one delinquent payment during FY 2014 and did not receive delinquent notifications from CFC for each occurrence as required (Table 3).

**Table 3: Sampled delinquent cardholders compared to notifications**

Number	Delinquency 1	Notification of cardholder and approver	Delinquency 2	Notification of cardholder and approver	Delinquency 3	Notification of cardholder and approver
1	\$1,283.30 (Nov. 2013)	No	\$8.30 (Dec. 2013)	Yes	--	--
2	\$121.72 (Nov. 2013)	No	\$843.37 (June 2014)	No	--	--
3	\$185.25 (Aug. 2014)	No	--	--	--	--
4	\$135.02 (Nov. 2013)	Yes	\$54.00 (June 2014)	No	\$54.24 (Sep. 2014)	Yes
5	\$560.80 (Aug. 2014)	No	--	--	--	--
6	\$76.82 (Mar. 2014)	No	\$363.63 (May 2014)	No	--	--
Total	\$2,362.91	1	\$1,269.30	1	\$54.24	1

Source: OIG analysis of EPA data and documents.

Although supervisors are responsible for taking disciplinary actions to comply with agency policy, only two of the interviewed supervisors said disciplinary action was taken as a result of delinquent travel card accounts. Also, the interviewed supervisors did not always verify that disbursements were split as required when approving travel vouchers.

According to GSA, complying with the requirement to utilize the travel card for all official travel expenses and not paying by cash, check or personal card could increase overall travel card spending by 20 percent. Despite this, the EPA does not take action when cardholders put lodging and rental car expenses on their personal credit cards.

Delinquency concerns were also identified by OCFO and cited in the EPA's *Internal Control Assessment of Sensitive Payment Areas* (dated April 15, 2014), because travel vouchers were often not submitted in a timely manner. OCFO's review of executive travel found that only 44 percent of travel vouchers were submitted within the required timeframe (within 5 business days of the completion of travel).

## Causes of Lost Travel Card Rebates

The EPA does not maximize travel card rebates for a number of reasons.

### ***CFC Difficulties***

- **Conversion from GovTrip to Concur during FY 2014 and FY 2015 resulted in a high volume of calls to the CFC Help Desk, which impacted the CFC's delinquency notifications to travel cardholders and supervisors.** When CFC staff were out on leave, back-up staff were not able to issue delinquency notices in a timely manner. The high call volume also delayed travel voucher processing and increased the number of days required for travel card payments.
- **Not emphasizing managers' responsibilities to enforce the policy that travel cardholders complete vouchers in a timely manner, and verify split disbursements when approving travel vouchers.** Travel cardholders are not all following the policy for submitting vouchers in a timely manner and splitting voucher payments.
- **Not consolidating quarterly reports of travel card misuse, abuse, delinquency and disciplinary actions.** CFC stated that adequate controls are in place to manage travel cards. According to CFC, a change in the travel policy requiring cardholders to pay travel bills in a timely manner would help with this problem.
- **Not having time to ensure that split payment amounts are maximized.** CFC staff stated that they process between 20 to 40 vouchers per day, and they only have time to ensure that payments are split to some extent.
- **Airfare is defaulted to the travel card, but lodging and rental car are defaulted to a personal expense in Concur, so cardholders have to manually select direct payment to the travel card.** Some travelers use their personal cards and the EPA loses rebates. The requirement not to use personal cards has been a "rule with no hammer," because people ignore the requirement. CFC stated that enforcing the requirement to have lodging and rental car expenses go directly on the card could be done.

### ***Cardholders and Managers Were Not Aware of Travel Card Policies and Procedures***

- In our sample of 20 late-paying cardholders, there were three primary explanations for late payments (Table 4). For example, one cardholder who submitted vouchers late explained that he waits to complete vouchers until he receives a travel card bill from the bank. Another cardholder stated that she did not know the account was delinquent.

**Table 4: Cardholder explanations for late payments**

Explanation	Number of cardholders
Submitted vouchers late <sup>A</sup>	7 of 20 (35%)
Did not know policy	5 of 20 (25%)
Was not aware of lateness	3 of 20 (15%)

Source: OIG analysis of sampled late-paying cardholder questionnaires.

