



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

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AUD-CGI-16-48

Office of Audits

September 2016

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# Audit of the Department of State Travel Card Program

## CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

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# OIG HIGHLIGHTS

AUD-CGI-16-48

## What OIG Audited

OIG conducted this audit to determine whether Department of State (Department) travel card holders (1) obtained cash advances in accordance with regulations, (2) used their Government-issued card only for purchases allowed by laws and regulations, and (3) obtained and used their Government-issued card for travel expenses in accordance with regulations. OIG also addressed whether the Bureau of the Comptroller and Global Financial Services (CGFS) closed travel card accounts in a timely manner when employees were separated from service.

## What OIG Recommends

OIG made seven recommendations to improve internal controls for the Department's Travel Card Program by developing or clarifying related policies, changing certain existing procedures, and developing new procedures, such as for applying disciplinary actions uniformly to employees who misuse or abuse their travel cards.

CGFS concurred with six of the recommendations offered. OIG considers these recommendations resolved, pending further action. OIG considers one recommendation pertaining to administrative and disciplinary procedures for the Travel Card Program unresolved and has redirected this recommendation, as requested by CGFS, to the Bureau of Human Resources. Management responses and OIG's reply follow each recommendation in the Audit Results section of this report. CGFS's response to a draft of this report is reprinted in its entirety in Appendix E.

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September 2016

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Contracts, Grants, and Infrastructure Division

## Audit of the Department of State Travel Card Program

### What OIG Found

OIG found that travel card holders did not always obtain cash advances in accordance with Department regulations. Specifically, OIG identified 255 travel card holders who obtained 2,051 cash advances, valued at \$847,189, without a travel authorization, which is contrary to Department regulations. This occurred, in part, because the Department had not developed specific policies for travel card cash advances, which puts the Department at risk, since it is responsible to Citibank should card holders default on travel card payments.

OIG also identified 1,306 travel card transactions that occurred in FY 2014 and FY 2015, valued at approximately \$222,348, that were spent at prohibited or questionable merchants, such as physicians and charitable organizations. One reason this occurred was because the Department had not reviewed or updated its list of prohibited merchant categories. The lack of controls may allow travel card holders who misuse the travel card to go undetected. In addition, the Department had not developed or imposed administrative and disciplinary procedures, as prescribed in the *Government Charge Card Abuse Prevention Act of 2012*, to prevent travel card abuse.

Additionally, OIG found that employees who travelled more than two times in a 12-month period did not always have a Department-issued travel card, as required. One reason this occurred was because the Department did not have a method to identify and enforce compliance with this requirement. As a result, the Department could have received additional sales refunds had these 2,400 individuals used a Department-issued travel card to pay an estimated \$10,133,051 in official travel expenses.

Furthermore, OIG identified 96 individuals who still had active travel card accounts after separation, including 16 individuals who completed 247 transactions, valued at approximately \$63,886, after they separated from the Department. This occurred, in part, because the Department's policies need to be updated. Former employees with active travel cards may misuse the travel cards and the Department would have little recourse against them.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine whether Department of State (Department) travel card holders (1) obtained cash advances in accordance with regulations, (2) used their Government-issued card only for purchases allowed by laws and regulations, and (3) obtained and used their Government-issued card for travel expenses in accordance with regulations. OIG also addressed whether the Bureau of the Comptroller and Global Financial Services closed travel card accounts in a timely manner when employees were separated from service.

## BACKGROUND

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Federal agencies use travel cards to reduce costs associated with administering employees' official travel and for the travelers' convenience. In 1998, Congress mandated that, with some exceptions, Federal employees must use the Government travel charge card for all payments of expenses related to official Government travel. Agencies benefit by receiving a refund based on sales volume. In addition, a separate refund is provided to agencies based on improving speed of payment. Travel cards are issued to employees either as individually billed accounts, meaning the employee is liable for charges to the travel card, or as centrally-billed accounts, meaning the Government is liable for charges made to the travel card. An individually billed travel card can be used by an individual employee to pay for official travel-related expenses, such as meals, lodging, and rental vehicles. The Government reimburses the employee for authorized official travel-related expenses. The employee is responsible for paying the charges to the bank by the statement due date. In FY 2014, the Department had 8,113 employees with travel cards,<sup>1</sup> to which more than \$25 million was charged.

The Department selected Citibank to provide travel card services to its employees. Department employees who travel at least twice each year are required to apply for individually billed travel cards to pay for official travel-related expenses. To receive an individually billed travel card from Citibank, eligible Department employees<sup>2</sup> must complete required training and sign an application. By accepting the travel card, Department employees agree to use it only for official travel-related expenses while away from their official duty station and that they will submit travel vouchers for reimbursement for those expenses. As a card holder, the employee is responsible for:

- Using his or her travel card only for purchase of official travel-related expenses when on temporary duty or during a permanent change of station.
- Being aware of the authorized uses and restrictions of the Government travel card.
- Paying the travel card balance by the due date.

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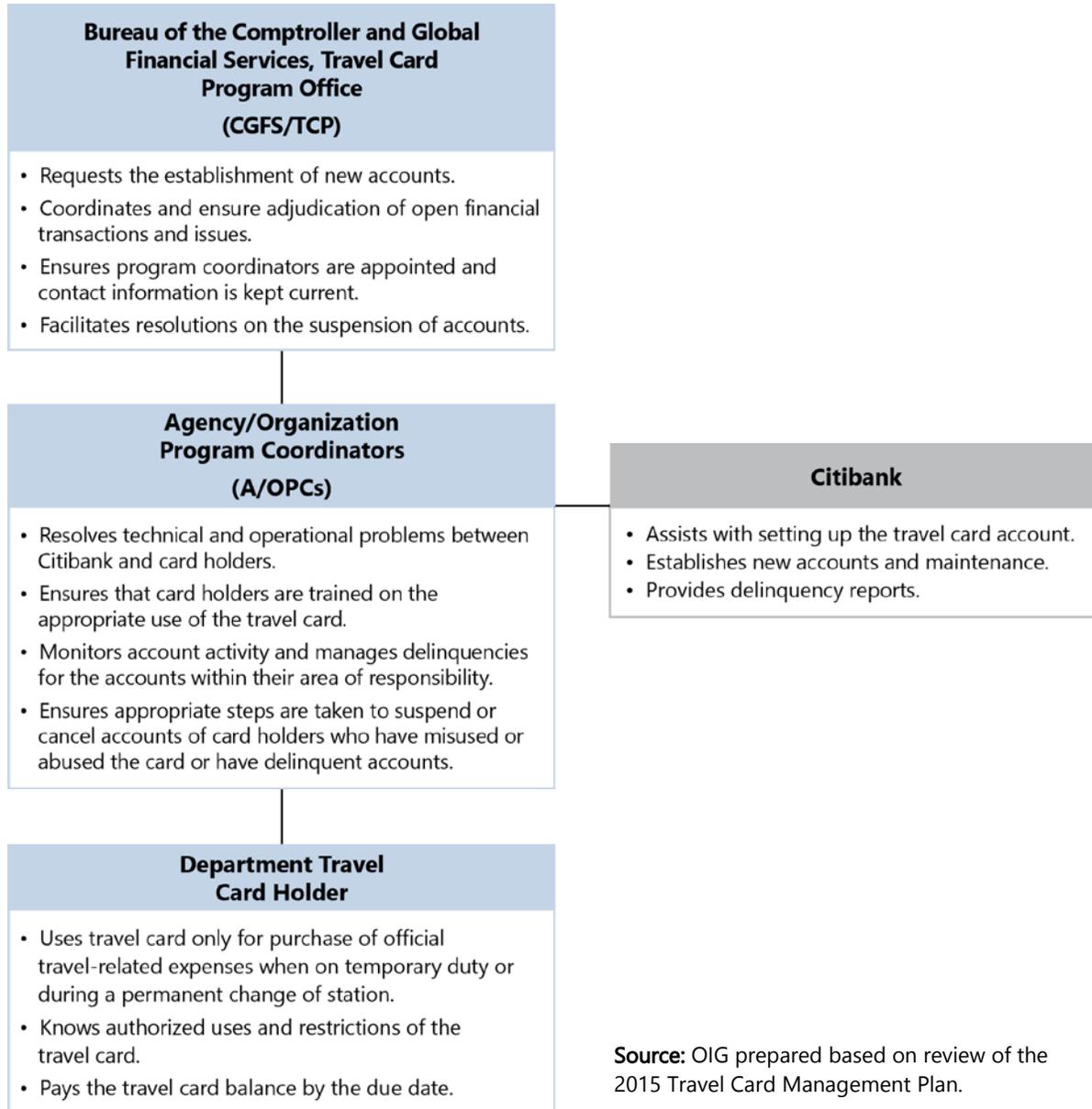
<sup>1</sup> In addition to travel cards issued to employees, the Department also had more than 800 centrally billed travel cards in FY 2013. This audit assessed only individually billed travel cards issued to employees.

<sup>2</sup> According to 4 Foreign Affairs Handbook (FAH)-3 H-466.2, "Applicability," cards may be issued only to U.S. citizen Department employees.

## Roles and Responsibilities

Key participants in the Department's Travel Card Program include the Bureau of the Comptroller and Global Financial Services, Travel Card Program Office;<sup>3</sup> Agency/Organization Program Coordinators (A/OPCs);<sup>4</sup> Management Officers; General Service Officers; Financial Management Officers; and card holders (see Figure 1).

**Figure 1: Key Participants in the Department's Travel Card Program**



<sup>3</sup> For this report, the Bureau of the Comptroller and Global Financial Services, Travel Card Program Office will be referred to as the "Travel Card Program Office."

<sup>4</sup> A/OPC is a term used by Citibank to identify an individual designated by the agency or organization to manage the Travel Card Program.

The Travel Card Program Office is responsible for the management of the Department's Travel Card Program, in conjunction with A/OPCs. The Travel Card Program Office provides oversight and guidance to Department travelers, card holders, and A/OPCs regarding matters associated with official travel. The office's mission is to ensure compliance with Federal laws and regulations related to the use of Government-provided charge cards while employees are on official travel and to establish and maintain safeguards and internal controls. According to Travel Card Program Office officials, the Travel Card Program Office is the central source of information, training, policy compliance, and worldwide customer support and is therefore able to ensure efficiency, integrity, and consistency of service to its customers. Travel Card Program Office personnel are responsible for:

- Maintaining a general knowledge and understanding of the applicable Government travel regulations and the Department's policies and procedures regarding official travel and authorized purchases.
- Managing and ensuring the integrity of the Travel Card Program.
- Requesting the establishment of new accounts.
- Coordinating and ensuring adjudication of open financial transactions and issues.
- Ensuring that A/OPCs are appointed in writing and ensuring appointments and contact information are kept current.
- Managing delinquent billings, misuse, and card holder accounts in order to take timely action.
- Facilitating resolutions on the suspension of accounts.
- Ensuring accounts are closed when the card holder separates from the Department.

In order to provide effective oversight of the Department's Travel Card Program, Travel Card Program Office personnel review delinquency reports provided by Citibank at the end of each billing cycle and communicate with bureau A/OPCs to discuss delinquent card holders and resolve any late payment issues. In addition, Travel Card Program Office personnel conduct a monthly review of all individually billed travel card transactions to identify potential fraud, waste, and abuse.

A/OPCs are responsible for the overall management and oversight of the accounts within their bureau or post and serve as the liaisons between the Department, Citibank, and the card holder. Specifically, A/OPCs are responsible for:

- Resolving technical and operational problems between Citibank and card holders.
- Ensuring that card holders are trained on the appropriate use of the travel charge card and all applicable regulations, policies, and procedures.
- Monitoring account activity and managing delinquencies for the accounts within his or her area of responsibility.
- Taking appropriate action regarding delinquent accounts and reporting any observed violations of applicable executive orders, laws, or regulations to Travel Card Program Office personnel and internal investigative units.

- Ensuring that appropriate steps are taken to suspend or cancel the accounts of card holders who have misused or abused the card and/or who have delinquent accounts.
- Ensuring that appropriate steps are immediately taken to cancel the accounts of card holders who have left the Department.

