

Audit of Travel and Purchase Cards
Report No. OIG-AMR-36-02-02

- [BACKGROUND](#)
 - [OBJECTIVES, SCOPE, AND METHODOLOGY](#)
 - Travel Card Methodology
 - Purchase Card Methodology
 - [FINDINGS](#)
 - TRAVEL CARD PROGRAM
 - Card Utilization
 - Cash Advances
 - Official Travel Expenses
 - Management's Comments and OIG Response
 - PURCHASE CARD PROGRAM
 - Unauthorized Purchases
 - Preferred Sources
 - Split Purchases
 - Sales Tax
 - Documentation and Approval Signatures
 - Training
 - Management's Comments and OIG Response
 - [RECOMMENDATIONS](#)
 - [ATTACHMENT - FOOD AND REFRESHMENT PURCHASES](#)
 - [APPENDIX](#) Memorandum from the Director of Administration, Comments on Draft Audit Report - "Audit of Travel and Purchase Cards," dated September 9, 2002
-

INSPECTOR GENERAL

NATIONAL LABOR RELATIONS BOARD

WASHINGTON, DC 20570

September 13, 2002

I hereby submit an *Audit of Travel and Purchase Cards*, Report No. OIG-AMR-36-02-02. This review was conducted to ascertain whether the travel and purchase card programs are operating in conformance with applicable laws, regulations, and Agency's policies and procedures.

Overall, the Travel Card Program is generally operating as intended, although internal control procedures were not sufficiently established to prevent or detect improper use. The Purchase Card Program greatly facilitated the procurement process, but internal control procedures were not sufficiently followed to prevent or detect improper use.

Over 1,200 employees used travel cards to make 18,675 purchases and obtain 1,613 cash advances between October 1, 2000 and December 31, 2001. Information provided to Agency employees clearly describes proper use of travel cards. Approximately 96 percent of transactions were for authorized purposes. Purchase limits were not exceeded without proper authorization. Also, the Agency monitored delinquent accounts.

We identified several weaknesses in the process. Travel cards were not fully utilized by Agency employees to pay for travel related expenses. Some employees used their travel cards to obtain cash advances not related to official travel and exceeded the monthly limit. A small percentage of travel card transactions appeared to be for purchases not related to official government travel, and Agency procedures were inadequate to detect such misuse.

The 73 cardholders made over 3,400 purchases for more than \$935,000 using the purchase cards between October 1, 2000 and December 31, 2001. Duties and responsibilities of authorizing officials were consistent with their level of responsibility and authority, purchase card spending limits were not exceeded, and the Agency made full use of the purchase card.

We identified several ways purchase cards were used improperly. For example, purchase cards were used to buy items that were on the Agency's unauthorized purchase list, items were not purchased from preferred sources, sales tax was improperly paid on purchases, and multiple purchases were intentionally split to avoid single purchase limits. In addition, we found that cardholders did not always maintain supporting documentation or obtain signatures from approving officials for all purchases. Agency officials stated that there were times when they provided verbal approval for the purchase of unauthorized items, but did not document these events.

We make several recommendations on page 13 of this report to improve internal controls in the travel and purchase card programs. The most significant are for the Director of Administration to: develop reports that provide information necessary to review travel and purchase card activity, implement procedures to involve managers in reviewing travel card activity, increase training requirements for purchase cardholders, and ensure proper approval is obtained on purchase card reports.

Management took action on two items that we brought to their attention while conducting the audit. First, the Procurement and Facilities Branch provided a list of purchase card approving officials to the Finance Branch that did not have such a list. Second, a replacement travel card rebate check in the amount of \$1,187.16 was obtained from Citibank after determining the original check had been issued but not cashed. Several actions taken during the comment period included blocking the code for betting, establishing a plan for training purchase cardholders, and issuing the first periodic reminder to cardholders concerning split purchases.

An exit conference was held on August 1, 2002 with staff from the Divisions of Administration and Operations-Management. A draft report was sent to the Director of Administration on August 6, 2002, for review and comment. She agreed with most of the findings and recommendations made in the report.

Management stressed that resources devoted to the review of travel and purchase card activity should not outweigh the benefits. We agree, and think that an analysis will support the use of automated reports to identify possible misuse of cards. The Director of Administration disagreed with our finding that it was improper to purchase snacks for the New Employee Orientation Program, and the Agency intends to continue this practice. Her comments are presented in their entirety as an appendix to this report.

Jane E. Altenhofen
Inspector General

BACKGROUND

The National Labor Relations Board (NLRB or Agency) administers the principal labor relations law of the United States, the National Labor Relations Act of 1935, as amended. The Act is generally applied to all enterprises engaged in interstate commerce, including the United States Postal Service, but excluding other governmental entities as well as the railroads and the airline industries. In Fiscal Year 2002, NLRB was authorized 1,985 full-time equivalents that were located at Headquarters, 51 field offices throughout the country, and three satellite offices for Administrative Law Judges.

Public Law 105-264, dated October 19, 1998, requires the use of the Government issued credit card, when practical, for expenses incurred when employees are traveling on official Government business. The cards can be used to obtain cash advances and for common carrier tickets, lodging, car rentals, and other travel related expenses.