Note A: Reasons for late vouchers varied from extensive travel to demanding workload and invitational travel.

Cardholders were not always aware of travel card policies. For example, one travel cardholder stated that he was not aware of the impact of delinquencies on rebates, but after talking with agency travel personnel, he is now aware of the impact. Another travel cardholder stated that he thought split voucher disbursements were no longer available. Of the 20 cardholders who responded to our questionnaire, five cardholders (25 percent) were aware of the financial impact of delinquencies on rebates. Fourteen cardholders (70 percent) were aware of the requirement to split voucher disbursements so that the bank is paid directly, and as soon as possible.

- Twelve of 17 managers interviewed said they verified the use of split voucher disbursements, although all were aware of the split voucher requirement. Only five of 17 managers were aware of the impact of late payments on the EPA’s rebates. For example, one manager explained that when he reviews vouchers, he makes sure the receipts match, but he does not verify split disbursements.
- In terms of the financial impact of delinquencies, one manager stated she knew there was an impact but did not know what it was; another manager stated he was not aware of the financial impact of delinquencies until they received information on this audit.

## **Travel Card Delinquencies Reduce Rebate Amounts**

The EPA’s lack of emphasis on travel card rebates and delinquent accounts results in smaller rebates. If the EPA reduced delinquencies, it would result in a greater return for the EPA budget and the Treasury. EPA travel card charges exceeded \$30 million in FY 2015, as shown in Table 5.

**Table 5: EPA travel card spending**

FY	Individually billed account travel	Centrally billed account travel	Total
2015	\$29,885,887	\$960,953	\$30,846,840
2014	\$25,220,492	\$835,103	\$26,055,595
2013	\$22,089,707	\$790,608	\$22,880,315
3-year total	\$77,196,086	\$2,586,664	\$79,782,750

Source: GSA SmartPay Tool.

Rebates would increase if the EPA maximized travel rebates by reducing the amount of time staff take to submit vouchers. For example, using data for FY 2014 and FY 2015, we determined the potential rebate amounts based on a reasonable 30-day file turn, defined as the sum of daily balances divided by the sum of daily sales. Table 6 shows potential lost rebates because of late payments and delinquencies.

**Table 6: EPA's potential lost rebates**

Description	FY 2015	FY 2014
Potential rebates	\$301,682	\$254,824
Rebates received	\$283,789	\$240,375
Potential lost rebates	\$17,893	\$14,449

Source: OIG analysis and projection of SmartPay data with a 30-day file turn.

## Recommendations

We recommend that the Office of the Chief Financial Officer:

3. Develop controls and a timeline to reduce the amount of time staff take to submit vouchers.
4. Revise travel card policy to institute stronger controls for timely travel card payments, adverse actions for late payments, and the requirement to use the travel card for all travel expenses.
5. Strengthen internal controls in Concur so that lodging and rental car expenses on vouchers can only result in a bank card payment.
6. Require each travel cardholder (before any future travel is approved) to complete training that covers the importance of split payments; timely

payments; and the consequences of failure to comply, so that disciplinary action can be taken against late-paying cardholders.

## Agency Response and OIG Evaluation

The EPA agreed with Recommendations 3 through 6, and provided planned corrective actions with milestone dates. A summary of the agency's responses include the following:

- **Recommendation 3.** The EPA's initial response to Recommendation 3 did not completely address the intent of the recommendation. However, on July 12, 2016, the EPA provided an acceptable corrective action. The EPA will revise its travel card policy to require Senior Resource Officials and supervisors to utilize the Executive Resource Center Unpaid Travel Authorization tool to monitor timely voucher submissions.
- **Recommendation 4.** The EPA will revise travel card policy to institute stronger controls that include timely travel card payments, adverse actions for late payments, and the requirement to use the travel card for all travel expenses.
- **Recommendation 5.** The EPA will set Concur to default payments for hotel and rental car to the government credit card. The traveler will not be able to change the default payment.
- **Recommendation 6.** The EPA will require cardholders to complete GSA travel card training. The agency will also update its travel policy to cover the importance of split payments; timely payments; and the consequences of failure to comply, so that disciplinary action can be taken against late-paying cardholders. Once the travel card policy is updated, the EPA will notify the travel community by email, web posting and webinar; and through training sessions.