Management Officers, General Services Officers, and Financial Management Officers are post officials who, together with Travel Card Program Office personnel and A/OPCs, administer and oversee the Department's Travel Card Program at overseas posts.

## Travel Card Refunds

Citibank provides a minimum sales refund<sup>5</sup> of eight basis points<sup>6</sup> (0.08 percent) of net charge volume<sup>7</sup> for each business line. Four basis points (0.04 percent) of the sales refund are remitted to the General Services Administration; the remaining four basis points (0.04 percent) are remitted to the Department. If net credit losses<sup>8</sup> on individually billed travel cards are greater than or equal to 30 basis points (0.30 percent) of net charge volume, the Department's sales refund will be offset. In addition, Citibank provides a separate productivity refund<sup>9</sup> that encourages the Department to improve and streamline operations and payments. The productivity refund is based on the Department's file turn,<sup>10</sup> which correlates with both timeliness of payment and the delinquency rate. For the purposes of this audit, OIG considered only the Department's sales refund.

## E2Solutions

The Department uses E2Solutions (E2), a web-based travel and expense management tool that was developed in response to the electronic travel project, which is part of the e-Government initiative to employ the latest technology to create a more efficient, citizen-centered Federal Government. Department employees, locally employed staff at overseas missions, and other U.S. agency employees assigned to overseas missions use E2 to create and track travel authorizations, obtain approvals, submit vouchers, receive reimbursements, and book travel reservations. However, E2 does not interface with Citibank's data pertaining to travel-related charges made to Government-issued travel card holders (see Figure 2).

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<sup>5</sup> A sales refund is a payment from Citibank to the Department based on the dollar value of "spend" volume during a specified time period.

<sup>6</sup> A basis point is one hundredth of a percent (0.01 percent).

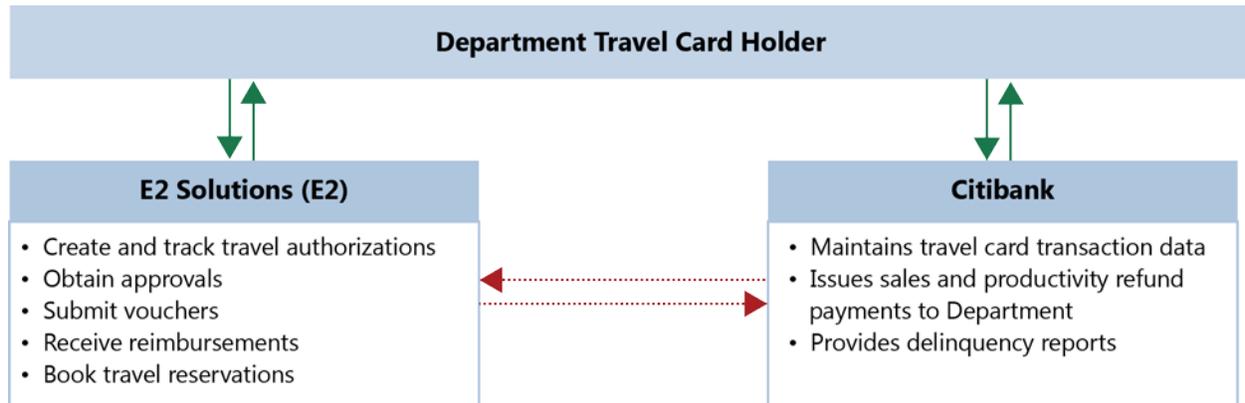
<sup>7</sup> Net charge volume is the sum of all purchases, including traveler's checks, convenience checks, automated teller machine withdrawals, and other fee-generating products and services less merchant credits.

<sup>8</sup> Net credit loss is the balance on an individually billed account that is 180 calendar days past the closing date on the account statement less recovered amounts.

<sup>9</sup> A productivity refund is a payment from Citibank to the Department based on the timeliness or frequency of payments to Citibank.

<sup>10</sup> File turn is the sum of daily balances (outstanding balance carried over from the previous quarter plus the sum of each daily outstanding balance over the reporting quarter) divided by the sum of daily sales (sum of net charge volume for each day of the quarter).

Figure 2: Separate Functions of E2Solutions and Citibank



E2 does not interface with Citibank's data pertaining to travel-related charges made to Government-issued travel card holders.

**Source:** OIG prepared based on interviews with Department personnel and comparison of E2 and Citibank data.

Unlike E2, Citibank does not track Department-specific actions, such as travel authorizations, vouchers, reimbursements, or travel reservations; rather, Citibank tracks individual purchases made using the individually billed travel card. Because E2 and Citibank do not interface with one another, Travel Card Program Office personnel are unable to determine whether Department-issued travel card holders use their charge cards for all travel-related expenses while on official government travel as required.

Further, because the systems do not use a mutual, unique identifier for each individual, Travel Card Program Office personnel must compare E2 users' first and last names to Citibank card holders' first and last names when comparing data from these two systems. Specifically, E2 captures individuals' employee numbers but Citibank does not. Conversely, Citibank captures individuals' Social Security numbers but E2 does not. This makes comparing information problematic because in some instances, names are entered differently in each of the systems or two different individuals may have identical names.

## AUDIT RESULTS

### Finding A: Travel Card Holders Did Not Always Obtain Cash Advances in Accordance With Department Regulations

According to the Foreign Affairs Handbook (FAH),<sup>11</sup> Department-issued travel cards should only be used for official travel expenses. OIG found instances in which Department travel card holders misused their travel cards by obtaining cash advances without having an official travel

<sup>11</sup> 4 FAH-3 H-466.4-1.

authorization in E2,<sup>12</sup> which is contrary to Department regulations. Specifically, in FY 2014 and FY 2015, 2,179 Department travel card holders obtained a total of 27,032 cash advances, valued at \$6,496,551; OIG identified 255 travel card holders (11.7 percent) who obtained 2,051 cash advances, valued at \$847,189, without a travel authorization in E2. In other words, 2,051 of 27,032 cash advances obtained (7.6 percent) were not related to official travel records maintained in E2. It is important to note that Citibank allows unrestricted account holders<sup>13</sup> to withdraw up to 100 percent of their available credit. Restricted account holders<sup>14</sup> are permitted to withdraw up to 50 percent of their available credit. Table 1 presents the top 10 Department-issued travel card holders who obtained cash advances unrelated to E2 travel records in FY 2014 and FY 2015 based on the total value of the advances.<sup>15</sup>

**Table 1: Top 10 Department Travel Card Holders Who Obtained Highest Dollar Value of Potentially Unauthorized Cash Advances in FYs 2014 and 2015**

Card Holder Number*	Number of Unauthorized Cash Advances	Dollar Value of Unauthorized Cash Advances
1	197	\$96,380
2	10	33,800
3	34	30,292
4	10	24,800
5	7	24,047
6	8	21,676
7	60	20,287
8	104	19,237
9	2	18,500
10	8	17,938
<b>Total</b>	<b>440</b>	<b>\$306,957</b>

\* OIG identified Department-issued travel card holders by number, rather than name.

**Source:** OIG prepared based on comparison of E2 data and FY 2014 and FY 2015 Citibank cash advance data.

<sup>12</sup> According to 14 Foreign Affairs Manual 524.1, travel should be authorized, in writing, before travel begins or any travel expenses are incurred. The official travel authorization provides a means to document such action with supervisory approval. According to Bureau of the Comptroller and Global Financial Services officials, E2 administers travel authorizations related primarily to temporary duty travel. Other types of travel, such as permanent changes of station, medical evacuations, and ordered evacuations are maintained externally. OIG's review was limited to a comparison of E2 travel authorizations/vouchers and Citibank transaction data. See Appendix A: Purpose, Scope, and Methodology for additional information related to the audit work performed.

<sup>13</sup> Unrestricted account holders are those with a credit score of 660 or higher and typically have an available credit limit of \$10,000.

<sup>14</sup> Restricted account holders are those with a credit score of 659 or lower and typically have an available credit limit of \$7,500.

<sup>15</sup> See Appendix A: Purpose, Scope, and Methodology for additional information related to the audit work performed.

The audit team has referred the details of the 255 travel card holders' cash advances to OIG's Office of Investigations for its consideration and action.

These cash advances went undetected in part because of the oversight methodology that Travel Card Program Office personnel employed prior to December 2015. In particular, this methodology sampled only approximately 25 percent of all travel card transactions, including cash advances, on a quarterly basis and manually compared the sample against E2 data to determine whether a particular card holder had a travel authorization with dates that corresponded to the transaction. However, beginning in December 2015, Travel Card Program Office personnel employed an automated database tool to review all travel card transactions monthly, including cash advances. The new oversight process was in part developed and implemented to identify cash advances obtained without a travel authorization. During a fieldwork visit to the Charleston Global Financial Services Center, OIG observed a demonstration of the database tool, but due to its recent implementation, could not assess the tool's effectiveness. OIG is not making a recommendation at this time; however, OIG plans to assess the effectiveness of the oversight tool as part of the next periodic assessment of agency purchase and travel card programs required by the Government Charge Card Abuse Prevention Act of 2012.

Further, according to Travel Card Program Office personnel, the Department had not developed specific regulations that govern travel card cash advances. Although specific cash advance limits and timeframes relating to travel cards are not defined in the Foreign Affairs Manual or communicated to the card holder, Travel Card Program Office personnel stated that analysts use internal parameters to determine whether a cash advance should be questioned during monthly transaction reviews. Specifically, according to one Travel Card Program Office official, for temporary duty travel, the office does not consider cash advances obtained less than 7 days before or 2 days after travel authorization dates to reflect potential misuse or abuse. For permanent change of duty station travel, the office does not consider cash advances obtained less than 37 days before or 67 days after travel authorization dates to reflect potential misuse or abuse.

Because the Travel Card Program Office had not developed regulations related to the timing and value of cash advances on Department-issued travel cards, and specific cash advance limits and timeframes for Department-issued travel cards are not defined in the Foreign Affairs Manual or communicated to the card holder, the Travel Card Program was subject to abuse and misuse by travel card holders. Card holders who misuse or abuse their Department-issued travel cards to obtain cash advances while not on official Government travel place the Department at risk of receiving a reduced refund should the card holder default on travel card payments.

**Recommendation 1:** OIG recommends that the Bureau of the Comptroller and Global Financial Services develop, implement, and publish policies in the Foreign Affairs Manual and/or Foreign Affairs Handbook governing cash advances on Department-issued travel cards, specifically regarding the timing and dollar value of cash advances that may be obtained.

**Management Response:** The Bureau of the Comptroller and Global Financial Services concurred with the recommendation.

**OIG Reply:** Based on the Bureau of the Comptroller and Global Financial Services' concurrence with the recommendation, OIG considers this recommendation resolved. However, in accordance with Office of Management and Budget Circular A-50, "Audit Followup," the bureau needs to provide an acceptable corrective action plan, with dates for achieving action, for the recommendation to remain resolved beyond 30 days. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the bureau has developed, implemented, and published policies in the Foreign Affairs Manual and/or Foreign Affairs Handbook governing cash advances on Department-issued travel cards, specifically regarding the timing and dollar value of cash advances that may be obtained.

## **Finding B: Card Holders Used Travel Cards for Purchases Associated With Prohibited or Questionable Merchant Codes**

According to the Federal Travel Regulation, Government-issued travel cards cannot be used for personal expenditures<sup>16</sup> and the FAH<sup>17</sup> states that travel cards can only be used for official travel expenses. OIG identified instances in which Department travel card holders used travel cards for non-official travel-related expenses, as well as for purchases associated with prohibited or questionable merchant codes. Specifically, 1,306 of 251,760 individually billed travel card transactions (0.52 percent) that occurred in FY 2014 and FY 2015, valued at approximately \$222,348, were associated with prohibited or questionable merchant category codes (MCC).<sup>18</sup>

OIG obtained all 251,760 travel card transactions in FY 2014 and FY 2015, valued at \$51,868,712, and used a statistical software<sup>19</sup> package known as "R" to compare the transactions' merchant category codes to the Travel Card Program's 2015 list of prohibited merchant category codes.<sup>20</sup> OIG identified 914 transactions, associated with 67 merchant category codes, valued at \$207,541, that were prohibited merchant category codes based on the Travel Card Program's Travel Card Management Plan.<sup>21</sup> CGFS officials stated that upon receipt of OIG's draft report,

<sup>16</sup> Federal Travel Regulation, 41 Code of Federal Regulations, § 301-51.7.