The Finance Branch administers the travel card program. Each employee may apply for a travel card and is required to do so if travel is planned for more than once a year. Travel cards, generally, have a monthly spending limit of \$10,000

and cash advances are limited to \$500 per day and \$1,000 per month. As of December 31, 2001, 1,483 of approximately 2,000 full and part-time employees were cardholders. Cardholders are individually billed and are responsible for making timely payments of the charges incurred.

The Federal Acquisition Streamlining Act (FASA) of 1994 was enacted on October 13, 1994. The intent of the law is to streamline the acquisition process and better align Government with commercial practices and empower contracting officers with maximum flexibility wherever possible. FASA also encourages agencies to use purchase cards to the maximum extent practicable.

The Procurement and Facilities Branch (PFB) administers the purchase card program. As of February 4, 2002, NLRB had 73 purchase cardholders located primarily in the Division of Administration and field offices. Generally, cardholders have a single purchase limit of \$2,500 and a 30-day limit of \$5,000. Several cardholders in PFB and the Information Technology Branch had larger limits that were consistent with their duties and responsibilities. The Agency did not use convenience checks, and cash advances were not available through purchase cards.

In 1998, the General Services Administration (GSA) awarded five contracts that provide Federal agencies a way to pay for commercial goods and services as well as travel related expenses. Known as the GSA SmartPay Program, agencies are allowed to choose the same or different contractors for each business line. NLRB used Citibank for both the travel and purchase card programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to review the NLRB purchase card and travel card programs to ascertain whether they were operated in conformance with applicable laws, regulations, and Agency policies and procedures. We reviewed travel and purchase card transactions made between October 1, 2000 and December 31, 2001 and purchase card statements dated during those periods. We verified purchase cardholders as of February 4, 2002.

Travel Card Methodology

We reviewed applicable sections of the Federal Travel Regulations (FTR), Agency policy and procedures including Administrative Policy Circular (APC) 00-01, *Guidance on Following the Federal Travel Regulations*, and Administrative Bulletin (AB) 01-20, *Official Travel Credit Card Abuse*, and information provided to cardholders by Citibank. We interviewed Finance Branch and Citibank employees to gain an understanding of policies, procedures, and internal controls related to the travel card program. We reviewed information provided to travel cardholders to determine whether it was sufficient.

We tested travel card cash advances obtained to determine whether the advances were related to official Government travel and that limits were not exceeded. We tested all transactions related to employees with more than 50 cash advances, and selected a statistical random sample of 75 items to test the remaining cash advance transactions.

We tested all travel card activity related to the five interns and summer students who used a travel card. We identified transactions related to lodging and car rental expenses to test whether employees made full use of the travel card by using the card to pay for these expenses.

We obtained a database of all 18,675 travel card purchases to identify potentially improper transactions. We eliminated items from our analyses that were charged to merchant codes consistent with travel expenses and transactions related to employees under investigation by the Office of Inspector General. For the remaining transactions, we determined whether charges were consistent with official travel expenses.

We performed calculations using the Citibank database to determine whether spending and cash advance limits were exceeded. We reviewed reports and actions taken by the Agency in relation to delinquent cardholder balances. We also tested to determine whether travel cards on the Agency's account were for non-NLRB employees.

Purchase Card Methodology

We reviewed Federal Acquisition Regulations (FAR), Comptroller General decisions, instructions PFB provided to purchase cardholders dated May 18, 2001 (May 2001 instructions), and information provided to cardholders by Citibank. We interviewed PFB and Citibank employees to gain an understanding of policies, procedures, and internal controls related to the purchase card program. We confirmed that the Agency did not use convenience checks to make purchases.

We judgmentally selected five Headquarters, four Regional Office, and two Subregional Office cardholders and reviewed all of their purchase card activity between October 2000 and December 2001, including statements with cut-off dates between October 15, 2000 and December 15, 2001. We tested to determine whether individual purchases were supported by documentary evidence, purchases were made in accordance with the FAR and Agency instructions, items were personal in nature, and sales tax was paid. We tested 387 Headquarters transactions and 276 field office transactions. We also reviewed monthly purchase card statements to determine whether both the cardholder and the authorizing official signed them.

We reviewed position descriptions of authorizing officials to determine whether their purchase card responsibilities were consistent with their positions. We used computer assisted auditing tools to identify potentially inappropriate purchases and to determine whether purchase card spending limits were exceeded. We analyzed micro-purchase activity to determine whether the Agency was making full use of purchase cards.

This audit was performed in accordance with generally accepted government auditing standards during the period January 2002 through September 2002 at NLRB Headquarters in Washington, DC.

FINDINGS

TRAVEL CARD PROGRAM

Over 1,200 employees used travel cards to make 18,675 purchases and obtain 1,613 cash advances between October 1, 2000 and December 31, 2001. Overall, the Travel Card Program is generally operating as intended, although internal control procedures were not sufficiently established to prevent or detect improper use.

Information provided to Agency employees clearly describes proper use of travel cards. Approximately 96 percent of transactions were for authorized purposes. Purchase limits were not exceeded without proper authorization. Also, the Agency monitored delinquent accounts.

