



**U.S. Department of Housing and  
Urban Development  
Office of Chief Financial Officer  
Government Travel Card Program**

**Office of Audit, Region 7  
Kansas City, KS**

**Audit Report Number: 2020-KC-0002  
January 31, 2020**





**To:** Irving L. Dennis  
Chief Financial Officer, F

**From:** //signed//  
Ronald J. Hosking  
Regional Inspector General for Audit, 7AGA

**Subject:** HUD's Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases  
and Were Not Always Used When Required

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's compliance with the travel card program requirements for fiscal year 2018.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



Audit Report Number: 2020-KC-0002

Date: January 31, 2020

**HUD's Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases and Were Not Always Used When Required**

## Highlights

---

### What We Audited and Why

---

We performed a risk assessment and audit of the U.S. Department of Housing and Urban Development's (HUD) travel card program for fiscal year 2018, as required by the Charge Card Abuse Prevention Act of 2012. We assessed the risk in the travel card program to be moderate and conducted the audit to focus on the high-risk areas identified during the risk assessment. Accordingly, our audit objective was to determine whether HUD travel cards were used for potentially illegal, improper, or erroneous purchases and whether travel cards were used when required.

### What We Found

---

Out of a sample of transactions that we identified as high risk, HUD's travel cards were used for 166 illegal, improper, or erroneous purchases totaling nearly \$23,000. Some employees had multiple improper purchases over several months. At least two HUD employees used their travel cards for purchases that were improper because they were unnecessary travel expenses.

In addition, 19 employees used their personal sources of payment instead of the government travel card in violation of the Federal Travel Regulations. These employees claimed voucher reimbursements for lodging expenses totaling more than \$162,000 that they did not pay with their government travel cards, as required.

### What We Recommend

---

We recommend that the Office of Chief Financial Officer (1) coordinate with the related program offices, the Office of the Chief Human Capital Officer, and the Office of Employee Labor Relations to take appropriate actions against the employees identified in this report; (2) improve controls to ensure the proper use of the travel cards and prevent or detect employees who did not use their government travel cards when required; and (3) provide employees with appropriate training on the issues identified in this report and ensure that all cardholder training is up to date.

# Table of Contents

---

<b>Background and Objective.....</b>	<b>3</b>
<b>Results of Audit .....</b>	<b>5</b>
<b>Finding 1: HUD Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases .....</b>	<b>5</b>
<b>Finding 2: HUD Travel Cards Were Not Used When Required.....</b>	<b>9</b>
<b>Scope and Methodology.....</b>	<b>11</b>
<b>Internal Controls.....</b>	<b>13</b>
<b>Appendixes.....</b>	<b>14</b>
<b>A. Auditee Comments.....</b>	<b>14</b>
<b>B. Criteria.....</b>	<b>15</b>
<b>C. Risk Assessment .....</b>	<b>20</b>

# Background and Objective

---

On October 5, 2012, Congress enacted Public Law 112-194, the Government Charge Card Abuse Prevention Act (the Act). This law required each agency that had employees who used travel charge cards to establish and maintain internal control activities to ensure the proper, efficient, and effective use of the charge cards. Further, it required the inspector general of each executive agency with more than \$10 million in travel card spending to (1) conduct periodic audits of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments and (2) report the findings of such audits or reviews, along with recommendations to prevent improper use of travel cards, to the Director of the Office of Management and Budget (OMB) and Congress.

The table below shows the total number of transactions and their respective dollar amounts for the U.S. Department of Housing and Urban Development (HUD) travel card program in the last 3 fiscal years. These amounts also include transactions that were later refunded or reversed.

	Number of transactions	Total amount spent
2016	95,578	\$13,013,045
2017	89,573	12,534,053
2018	95,327	14,573,176

The General Services Administration (GSA) administers the government charge card program, also known as the SmartPay2 program. This program provides the travel cards to agencies or departments throughout the U.S. Government. GSA designed travel cards to facilitate official government travel, including airfare, rail or bus tickets, lodging, meals, rental cars, and other miscellaneous expenses. The government travel cards must be used for all official travel expenses that can be paid by credit card. Employees are responsible for full payment of all undisputed charges made using the card within 30 days from each statement closing date, regardless of the amount reimbursed by HUD.