<sup>17</sup> 4 FAH-3 H-466.4-1.

<sup>18</sup> A merchant category code is a four-digit code used to identify the type of business a merchant conducts (for example, gas stations, restaurants, airlines). The merchant selects its merchant category with its bank. The code controls where purchases are allowable and may determine if the item is centrally or individually billed.

<sup>19</sup> See Appendix A: Purpose, Scope, and Methodology for additional information related to the audit work performed.

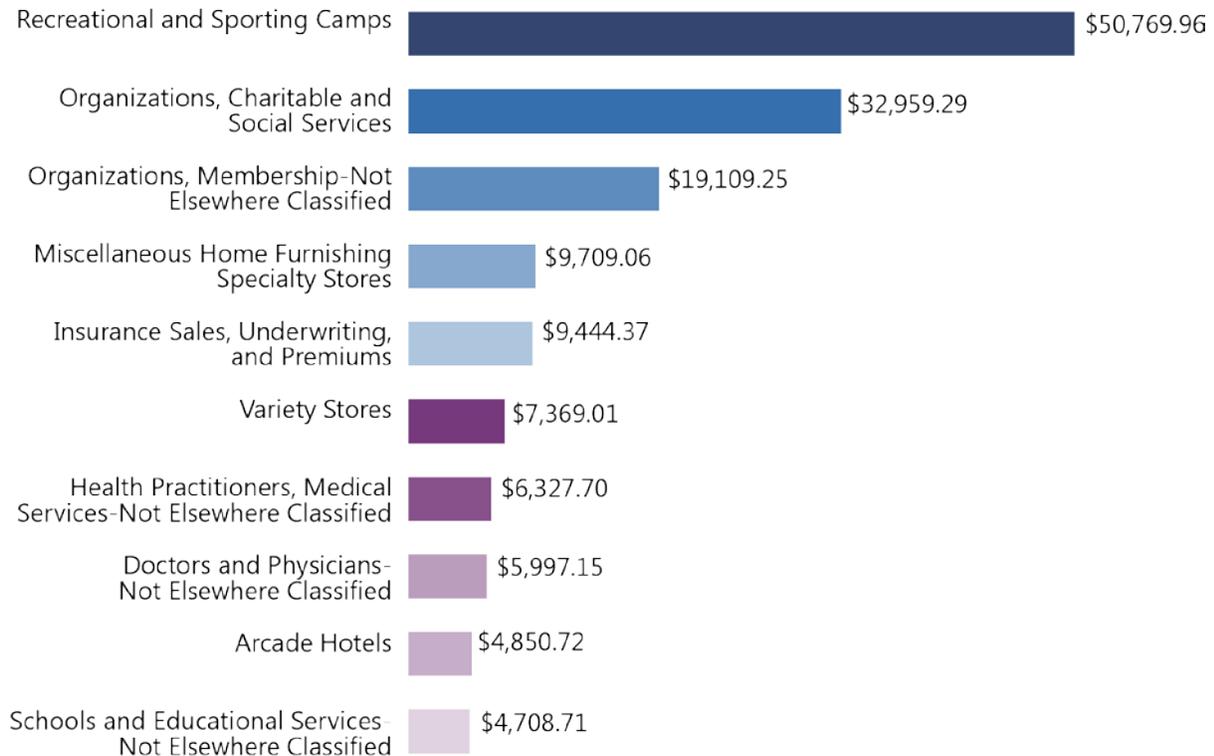
<sup>20</sup> See Appendix B for a full listing of prohibited merchant category codes.

<sup>21</sup> Office of Management and Budget Circular A-123, Appendix B, "Improving the Management of Government Charge Card Programs," states that each agency must develop and maintain written policies and procedures for the appropriate use of charge cards. In response, the Travel Card Program developed its Travel Card Management Plan, which outlines the Department's policies and procedures that are critical to the management of the travel charge card program and that ensure that a system of internal controls is followed and mitigate the potential for fraud, waste, abuse, and delinquency.

Travel Card Program officials determined that 20 of the prohibited merchant category codes in the 2015 Travel Card Management Plan were included erroneously. However, the Travel Card Management Plan serves as the Department's written policies and procedures for the appropriate use of travel charge cards. Therefore, OIG's analysis was based on the official policies in place at the time transactions took place and A/OPCs performed oversight.

For example, OIG identified one Department-issued travel card holder who used the travel card to make two purchases, valued at \$4,860, at the Wee Breast and General Surgery clinic in Singapore. These purchases were classified with merchant category code 8011, "Doctors and Physicians-Not Elsewhere Classified," which was prohibited by the Department. In addition, OIG identified a Department-issued travel card holder who used the travel card to make eight payments, valued at \$654.93, to the Washington, D.C. Jewish Community Center from October 2014 through April 2015. These payments were classified with merchant category code 8398, "Organizations, Charitable and Social Services," which was prohibited per the Department's Travel Card Management Plan. Further, OIG identified a Department-issued travel card holder who used the travel card to make three purchases, valued at \$2,319, at JoS. A. Bank Clothiers, Inc., a men's clothing retailer. These purchases were classified with merchant category code 5611, "Men's and Boy's Clothing and Accessories Stores," which was also prohibited by the Department. Figure 3 depicts the top 10 prohibited merchant category codes that Department-issued travel card holders used when completing transactions in FY 2014 and FY 2015. For a complete list of FY 2014 and FY 2015 travel card transactions associated with prohibited merchant category codes, see Appendix C.

**Figure 3: Top 10 Travel Card Transactions With Prohibited Merchant Category Codes in FY 2014 and FY 2015**



**Source:** OIG prepared based on comparison of Travel Card Program prohibited merchant category codes and FY 2014 and FY 2015 Citibank travel card transactions.

As shown in Table 2, OIG also identified 392 transactions, valued at \$14,806.68, with merchant category codes that were not prohibited by the Department but whose descriptions were similar or related to those of prohibited merchant category codes. For example, in 2015 the Travel Card Program prohibited merchant category codes 5944-5950 and 5960-5977, "Miscellaneous & Specialty Retail Stores, Art Dealers & Galleries, Hardware & Furnishings." OIG identified 43 transactions, valued at approximately \$7,082, associated with merchant category code 5999, "Miscellaneous and Specialty Retail Stores," which the Travel Card Program did not prohibit, despite its nearly identical description. In addition, the Travel Card Program prohibited merchant category codes 5311, "Department Stores," 5137, "Men's, Women's, and Children's Uniforms and Commercial Clothing," 5611, "Men's and Boy's Clothing and Accessories Stores," and 5621, "Women's Ready to Wear Stores." OIG identified 19 transactions, valued at approximately \$1,093, associated with merchant category codes 5631, "Women's Accessory and Specialty Stores," 5699, "Accessory and Apparel Stores-Miscellaneous," and 5691, "Men's and Women's Clothing Stores," which the Travel Card Program also did not prohibit, but which are similar to the merchant category codes that are prohibited.

**Table 2: FY 2014 and FY 2015 Travel Card Transactions With Questionable Merchant Category Codes**

<b>MCC Description</b>	<b>MCC Number</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Miscellaneous and Specialty Retail Stores	5999	43	\$7,081.77
Computer Network/Information Services	4816	270	4,199.45
Computers, Computer Peripheral Equipment, Software	5045	11	688.87
Sporting Goods Stores	5941	10	512.97
Sports and Riding Apparel Stores	5655	5	470.68
Women's Accessory and Specialty Stores	5631	6	416.08
Accessory and Apparel Stores-Miscellaneous	5699	7	407.85
Home Supply Warehouse Stores	5200	10	280.11
Men's and Women's Clothing Stores	5691	4	268.83
Record Stores	5735	16	207.80
Second Hand Stores, Used Merchandise Stores	5931	2	102.14
Computer Programming, Data Processing, Integrated Systems Design Services	7372	4	92.04
Specialty Cleaning, Polishing and Sanitation Preparations	2842	1	38.49
Dental/Laboratory/Medical/Ophthalmic Hospital Equipment and Supplies	5047	1	26.33
Computer Maintenance-Not Elsewhere Classified	7379	1	6.95
Motion Picture and Video Tape Production and Distribution	7829	1	6.32
<b>Total</b>		<b>392</b>	<b>\$14,806.68</b>

**Source:** OIG prepared based on review of Travel Card Program prohibited merchant category codes and FY 2014 and FY 2015 Citibank travel card transactions.

Based on professional judgment, OIG created a list of 336 of the 1,306 transactions it considered particularly questionable due to the merchant category code and/or merchant name. OIG provided this list to Travel Card Program Office personnel to determine whether the transactions were identified previously as potential misuse. According to Travel Card Program Office personnel, it had previously identified 22 of 336 transactions as potential misuse. Of those 22, 11 were determined to be misuse and the remaining 11 were determined to be acceptable transactions. The 11 transactions determined to constitute misuse were conducted by 9 individuals, who each had to sign a Department of State Cardholder Counseling Agreement acknowledging the misuse and were also required to re-take the GSA SmartPay Travel Card Training for Cardholders. OIG provided the complete list of the 1,306 transactions that were associated with prohibited or questionable merchant category codes to Travel Card Program Office personnel for further possible action.

According to Travel Card Program Office personnel, travel card holders were able to proceed with transactions associated with merchant category codes that should have been blocked at the point of sale because A/OPCs were able to add or remove merchant category codes from

the prohibited list on an as-needed basis. However, Travel Card Program Office personnel stated that in February 2016, the Department, in conjunction with Citibank, removed the previous protocols and instituted a single list of allowable merchant category codes for all Department-issued travel card holders. A/OPCs no longer have the ability to modify the list of allowable merchant category codes, which should eliminate the majority of prohibited/questionable transactions that OIG identified.

As explained in Finding A, according to Travel Card Program Office personnel, the sampling procedures used prior to December 2015 by the Travel Card Program may provide one reason why the transactions were not flagged as possible misuse of a travel card. As already noted, those limited sampling procedures did not capture all transactions with prohibited merchant category codes. The new process, implemented in December 2015, reviews all travel card transactions each month using an automated database tool. In fact, when the Travel Card Program used its new database tool to analyze the 336 transactions associated with 30 different merchant category codes provided by OIG, the Travel Card Program identified all transactions associated with 26 of 30 merchant category codes as potential misuse. The remaining transactions associated with 4 of 30 merchant category codes were flagged as "risky." According to Travel Card Program Office personnel, these 336 transactions would have been identified as potential misuse and undergone additional review by Travel Card Program analysts under its new review process. OIG determined that the Travel Card Program's new transaction review process is more robust and more likely to identify prohibited transactions than its previous review processes.

Another reason that transactions associated with questionable merchant category codes occurred was that the list of merchant category codes prohibited by the Department did not include all merchant category codes that would be unrelated to official travel. When asked why certain merchant category codes, such as clothing and accessory stores, were not prohibited, a Travel Card Program official informed OIG that the Department's transaction blocking merchant category code policy needed to be reviewed and updated.

OIG determined that the Department's former policies and procedures were inadequate to identify all questionable transactions and prevent travel card holders from potentially misusing Department-issued travel cards. Card holders who misused or abused their Department-issued travel cards for prohibited or questionable purchases unrelated to official travel expenses violated Department regulations and the Citibank Government Services Travel Card Program Cardholder Account Agreement. In doing so, travel card holders put the Department at risk of receiving a reduced refund should the card holder default on travel card payments.

### ***Administrative and Disciplinary Procedures Related to Travel Card Misuse***

OIG found that in addition to a lack of detective controls, the Department has not developed or imposed administrative and disciplinary procedures as described in the *Government Charge Card Abuse Prevention Act of 2012* and Office of Management and Budget Circular A-123, Appendix B. A Travel Card Program official stated that the office's role is to identify instances of

travel card misuse; Travel Card Program Office personnel believe that disciplinary actions are the purview of individual Department bureaus and overseas posts.