We identified several weaknesses in the process. Travel cards were not fully utilized by Agency employees to pay for travel related expenses. Some employees used their travel cards to obtain cash advances not related to official travel and exceeded the monthly limit. A small percentage of travel card transactions appeared to be for purchases not related to official government travel, and Agency procedures were inadequate to detect such misuse.

Card Utilization

The FTR requires the use of Government contractor-issued travel charge cards for official travel expenses unless an exemption exists. This regulation was re-emphasized in APC 00-01, issued on February 18, 2000, and AB 01-20, issued on June 18, 2001. Agency officials stated that no employees had an exemption.

The Agency earns a rebate for card use based on a calculation that includes the volume of charges made using the card. We identified 5,415 transactions related to lodging and car rental expenses that most likely could be paid with a travel card and selected a statistical sample of 76 transactions. Twelve of the 76 transactions (16 percent) were not charged to a travel card. The employees executing these 12 transactions were all from field offices, had credit cards during the subject period, and were not on the cancelled list.

Cash Advances

APC 00-01 states that employees are allowed to obtain cash advances from automated teller machines (ATMs) for expenses that can not be reasonably charged. ATM cash withdrawals should not be obtained earlier than 5 working days prior to the date of departure, and no later than the last day of travel.

We identified 19 employees, all but one in 12 field offices, who obtained 313 cash advances for a period when they either received no travel reimbursements or travel reimbursements were for a period not related to the travel advances. We identified 4 employees because they each had more than 50 cash advances and found that 289 of the 315 cash advances they obtained (92 percent) were not related to official Government travel. Of the 75 cash advances in our statistical sample, 24 (32 percent) obtained by 15 employees were not related to official government travel.

Three employees exceeded the \$1,000 a month limitation for cash advances. Citibank researched the circumstances and found that all three had an erroneous code that allowed the limitation to be exceeded. Citibank said it ran a program to identify and correct any additional code errors. Official Travel Expenses

The FTR states that the Government contractor-issued travel charge card may be used only for travel and related expenses. The Government cardholder account agreement states that the card is for official travel and official travel related expenses away from the employee's official duty station. The travel card application states that by signing the application the cardholder is bound to the cardholder account agreement. Both APC-00-01 and AB 01-20 state that the card is to be used only for expenses in connection with official government travel.

As shown below, after excluding transactions related to 48 employees under investigation by the OIG for travel card misuse, approximately 96 percent of 16,343 travel card purchases appeared to be consistent with official Government travel. About half of the transactions not related to official Government travel appeared to be for official business expenses or continuing legal education expenses.

Description	Number	Percent
Consistent with official Government travel	15,726	96.23
Official business expense not related to official travel expenses	279	1.71
Continuing legal education expenses	53	.32
Inconsistent with official Government travel or Agency business	285	1.74
Total	16,343	100.00

We identified 285 transactions by 142 employees (19 at Headquarters and 123 in field offices) as inconsistent with official government travel. These included purchases at retail clothing stores, home furnishing stores, department stores, jewelry stores, auto repair facilities, entertainment venues, and hair stylists. These transactions were referred to the OIG Counsel for review and possible investigation.

All cardholders are restricted from purchasing items in about 41 merchant category codes (MCC). Restricted categories include veterinary services, carpentry, cruises, florists, nurseries, video rental stores, and others businesses providing services of a personal nature. We identified one restricted MCC, 5511-Automobile and Truck Dealers, that had 23 transactions. Citibank said the code was not blocked even though it was on the list of blocked codes from the Finance Branch.

Of the 23 transactions, only one transaction was for a reimbursable expense - an oil change for a GSA vehicle. Twenty-two transactions were for personal use. Ten transactions were for repairs of a personal vehicle. Seven transactions were leasing a vehicle for personal use while on official travel. Five items were not associated with official travel. These transactions were referred to the OIG Counsel for review and possible investigation.

The MCC for "Betting including lottery tickets, casino gaming chips" was not restricted. When selecting the codes to be restricted, Agency officials thought this code might be needed to allow employees to buy a meal in a casino that may be located in a hotel where the Agency is holding a conference. In fact, food and lodging purchased at casinos are coded by the hotel name, not as a gambling transaction. Three employees had transactions identified as betting. These transactions were referred to the OIG Counsel for review and possible investigation.

The Finance Branch received monthly corporate detail account transactions reports and scanned the reports for inappropriate charges. The Finance Branch also received reports identifying delinquent accounts. The Finance Branch Chief questioned employees via e-mail regarding questionable transactions and delinquent payments and informed the employee's supervisor if he noticed repeated problems. The Agency, on rare occasions, reduced an employee's credit limit to a minimal amount (as of June 7, 2002, three employees had travel cards with a \$10 credit limit) and intends to increase this practice. The Finance Branch notified Citibank to cancel the cards of employees who repeatedly misused the card.

The Finance Branch review is clearly insufficient. In response to a request from a member of the Senate Committee on Finance, the Agency identified a total of five employees subject to discipline for misusing their travel cards. An OIG review of six months of travel card activity identified 48 employees who had potentially misused their cards, and more employees were identified as a result of this audit. As of December 7, 2001, \$8,361 was overdue for 60 days or more; this is a delinquency rate of seven percent. This is higher than the government-wide delinquency rate of six percent and substantially more than the private sector rate of about three percent.