HUD uses Citibank as its travel card provider. HUD contracted with the Administrative Resource Center (ARC) within the Bureau of the Fiscal Service, U.S. Department of the Treasury, to provide supportive services to the HUD travel card program. ARC assisted with the opening and closing of Citibank card accounts, placing and removing purchasing blocks for HUD-restricted merchant category codes, assisting HUD with required OMB reporting, and generating monthly monitoring reports of potentially improper purchases.

HUD's Office of the Chief Financial Officer (OCFO) administers the HUD travel card program. Within this office, the agency program travel coordinator is responsible for completing charge card applications, assisting cardholders as necessary, and acting as liaison between HUD and the travel card contractor. The coordinator is also responsible for reviewing the monthly monitoring

reports from ARC to identify potential misuse or abuse and contacting appropriate program offices for further review and disciplinary actions.

As required by the Act, we conducted a risk assessment of the travel card program during the initial phase of this audit (see appendix C). We assessed the risk to be moderate and conducted the audit to focus on the high-risk areas identified during the risk assessment. Accordingly, our audit objective was to determine whether HUD travel cards were used for potentially illegal, improper, or erroneous purchases and whether travel cards were used when required.

# Results of Audit

---

## **Finding 1: HUD Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases**

---

HUD's travel cards were used for 166 illegal, improper, or erroneous purchases totaling nearly \$23,000. This condition occurred because HUD did not have adequate controls to ensure the proper use of the travel cards. As a result, HUD lacked assurance that it complied with the Act and risked damaging its reputation because of the travel card program misuse and abuse.

### **Illegal, Improper, or Erroneous Purchases**

Federal Travel Regulations require employees to use the Government contractor-issued travel charge card for expenses directly related to official travel. Further, appendix B of OMB Circular A-123 prohibits improper, fraudulent, abusive, or negligent use of any Government charge card. The agency may impose disciplinary action for charge card infractions, including removal for serious or repeated infractions (see appendix B). From the nearly 100,000 travel card transactions in fiscal year 2018, we identified a universe of 468 high-risk transactions and selected a sample of 206 potentially improper transactions made by 53 HUD employees. (See the Scope and Methodology section.) After reviewing documents in the Concur travel system and following up with the agency program travel coordinator, we found that 166 transactions made by 35 employees were illegal, improper, or erroneous. These transactions totaling nearly \$23,000 included unauthorized purchases for personal use, purchases benefiting other persons, and cash withdrawals outside the allowed travel period. In addition, several employees failed to remove their government travel cards as a default method of payment at hotel chains, rental car companies, and other service companies, which resulted in improper charges during their personal travel. Some employees used their government travel cards for personal purchases and cash withdrawals, although they did not travel during the audit period.

For the sample reviewed, 13 of the 35 employees with illegal, improper, or erroneous purchases had multiple improper purchases over several months. These repeat offenders were identified in more than one monthly monitoring report. OCFO and program offices should have promptly addressed the improper transactions by suspending the employees' travel cards and taking disciplinary actions, which would have prevented the continued travel card misuse. For example, one employee continued misusing his travel card for cash withdrawals, although he was repeatedly identified in eight monthly monitoring reports but traveled only one time in fiscal year 2018.

At least 2 of the 35 employees with illegal, improper, or erroneous purchases used their travel cards for erroneous hotel purchases. These employees prepaid nonrefundable lodging for their work trips in error, rather than giving first consideration to FedRooms program or other lodging with flexible cancellation policies. After their trips were canceled, the employees could not obtain refunds from hotels. Since nonrefundable prepayment at hotels was due to an employee

error, it was not a necessary expense and should not have been charged to the government travel card.

### **Inadequate Internal Controls**

HUD did not have adequate controls to ensure the proper use of the travel cards.

HUD's monitoring tool did not always identify potentially unauthorized transactions. ARC generated monthly monitoring reports, which showed potentially improper transactions. However, there was an error in the report criteria, which missed the improper rental car transactions. In addition, the report excluded transactions that occurred before the monitoring report date but were posted after the report was run. ARC updated the monitoring report criteria after the issue was discovered during the audit, but the changes were not verified by HUD for accuracy.