The *Government Charge Card Abuse Prevention Act of 2012*<sup>22</sup> states that each executive agency must provide for appropriate adverse personnel actions to be imposed when its employees fail to comply with applicable travel charge card terms and conditions or applicable agency regulations or commit fraud with respect to a travel charge card. These potential adverse personnel actions must include removal in appropriate cases. In addition, Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control," Appendix B, "Improving the Management of Government Charge Card Programs," states that charge card managers are responsible for ensuring that charge cards are used for authorized purchases or expenses only. In carrying out these activities, charge card managers are required to develop and impose disciplinary action deemed appropriate by the agency in cases of charge card misuse.

Travel Card Program and Bureau of Human Resources personnel met in February 2015 to discuss the development and implementation of administrative and disciplinary procedures related to travel card misuse similar to those detailed in Appendix D. However, as of April 2016, no such procedures have been developed or implemented at the Department. OIG determined that administrative and disciplinary procedures related to travel card misuse are integral internal controls that should be developed and implemented as soon as possible.

**Recommendation 2:** OIG recommends that the Bureau of the Comptroller and Global Financial Services develop and implement a policy to annually review and update its transaction blocking by merchant category code template to ensure that it is complete and accurate.

**Management Response:** The Bureau of the Comptroller and Global Financial Services concurred with the recommendation.

**OIG Reply:** Based on the Bureau of the Comptroller and Global Financial Services' concurrence, OIG considers this recommendation resolved. However, in accordance with Office of Management and Budget Circular A-50, "Audit Followup," the bureau needs to provide an acceptable corrective action plan, with dates for achieving action, for this recommendation to remain resolved beyond 30 days. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the bureau has developed and implemented a policy to annually review and update its transaction blocking by merchant category code template to ensure that it is complete and accurate.

**Recommendation 3:** OIG recommends that the Office of the Director General for Human Resources, in conjunction with the Bureau of the Comptroller and Global Financial Services,

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<sup>22</sup> Public Law No. 112-194, 41 U.S.C. § 1909(c).

develop and implement administrative and disciplinary procedures related to the Travel Card Program to include misuse, non-usage, and abuse.

**Management Response:** The Bureau of the Comptroller and Global Financial Services partially concurred with this recommendation as originally drafted. Specifically, the Bureau of the Comptroller and Global Financial Services agreed that there was a need to develop and implement administrative and disciplinary procedures related to the Travel Card Program to include misuse, non-usage, and abuse. However, the Bureau of the Comptroller and Global Financial Services stated that the Bureau of Human Resources should be the lead for any recommendation regarding Department-wide disciplinary procedures and, as the program manager for the Travel Card Program, the Bureau of the Comptroller and Global Financial Services should play a consulting role. The Bureau of the Comptroller and Global Financial Services also stated that the template of consequences for Travel Card Program misuse and/or abuse (contained in Appendix D of this report) was developed and is currently being used when misuse or abuse occurs. In addition, the Travel Card Program Office requires a Misuse Counseling Agreement be signed by the cardholder and either the Executive Director for domestic cardholders or the Management Officer for overseas cardholders.

**OIG Reply:** OIG has modified the recommendation and named the Office of the Director General for Human Resources as the implementing bureau in conjunction with the Bureau of the Comptroller and Global Financial Services. Because the Office of the Director General for Human Resources did not respond to OIG's request for comments to a draft of this report, OIG considers this recommendation unresolved and will track its implementation through the audit compliance process. This recommendation will be resolved when OIG receives and accepts the Office of the Director General for Human Resources' concurrence with the recommendation, along with a corrective action plan, including milestones, for developing and implementing administrative and disciplinary procedures related to the Travel Card Program to include misuse, non-usage, and abuse. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Office of the Director General for Human Resources has developed and implemented administrative and disciplinary procedures for the misuse, non-usage, and abuse of the Travel Card Program.

### **Finding C: Department Employees Did Not Always Obtain Department-Issued Travel Cards in Accordance With Federal and Department Regulations**

The FAH<sup>23</sup> states that each U.S. citizen Department employee expecting to travel more than two times a year must apply for and use the charge card. In addition, the Federal Travel Regulation states that card holders are required to use the Government contractor-issued travel charge card for all travel-related expenses unless an exemption is granted.<sup>24</sup> OIG found that Department employees who were authorized to obtain a travel card and who traveled more than two times during the audit scope period<sup>25</sup> did not always obtain travel cards in accordance

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<sup>23</sup> 4 FAH-3 H-466.2.

<sup>24</sup> Federal Travel Regulation, 41 Code of Federal Regulations § 301-51.1.

<sup>25</sup> The scope period for this audit was October 1, 2013, through March 31, 2015.

with Federal and Department policies. In particular, OIG identified 5,848 individuals who traveled more than two times in a 12-month period between October 1, 2013, and March 31, 2015, but did not have a Department-issued travel card. These 5,848 individuals incurred \$30,004,726 in travel-related expenses.

In total, OIG statistically projected that an estimated 2,400<sup>26</sup> of 5,848 Department travelers (approximately 41 percent) who did not have a Department-issued travel card and who traveled two or more times during a 12-month period from October 1, 2013, through March 31, 2015, should have obtained and used a Department-issued travel card for official travel-related expenses. This occurred in part because the policy regarding card use by those who travel "more than two times a year" is ambiguous. Specifically, the FAH<sup>27</sup> does not indicate whether "a year" references a specific calendar year, a specific fiscal year, or a rolling 12-month period. Clarifying the policy could eliminate confusion and ensure FAH compliance for all Department travelers who qualify to obtain an individually billed travel card.

Although all U.S. citizen, direct hire Department employees expecting to travel more than two times each year, regardless of their employment category, must apply for and use the charge card for all travel-related expenses, one Travel Card Program official stated that some Department employees are resistant to this requirement, as many do not anticipate traveling more than two times per year. In addition, Travel Card Program officials stated that some Department employees travel to areas in which the economy is cash-based and, as a result, find it difficult to comply with the requirement to use the travel card for all official travel-related expenses.

To mitigate resistance to this policy, the Travel Card Program conducts outreach with various bureaus and overseas posts and recently completed an update to its SharePoint site to increase usability and provide improved customer support. In addition, Travel Card Program Office personnel stated that all Foreign Service officers receive travel cards during the Foreign Service Institute's Foreign Service Orientation course. OIG noted that there are no documented consequences for Department employees who travel more than two times each year but do not apply for and use the Department-issued travel card. As a result, there is no deterrent to prevent employees from simply disregarding the requirement to obtain and use a Department-issued travel card.

Department employees who do not obtain and use Citibank travel cards for all official travel expenses not subject to an exemption in accordance with the FAH reduce the Department's potential refund. As a result, OIG estimates that the Department could have received as much as \$4,053 in sales refunds had these 2,400 individuals used a Department issued travel card to pay an estimated \$10,133,051.<sup>28</sup>

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<sup>26</sup> The 95 percent confidence interval was computed to be between 1,774 and 3,341 Department travelers.

<sup>27</sup> 4 FAH-3 H-466.2.

<sup>28</sup> The 95 percent confidence interval was computed to be between \$7,385,411 and \$14,356,117 in official travel-related expenses.

**Recommendation 4:** OIG recommends that the Bureau of the Comptroller and Global Financial Services establish controls to identify Department employees eligible to receive a travel card who travel more than two times in a 12-month period and verify that they obtain and use a Department-issued travel card for all official travel-related expenses.

**Management Response:** The Bureau of the Comptroller and Global Financial Services concurred with the recommendation.

**OIG Reply:** Based on the Bureau of the Comptroller and Global Financial Services' concurrence, OIG considers this recommendation resolved. However, in accordance with Office of Management and Budget Circular A-50, "Audit Followup," the bureau needs to provide an acceptable corrective action plan, with dates for achieving action, for this recommendation to remain resolved beyond 30 days. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of the Comptroller and Global Financial Services has established controls to identify Department employees eligible to receive a travel card who travel more than two times in a 12-month period and verify that they obtain and use a Department-issued travel card for all official travel-related expenses.

### ***Failure to Ensure Department-Issued Travel Card Use***

OIG was unable to assess whether Department-issued travel card holders used their charge cards for all non-exempted official travel-related expenses, as required by the Federal Travel Regulation<sup>29</sup> and the FAH.<sup>30</sup> Such an assessment was not practical, due to the limitations described previously that prevent comparison of Citibank transaction data with E2 line-level travel expense data. However, OIG found that the Travel Card Program did not have controls in place to ensure that Department-issued travel card holders used their charge cards for all non-exempted travel-related expenses, in accordance with the FAH. One Travel Card Program official stated that the office's focus has been on eliminating the practice of issuing travel advances<sup>31</sup> and requiring all travelers, regardless of the frequency of travel, to obtain and use Department-issued travel cards. The official went on to state that when this is accomplished, the Travel Card Program will shift its emphasis to ensuring that travelers use Department-issued travel cards, rather than personal means, to pay for all non-exempted official travel-related expenses.

One control that would improve the Travel Card Program's oversight of Department-issued travel card use for all official travel-related expenses is split disbursement. Split disbursement is the process of dividing a travel voucher reimbursement between the charge card vendor and the traveler. This control could help ensure that Department-issued travel card holders use their

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<sup>29</sup> Federal Travel Regulation, 41 Code of Federal Regulations, § 301-51.1.

<sup>30</sup> 4 FAH-3 H-466.2.

<sup>31</sup> According to 4 Foreign Affairs Manual (FAM) 463.1, the purpose of a travel advance is to provide an employee authorized to travel at U.S. Government expense with funds to meet authorized travel expenses. Further, 4 FAM 463.3-2 states that employees who have a Department-issued travel card will not receive travel advances without justification, approved by the Travel Card Program Office or the post management officer.

charge cards for all non-exempted official travel-related expenses and could reduce delinquencies. For example, when creating a travel voucher, the reimbursement for all government-related expenses, such as hotels, cash advances, rental cars, etc., would be paid automatically to the charge card vendor. In order for the payment to be directed to the traveler, he or she would be required to override the payment to the travel card vendor, including a justification as to why the Department-issued travel card was not used. Once approved, the Department would remit all reimbursements related to the travel charge card directly to the charge card vendor and any remaining voucher amounts to the traveler. This would eliminate the need for the traveler to first receive all the funds and then remit payment to the charge card vendor, potentially reducing delinquencies and increasing the Department's quarterly productivity refund. Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control," Appendix B, "Improving the Management of Government Charge Card Programs," states that split disbursement is mandatory, unless the agency waives or provides for an exemption. OIG found that the Department did not request an exemption to split disbursement requirements, nor has the Department implemented split disbursement procedures.

Should the Department implement split disbursements for Department-issued travel card accounts, the Travel Card Program would be able to track card holders' use of the Department-issued travel card. For example, Travel Card Program analysts could review payments to Department-issued travel card accounts to determine whether the card holder used the travel card rather than personal means to pay for lodging expenses. Split disbursement procedures would require Department-issued travel card holders to provide justification any time that personal means are used to pay for official travel-related expenses such as transportation and lodging.

By failing to ensure that Department-issued travel card holders use the charge card for all official travel-related expenses, the Travel Card Program may have indirectly reduced the Department's sales refund. Given the limitations of the available data, it was not possible to determine the amount by which the sales refund may have been reduced. However, for demonstration purposes, using one E2 category of official travel expenses, the total lodging expense paid for Department travelers between October 1, 2013, and March 31, 2015, was \$118,226,616.<sup>32</sup> If 100 percent of these expenses had been applied to Department-issued travel cards, the Department could have earned up to approximately \$47,291 in sales refunds. Any lodging expense paid by personal means reduced the Department's potential sales refund.

**Recommendation 5:** OIG recommends that the Bureau of the Comptroller and Global Financial Services develop and implement split disbursement procedures as required by the Office of Management and Budget for all Department-issued travel card holders.

**Management Response:** The Bureau of the Comptroller and Global Financial Services concurred with the recommendation and stated that in March 2016, the bureau began to

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<sup>32</sup> This total includes some lodging expenses that were applied to individually billed travel cards, as well as others for travelers that would not have been eligible to obtain an individually billed travel card.

work with the software developer and Citibank to determine how split disbursement procedures could be implemented.

