



Office of Inspector General

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

June 24, 2020

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: David B Robbins
Executive Director

SUBJECT: Management Advisory on Travel and Purchase Card Processes (M-20-07)

I. Background

On January 27, 2020, the Office of Inspector General (OIG) issued a public letter summarizing our assessment of FTC charge card program risks for FY 2019, as required annually by the Government Charge Card Abuse Prevention Act of 2012. We conducted our assessment to determine the necessary scope, frequency, and number of audits or reviews of travel and/or purchase card activities that our office would initiate. In that letter, we identified the FTC charge card program's risk as low. The purpose of this advisory is to share information on other conditions not affecting the results of that assessment that we identified in the course of that work.

II. Summary

Based on an analysis of travel card and other information, the OIG identified potential risks with respect to (1) travel authorizations approved subsequent to the commencement of travel and (2) employees traveling without an issued travel card. To form our conclusions, we relied on information that the FTC provided from its legacy travel system (E2),¹ and conducted an in-depth review of ten judgmentally selected transactions. We did not identify any exceptions in our detailed review of the ten travel transactions.

With respect to purchase cards, the FTC authorized transactions valued at approximately \$1.6 million in FY 2019. As part of our risk assessment of the FTC's purchase card program, we received data on 3,176 transactions from FY 2019 totaling \$1,619,941 in purchases. We assigned a risk rating for each transaction based on key indicators of the purchase, such as Merchant Category Code and potential for split-purchase. From the high-risk dataset, we judgmentally selected ten transactions and reviewed their purchase documentation (e.g., invoices, receipts, order forms, etc.) and evidence of approving official

¹ At the beginning of FY 2020, the FTC changed travel management systems. The FTC switched from the E2 system, which is supported by the Department of Interior, to the Concur travel system ("Concur"), which the Department of Treasury supports. Concur which has a potential set of controls that could mitigate the risk of travel prior to approved authorizations.

(AO) review and approval. We identified no exceptions with respect to the availability of purchase documentation or with evidence of AO review and approval, and we identified the FTC purchase card program's overall risk as low. However, in reviewing cardholder statements and the ten sampled purchases, the OIG found that the FTC's existing processes cannot ensure that cardholders always stay within monthly card spending limits, and that FTC employees were using purchase cards to pay association membership fees.

III. Applicable Authorities

Travel and Travel Cards. The Federal Travel Regulation (FTR) requires federal employees to use the government travel charge card for all payments of expenses related to official government travel, with some exceptions.² Accordingly, per FTR, travel managers should ensure that all travelers use their government-issued travel charge card for purchases of travel-related services, including rental cars, hotel rooms, and telephone or Internet service.

The FTR requires travelers to generally have written or electronic authorization prior to incurring any travel expense. If it is not practicable or possible to obtain such authorization prior to travel, an agency may approve a specific authorization for reimbursement of some travel expenses after travel is completed.³

FTC Administrative Manual (the Manual) requires FTC employees who travel two or more times per year to use a Government Travel Card, in the employee's name, for all official Government travel related expenses.⁴ Cardholders are personally responsible for any charges made on the card. FTC employees may not use a personal credit card for expenses unless the Financial Management Office's (FMO) Travel Management Office determines it to be in the government's best interest. If a traveler does not meet the criteria for a travel card, the FTC may approve the use of the agency's Centrally Billed Account for travel expenses in limited circumstances.

Purchase Cards. The Government Charge Card Abuse Prevention Act of 2012 requires the head of each executive branch agency to establish and maintain safeguards and internal controls to ensure that the agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases, and to take steps to recover the cost of any illegal, improper, or erroneous purchase made with a purchase card by an employee. The Act also requires agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts consistent with existing OMB guidance.

The Office of Management and Budget (OMB) Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, issued August 27, 2019, requires agencies to establish and monitor controls to detect potentially improper transactions, which may include spending over the authorized limits and purchasing prohibited goods and services. Agencies must update their written policies within 12 months after a newly awarded General Services Administration (GSA)

² 41 C.F.R. § 301-51.

³ *Id.* at § 301-2.1.

⁴ Manual Ch. 2 § 400, *Temporary Duty Travel Policy and Procedures*.

SmartPay master contract, or more frequently, if needed, to address valid agency Inspector General findings or to otherwise remain current.⁵

Per the Federal Acquisition Regulation (FAR) Subpart 13.301, agencies using the Government-wide commercial purchase card shall establish procedures for use and control of the card that comply with Treasury Financial Manual (TFM) 4-4500, *Government Purchase Cards*, and that are consistent with the terms and conditions of the current GSA credit card contract. TFM 4-4500 requires agency policies to address account limits to ensure that clear guidance is provided to the agency coordinators, approving officials, and cardholders.