The planned corrective actions meet the intent of Recommendations 3 through 6. Recommendations 3 through 6 are open with corrective actions pending.

## **Status of Recommendations and Potential Monetary Benefits**

### RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Potential Monetary Benefits
1	6	Institute a process to verify the accuracy of travel card rebates.	O*	Chief Financial Officer	06/30/16	
2	10	Establish and implement policies and procedures to correctly return travel card rebates to the original appropriations or directly to the U.S. Treasury, for better use.	O*	Chief Financial Officer	05/31/16	\$524.2
3	18	Develop controls and a timeline to reduce the amount of time staff take to submit vouchers.	O	Chief Financial Officer	06/30/17	
4	18	Revise travel card policy to institute stronger controls for timely travel card payments, adverse actions for late payments, and the requirement to use the travel card for all travel expenses.	O	Chief Financial Officer	06/30/17	\$32.3
5	18	Strengthen internal controls in Concur so that lodging and rental car expenses on vouchers can only result in a bank card payment.	O	Chief Financial Officer	06/30/17	
6	18	Require each travel cardholder (before any future travel is approved) to complete training that covers the importance of split payments; timely payments; and the consequences of failure to comply, so that disciplinary action can be taken against late-paying cardholders.	O	Chief Financial Officer	06/30/17	

- <sup>1</sup> O = Recommendation is open with agreed-to corrective actions pending.  
 C = Recommendation is closed with all agreed-to actions completed.  
 U = Recommendation is unresolved with resolution efforts in progress.

\* Upon verification, determined corrective actions only partially completed, so recommendations still in an "Open" status pending completion.

**EPA OIG Random Sample**

Late paying cardholder	Past due travel card payments	Month(s)
1	\$790.47 \$781.48	April 2014 June 2014
2	\$43.00 \$50.02 \$50.02	December 2013 March 2014 June 2014
3	\$274.32	May 2014
4	\$689.45 \$529.13	February 2014 June 2014
5	\$95.50	February 2014
6	\$76.82 \$736.24 \$363.63 \$865.02 \$25.15	February 2014 March 2014 April 2014 May 2014 August 2014
7	\$121.72 \$716.37 \$1,270.65 \$790.47 \$198.10	October 2013 November 2013 May 2014 June 2014 September 2014
8	\$178.00	July 2014
9	\$865.52 \$69.68	December 2013 September 2014
10	\$1,095.08 \$632.38 \$1,424.69	November 2013 December 2013 February 2014
11	\$1,842.39 \$525.65 \$194.69 \$968.45	January 2014 April 2014 July 2014 August 2014
12	\$122.15	November 2013
13	\$227.62 \$229.40 \$122.26 \$585.56 \$375.09	November 2013 February 2014 June 2014 July 2014 August 2014
14	\$193.75 \$198.87	July 2014 September 2014
15	\$72.26	February 2014
16	\$1,283.30 \$15.00 \$114.13	October 2013 November 2013 December 2013
17	\$554.60 \$12.04	October 2013 July 2014
18	\$287.22 \$479.50 \$3,061.02 \$1,422.42	November 2013 March 2014 April 2014 September 2014

Late paying cardholder	Past due travel card payments	Month(s)
19	\$154.24 \$368.86 \$346.42 \$1,267.93 \$1,770.66	November 2013 February 2014 May 2014 July 2014 August 2014
20	\$135.02 \$112.00 \$54.00 \$54.24 \$119.76	October 2013 November 2013 May 2014 August 2014 September 2014
<b>Total</b>	<b>\$30,003.40</b>	

## ***Agency Response to Draft Report***

Jun 9 2016

### **MEMORANDUM**

**SUBJECT:** Response to Office of Inspector General Draft Audit Report No. OA-FY15-0156, “EPA Oversight of Travel Cards Needs to Improve,” dated May 13, 2016

**FROM:** Stefan Silzer, Controller  
Office of the Controller

**TO:** Michael Petscavage, Director  
Contract and Assistance Agreement Audits

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Following is a summary of the agency’s overall position, along with its position on each of the report recommendations. We have provided high-level intended corrective actions and estimated completion dates to the extent we can. For your review and consideration in crafting your final report, we have also attached technical comments that address several of the findings in the draft report.