Abuse could be significantly curtailed if the Finance Branch conducted more analysis of transactions and travel card information was provided to managers who authorize travel. Reports providing information by office can be generated using the ad hoc report feature of Citi-Direct. Reports by MCC, cash advances, amount, frequency, overdue balances, and other critical factors could identify possible abuse that could be sent to an employee's supervisor for explanation.

Management's Comments and OIG Response

The Director of Administration agreed with one recommendation and blocked the MCC for Betting. She also noted that the delinquency rate had dropped significantly. As of August 7, 2002, \$1,249 was overdue for 60 days or more; this is a delinquency rate of less than one percent.

The Director stated the Finance Branch will continue with the current procedures to review the monthly detailed usage reports to track travel card activity and to notify a supervisor if no response is received from an employee or the explanation does not seem reasonable. The Finance Branch will institute more vigorous follow-up with supervisors, and explore the costs of developing reports to review travel card activity.

We agree that the benefits of review should outweigh the cost, and believe that is the case. As part of our audit, we determined the software costs about \$300 and will quickly produce reports that target potential abuse. In comparison, the Finance Branch Chief must review lengthy monthly reports, for example the January 2001 report consisted of 243 pages. Such a review is onerous and may identify isolated incidents, that were often attributed to inadvertent misuse, but cannot effectively identify cash advances while not in a travel status or repeated misuse.

PURCHASE CARD PROGRAM

The 73 cardholders made over 3,400 purchases for more than \$935,000 using the purchase cards between October 1, 2000 and December 31, 2001. The Purchase Card Program greatly facilitated the procurement process, but internal control procedures were not sufficiently followed to prevent or detect improper use.

Duties and responsibilities of authorizing officials were consistent with their level of responsibility and authority, purchase card spending limits were not exceeded, and the Agency made full use of the purchase card.

We identified several ways purchase cards were used improperly. For example, purchase cards were used to buy items that were on the Agency's unauthorized purchase list, items were not purchased from preferred sources, sales tax was improperly paid on purchases, and multiple purchases were intentionally split to avoid single purchase limits. In

addition, we found that cardholders did not maintain supporting documentation and obtain signatures from approving officials for all purchases.

The table below identifies the results of the testing of transactions that are discussed in the following paragraphs.

TRANSACTION TESTING RESULTS

	Headquarters	Field Offices	Total	Percent
Needs supporting documentation	72/387	16/276	88/663	13
Unauthorized purchases	0/315	23/260	23/575	4
Not preferred source	1/315	34/260	35/575	6
Sales tax paid	5/315	32/260	37/575	6

Unauthorized Purchases

The May 2001 Instructions include a sample list of basic office supplies and/or services that can be purchased with the purchase card. The instructions also include an "unauthorized purchase list" with 14 items such as cash advances, rental or lease of motor vehicles, or office furniture that are not authorized to be purchased. Purchase cardholders were instructed to contact PFB when in doubt as to what is authorized.

Regional Offices are given a quarterly allocation to buy office supplies with the purchase card. Supplies include commonly used items such as calendars, paper, staplers, and tape. Two field offices purchased 23 items totaling \$3,293.61 that were on the "unauthorized purchase list." The purchases were:

- 11 room rental or lease of office space (all one office);
- 9 printing of any type;
- 2 books or subscriptions; and
- 1 telephone repair.

We also judgmentally identified 42 purchases that appeared to be improper or personal in nature based on the merchant name. The items were primarily from food sources (delicatessens, grocery stores, and caterers) and isolated merchants such as Sears, a florist, and a drug store. Three items were improper purchases as follows.

- Five purchases totaling \$1,779.55 were for food served at the New Employees Orientation Program. After we questioned the propriety of these expenditures, the Director of Administration provided a written statement that the food was necessary to obtain the full benefit of the training. We believe the justification for the orientation program, as well as those for several awards ceremonies, required a strained interpretation of the opinions of the Comptroller General.
- One purchase was \$62 for flowers to send to a funeral. Flowers are a personal item. The office staff had donated funds, but the cardholder had neglected to reimburse the Agency until we brought this to her attention.
- One purchase was for a \$34 personal item from a department store. The cardholder had notified the Procurement and Facilities Branch of the error and paid for the item soon after realizing she had inadvertently used the purchase card.

Restrictions are not programmed into the purchase cards as they are for the travel cards. Each purchase cardholder has different rights and the restrictions would have to be done individually rather than for all cardholders.

Preferred Sources

The FAR identifies the priorities for use of Government Supply Sources. These include, in order, agency inventories, excess from other agencies, Federal Prison Industries, Inc., products available from the Committee for Purchase from People Who are Blind or Severely Disabled, central supply sources such as stock programs at the General Services Administration, mandatory Federal Supply Schedules, optional use Federal Supply Schedules, and commercial sources. This information is in the May 2001 Instructions and the Purchase Cardholder Guide provided by Citibank with the purchase card. Preferred sources do not have to be used for items less than \$100, or for items between \$100 and \$5,000 with a written justification.