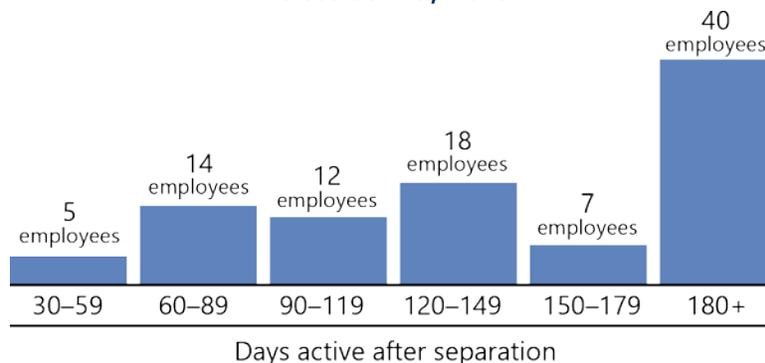
**OIG Reply:** Based on the Bureau of the Comptroller and Global Financial Services' concurrence, OIG considers this recommendation resolved. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of the Comptroller and Global Financial Services has developed and implemented split disbursement procedures for all Department-issued travel card holders, as required by the Office of Management and Budget.

### Finding D: The Department's Process for Canceling Separated Employees' Travel Card Accounts Needs Improvement

Since the travel card is only to be used by U.S. citizen Department employees for official travel expenses according to the FAH and the cardholder agreement, once an employee separates from the Department, the former employee should no longer use a Department-issued Citibank travel card. In addition, according to the Travel Card Program's 2015 Travel Card Management Plan, the travel card account should be cancelled on or before the date of separation. However, OIG found that Travel Card Program Office personnel and A/OPCs did not always cancel separated Department employees' Citibank travel card accounts in a timely manner.

OIG obtained a list of 5,338 former employees who separated from the Department between October 1, 2013, and August 31, 2015. OIG compared this list with a list of active Citibank card holders as of October 19, 2015.<sup>33</sup> OIG identified 96 individuals who separated from the Department between October 1, 2013, and August 31, 2015 but still had active Citibank travel card accounts between 49 and 726 days, as of October 19, 2015, after separation. See Figure 4 for additional information.

**Figure 4: Separated Employees With Active Travel Card Accounts as of October 19, 2015**



**Source:** OIG prepared based on comparison of Citibank's active card holder listing, dated October 19, 2015, and the Bureau of Human

<sup>33</sup> This list of Citibank card holders was reduced to include only active accounts opened prior to September 1, 2015.

Resources separated employee listing from October 1, 2013, through August 31, 2015.

In addition, OIG identified 16 of 96 individuals whose travel card accounts demonstrated activity between 1 and 646 days post-separation. Specifically, these 16 individuals incurred 247 transactions, valued at approximately \$63,886, after they separated from the Department.

As part of the clearance process when leaving the Department, all employees are required to notify their respective A/OPC in person, by phone, or by email, of pending separation. At this time, the Department has an opportunity to determine whether a card holder has an outstanding balance so that the account can be closed. When checking out, A/OPCs should obtain separating employees' travel charge cards; however, it is not mandatory, according to the 2016 Travel Card Management Plan. According to Travel Card Program Office personnel, the primary control is account cancellation. Collecting the physical travel charge card is a secondary control because, if the account is closed, the physical card cannot be used to make purchases or obtain cash advances. Because A/OPCs did not always collect travel cards from employees, the Travel Card Program used a monthly separation report provided by the Department's Bureau of Human Resources to verify that all separated employees' travel cards had been closed.

Speaking before changes were made in 2016, a Travel Card Program official stated that the Department used a delayed Bureau of Human Resources report in its process for verifying that separated employees' travel card accounts had been canceled. Information related to employee separation was transmitted to Citibank once each month. However, the same official informed OIG that the Travel Card Program implemented a new process in 2016, allowing the Department to submit employee separation data to Citibank bi-weekly. Travel Card Program officials stated that the new process would reduce delays between employees' separation from the Department and cancellation of travel card accounts. While OIG recognizes that this has reduced the amount of time that a separated employee with an open travel card account may be undetected, employees who do not remit their travel charge card to their respective A/OPC may continue to use the card before Citibank receives the bi-weekly Bureau of Human Resources report.

Further, OIG noted that the Department's policies did not include provisions for taking the travel card from employees who are placed on administrative leave for conduct issues. For example, OIG identified an employee who was placed on administrative leave in July 2014 and continued to use his Department-issued travel card during the 6 months he was on administrative leave and for approximately 1 month after his official separation date. This individual charged 25 purchases between July 2, 2014, and February 18, 2015, totaling approximately \$2,823 to his Department-issued travel card, despite the fact that he was on administrative leave, subsequently separated from the Department, and was not on official travel during this timeframe.<sup>34</sup>

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<sup>34</sup> The individual resigned from the Department while on administrative leave. Prior to resigning, he paid the full balance owed on his travel card.

According to the Travel Card Program Office, these unauthorized purchases were not identified because the individual paid his Department-issued travel card account in a timely manner. In addition, Travel Card Program Office personnel cited the former transaction review process, which used a sampling methodology to review approximately 25 percent of all travel card transactions on a quarterly basis. As reported in Finding A and Finding B of this report, the Department implemented a new process in December 2015 that reviews 100 percent of all travel card transactions each month using an automated database tool. According to the Travel Card Program Office, this tool identifies any transaction without a corresponding travel authorization as potential misuse. OIG determined that the Travel Card Program's new transaction review process is more robust and more likely to identify prohibited transactions than previous review processes.

Employees who separate from the Department but whose travel card accounts have an outstanding balance or are not closed in a timely manner may misuse the Citibank travel card. However, due to the individuals' separation status, the Department has no recourse against former employees<sup>35</sup> outside of litigation. Travel card holders on administrative leave may continue to incur prohibited charges, which places the Department at risk of a reduced refund, should card holders default on travel card payments.

**Recommendation 6:** OIG recommends that the Bureau of the Comptroller and Global Financial Services update its policy regarding employees' remittance of the travel charge card to require that Agency/Organization Program Coordinators obtain separating employees' travel charge cards whenever possible.

**Management Response:** The Bureau of the Comptroller and Global Financial Services concurred with the recommendation and stated that due to the high level of transferring employees, the Travel Card Program Office implemented a separation process that is centrally managed, rather than assigning the duty to Agency/Organization Program Coordinators. The Travel Card Program Office implemented its separation process in November 2015 and closes 100 percent of individually-billed travel card accounts for separating employees.

**OIG Reply:** Based on the Bureau of the Comptroller and Global Financial Services' concurrence, OIG considers this recommendation resolved. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the bureau has updated its policy regarding separating employees' remittance of the travel charge card to the Travel Card Program Office.

**Recommendation 7:** OIG recommends that the Bureau of the Comptroller and Global Financial Services update its Travel Card Management Plan to include provisions and

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<sup>35</sup> According to the 2015 Travel Card Management Plan, potential consequences of misuse may include counseling, cancellation of card, written warning, and suspension or termination of employment. Once an employee separates from the Department, none of these consequences can be enforced.

procedures for account suspension and/or closure for employees who are placed on administrative leave for conduct issues.

**Management Response:** The Bureau of the Comptroller and Global Financial Services concurred with this recommendation and stated that in June 2016, the bureau began receiving a list from the Bureau of Diplomatic Security, notifying the Travel Card Program Office of employees whose security clearances had been suspended. Once notified, the Travel Card Program Office will close the card holder's account. The Travel Card Program Office has also communicated with the Office of the Director for Human Resources, Office of the Executive Director to obtain a listing of all card holders who have been placed on leave without pay or in a general leave status. This listing will allow the Travel Card Program Office to temporarily close an account for any employee placed on administrative leave.

**OIG Reply:** Based on the Bureau of the Comptroller and Global Financial Services' concurrence, OIG considers this recommendation resolved. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of the Comptroller and Global Financial Services has updated its Travel Card Management Plan to include provisions and procedures for account suspension and/or closure for employees who are placed on administrative leave for conduct issues.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of the Comptroller and Global Financial Services develop, implement, and publish policies in the Foreign Affairs Manual and/or Foreign Affairs Handbook governing cash advances on Department-issued travel cards, specifically regarding the timing and dollar value of cash advances that may be obtained.

**Recommendation 2:** OIG recommends that the Bureau of the Comptroller and Global Financial Services develop and implement a policy to annually review and update its transaction blocking by merchant category code template to ensure that it is complete and accurate.

**Recommendation 3:** OIG recommends that the Office of the Director General for Human Resources, in conjunction with the Bureau of the Comptroller and Global Financial Services, develop and implement administrative and disciplinary procedures related to the Travel Card Program to include misuse, non-usage, and abuse.

**Recommendation 4:** OIG recommends that the Bureau of the Comptroller and Global Financial Services establish controls to identify Department employees eligible to receive a travel card who travel more than two times in a 12-month period and verify that they obtain and use a Department-issued travel card for all official travel-related expenses.

**Recommendation 5:** OIG recommends that the Bureau of the Comptroller and Global Financial Services develop and implement split disbursement procedures as required by the Office of Management and Budget for all Department-issued travel card holders.

**Recommendation 6:** OIG recommends that the Bureau of the Comptroller and Global Financial Services update its policy regarding employees' remittance of the travel charge card to require that Agency/Organization Program Coordinators obtain separating employees' travel charge cards whenever possible.

**Recommendation 7:** OIG recommends that the Bureau of the Comptroller and Global Financial Services update its Travel Card Management Plan to include provisions and procedures for account suspension and/or closure for employees who are placed on administrative leave for conduct issues.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Audits in the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors conducted this audit to determine whether Government-issued travel card holders (1) obtained cash advances in accordance with regulations, (2) used their Government card only for purchases allowed by laws and regulations, and (3) used their Government card for all travel expenses in accordance with regulations. OIG also addressed whether the Bureau of the Comptroller and Global Financial Services closed travel card accounts in a timely manner when employees were separated from service.

The Office of Audits conducted this audit from August 2015 to June 2016. All audit work was performed in the Washington, D.C., metropolitan area and in Charleston, South Carolina. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To gain an understanding of the audit topic, OIG researched and reviewed Federal laws and regulations, as well as Department guidance related to the Department's Travel Card Program, such as the Federal Travel Regulation;<sup>1</sup> Office of Management and Budget Circular A-123, Appendix B;<sup>2</sup> the Foreign Affairs Manual (FAM); and the Foreign Affairs Handbook. OIG also communicated with key personnel, including individuals from the Bureau of the Comptroller and Global Financial Services, Travel Card Program Office, Agency/Organization Program Coordinators (A/OPCs), and Department travelers (both travel card holders and non-card holders).

To determine whether travelers obtained cash advances in accordance with regulations, OIG obtained a Citibank listing of all Department-issued travel card cash advance transactions in FY 2014 and FY 2015, a total of 27,032 transactions valued at approximately \$6,496,551. OIG reviewed these transactions to determine whether cash advances were obtained in accordance with Department analytical parameters<sup>3</sup> and Citibank regulations. Specifically, OIG determined whether cash advances were obtained no more than 7 days prior to the start of official travel and no more than 7 days after the end of official travel.

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<sup>1</sup> 41 Code of Federal Regulations, Chapters 300-304.

<sup>2</sup> Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control," Appendix B, "Improving the Management of Government Charge Card Programs."

<sup>3</sup> Travel Card Program analysts use established parameters to determine whether a cash advance should be questioned during monthly transaction reviews. Specifically, for temporary duty travel, Department-issued travel card holders may obtain cash advances not more than 7 days before or 2 days after travel authorization dates. For permanent change of duty station travel, Department-issued travel card holders may obtain cash advances not more than 37 days before or 67 days after travel authorization dates.