HUD did not address and correct potentially improper transactions identified by its monitoring tool in a timely manner. While the travel card coordinator distributed the monitoring report to the program offices, supervisors often did not request suspension of the travel cards of those found misusing them and did not ensure that employees were disciplined for disregarding the travel card program requirements. The travel card misuse should have been addressed after an employee's first offense, which would have prevented continued travel card misuse. However, HUD's travel card policy was not specific in describing the disciplinary actions for employees with improper transactions and their supervisors who did not follow up on the monitoring reports. In addition, the travel card policy did not require program offices to report corrective actions taken to address the improper transactions.

HUD did not perform periodic reviews in fiscal year 2018 to determine whether each cardholder needed the travel charge card so unneeded travel cards could be canceled. HUD reviewed the travel cards in fiscal year 2017 but not in fiscal year 2018. All cards were to be canceled at the end of fiscal year 2018 due to HUD's transition from SmartPay2 to SmartPay3; however, the transition did not happen when planned.

HUD did not always ensure that cardholders took the required travel card training, and the training provided did not adequately inform employees about the travel card program requirements. Each HUD travel cardholder is required to complete the Statement of Cardholder Responsibility form every 3 years. The form is a one-page document describing general travel card policy. The training document does not provide specific travel program requirements. For example, it allows cardholders to obtain ATM cash withdrawals before leaving on an official trip using the government travel card, but it does not specify how many days in advance the cardholders may withdraw cash. Also, the training document does not inform HUD employees about updates to the travel program requirements as it has not been revised since May 2014. In addition, at least one HUD employee in the audit sample did not complete the required training but received his new travel card.

HUD's travel system did not require justification and approval for nonrefundable rates for hotels. Employees should have justified why they booked nonrefundable rates, such as by explaining that refundable options were not available. The employees booked the nonrefundable rates in



error, and the travel system did not require the employee to enter a justification for the nonrefundable rate, which would have drawn their supervisor's attention to the error.

### **Noncompliance With the Act and Risk of Damaged Reputation**

As a result of the issues identified above, HUD lacked assurance that it complied with the Act and was at risk of damaging its reputation because of the travel card program misuse and abuse. The Act requires that each agency ensure the proper, efficient, and effective use of its employees' travel charge cards. The agency must use effective systems, techniques, and technologies to prevent or identify improper purchases. The agency must provide for appropriate adverse personnel actions to be imposed in cases in which employees fail to comply with travel charge card requirements. OMB Memorandum M-13-21 informs Federal agencies that charge card management plans, semiannual reports on charge card violations, and inspector general risk assessments and reviews will be used to assess the effectiveness of an agency's charge card program. Without adequate controls, OMB could identify HUD as ineffective in its administration of the travel card program and not in compliance with the Act. In addition, the misuse of the travel cards by a small percentage of the employees reflects negatively on the agency and can degrade the public's confidence in the integrity of HUD's employees as a whole.

### **Conclusion**

HUD travel cards were not always used in accordance with the Act and Federal Travel Regulations. HUD should have established adequate controls to prevent and detect the misuse, especially for continued travel card violations. As a result, HUD was at risk of increased public scrutiny and noncompliance with the Act.

### **Recommendations**

We recommend that the Chief Financial Officer

- 1A. Suspend the travel cards for 35 employees who made 166 improper, illegal, or erroneous purchases, if warranted based on the nature of misuse, and coordinate with the related program offices, the Office of the Chief Human Capital Officer, and the Office of Employee Labor Relations to take appropriate disciplinary actions against these employees and their supervisors who did not follow up on the monitoring reports.
- 1B. Ensure that ARC has properly updated the monitoring report criteria to include transaction categories that were previously missing from the monitoring reports.
- 1C. Coordinate with the Office of Employee Labor Relations and the Office of the Chief Human Capital Officer to update HUD's travel card policy with the table of penalties and disciplinary actions for travel card misuse and provide the updated policy and tiered instructions for disciplinary actions to administrative officers and approving officials.
- 1D. Require program offices to report all disciplinary actions taken against employees who made improper purchases.

- 1E. Generate a periodic report of travel cards for employees who do not travel and cancel the travel cards if not needed.
- 1F. Inform all travel cardholders and approving officials about specific travel program requirements and repercussions for disregarding these requirements.
- 1G. Verify with ARC on a regular basis that all travel cardholders have completed their training as required.
- 1H. Require justification and approval for selecting a nonrefundable rate in the travel system comments section.