The GSA Catalog includes GSA stock programs and specifically identifies items available from prisons and the disabled and should, therefore, be a primary source for making purchases. The six field offices purchased at least 34 items over \$100 from commercial sources, such as Staples, when identical items were available in the GSA Catalog. The purchases generally consisted of office supplies, predominately copy paper. Toner cartridges were often purchased from commercial sources, but the model numbers were frequently missing so we could not conclude the models were the same as in the GSA Catalog.

Split Purchases

The FAR states that breaking down requirements aggregating more than the simplified acquisition threshold or the micro-purchase threshold into several purchases that are less than the applicable threshold merely to avoid limits or requirements is not permitted.

Two headquarters purchase cardholders split transactions in order to avoid their purchase card single transaction spending limits.

- On 10 separate instances, one cardholder made between 2 and 5 purchases from the same vendor on the same day which totaled more than the employee's purchase card transaction limit of \$2,500. These purchases were predominantly computer equipment. The 10 instances were comprised of 28 transactions for more than \$39,000.
- The other cardholder made two transactions on the same day to the same contractor to pay for one invoice purchasing toner cartridges. One transaction was for the cardholder's single transaction limit of \$5,000 and the other transaction was for \$4,585, which was the balance of the amount due on the invoice.

Sales Tax

The Purchase Cardholders Guide provided by Citibank identifies one of the cardholder's key responsibilities as informing the merchant of the tax-exempt status of the purchase.

Payment of sales taxes generally occurred when cardholders were making purchases from other than the preferred supply source. Sales tax of \$231.53 was paid on 5 transactions by 2 headquarters offices and 32 transactions by 3 field offices.

Documentation and Approval Signatures

The Citibank documentation advised cardholders to review the transactions on the monthly Memo Statement and to keep sales receipts to help reconcile the account. The May 2001 Instructions state that purchase cardholders are to review the monthly Memo Statement and verify that the posted charges are authorized and correct. The Cardholder is to maintain documentation for the file to support each charge, and the approving official is to sign the Memo Statement listing the charges.

Many purchases, predominately in the Headquarters offices, were not adequately supported by the required documentation - a sales receipt. We identified 88 items with either inadequate or no documentation. The 88 items consisted of 72 transactions by Headquarters offices and 16 transactions by five field offices. We considered purchase requests without a sales receipt inadequate because the documentation did not independently support the actual price

and description of the item provided by the vendor.

The Finance Branch paid a significant percentage of invoices without obtaining the required signatures. The 5 Headquarters offices had 46 monthly statements with activity, of which 7 (15 percent) were not signed by approving officials. The 6 field offices had 70 monthly statements with activity, of which 32 (46 percent) were not signed. According to Finance Branch officials, the invoices were paid to avoid paying late fees. Nevertheless, payment should not prevent getting the signatures after the payment was made.

We identified one office in which a current employee used the purchase card in the name of a former employee. The cardholder left the Agency on August 3, 2001, but PFB was not notified of the employee's departure until December 10, 2001. The notification was an e-mail requesting a purchase card in the name of the person replacing the departing employee. The replacement cardholder had been signing her name as cardholder for the monthly statements mailed to the prior employee.

Training

Considering the extent of the unauthorized purchases, non-use of preferred sources, sales tax, and other problems, the training provided to purchase cardholders was not sufficient to provide them with comprehensive knowledge of the purchase card program.

Purchase cardholders receive documentation from Citibank when they are issued a card that provides basic information on the process. Additional information was available on the Agency's Intranet site. On May 18, 2001 the PFB issued detailed instructions to purchase cardholders. The instructions were e-mailed to Regional Directors and Office Managers. The instructions were not, however, provided to Headquarters cardholders. Subsequently, new cardholders were provided the location of the guidance on the Intranet, asked to review it, and send an acknowledgment of such to the PFB.

GSA offers an on-line course on the use of the purchase card at no charge. A certification of completion is provided upon completion of the course.

Management's Comments and OIG Response

The Director of Administration agreed with four recommendations and has already taken some action. A plan was developed to have all purchase cardholders complete training by October 1, 2002. Periodic newsletters and bulletins will be issued to cardholders; the first was sent on August 23 with a reminder about split purchases. Also, the Finance Branch will follow up with approving officials if the cardholder fails to obtain needed signatures.

The Director of Administration agreed to reissue Agency guidance on purchasing refreshments, but disagreed that money was improperly spent on food for the New Employee Orientation program. She maintained that convenient refreshments were integral to the training session and therefore the cookies served could be provided with government funds. Although we do not concur with her analysis of the training and the Comptroller General decisions, we do not believe that pursuing recovery of these funds is in the best interests of the Government.

We are not as concerned with the food purchase as the intent to continue this practice. In B-247,563, B-247563.4, GAO questioned whether meetings and other events (including new employee orientations) actually qualify as training. They found the functions were routine internal meetings involving the operations and activities of its personnel. Presumably, functions were led by staff and involved no nongovernmental attendants. Officials offered only general justifications that had, at most, a transparent resemblance to the criteria for the purchase of refreshments. GAO disallowed the purchase of refreshments for these functions. We believe this guidance should be carefully considered in developing the revised policy on when refreshments will be provided.