To determine whether Department-issued travel card holders used their Government card only for purchases allowed by laws and regulations, OIG obtained a Citibank listing of all FY 2014 and FY 2015 Department-issued travel card transactions. OIG identified the merchant category code and the description associated with each purchase and compared these to the Travel Card Program's list of prohibited merchant category codes in the Travel Card Program's 2015 Travel Card Management Plan to determine whether Department-issued travel card holders used their travel cards to make unallowable purchases.

To determine whether travelers used their Government-issued travel card for all travel expenses in accordance with regulations, OIG obtained a listing of all travel vouchers completed via E2Solutions (E2) from October 1, 2013, through March 31, 2015. By comparing this information to Citibank card holder data, OIG identified a universe of 5,848 individuals who traveled more than two times in a 12-month period between October 1, 2013, and March 31, 2015, and who did not have a Department-issued Citibank travel card. From this universe, OIG developed a sample of 225 Department travelers who traveled more than two times in a 12-month period between October 1, 2013, and March 31, 2015, and who did not have a Department-issued Citibank travel card. In addition, OIG ascertained each traveler's employment status (that is, separated employee, Civil Service, Foreign Service, employed family member, locally employed staff, military personnel, other U.S. Government agency employee, personal services contractor, or political appointee). Representatives from multiple U.S. Government agencies, locally employed staff, military personnel, and other overseas post employees use E2 to complete travel authorizations and vouchers. However, these employees do not meet FAM requirements for obtaining and using Department-issued travel cards for official travel-related expenses.<sup>4</sup> Identifying travelers' employment status was necessary to identify those individuals (separated, Civil Service, and Foreign Service employees) to whom the FAM requirements to obtain and use a Department-issued travel card pertained.

To determine whether the Department closed out travel card accounts in a timely manner for employees who were separated, OIG obtained a listing of 5,338 former employees who separated from the Department between October 1, 2013, and August 31, 2015. OIG compared this list to an October 19, 2015, Citibank listing of 9,336 current Department-issued travel card account holders to determine whether any employees who left the Department prior to September 1, 2015, were listed as active travel card account holders.

## Prior OIG Reports

*Report on FY 2013 Risk Assessment of Travel and Purchase Card Programs at the Department of State* (AUD-CG-14-27, June 2014)

This risk assessment was conducted to meet the requirements of the Government Charge Card Abuse Prevention Act of 2012, which mandated that the OIG conduct periodic assessments of agency purchase and travel card programs. The purpose of the assessment is to identify and analyze risks of illegal, improper, or erroneous purchases and payments for use in determining

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<sup>4</sup> 4 FAH-3 H-466.2 and 4 FAH-3 H-466.4-1.

the scope, frequency, and number of periodic audits of these programs. Travel and purchase card program size, internal controls, training, reported violations, previous OIG audits, and OIG Office of Investigations forensic audit observations were considered in assessing the risks. The results of the assessment demonstrated that the risk of illegal, improper, or erroneous use in the Department's Travel Card Program is "very high," and as a result, an audit of the Department's Travel Card Program was recommended for inclusion in the OIG FY 2015 annual audit plan.

## **Work Related to Internal Controls**

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG gained an understanding of the Department's processes for issuing and monitoring travel charge cards to employees. OIG also reviewed Federal guidance such as the Federal Travel Regulation and Office of Management and Budget Circular A-123, Appendix B, "Improving the Management of Government Charge Card Programs," as well as Department guidance such as the FAM and the Foreign Affairs Handbook to conduct our audit work and develop our findings. Any significant internal control deficiencies noted during the audit are reported in the Audit Results section of this report.

## **Use of Computer-Processed Data**

In the course of this audit, OIG used electronically processed data provided by Citibank, the Bureau of Human Resources, and E2 as evidence. The assessment on the reliability of the data is discussed below.

### ***Cash Advance Analysis***

OIG used FY 2014 and FY 2015 Citibank transaction data to identify a universe of 27,032 cash advances, valued at \$6,496,551. OIG compared these cash advances to E2 data to determine whether cash advances were authorized, that is, obtained while the Department-issued travel card holder was on official travel. OIG found that 255 travel card holders obtained a total of 2,051 cash advances, valued at \$847,189, without a travel authorization. To test the reliability of these findings, OIG traced a random sample of 80 individuals to ensure that a travel voucher was not found in E2.<sup>5</sup> The data reliability testing found that 9 of 80 sampled individuals completed an authorized travel event in E2, that is, approximately 11 percent of the data was inappropriately matched. The data was between 83 and 93 percent accurate;<sup>6</sup> given this accuracy rate, OIG determined that the data was sufficiently reliable for the purposes of this report.

### ***E2Solutions Vouchers and Citibank Transaction Data***

On October 8, 2015, the Department's E2 project manager provided OIG a list of all travel vouchers completed between October 1, 2013, and March 31, 2015. Citibank also provided two

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<sup>5</sup> The sample size of 80 individuals was selected using an expected error rate of 0 with a 2 percent level of detection at the 95 percent confidence level.

<sup>6</sup> The 95 percent confidence level was computed to be between 7 and 17 percent.

datasets: one listed all Department-issued travel card holders as of October 19, 2015, and the second listed all of the transactions that posted for each Department-issued travel account from October 1, 2013, until March 31, 2015. OIG assessed the reliability of both the E2 and Citibank data by performing electronic testing, reviewing existing information about the data, and interviewing officials knowledgeable about the data. In an attempt to match the datasets, the analyses identified one data limitation. Due to the absence of a unique identifier, it was challenging to match E2 travel authorizations and vouchers to individuals in the Citibank transaction data. The only identifiers that could be matched to the Citibank transaction data were the travelers' first and last names. OIG was able to trace a statistical sample of 131 travelers to attest to the accuracy of the data. Additionally, transaction post dates were compared to E2 travel dates to verify the accuracy of the data. OIG determined that the data were sufficiently reliable for the purposes of this report.

### ***Bureau of Human Resources Employee Separation Data***

The Bureau of Human Resources provided a list of employees who separated from the Department between October 1, 2013, and August 31, 2015. OIG assessed the reliability of the data by comparing the Bureau of Human Resources list to Citibank's October 19, 2015, list of current Department-issued travel card holders to determine whether the Travel Card Program Office canceled separated employees' travel card accounts in a timely manner. OIG could not attest to the completeness of this data because there was not an independent source that captured separated individuals. However, for the purposes of determining whether separated individuals had open Department-issued travel card accounts, OIG determined that the data were sufficiently reliable for the purposes of this report.

### ***Locally Employed Staff List***

OIG obtained a list of locally employed staff from the Post Administrative Software Suite Post Personnel System, more commonly referred to as WebPass or Post Personnel. WebPass is the Department's official Human Resources Information Management system. It is used by all U.S. missions worldwide to capture position and employee data for U.S. Government overseas employee positions under chief of mission authority. WebPass is a current system, meaning that it provides current information, rather than a point-in-time snapshot. The locally employed staff list that OIG obtained included a total of 59,034 unique locally employed staff members and was current as of January 27, 2015. OIG could not attest to the completeness of this data because there was not an independent source that captured locally employed staff. OIG determined that the data were sufficiently reliable for the purposes of this report.

## **Detailed Sampling Methodology**

OIG obtained three datasets to identify a universe of Department travelers who completed more than two final vouchers (travel events), who did not have an active Citibank travel card account, and who were not locally employed staff. Each dataset is explained separately below.

### *E2Solutions Vouchers*

On October 8, 2015, the Department's E2 project manager provided OIG a list of all travel vouchers completed between October 1, 2013, and March 31, 2015. The list included a total of 239,652 closed vouchers.<sup>7</sup> Since the focus of this audit was individually billed accounts, a total of 119,625 vouchers associated solely with centrally billed accounts were removed, resulting in 120,027 vouchers associated with individually billed accounts. These vouchers were filtered to remove duplicate document identification numbers, reflecting a total of 117,964 final vouchers.<sup>8</sup> These final vouchers were associated with 37,490 unique individuals. These individuals were additionally filtered to reflect the number of unique individuals who submitted more than two final vouchers during a 12-month period between October 1, 2013, and March 31, 2015. This filter identified a total of 13,174 individuals, both Department employees and non-Department personnel.

### *Authorized Travel Card Holders and Locally Employed Staff List*

To discern which of these 13,174 individuals had a travel card, OIG obtained a list of all active Department-issued travel card holders, including closed accounts, from Citibank on December 15, 2015. This list contained a total of 18,410 unique travel card account numbers and was filtered to remove centrally billed accounts, bringing the total universe of individually billed Department-issued travel card accounts to 18,191. OIG also obtained a Bureau of Human Resources list of locally employed staff on January 27, 2015, which included a total of 59,034 unique locally employed staff members. Since locally employed staff do not qualify for a Department-issued travel card, OIG excluded locally employed staff from the audit universe.

### *Target Universe Identification*

OIG's statistician used the "R" statistical program (R Program)<sup>9</sup> to identify the target universe of Department travelers who completed more than two final vouchers, did not have an active Citibank travel card account, and who were not locally employed staff. The OIG statistician compared the 13,174 unique individuals who submitted more than two final vouchers during the audit scope period, October 1, 2013, through March 31, 2015, to the 18,191 unique individually billed Department-issued travel card holders from the Citibank file and the 59,034 unique locally employed staff members in the Bureau of Human Resources file. The results identified a target universe of 5,848 individuals who submitted more than two final vouchers during the audit scope period who were not Department-issued travel card holders or locally employed staff. These 5,848 individuals expended \$30,004,726 in travel-related costs.

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<sup>7</sup> Closed vouchers include travelers' interim and final vouchers, which have duplicate document identification numbers.

<sup>8</sup> The duplicate document identification numbers represented interim vouchers.

<sup>9</sup> The R Statistical Program is a language and environment for statistical computing that was developed and is maintained by the R Foundation for Statistical Computing.

### *Identification of Sample of Department Travelers*

In order to project to both dollars and counts found in error, OIG's statistician determined that the appropriate sample size of the target universe (5,848 individuals, who expended \$30,004,726 in travel-related costs) was 156 individuals. The statistician provided an additional 69 samples as a buffer in the event that some individuals were unresolvable or separated from the Department, bringing the final sample size to 225 individuals. The samples were selected using a stratified, partially dollar-weighted sample plan, using the sum of individually billed travel expenses. Using this field, the sample was weighted to ensure that individuals with a higher dollar amount would be given a higher probability of selection. The 225 individuals selected for the sample had individually billed travel expenses valued at \$2,470,236. OIG tested the sample of 225 travelers to determine whether they used a Citibank travel card during travel authorization dates and to determine each individual's employment status. None of the 225 travelers sampled had a Citibank travel card, which confirmed the data's reliability.

OIG projected test findings concerning individuals' employment status (that is, separated employee, Civil Service, Foreign Service, or other categories that are not required to use a travel card). Representatives from multiple U.S. Government agencies, locally employed staff, military personnel, and other overseas post employees use E2 to complete travel authorizations and vouchers. However, these employees do not meet FAM requirements for obtaining and using Department-issued travel cards for official travel-related expenses. Identifying travelers' employment status was necessary to identify those individuals (separated, Civil Service, and Foreign Service employees) to whom the FAM requirements to obtain and use a Department-issued travel card pertained. A total sample of 225 Department travelers was selected using a stratified, dollar-weighted sampling design from the universe of 5,848 individuals. These individuals claimed a total of \$30,004,726 in travel vouchers. The complete sample was used to project the individuals' employment status to the universe counts and dollar total.<sup>10</sup>

OIG statistically sampled and tested records for 225 Department travelers to verify that OIG had correctly identified travelers who had traveled more than two times in a 12-month period between October 1, 2013, and March 31, 2015, but did not have an individually billed travel card. See Table A.1 for a summary of OIG findings.

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<sup>10</sup> The computation of all samples, including the duplicate selection, reduces bias in the estimation of the point estimate (Pfeffermann, D. [1993]).