Per the Manual, the Agency Organization Program Coordinator (A/OPC) is responsible for issuing purchase cards to an office and for setting the maximum monthly purchase card limits.⁶

IV. Findings

A. Traveling Without an Approved Authorization

In FYs 2018 and 2019, FTC employees prepared over 3,600 unique travel authorizations for the approval of official travel. Based on an initial analysis of E2 travel authorization information, an unusually large percentage appeared to have been completed subsequent to the commencement of travel. After adjusting for amended authorizations, FMO clarified that while the number of those approved late were not as high as the OIG initially identified, FMO had identified that 325 of 3,632 (9%) travel authorizations executed in FYs 2018 and 2019 were approved after travel had commenced. FMO identified invitational travel authorizations as particularly problematic, with 94 of 325 (29%) approved subsequent to the commencement of travel.

Without prior authorization to travel, the agency is not in compliance with FTR Part 301-2.1 and the Manual,⁷ which both require prior approved authorizations before traveling. Per the FTR, if it is not practicable or possible to obtain an authorization prior to travel, an agency may approve a specific authorization for reimbursement of travel expenses after travel is completed. However, with effective controls, this should only reasonably be expected to occur in situations where little advance notice is possible. Beyond compliance, failure to complete an authorization for travel poses a risk to the agency if there is an incident or injury to an FTC employee or a traveler invited by the agency.

B. Some FTC Employees are Conducting Official Travel Without Government-issued Travel Cards

As mentioned above, FTC employees who travel two or more times per year must obtain and use the Government-issued charge card for all official temporary duty (TDY) travel related expenses (e.g.,

⁵ Per OMB Circular A-123, Appendix B, Chapter 3 - Charge Card Program Management, agencies are required to update written policies and procedures for the appropriate use of charge cards (1) within 12 months after agency/organization task order placement under a newly awarded GSA SmartPay master contract; or (2) otherwise, every 2 years from the date of the last update or more frequently, if needed, to address valid agency/organization IG findings or to otherwise remain current.

⁶ Manual Ch. 2 § 310, *Purchase Card Program*.

⁷ Manual Ch. 2 § 400 Part 7(B)(3).

lodging), except for certain exempt travel-related expenses.⁸ Our analysis of trips taken by FTC employees in FY 2019 against a list of FTC travel card cardholders for the same period revealed that up to as many as 86 employees without a government-issued travel card traveled on two or more occasions within the same year.

Employee travel without government-issued travel cards has been occurring because the FTC has not consistently required travelers to acquire and use a government-issued travel card. Each instance of noncompliance violates federal regulations and FTC administration policy. Each instance of noncompliance also represents a missed opportunity for the FTC to acquire rebates for the volume use of Citibank cards. To effectively implement a policy requiring travelers that travel two or more times within the same year to have a travel card, the FTC would need to require any employee to acquire a travel card after their first instance of travel in that year.⁹

C. Exceeding Monthly limits on Purchase Cards

From a population of purchase cardholder statements, we reviewed total values of monthly purchases made on FTC-issued cards and compared amounts spent to the monthly spending limits on each card to identify all accounts with monthly overages. Because the FTC converted its cards from GSA SmartPay2 to SmartPay3 (SP3) on May 26, 2019, we focused our testing only on SP3 cardholders as of the end of FY 2019. The FTC had exactly fifty (50) purchase cardholders as of the end of FY 2019.

In our examination of Citibank monthly statements, we identified four instances where FTC cardholders exceeded spending limits for a particular billing cycle.

Table 1: *Purchase and Spending Limit Statistics for Four Individual Cardholder Statement Periods*

Cardholder Statement Period	Monthly Limit	Monthly Purchases	Overage	Card Limit
June 2019	10,000	17,406	7,406	20,400
August 2019	6,114	9,751	3,637	9,900
September 2019	7,000	11,152	4,152	7,000
September 2019	6,700	11,603	4,903	16,000

As noted in Table 1, monthly overages on these four individual cardholder statements ranged from \$3,637 to 7,406. This occurred because, although cardholders have stated monthly spending limits per policy, the cards themselves often have credit limits that are even higher. In one instance (Table 2, row 3), the monthly purchases actually exceeded the credit card limit.

⁸ 41 C.F.R. § 301-51; Manual Ch. 2 § 400 Part 7(D). Exceptions under FTC Administrative Manual Chapter 2, Section 400, Part 15, include: (1) Expenses incurred at a vendor that does not accept the Government Travel Card; (2) Laundry/dry cleaning; (3) Parking; (4) Transit system at a TDY location; (5) Taxis; (6) Tips; (7) Meals (when use of the card is impractical, e.g., group meals or the Government Travel Card is not accepted); and (8) Phone calls (when a Government calling card or government furnished equipment is available for use in accordance with agency policy).