The Director of Administration also stated no practical means are available to recover the funds spent on food even if they agreed with the recommendation. Officials designated as accountable officers are financially liable for losses and improper payments of public funds. Therefore, the funds could be recovered from the certifying official for this purchase.

RECOMMENDATIONS

We recommend that the Director of Administration:

1. Develop reports that provide information necessary to review travel card activity, including purchases not charged to a travel card, purchase and cash advance limitations, and transactions for personal use.
 2. Implement procedures to involve managers in reviewing travel card activity.
 3. Block the merchant category code for Betting.
 4. Require all current purchase cardholders to complete purchase card training and all future cardholders to submit certification of completed training before issuing purchase card.
 5. Remind current cardholders of requirements to buy from preferred sources, the prohibition on split purchases, and to not pay sales tax; and remind supervisors that they are to be alert for and not approve such transactions.
 6. Develop reports that provide information necessary to review purchase card activity for items on the "unauthorized purchase list" and of a personal nature. Develop procedures to obtain satisfactory explanations for such items.
 7. Review policies on food purchases and, if necessary, revise to comply with the intent of the law.
 8. Instruct the Finance Branch to follow-up with approving officials when signed monthly statements are not provided.
-

ATTACHMENT

FOOD AND REFRESHMENT PURCHASES

In general, food and refreshments may not be provided to Government employees through the use of appropriated funds. 72 Comp. Gen. 178 (1993). Nourishment is considered a personal expense that a Government employee is expected to bear from his or her salary. 65 Comp. Gen. 738, 739 (1986). There are, nevertheless, limited exceptions to this general rule.

After we questioned the propriety of purchases for food served at the New Employees Orientation Program, the Director of Administration provided a written statement that the food was necessary to obtain the full benefit of the training. We believe the justifications for the orientation program and the awards ceremonies required a strained interpretation of the opinions of the Comptroller General.

Training Exception

An agency may provide food to employees when it is determined by the head of an agency to be a necessary expense under the Government Employees Training Act. That Act provides that an agency may pay the necessary expenses of training, this includes "services or facilities directly related to the training of an employee." 5 U.S.C. 4109 § (a) (2) (F). Under this authority, food may be provided at Government expense to agency employees attending an authorized training program if the food is necessary to achieve the objective of the training. 49 Comp. Gen. 185 (1968). "Generally, provision of food under section 4109 requires a determination that provision of the food is necessary in order for the employees to obtain the full benefit of the training." B-270199, August 6, 1996 (Comp. Gen.). Food at social gatherings of training attendees and coffee breaks has been found not necessary for the employees to receive the full benefit of training. *Id.* An exception to this practice is when the food is provided with the conference room at no additional expense to the Government. See, B-281063, December 1, 1999 (Comp. Gen.).

The Agency spent \$1,779.55 on food for the New Employees Orientation Program in November and December 2000. The food was cookies served on several days over a two-week period.

The stated purpose of providing food at the New Employees Orientation Program was that it was "felt that having people new to the Agency begin each day together informally would be a good way to get them to know each other and also would give them the opportunity to meet and talk to the managers and supervisors scheduled to make presentations on each day's agenda." This purpose was not necessary for the employees to receive the full benefit of the training. These "informal" gatherings were not part of the training modules or listed as part of the schedule of training. The "informal" gatherings were not for the purpose of working on assignments, solving problems, or hearing speakers. The fact that food may have been desirable does not equate to a necessity, the food and social interaction were not an integral part of the training itself. See, 72 Comp. Gen. 178 (1993); B-270199, August 6, 1996 (Comp. Gen.). Had no food been provided, the training would have occurred as planned and the objectives of the training would have been achieved nonetheless.

Award Ceremony Exception

An agency may provide food in the form of light refreshments to employees at receptions incident to an award ceremony. "The Government Employees Incentive Awards Act, 5 U.S.C §§ 4501 et seq., authorizes agencies to make monetary and honorary awards and grants agencies broad discretion to determine when such awards are appropriated." B-247563, December 11, 1996 (Comp. Gen.) (citing 66 Comp. Gen. 536 (1987)). This Act also authorizes agencies to "incur necessary expense[s] for honorary recognition" of employees who meet the statutory criteria. 5 U.S.C. § 4503. These necessary expenses may include light refreshments at receptions incident to an award ceremony. 65 Comp. Gen. 738 (1986).

The Agency spent \$485.70 on food for the Employee Recognition Ceremony at the Headquarters in October 2000. The stated purpose of this ceremony was to recognize Headquarters employees' efforts in FY 2000 in the Agency meeting its performance goals and was advertised to the Headquarters employees as an "ice cream cake social." The purpose of allowing the use of appropriated funds to purchase light refreshments is to facilitate public recognition of the award recipient. "[T]his purpose is not served where . . . the award recipients and the donor are the only participants at the event." B-247563, December 11, 1996 (Comp. Gen.). Likewise, an agency may not use appropriated funds for an event that awards are purely incidental to an unrelated social or recreational event and appear on close scrutiny to be no more than an artifice. *Id.* In this case, although certificates were prepared they were not distributed at the event. No mention of awards is in the announcements or request for approval of the event.