### **AGENCY’S OVERALL POSITION**

The agency agrees with the recommendations in the subject draft audit report and have implemented or will implement corrective actions as stated in the section below.

### **AGENCY’S RESPONSE TO DRAFT AUDIT RECOMMENDATIONS**

#### **Agreements**

<b>No.</b>	<b>Recommendation</b>	<b>High-Level Intended Corrective Action(s)</b>	<b>Estimated Completion Date</b>
1	Institute a process to verify the accuracy of travel card rebates.	EPA will verify the refund sent by Chase with their calculation and our spending.	June 30, 2016
2	Establish and implement policies and procedures to correctly return travel card rebates to the original appropriations, or directly to the U.S. Treasury for better use.	The Travel Rebates SOPs have been updated to distribute funds, as best as possible, to the original appropriations. The updated SOP describes how EPA will distribute the rebate across appropriation based on proration of travel obligations across appropriations. This method of	Completed May 2016

		distribution has been retroactively applied to the beginning of the fiscal year 2016.	
3	Develop controls and a timeline to reduce the amount of time staff take to submit vouchers.	In January 2015, EPA initiated automated notices to travelers with outstanding vouchers over 5 days old.	Completed January 2015
4	Revise travel card policy to institute stronger controls for timely travel card payments, adverse actions for late payments, and the requirement to use the travel card for all travel expenses.	EPA will revise travel card policy to institute stronger controls including timely travel card payments, adverse actions for late payments, and the requirement to use the travel card for all travel expenses.	June 30, 2017
5	Strengthen internal controls in Concur so that lodging and rental car expenses on vouchers can only result in a bank card payment.	Once the policy is revised, Concur will be set to default the payment for the hotel and rental car to the government credit card. This will not be able to be changed by the traveler once set.	June 30, 2017
6	Require each travel cardholder (before any future travel is approved) to complete training that covers the importance of split payments; timely payments; and the consequences of failure to comply, so that disciplinary action can be taken against late-paying cardholders.	EPA will continue to require cardholders to complete GSA travel card training. The travel policy will be updated to cover the importance of split payments; timely payments; and the consequences of failure to comply, so that disciplinary action can be taken against late-paying cardholders. Once the policy is updated, notification to the agency travel community will be conducted by: email, web posting, webinar, and training sessions.	June 30, 2017

**CONTACT INFORMATION**

If you have any questions regarding this response, please contact Nic Grzegozewski at 202-564-2292.

Attachment: Technical Comments

cc: David A. Bloom	Janet Kasper	Meshell Jones-Peeler	Madeline Mullin
Kevin Christensen	Jeanne Conklin	Sherri Anthony	LaTanya Scott
Howard Osborne	Maria Williams	Khary Nelson	Myka Sparrow
Carol Terris	Richard Gray	Nic Grzegozewski	
Richard Eyer mann	Greg Luebbering	Hamilton Humes	

## Attachment: Technical Comments

Response to the IG Report, “EPA Oversight of Travel Cards Needs to Improve”

# Chapter 3

## Rebates Are Not Returned to Appropriations

OIG Statement Summary:

The EPA did not correctly return travel rebates to each appropriation as required. Instead, the EPA only applied the rebates toward the four largest appropriations. The Government Charge Card Abuse Prevention Act of 2012 requires that rebates be properly recorded, and the Treasury Financial Manual (Section 4530, Agency Refunds) requires that refunds must be returned to the appropriation or account from which the purchase was made that generated the refund.

*Response: In February 2016 we began distributing rebates to the original appropriations; we have updated our standard operating procedure (SOP) to reflect this change. Our SOP is attached. Distribution is based on a proration across travel obligations during the period of the rebate. We have retroactively distributed the rebates back to the beginning of this fiscal year.*

According to one EPA manager, it would take too much time and effort to apply the small amount of travel rebates to each of the appropriations, in particular, those that receive smaller rebate amounts. As a result, rebates of \$240,375 from FY 2014 and \$283,789 from FY 2015 were incorrectly applied toward only four of the 11 appropriations.