**Table A.1: Department Traveler Projections, October 1, 2013, through March 31, 2015**

<b>Employment Status</b>	<b>Number of Sample Individuals Identified</b>	<b>Projected Number of Individuals for the Universe<sup>a</sup></b>	<b>Projected Individually Billed Travel Expenses</b>	<b>Potential Sales Refund (4 basis points or 0.04 percent)</b>
Separated	5	149	\$572,248	\$228.90
Civil Service	10	297	\$1,152,994	\$461.20
Foreign Service	69	1,955	\$8,407,809	\$3,363.12
Other <sup>b</sup>	52	1,289	\$7,243,748	Not applicable <sup>d</sup>
Unable to Determine <sup>c</sup>	89	2,159	\$12,627,927	Not applicable <sup>e</sup>
<b>Total</b>	<b>225</b>	<b>5,849</b>	<b>\$30,004,726</b>	<b>\$4,053.22</b>

<sup>a</sup> Numbers of individuals in universe are rounded to the nearest whole number. As a result, the projected number of individuals in the universe totals 5,849, rather than 5,848.

<sup>b</sup> The category "Other" includes individuals who are not U.S. citizen Department employees and, therefore, are not eligible for or required to use a Department-issued travel card.

<sup>c</sup> The category "Unable to Determine" includes those individuals whom OIG could not locate in the Department's Global Address List, a Bureau of Human Resources listing of personnel who separated from the Department between October 1, 2013, and August 31, 2015, or who did not respond to OIG's request for information. Since OIG was unable to determine whether these individuals were U.S. citizen Department employees, OIG could not include them in our projections.

<sup>d</sup> Individuals in the "Other" category are not eligible for a Department-issued travel card and, therefore, cannot earn a refund on individually billed travel expenses.

<sup>e</sup> OIG could not determine whether individuals included in the "Unable to Determine" category were eligible for a Department-issued travel card and, therefore, OIG could not determine whether their individually billed travel expenses could earn sales refunds for the Department.

**Source:** OIG prepared based on projected sample findings.

Using the 95 percent confidence interval, OIG estimated that 149 of 5,848 individuals (3 percent) were separated Department employees. These findings project to approximately \$572,248 of \$30,004,726 in individually billed travel expenses (2 percent) that could have been applied to a Department-issued travel card. In addition, OIG estimated that 297 of 5,848 individuals (5 percent) were Civil Service Department employees. These findings project to approximately \$1,152,994 of \$30,004,726 in individually billed travel expenses (4 percent) that could have been applied to a Department-issued travel card. Further, OIG estimated that 1,955 of 5,848 individuals (33 percent) were Foreign Service Department employees. These findings project to approximately \$8,407,809 of \$30,004,726 in individually billed travel expenses (28 percent) that could have been applied to a Department-issued travel card. OIG also identified travelers who entered travel data into E2 but who were not required to adhere to Department travel card policies. Those individuals included eligible family members, locally employed staff, U.S. military personnel, other U.S. Government agency employees, personal services contractors, and political appointees. These individuals were, for one reason or another, not expected (or able) to obtain a Department-issued travel card. For example, U.S. military personnel, some of whom have their travel vouchers processed through E2, would not be expected to have a Department-issued travel card because they are not Department employees. Similarly, many locally employed staff travel vouchers are processed through E2; however, they are not able to obtain a Department-issued travel card because they are foreign nationals, not U.S. citizens.

## APPENDIX B: 2015 PROHIBITED MERCHANT CATEGORY CODES

The Department of State prohibited the following Merchant Category Codes in 2015:\*

**Table B.1: List of Prohibited Merchant Category Codes**

MCC Description	MCC	MCC Description	MCC
Department Stores	5311	Electronics	5732
Jewelry	5944	Dating/Escort Services	7273
Fines	9222	Massage Parlors	7297
Bail & Bond Payments	9223	Video Tape Rental	7841
Tax Payments	9311	Betting Facilities	7995
I-Purchasing Pilot	9401	Court Costs Including Child Support	9211
Dentists & Orthodontists	8021	Tax Preparation Service	7276
Veterinary Services	0742	Camp Sites	7033
General Contractors	1520	Funeral Services & Crematories	7261
Heating, Plumbing, Air Conditioning	1711	Counseling service-debt, marriage, personal	7277
Roofing	1761	Health and Beauty spas	7298
Arcade	3670	Consumer Credit Report agencies	7321
Steamship & Cruise Lines	4411	Detective Agencies & Protective Agencies	7393
Boat Rentals & leasing	4457	Motor Home & Recreational Vehicle Rental	7519
Marinas, Marine Service, Supplies	4468	Motion Picture	7832
Package Tour Operators	4723	Dance halls, Studios, Schools	7911, 7922, 7929
Utilities, Gas, Water	4900	Billiards & Pool Establishments	7932
Mobile Home Dealers	5271	Bowling Alleys	7933
Boat Dealers	5551	Tourists Attractions & Exhibits	7991-7996
Camper, Recreational Dealers	5561	Golf Courses	7992
Motorcycle Dealers	5571	Video Amusement game supplies	7993
Motor Home Dealers	5592	Video Game, Arcades/establishments	7994
Snowmobile Dealers	5598	Amusement parks	7996
Children's and Infant's wear stores	5641	Country Clubs	7997
Family clothing stores	5651	Aquariums	7998
Furs and Furriers	5681	Doctors & Physicians	8011-8099
Household appliance stores	5722	Optical Goods & Eyeglasses	8044

\* According to Bureau of the Comptroller and Global Financial Services (CGFS) officials, 20 of the prohibited merchant category codes in the 2015 Travel Card Management Plan were included erroneously. However, the Travel Card Management Plan serves as the Department's written policies and procedures for the appropriate use of travel charge cards. OIG's analysis was based on the official policies that were in place at the time transactions took place. CGFS officials did not identify that the prohibited merchant category code listing was inaccurate until receipt of OIG's draft report. [Does this mean that we include in our count of prohibited/questioned transactions those that relate to codes that were erroneously identified as prohibited? Consider including this discussion in the text given that the Department specifically asked about this point?]

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MCC Description	MCC	MCC Description	MCC
Music Stores-Musical Instruments	5733	Elementary & Secondary Schools	8211
Package Stores-Beer, Wine & Liquor	5921	Colleges, Universities, Professional Schools	8220
Pawn Shops	5933	Correspondence Schools	8241
Bicycle shops-Sales and Services	5940	Schools & Educational Services	8299
Catalog Merchants	5964	Child Care Services	8351
Combination Catalog & Retail Merchants	5965	Charitable & Social Services Organizations	8398
All Other Direct Marketers	5969	Political Organizations	8651
Fuel Dealers	5983	Membership Organizations	8699
Cigar stores and stands	5993	Consumer Auditing bookkeeping services	8931
Swimming pools-sales and supplies	5996	I-Purchasing Pilot	9401
Time shares	7012	Automated Referral Service	9700
Camps	7032	Fireplace, fireplace screens and accessories store	5718
Telemarketing of TRS	4761	Miscellaneous Home furnishings	5719
Wire Transfer/Money Order	4829	Antique Shops	5932
Cable and other pay television services	4899	Antique Reproduction Stores	5937
Plumbing & Heating Equipment & Supplies	5074	Miscellaneous & Specialty Retail Stores, Art Dealers & Galleries, Hardware & Furnishings	5944-5950, 5960-5977
Precious Stones & Metals	5094	Direct Marketing Insurance Services	5960
Drugs, Druggist Sundries	5122	Direct Selling Establishments	5963
Men's, Women's and Children's Uniforms and Commercial Clothing	5137	Hearing Aids-Sales, Service & Supplies	5973-5977
Commercial Footwear	5139	Pet shops-pet and supply stores	5995
Glass, Paint & Wallpaper Stores	5231	Hearing Aids-Sales, Service & Supplies	5997-5998
Nurseries, Lawn & Garden Supply Stores	5261	Financial Institutions-Manual Cash Disbursements	6010
Duty free stores	5309	Financial Institutions-Automated Cash Disbursements	6011
Discount, Department, Variety Stores	5331	Non-Financial Institutions	6051
Freezer and locker meat provisionary	5422	Securities-Brokers & Dealers	6211
Car & Truck Dealers, Automotive Parts	5511-5599	Insurance Sales & Underwriting	6300
Men's and Boy's clothing and accessories stores	6511	Savings Bonds	6760
Women's ready to wear stores	5621	Beauty shops and barber shops	7230
Shoe stores	5661	Clothing Rental-Costumes, Uniforms	7296-7298

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<b>MCC Description</b>	<b>MCC</b>	<b>MCC Description</b>	<b>MCC</b>
Tailors, Seamstress, mending alterations	5697	Automotive Pain Shops	7535
Wig and toupee shops	5698	Electrical and small appliance repair shops	7629
Furniture, Home Furnishings & Equipment Stores	5712	Floor Covering, rug and carpet stores	5713

**Source:** Bureau of the Comptroller and Global Financial Services 2015 Travel Card Management Plan

## APPENDIX C: TRAVEL CARD TRANSACTIONS ASSOCIATED WITH PROHIBITED MERCHANT CATEGORY CODES

In FY 2014 and FY 2015, Department-issued travel card holders completed the following 914 transactions, associated with 67 merchant category codes, valued at \$207,541, that were prohibited.

**Table C.1: FY 2014 and FY 2015 Travel Card Transactions With Prohibited Merchant Category Codes**

<b>Prohibited MCC Description</b>	<b>MCC Number</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Recreational and Sporting Camps	7032	41	\$50,769.96
Organizations, Charitable and Social Services	8398	115	32,959.29
Organizations, Membership-Not Elsewhere Classified	8699	60	19,109.25
Miscellaneous Home Furnishing Specialty Stores	5719	9	9,709.06
Insurance Sales, Underwriting, and Premiums	6300	20	9,444.37
Variety Stores	5331	97	7,369.01
Health Practitioners, Medical Services-Not Elsewhere Classified	8099	24	6,327.70
Doctors and Physicians-Not Elsewhere Classified	8011	8	5,997.15
Arcade Hotels	3670	16	4,850.72
Schools and Educational Services-Not Elsewhere Classified	8299	9	4,708.71
Colleges, Universities, Professional Schools & Colleges	8220	13	4,531.55
Hospitals	8062	8	4,173.29
Equipment, Furniture, Home Furnishings Stores (except appliances)	5712	6	3,571.16
Family Clothing Stores	5651	32	3,340.95
Country Clubs, Membership, Private Golf Course	7997	22	3,323.59
Medical and Dental Laboratories	8071	4	3,137.98
Package Tour Operators-Germany Only	4723	16	2,485.59
Men's and Boy's Clothing and Accessories Stores	5611	4	2,348.74
Theatrical Producers (motion pictures), Ticket Agencies	7922	14	2,077.26
Duty Free Stores	5309	54	2,005.61
Direct Marketing-Travel Related Arrangement Services	5962	7	1,835.08
Art Dealers and Galleries	5971	11	1,717.10
Direct Marketing-Catalog Merchants	5964	8	1,552.58
Dentists and Orthodontists	8021	8	1,377.09
Cable, Satellite, Other Pay Television & Radio Services	4899	15	1,364.54
Department Stores	5311	27	1,359.71

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<b>Prohibited MCC Description</b>	<b>MCC Number</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Antique Shops-Sales, Repairs, and Restoration Services	5932	2	1,259.22
Alterations, Mending, Seamstresses, Tailors	5697	2	1,176.69
Gift, Card, Novelty, and Souvenir Shops	5947	51	1,116.66
Freezer and Locker Meat Provisioners	5422	28	1,088.37
Cosmetic Stores	5977	19	1,075.51
Barber and Beauty Shops	7230	19	990.53
Health and Beauty Spas	7298	18	970.24
Package Stores-Beer, Wine, and Liquor	5921	14	968.65
Direct Marketing-Other Direct Marketers	5969	9	931.82
Clock, Jewelry, Watch, and Silverware Store	5944	2	890.63
Leather Goods and Luggage Stores	5948	4	619.70
Tent and Awning Shops	5998	3	557.10
Tourist Attractions and Exhibits	7991	14	507.92
Artists Supply and Craft Shops	5970	6	488.80
Opticians, Optical Goods, and Eyeglasses	8043	1	427.50
Door-to-Door Sales	5963	1	367.06
Motion Picture Theatres	7832	21	366.67
Bicycle Shops-Sales and Service	5940	2	260.47
Utilities-Electric, Gas, Heating Oil, Sanitary, Water	4900	3	218.01
Direct Marketing-Continuity/Subscription Merchants	5968	8	175.30
Floor Covering Stores	5713	2	165.13
Cruise Lines	4411	4	161.85
Pet Shops-Pet Food and Supplies	5995	2	135.53
Cigar Stores and Stands	5993	4	113.43
Men's, Women's, and Children's Uniforms and Commercial Clothing	5137	2	111.26
Commercial Footwear	5139	1	106.94
Women's Ready to Wear Stores	5621	1	103.62
Children's and Infants Wear Stores	5641	2	102.19
Marinas, Marine Service, and Supplies	4468	2	98.59
Amusement Parks, Carnivals, Circuses, Fortune Tellers	7996	4	85.25
Detective/Protective Agency, Security Services, Armor Cars	7393	1	69.05
Camera and Photographic Supply Stores	5946	1	62.03
Game, Toy, and Hobby Shops	5945	2	59.34
Stamp & Coin Stores-Philatelic & Numismatic Supply	5972	2	49.88
Plumbing and Heating Equipment and Supplies	5074	1	47.10
Electronic Sales	5732	2	45.51
Precious Stones and Metals, Watches and Jewelry	5094	1	42.84

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<b>Prohibited MCC Description</b>	<b>MCC Number</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Religious Goods Stores	5973	1	32.04
General Contractors-residential and commercial	1520	1	28.89
Fines	9222	2	14.00
Direct Marketing-Combination Catalog and Retail Merchants	5965	1	2.62
<b>Total</b>		914	\$207,540.98

**Source:** OIG prepared based on comparison of Travel Card Program prohibited merchant category codes and FY 2014 and FY 2015 Citibank travel card transactions.