The Agency spent \$77.00 on candy for the support staff personnel in Region 20 in April 2001. This candy was not light refreshment at an awards ceremony. All support personnel in the Region were recipients. The candy in this case was, however, presented in honor of the support employee's position rather criteria set forth in 5 C.F.R. 451.104.

The Agency spent \$1,345.75 on catering services for a Regional Director's swearing in ceremony. Although appropriated funds may be used at a promotion ceremony when there is also a presentation of an award, the document presented to a new Regional Director is not actually an award. The document that is presented is warrant of the authority from the Board to individual. This authority allows the individual to perform the duties and functions of the position. As practiced, the presentation is a symbolic gesture more in line with commemorating the appointment and the individual's achievement at the Agency. See, 66 Comp. Gen. 536 (1987). Nevertheless, this analysis would not apply to a Regional Director that was not selected from personnel within the Agency. We also note that the Comptroller General opinion involved an expense of \$79.31.

APPENDIX

UNITED STATES GOVERNMENT
National Labor Relations Board

Memorandum

TO: Jane E. Altenhofen
Inspector General

FROM: Gloria J. Joseph
Director of Administration

DATE: September 9, 2002

SUBJECT: Comments on Draft Audit Report - "Audit of Travel and Purchase Cards"

This is in response to your memorandum dated August 6, 2002, in which you requested comments on the draft audit report covering the audit of the travel and purchase card programs. In your memo, you requested that we also indicate our agreement or disagreement with each of the report's findings and recommendations.

We have reviewed the report and have the following comments with respect to the findings of the report:

Page 6, Paragraph 4

With respect to the statement that the merchant code for "Betting, including lottery tickets, casinos, and gaming chips" was not restricted, previously we indicated that we thought this code might be necessary to allow employees to buy meals in a casino, which may be located in a hotel where the Agency might occasionally hold a conference. However, the report states, "this code might be needed to allow employees to buy a meal in a casino where conferences are occasionally held." This wording implies that the Agency holds conferences in casinos, which it does not. The distinction is important and I suggest therefore that this sentence be revised to read: **"this code might be needed to allow employees to buy a meal in a casino that may be located in a hotel where the Agency is holding a conference."**

Page 7, paragraph 1

The report states that, as of December 7, 2001, \$8,361 in travel card payments was overdue for 60 days or more. We would like to point out that the most recent report from Citibank (dated August 7, 2002) showed an amount of \$426.49 60 days past due, and no amounts past due for 90, 120, and 150 days, and an amount of \$822.68 that is 180 days past due. This past due amount of \$1,249.17 is a significant reduction from the \$8,361 reported in the draft audit report, and we suggest that this reduction be noted in the final audit report.

Page 11, paragraph 3

The report indicates that, while we provided detailed instructions to purchase cardholders in the Field in May 2001, we failed to provide those same instructions to cardholders in Headquarters. We acknowledge that we did fail to provide the same instructions to Headquarters cardholders in May 2001. However, Headquarters cardholders were provided the instructions via e-mail on August 8, 2002.

We have no other comments with respect to the findings of the report.

Our comments regarding the report's recommendations are as follows:

1. Develop reports that provide information necessary to review travel card activity, including purchases not charged to the travel card, purchase and cash advance limitations, and transactions for personal use.

The Finance Branch will explore the costs associated with developing the reports suggested by the Inspector General. As noted in the draft report, we stressed at the exit conference that any resources devoted to the review of travel and purchase card activity should not outweigh the benefits. The same analysis should apply to the costs associated with the development of these reports. The benefits the Agency achieves under the program should outweigh the resources expended to develop these reports. Accordingly, a determination regarding whether such reports should be developed will depend on the results of a cost-benefit analysis.

However, as the Finance Branch researches this issue, it will continue to use the monthly detailed usage reports received from Citibank to track travel card activity.

2. Implement procedures to involve managers in reviewing travel card activity.

Currently, the Finance Officer reviews the monthly detailed usage report and sends an e-mail message to any employee who appears to have used the card inappropriately. If no response is received, or the explanation the employee offers does not seem reasonable, he forwards the information to the employee's supervisor. It is expected that the employee's supervisor will then discuss the situation with the employee and get back to the Finance Officer regarding what action should be taken.

Again, as previously noted, resources devoted to the review of travel and purchase card activity should not outweigh the benefits. We do not believe that involving the employee's supervisor at the initial review level is an appropriate use of resources and that involving him at the point where the Finance Officer receives either an inadequate or no response from the employee is sufficient to correct in a timely manner any misuse of the card. However, we will institute more vigorous follow-up with the supervisor to ensure that he discusses the issue with the employee and informs the Finance Officer of the results of his discussion.

We noted also in the exit conference that employees are well aware of the Inspector General's audit of the travel card program, so much so that some of them have become wary of using the travel card, even in those circumstances where it is appropriate, because they are concerned they will become the subject of an investigation. This points out that we possibly need to do a better job of educating our employees on the appropriate use of the travel card and will expand our efforts in this area. Appropriate training and education should decrease misuse of the card and is an approach that is preferable to managers devoting inordinate amounts of time reviewing credit card activity reports.

3. Block the merchant category code for Betting.

We agreed to block the code. This recommendation has been completed.