*Response: The dollar values that were not distributed to the smaller accounts are not significant. Of the 2015 rebate total, approximately \$11,000 or 4% of the rebate would have been applied to the smaller accounts; in 2014 that number would have been approximately \$13,500 or 5.5%. In addition, the travel obligations are the basis for determining the proportion of the rebate per appropriation. However, the rebates are based on total amounts charged on the government credit card. Not all of travel obligations will be reflected on the government credit card charges. For instance, to pay for food and incidentals, people may use cash or other credit cards, or a bill for a meal charged to the card may exceed the amount the reimbursement will cover, and then the traveler uses personal funds to pay the credit card invoice. As a result, those amounts, which may be substantial across all travelers, will not be reflected in the bank’s calculation of the rebate.*

## EPA Management Put Travel Rebates Into a Fiduciary Reserve Account

According to the EPA, management decided to put travel rebates into a reserve account years ago, but there is no policy or procedure to document that decision or the process currently in use. In addition, the EPA’s Office of Budget made the decision to hold travel rebates in a fiduciary reserve account for up to 7 years. The EPA explained that the rebate money is needed in the fiduciary reserve as a buffer against anti-deficiency. The agency also said the funds derived from rebates are not legally required to be returned to the program offices and cited 31 U.S.C. § 1514,

which states the head of each executive agency shall prescribe by regulation a system of administrative control. The OIG agrees that rebates only need to be returned to each appropriation and not each budget code.

*Response: While the rebate credits are placed in a fiduciary allowance holder in each appropriation, those credits are not specifically aimed at preventing ADA violations. The fiduciary funds as a whole provide a buffer against violations, but the rebate credit is a small portion of our fiduciary holdings in each appropriation. The biggest benefit to the agency is the ability to use the rebate to issue additional travel ceiling for agency priorities, and we issue that ceiling (not dollars) as needed.*

An EPA manager explained that it would take too much time and effort to apply the small amount of travel rebates to each of the fund codes. Comptroller General Decision B-217913.3 specifically addresses allowable options for treatment of rebates and states that in such a situation, the agency can opt to deposit rebates to the general fund of the Treasury. The EPA had not developed or implemented any internal policies, procedures or guidelines for the allocation of rebates, even though the EPA began receiving rebates with the inception of the SmartPay 1 card in 1998. OCFO management stated that they will provide a new policy for handling rebates.

*Response: Attached is the updated Travel Rebates SOP that implements the recommendation to distribute funds to all appropriations.*

## **OIG Recommendation**

We recommend that the Office of the Chief Financial Officer:

2. Establish and implement policies and procedures to correctly return travel card rebates to the original appropriations, or directly to the U.S. Treasury for better use.

*Response: Per above, we have updated our Travel Rebates SOP to distribute funds, as best as possible, to the original appropriations. Our updated SOP describes how EPA will distribute the rebate across appropriations based on a proration of travel obligations across appropriations. This method of distribution has been retroactively applied to the beginning of the fiscal year.*

**Office of Budget  
Standard Operating Procedure  
TRAVEL REBATES  
May 2016**

**Background:**

The EPA has a contract with JP Morgan Chase Bank through which all travel credit cards are issued. As part of the contract, the agency receives a rebate from JP Morgan Chase Bank for all agency charges.

The Cincinnati Finance Center (CFC) is responsible for posting the rebate, which they enter as a credit in the agency's financial system. Distribution is prorated across appropriations based on the amount of funds obligated in those appropriations during the period covered by the rebate. The Office of Budget prorates the rebate total and provides CFC with the appropriate accounting lines for distribution. The rebate is applied to each appropriation in the fiduciary Allowance Holder code 9HT.

The exception to the above process is the rebate to the IG appropriation, which is distributed to an Allowance Holder based on information provided by the Office of the Inspector General.