⁹ In a January 15, 2020, memorandum to all employees, the FTC Chief Financial Officer communicated, among other things, that federal regulation requires agency employees who travel on official business two or more times per year, on average, to apply for and use the Citibank travel card to pay for all transportation, lodging, and rental car expenses associated with official travel.

Although higher limits are sometimes necessary for purchases that cross billing cycles, these should be closely monitored. The Manual provides a process for requesting and approving increases to the single purchase limit.¹⁰ However, the policy does not include the same process for requesting and approving increases to the monthly (i.e., billing cycle) limit.

D. Purchase of Annual Dues for Association Memberships

As mentioned in our summary, we judgmentally selected a sample of ten transactions from a high-risk dataset to conduct a more detailed review of purchase documentation. Our review of these judgmentally selected transactions confirmed two instances (and identified the potential for others) where the FTC paid annual dues for employees' association memberships.

Per 5 U.S.C. § 5946, appropriated funds may generally not be used for the payment of: (1) membership fees or dues of an employee in a society or association; or (2) expenses of attendance of an individual at meetings or conventions of members of a society or association. However, per 5 U.S.C. § 4109, a membership fee *can* be reimbursed to an employee if that fee is a necessary cost directly related to the training itself or if the payment of the fee is a condition precedent to undergoing the training.¹¹ We confirmed that the payments we reviewed did not fall within the § 4109 exceptions.

V. Other Matter

Administrative Manual Update

The FTC Administrative Manual at Chapter 2, Section 310, *Purchase Card Program*, was last updated in June 2016 and currently references outdated authorities. For example, OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs* (dated January 2009), was replaced by revised Appendix B to OMB Circular A-123, *A Risk Management Framework for Government Charge Card Programs* (Issued August 2019). The Manual also references OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, which was rescinded by the revised Appendix B. It includes references to offices (e.g., Acquisition Services Office) that were reorganized and renamed, and to position titles (e.g., Chief Acquisition Officer) that are no longer used. The Manual does not reflect the revisions in the current OMB Circular A-123 Appendix B made to ensure effective controls are in place to mitigate the risk of internal fraud, misuse, and delinquency. The current OMB Circular A-123 Appendix B guidance also establishes standard minimum requirements and best practices for government charge card programs.

VI. Recommendations

We recommend that the FTC's Executive Director develop a process for:

1. Tracking trends on the timeliness of travel authorization approvals;

¹⁰ Manual Ch. 2 § 400 Part 7(C).

¹¹ Membership fees may also be paid where authorized by a specific appropriation or by express terms in a general appropriation.

2. Better ensuring that FTC travelers obtain and use a government issued travel card for official travel;
3. Monitoring and documenting exceptions to monthly purchase card limits; and
4. Identifying and mitigating instances of unallowable reimbursements of professional membership fees.

In its response (attached) to a draft of this Management Advisory, FTC management concurred with the four OIG recommendations and provided additional clarity on planned actions.

Please submit to us an action plan that addresses the recommendations in this report within 60 calendar days. This report will be posted on the OIG's website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C App., § 8M).

We greatly appreciate the courtesies extended to the OIG by the FMO team throughout the development of this product. If you have any questions concerning this report, please feel free to contact me at (202) 326-3527.

Attachment



United States of America
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Attachment

June 19, 2020

MEMORANDUM

FROM: David B Robbins
Executive Director

DAVID ROBBINS

Digitally signed by DAVID
ROBBINS
Date: 2020.06.19 15:14:58-04'00'

TO: Andrew Katsaros
Inspector General

SUBJECT: Management's Response to Draft Management Advisory on Travel and Purchase Card Processes (M-20-XX)

The Federal Trade Commission (FTC) understands the critical mission of the Office of the Inspector General (OIG) and appreciates the OIG's work to identify potential risks to the FTC.

The draft Management Advisory discussed potential control risks the OIG identified during their annual assessment of the FTC charge card program risks, as required by the Government Charge Card Abuse Prevention Act of 2012. The draft Advisory identified the following findings and recommendations:

1. **Traveling Without an Approved Authorization.** In FYs 2018 and 2019, FTC employees prepared 3,632 unique travel authorizations for the approval of official travel. Based upon the OIG's analysis, 325 (9%) of those travel authorizations were approved after travel had commenced, with 94 of the 325 being invitational travel authorizations.

OIG Recommendation 1: The FTC develop a process for tracking trends on the timeliness of travel authorization approvals, and implement effective controls to require prior approval of travel authorizations before an FTC employee or invitational traveler initiates travel

The FTC agrees with this recommendation and is committed to ensuring appropriate management controls are in place and operating as intended. The Financial Management Office (FMO) will review its existing procedures and controls over travel authorization approvals prior to travel, and will develop and implement enhanced procedures for tracking of the trends of timeliness for travel authorization approvals being approved prior to travel, and to properly document all travel authorizations approved outside of the ConcurGov travel system related to emergency travel, to be implemented by September 30, 2020.