4. Require all current purchase cardholders to complete purchase card training and all future cardholders to submit certification of completed training before issuing purchase card.

We agree with this recommendation. GSA has a Web site that provides training to purchase cardholders. All NLRB purchase cardholders will receive information regarding the training prior to October 1, 2002 and will be required to complete the training by November 30, 2002. Future cardholders will be required to complete the training before receipt of the purchase card. The Procurement and Facilities Branch (PFB) will revise the standard memo sent to all new purchase cardholders to reflect the training requirement. Once PFB receives a request to order a new card, the employee will be advised of the training requirement and that they must submit certification of completed training prior to issuance of the purchase card.

5. Remind current cardholders of requirements to buy from preferred sources, prohibition on split purchases, and to not pay the sales tax; and remind supervisors that they are to be alert for and not approve such transactions.

We agree with this recommendation. This will be accomplished through the issuance of a periodic newsletters and bulletins to all purchase cardholders.

The first procurement tip regarding split purchases was sent to all cardholders on August 23, 2002.

6. Develop reports that provide information necessary to review purchase card activity for items on the "unauthorized purchase list" and of a personal nature. Develop procedures to obtain satisfactory explanations for such items.

The Procurement and Facilities Branch is currently exploring available options for obtaining purchase card activity in the report format recommended by the Inspector General. However, it should be noted that purchases made with the purchase card, unlike the travel card, are billed to the Agency, not to the individual employee. So, misuse of the

purchase card is easier to detect even without the reports suggested by the Inspector General, since invoices are reviewed by the purchase card holder, the approving official, PFB, and by the Finance Branch prior to payment.

Finally, we note that the Chief of the Procurement Section recently attended training at the GSA SmartPay Conference. The training she received at the conference will assist PFB in its monitoring and management of the purchase card program.

7. Review policies on food purchases, and if, necessary, revise to comply with the intent of the law.

We agree with this recommendation. The original guidance covering the purchasing of refreshments under the Government Employees' Incentive Award Act was issued in 1988 (see Administrative Policy Circular (APC) 88-3). We will review that guidance along with any changes in the law and reissue the APC.

8. Recover the \$1,799.55 improperly spent on food.

We do not agree that this money was improperly spent on food. As indicated, generally appropriated funds cannot be used to purchase food for employees attending training. However, as noted in the draft audit report, there is an exception at 5 USC 4109(a)(2)(F) that allows agencies to purchase food if it is "necessary to achieve the objective of the training." Moreover, Comptroller General decisions note that it is appropriate to provide refreshments (including meals, though in our situation the only issue is snacks) in conjunction with training if the food is necessary in order for the employees to obtain the full benefit of the training.

In this regard, we believed that the break periods with refreshments at the New Employee Orientation program provided for much more than just social interaction. They provided an important opportunity for the new employees to interact regarding the substantive training sessions that they had just attended and to continue the learning experience of the session.

We felt it was very important for the employees to be able to stay in the same area during breaks as part of the training experience to encourage additional discussion of the training topics. Our past experience has been that convenient refreshments have had that very effect. If refreshments were not conveniently provided, employees would disperse and the resumption of the training experience would be delayed. In addition, the important continued learning that occurs during those breaks would be lost.

Based on our experience as related above, we believe that the decision in CG B-244473 (January 13, 1992), cited as 1992 WL 465848 (Comp. Gen.) is controlling. In that case, the Coast Guard successfully argued that the breaks with refreshments were integral to the training sessions and therefore that refreshments served during the breaks could be provided with government funds. The Coast Guard argued that the breaks provided an opportunity for more open discussion by the training participants. We intend to continue this practice.

Finally, there are no practical means available to recover the \$1,779.55 spent on the food, even if we agreed with this recommendation, and the Inspector General's office was not able to provide suggestions in that regard.

9. Instruct the Finance Branch to follow-up with approving officials when signed monthly statements are not provided.

We agree with this recommendation. PFB has provided the Finance Branch with a list of purchase cardholders and their approving officials, and the Finance Branch will follow-up with those officials if the cardholder failed to obtain their signature prior to submitting the statement to Finance for payment.

We would like to offer the following comments with respect to the report attachment:

Award Ceremony Exception

In October 2000 (not October 2001 as indicated in the report), the Agency held an Employee Recognition Ceremony to recognize Headquarters employees for their efforts in helping the Agency meet its performance goals in FY 2000. Light refreshments in the form of punch and ice cream cake were served at the ceremony. The report states that, "although

certificates were prepared they were not present at the event....." In fact,

framed certificates were present at the event and it was intended that they be distributed to Division and Office Heads at the ceremony. Unfortunately, distribution did not take place at the ceremony as planned, but was done afterwards. Even though distribution did not take place at the ceremony, it was the intent to distribute the certificates at that time as evidenced by the fact that the certificates were prepared and framed prior to the ceremony and were physically available for distribution at the time of the ceremony.

Thank you for the opportunity to comment on the draft report. If you have any questions, please contact me.

cc: The Board

General Counsel

Richard Siegel, Associate General Counsel

Karl E. Rohrbaugh, Finance Branch Chief

Angela Crawford, Procurement and Facilities Branch Chief