## APPENDIX D: EXAMPLE OF CONSEQUENCES FOR TRAVEL CARD PROGRAM MISUSE AND/OR ABUSE

At a meeting on February 26, 2015, Bureau of Human Resources (HR) and Bureau of the Comptroller and Global Financial Services officials discussed a template of consequences for Travel Card Program misuse and/or abuse and the possibility of implementing similar procedures within the Department, as shown in Table C.1. As of April 2016, the template has not been adopted as Department policy.

**Table D.1: Potential Consequences for Travel Card Program Misuse And/Or Abuse**

	<b>Offenses (examples)</b>	<b>First Offense</b>	<b>Second Offense</b>	<b>Third Offense</b>
<b>Incorrect Charge</b>	Unauthorized use of or failure to pay in a timely manner or improper use of government travel card as a card holder.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; card holder retakes card training.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; card holder retakes card training; copy of statements sent to HR to be included in official file.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; set card limit to \$0; copy of statements sent to HR to be included in official file.
	Personal use and/or charges that are not directly related to approved/official travel orders. Example: restaurant charges or other transactions without travel-related orders.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; card holder retakes card training.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; card holder retakes card training; copy of statements sent to HR to be included in official file.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; set card limit to \$0; copy of statements sent to HR to be included in official file.
<b>Unauthorized</b>	Other intentional policy violations, charges, or automated teller machine withdrawals without prior approval/travel orders.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; refer to OIG; set card limit to \$0.	Executive Director and card holder sign misuse counseling statement and return it to Travel Card Office; refer to OIG; set card limit to \$0.	Refer to HR for suspension or removal at the recommendation of the Executive Director; set card limit to \$0/cancel travel card privileges.
	Deceptive vouchers/more than one airline charge for the same amount and transaction date for personal gain.	Refer to OIG for investigation at the recommendation of the Executive Director; set card limit to \$0.	Refer to OIG for investigation at the recommendation of the Executive Director; set card limit to \$0.	Refer to HR for suspension or removal at the recommendation of the Executive Director; set card limit to \$0.

	Offenses (examples)	First Offense	Second Offense	Third Offense
<b>Fraudulent</b>	Fraud – the use of travel cards to transact business that is not authorized as part of official Government business.	Refer to OIG for review; set card limit to \$0/cancel travel card privileges.	Refer to OIG for removal of criminal prosecution and/or salary offsets; set card limit to \$0/cancel travel card privileges.	Refer to HR/OIG for removal or criminal prosecution or suspension at the recommendation of the Executive Director; salary offsets may be imposed, at the recommendation of the Executive Director.

**Source:** HR and Bureau of the Comptroller and Global Financial Services officials.

## APPENDIX E: BUREAU OF THE COMPTROLLER AND GLOBAL FINANCIAL SERVICES RESPONSE TO DRAFT REPORT

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**United States Department of State**  
**Comptroller**

*Washington, DC 20520*

SEP 07 2016

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**MEMORANDUM**

TO: OIG – Steve A. Linick  
FROM: CGFS – Christopher H. Flaggs *Chris H. Flaggs*

SUBJECT: OIG Draft Report - Audit of the Department of State Travel Card Program (AUD-CGI-16-XX, Aug 2016)

The Bureau of the Comptroller and Global Financial Services (CGFS) appreciates the opportunity to provide a response on the Inspector General's Draft Report of the Audit of the Department of State Travel Card Program. As noted in the report, CGFS has proactively taken steps to enhance controls and reporting around the Department's Travel Card Program. We have done this to address new requirements in the Government Charge Card Abuse Prevention Act of 2012, and as part of our efforts to continuously improve and strengthen our financial management programs.

In general, we concur with recommendations to strengthen controls and guidance around the Travel Card Program and usage of the Travel Card to the extent feasible in our complex international operating environment. However, for Recommendation number three, we request that the Bureau of Human Resources (HR) be designated the lead with CGFS in a consultative role on implementing administrative and disciplinary procedures. We believe this more accurately reflects our respective roles in defining and implementing any disciplinary actions related to card misuse.

Please find below specific items that we have noted from the draft report for clarification. We hope your staff will take these comments into consideration as part of the final report. In addition, we have provided our initial response to the recommendations in the report.

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**Comments For Consideration As Part of Final Report**

On page 6 and 22 of the report, it mentions 2,051 cash advances that were not related to official travel. The Department's E2 system administers travel related primarily to Temporary Duty (TDY) Travel. Although some of these cash advances may not have been related to official travel they were only related to E2 travel vouchers. Some of the advances could be related to other travel outside of E2, such as personnel on Permanent Change of Station orders (PCS), medical evacuation orders and ordered evacuations.

On page 7 of the report it states: "Card holders who misuse or abuse their Department-issued travel cards to obtain cash advances while not on official Government travel place the Department at risk, as the Department is ultimately responsible, through a reduced refund, should the card holder default on the travel card payments." Stating the Department is ultimately responsible is misleading. The individual that signed for the travel card is ultimately responsible for the outstanding balance on the card. The Department would only be out the productivity refund from Citibank based on the timely payment of the travel card balance.

On pages 8/9 the report states: "... 914 transactions, associated with 67 merchant category codes, valued at \$207,541 that were prohibited merchant category codes (MCC)..." needs to be reviewed. CGFS reviewed all transactions and believe it should be 413 transactions totaling \$75,501.22. Some MCCs listed as prohibited are actually allowed. Some of the other prohibited MCCs listed were added to the accounts for reimbursable items.

As mentioned above in the comment from page 7, the statement on page 11 states "...travel card holders put the Department at risk, as the Department is ultimately responsible should the card holder default on his/her travel card payments." This would be an inaccurate statement. The Department has no liability on the individually billed travel cards.

On page 21 – After reviewing the 2015 Travel Card Management Plan, CGFS found that MCCs listed as prohibited were actually allowed and were part of the STIBT2 template approved in 2011.

After reviewing page 24 of the report CGFS would like to know if the vouchers that were provided to OIG contain only Department of State vouchers or did they

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include all vouchers within E2 during this time period. Are the 13,174 individuals only State Department or all travelers?

After reviewing the Travel Card Plan, and confirming with Citibank, the following MCCs should be removed from Appendix B since they are allowed on the STIBT2 template or the EVAC template:

5311	3670	4723	5651	5964
5965	7997	8398	5331	5422
5541	5542	5661	8699	5964
5965	5995	6010	6011	6051

In addition, Appendix C should be updated. The following MCCs should be removed since they are allowed either on the STIBT2 template or the EVAC template:

8398	8699	5331	3670	5651
7997	4723	5964	5311	5422
5995	5965			

### Responses to Recommendations

**Recommendation 1** states: "OIG recommends that the Bureau of the Comptroller and Global Financial Services develop, implement, and publish policies in the Foreign Affairs Manual and/or Foreign Affairs Handbook governing cash advances on Department-issued travel cards, specifically regarding the timing and dollar value of cash advances that may be obtained."

**Response:** CGFS concurs with this recommendation.

**Recommendation 2** states: "OIG recommends that the Bureau of the Comptroller and Global Financial Services develop and implement a policy to annually review and update its transaction blocking by merchant category code template to ensure that it is complete and accurate."

**Response:** CGFS concurs with this recommendation.

**Recommendation 3** states: "OIG recommends that the Bureau of the Comptroller and Global Financial Services, in conjunction with the Office of the Director

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General for Human Resources, develop and implement administrative and disciplinary procedures related to the Travel Card Program to include misuse, non-usage, and abuse.”

**Response:** CGFS partially concurs with the recommendation. As noted in Appendix D of the report a template of the consequences for Travel Card Program misuse and /or abuse were developed. It is CGFS’ understanding that along with the Bureau of Human Resources the template is currently being used when misuse or abuse occurs. Today, the TCP office requires a Misuse Counseling Agreement be signed by the cardholder and either the Executive Director for domestic cardholders or the Management Officer for overseas cardholders. In addition, the Bureau of Human Resources should be the lead for any recommendation regarding Department-wide disciplinary procedures and, as the program manager for the Travel Card Program; CGFS should play a consultative role.

**Recommendation 4** states: “OIG recommends that the Bureau of the Comptroller and Global Financial Services establish controls to identify Department employees eligible to receive a travel card who travel more than two times in a 12-month period and verify that they obtain and use a Department-issued travel card for all official travel-related expenses.”

**Response:** CGFS concurs with the recommendation.

**Recommendation 5** states: “OIG recommends that the Bureau of the Comptroller and Global Financial Services develop and implement split disbursement procedures as required by the Office of Management and Budget for all Department-issued travel card holders.”

**Response:** CGFS concurs with this recommendation and in March of 2016, began working with the software developer and bank to determine how split funding can be implemented.

**Recommendation 6** states: “OIG recommends that the Bureau of the Comptroller and Global Financial Services update its policy regarding employees’ remittance of the travel charge card to require that Agency/Organization Program Coordinators obtain separating employees’ travel charge cards whenever possible.”

**Response:** CGFS concurs with this recommendation. The Travel Card Program (TCP) is able to change hierarchy levels for each cardholder in order to provide a seamless transition during their change of office. This allows cardholders to keep

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the same account and reduces the administration costs of closing and opening accounts for the same individual. Due to the high level of transferring of employees, the TCP has implemented a separation process that is managed centrally rather than pushing the duty out to Agency/Organization Program Coordinators. The separation process was implemented by the TCP office in November of 2015 and closes out 100% of the IBA cards for separating employees.

**Recommendation 7** states: "OIG recommends that the Bureau of the Comptroller and Global Financial Services update its Travel Card Management Plan to include provisions and procedures for account suspension and/or closure for employees who are placed on administrative leave for conduct issues."

**Response:** CGFS agrees with this finding and in June of 2016 began receiving a list from DS notifying our office of employees who have had their security clearance suspended. Once notified, the TCP office will close the account of the cardholder. The TCP office has also been in communication with HR/EX to obtain a listing of all cardholders that have been placed on leave without pay or in a general leave status. This listing will allow the TCP office to temporarily close an account for any employee placed on administrative leave.

The operational point of contact is Paul McVicker and may be reached by email at [mcvickerpj@state.gov](mailto:mcvickerpj@state.gov) or by phone at (843) 202-3858.

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## ABBREVIATIONS

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A/OPC	Agency/Organization Program Coordinator
E2	E2Solutions
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
HR	Bureau of Human Resources
MCC	Merchant Category Code
OIG	Office of Inspector General

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