2. **Conducting Official Travel Without a Government-Issued Travel Card.** The FTC Administrative Manual requires FTC employees who travel two or more times per year to obtain and use the government-issued travel card for all official temporary duty travel related

expenses. Based upon OIG's analysis, as many as 86 FTC employees traveled on two or more occasions in FY 2019 without a government-issued travel card.

OIG Recommendation 2: The FTC consistently require agency employees to acquire and use a government-issued travel card. To effectively implement a policy requiring travelers that travel two or more times within the same year, the FTC would need to require any employee to acquire a travel card after their first instance of travel in that year.

The FTC agrees with this recommendation and is committed to ensuring appropriate management controls are in place and operating as intended. Of the 86 employees identified, 39 employees now have Government-issued travel cards, and 21 of the names identified were invitational travelers. FMO will review its existing procedures and controls requiring employees to acquire a travel card, and will develop and implement enhanced procedures, combined with appropriate controls, to ensure that all agency employees submit applications for a government-issued travel card after their first instance of official travel, if they plan to travel again in the same year, and that they be required to use the card for official temporary duty travel related expenses, to be implemented by September 30, 2020.

3. **Exceeding Monthly Limits on Purchase Cards.** The Office of Management and Budget (OMB) Appendix B to Circular No. A-123, A Risk Management Framework for Government Charge Card Programs, issued August 27, 2019, requires agencies to establish and monitor controls to detect potentially improper transactions, which may include spending over the authorized limits and purchasing prohibited goods and services. The FTC's current Administrative Manual does not reflect the revisions to the OMB Circular A-123 to ensure effective controls are in place to mitigate the risk of internal fraud, misuse and delinquency, and to establish standard minimum requirements and best practices for government charge card programs. Based upon the OIG's analysis of the 50 FTC purchase cardholders transactions since the conversion to the GSA SmartPay3 on May 26, 2019, they identified four instances where FTC purchase cardholders exceeded spending limits for a billing cycle.

OIG Recommendation 3: The FTC develop and implement appropriate procedures to effectively monitor and document exceptions to monthly purchase card limits.

The FTC agrees with this recommendation and is committed to ensuring appropriate management controls are in place and operating as intended. FMO was in the final stages of review and implementation of revised Administrative Manual guidance when OMB issued the revisions to OMB Circular A-123, Appendix B. FMO has updated the revised Administrative Manual guidance to include the necessary revisions, and is in the process of obtaining the final approvals necessary to implement the revised Administrative Manual. FMO will implement the revised Administrative Manual, and will develop and implement appropriate procedures to effectively monitor and document exceptions to monthly purchase card limits, by September 30, 2020.

4. **Purchase of Annual Dues for Association Memberships.** Per 5 U.S.C. § 5946, appropriated funds may generally not be used for the payment of: (1) membership fees or dues of an employee in a society or association; or (2) expenses of attendance of an

individual at meetings or conventions of members of a society or association. However, per 5 U.S.C. § 4109, a membership fee can be reimbursed to an employee if that fee is a necessary cost directly related to the training itself or if the payment of the fee is a condition precedent to undergoing the training. Based upon the OIG's analysis of 10 judgmentally selected transactions from a high-risk dataset, they confirmed that in at least two instances, the FTC paid annual dues for employees' association memberships.

OIG Recommendation 4: The FTC develop and implement appropriate procedures to effectively identify and mitigate instances of unallowable reimbursements of professional membership fees.

FMO agrees with this recommendation and is committed to ensuring appropriate management controls are in place and operating as intended. For your information, FMO has collaborated with the Office of the General Counsel (OGC) to research specific exemptions regarding the unique circumstances related to Certified Fraud Examiners membership fees and renewals (5 U.S.C. § 5757 covers personal qualification expenses, allowing federal agencies to cover professional credential expenses from appropriated funds, if the agency chooses to do so. BCP leadership has determined that there is a legitimate agency need for employees to maintain the CFE certification, and the annual cost is required to keep the certification). FMO will share the results of this collaboration with the OIG, and we look forward to collaboration with the OIG and OGC to reach a consensus on agency policy regarding this specific exemption. Based upon the results of this collaboration, FMO will include specific guidance in the revised Administrative Manual to clarify the requirements of 5 U.S.C. § 5946, 5 U.S.C. § 4109, and 5 U.S.C. § 5757, as they pertain to FTC-specific requirements. At that time, FMO will proceed with obtaining the final approvals necessary to implement the revised Administrative Manual. FMO will implement the revised Administrative Manual, and will develop and implement appropriate procedures to effectively identify and mitigate instances of unallowable reimbursements of professional membership fees, by September 30, 2020.

The FTC greatly appreciates the collaborative approach and the courtesies extended by the OIG to the FMO team throughout the development of this product.