The rebate credit constitutes a small portion of the agency's fiduciary holdings, which provide a buffer against Anti-Deficiency Act violations. The agency may use the rebate to issue additional travel ceiling to address agency priorities or to cover potential future overruns.

**Procedure:**

1. The Cincinnati Finance Center notifies the Office of Budget of the total dollar amount of the travel rebate for the period and requests accounting lines for distribution of the funds.
2. OB calculates total travel obligations for all appropriations by Budget Fiscal Year (BFY) for the period covered by the rebate. OB may use obligation data from BAS or CBOR obligations against Budget Object Classes 21 (Travel) and 28 (Site Travel) to determine total obligations.
3. For each appropriation and BFY charged, OB calculates a percentage of the total obligations and applies that percentage of the total rebate to each appropriation/BFY.
4. Charges against reimbursable funds are added to the corresponding appropriated account. For example, total EPM reimbursable obligations for a particular BFY will be added to the EPM appropriated charges for the same BFY. The sum of those charges will be used to calculate the percentage for the EPM appropriation.
5. The rebate amount provided by CFC is prorated based on the above percentages.
6. Having calculated the percentages to apply by appropriation and BFY, OB determines the accounting lines and amounts to provide to CFC.
7. OB provides the accounting information to CFC. The Allowance Holder for the rebate is 9HT; the Program Results Code will be one or two of the prominent PRCs against which travel funds were spent.

8. Since the Inspector General appropriation is only used by one RPIO, we have CFC credit that RPIO account (The Office of the Inspector General), instead of the 9HT reserve account. The IG will provide OB with the accounting line(s) to which the rebate to the IG appropriation is to be posted.
9. CFC will post the credit amounts in Compass per OB's instructions.

**2016 Q2 Travel Rebate Breakout**  
**\$58,563.89**

Whole Dollars

<b>BBFY</b>	<b>EBFY</b>	<b>Fund</b>	<b>Total Obs</b>	<b>Percent</b>	<b>Distribute</b>	<b>PRC</b>
2015	2016	B	\$608,500.00	5.97%	\$3,497.27	ZZZMG5
2015	2016	C	\$247,800.00	2.43%	\$1,424.20	102A61
2015		E2	\$0.00	0.00%	\$0.00	202B80
2015		E3	\$5,900.00	0.06%	\$33.91	201B81
2015		F	\$22,200.00	0.22%	\$127.59	303D86
2015		H	\$49,800.00	0.49%	\$286.22	303D91
2015	2016	N	\$0.00	0.00%	\$0.00	ZZZPG2
2015	2016	N2	\$0.00	0.00%	\$0.00	ZZZPG2
2015		T	\$470,800.00	4.62%	\$2,705.86	303DD2
2015		WR	\$0.00	0.00%	\$0.00	ZZZJE5
2015		ZL	\$8,800.00	0.09%	\$50.58	301FK8
2016	2017	B	\$5,227,300.00	51.30%	\$30,043.18	501E44
2016	2017	C	\$1,012,400.00	9.94%	\$5,818.63	102FK6
2016		E2	\$10,200.00	0.10%	\$58.62	202B80
2016		F	\$17,500.00	0.17%	\$100.58	303D86
2016		H	\$118,700.00	1.16%	\$682.21	303D91
2016	2017	N	\$143,100.00	1.40%	\$822.45	ZZZPG2
2016	2017	N2	\$25,800.00	0.25%	\$148.28	ZZZPG2
2016		T	\$2,140,600.00	21.01%	\$12,302.80	303DD2
2016		WR	\$80,300.00	0.79%	\$461.51	ZZZHF8
<b>Total</b>			<b>\$10,189,700.00</b>	<b>100.00%</b>	<b>\$58,563.89</b>	

## ***Distribution***

Office of the Administrator  
Chief Financial Officer  
Agency Follow-Up Coordinator  
General Counsel  
Associate Administrator for Congressional and Intergovernmental Relations  
Associate Administrator for Public Affairs  
Assistant Deputy Chief Financial Officer  
Controller, Office of the Controller, Office of the Chief Financial Officer  
Deputy Controller, Office of the Controller, Office of the Chief Financial Officer  
Audit Follow-Up Coordinator, Office of the Chief Financial Officer