## **Finding 2: HUD Travel Cards Were Not Used When Required**

---

HUD employees did not always use their government-issued travel cards when required. This condition occurred because HUD did not have internal controls to prevent or detect employees who did not use their government travel cards when required. As a result, HUD lacked assurance that its employees complied with the Federal Travel Regulations and that it fully benefited from travel card vendor rebates.

### **HUD Travel Cards Not Used When Required**

HUD employees did not always use their government-issued travel cards when required. The Federal Travel Regulations and HUD policies require use of the government travel card during official government travel (see appendix B). However, some HUD employees claimed travel reimbursements for lodging that exceeded the hotel transactions charged to their government travel cards. From travel reimbursements made to 300 employees who had lodging expenses exceeding their travel card transactions by more than \$500 in fiscal year 2018, we identified 20 employees with the largest differences. (See the Scope and Methodology section for sampling information.) We found that one employee was not required to use his government travel card because he no longer had one; he was invited to travel for union purposes after he retired. However, 19 employees improperly used their personal source of payment instead of the government travel card. These employees claimed voucher reimbursements for lodging expenses totaling more than \$162,000 that they did not pay with their government travel cards as required. To illustrate, one employee had 28 travel reimbursements for lodging in fiscal year 2018. She claimed nearly \$20,000 in lodging expenses according to her travel vouchers, but she had no charges for hotels billed and reimbursed to her government travel card.

### **Lack of Controls Over Payment Methods**

HUD did not have internal controls to prevent or detect employees who did not use their government travel cards when required. HUD did not have a tool to monitor the use of nongovernment travel cards to pay for lodging. In addition, HUD's travel system allowed employees to receive reimbursement for lodging to be sent to the travelers' bank account, but it did not require justification for such reimbursement. This practice made it easier for employees to use other sources of payment to pay for lodging. Further, HUD's travel card policy did not require the approving officials to verify an appropriate method of payment and did not specify disciplinary actions for not using the government travel card during government travel. HUD employees were not trained on the mandatory use of the government travel card or disciplinary actions for not using it.

### **Noncompliance With Regulations and Missed Vendor Rebates**

As a result of the issues identified above, HUD lacked assurance that its employees complied with the Federal Travel Regulations and that it fully benefited from travel card vendor rebates. HUD employees did not comply with the Federal Travel Regulations that require use of the travel card. In addition, the program offices missed out on vendor rebates from purchases made with personal sources of payment.

## **Conclusion**

HUD employees did not always use their travel cards during official government travel. The use of the government travel card is mandatory, and employees should not use their personal cards to pay for lodging while on government travel. HUD did not have controls over methods of payment for government travel expenses to ensure that employees complied with the travel regulations. In addition, it did not take advantage of the travel card rebates from personal source of payment transactions.

## **Recommendations**

We recommend that the Chief Financial Officer

- 2A. Generate a periodic monitoring report that would identify employees who did not use their government travel card when required and send this report to employees' supervisors and the Assistant Secretary of related program offices for proper action.
- 2B. Require justification and approval in the travel system comments section when requesting lodging expense reimbursement to the traveler's bank account.
- 2C. Update HUD's travel card policy to require approving officials' review of travel documents for appropriate methods of payment and work with the Office of Employee Labor Relations and the Office of the Chief Human Capital Officer to prescribe disciplinary actions for not using the government travel card when required.
- 2D. Inform all HUD travel cardholders and approving officials about the mandatory use of the government travel card and disciplinary actions for not using it.
- 2E. Follow up with the 19 employees identified as failing to use their government travel card and coordinate with the related program offices to ensure these employees receive training, counseling or other appropriate disciplinary action, if necessary, on the mandatory use of the government travel card.

# Scope and Methodology

---

Our audit covered October 1, 2017, to September 30, 2018. We performed our audit between March and September 2019. We conducted our onsite work at HUD headquarters at 451 7<sup>th</sup> Street SW, Washington, DC.

To accomplish our objective, we

- conducted a risk assessment of the travel card program (see appendix C),
- interviewed HUD and ARC employees responsible for the travel card program,
- reviewed applicable laws and regulations (see appendix B),
- reviewed HUD's guidance and policies and procedures,
- reviewed monitoring reports and spreadsheets tracking cardholders and training,
- reviewed documentation available in HUD's travel system, and
- followed up with HUD on issues identified during audit.

HUD uses the Citi Custom Reporting System (CCRS) to review information about travel card transactions. HUD also uses the Concur travel system to manage HUD employees' travel authorizations and vouchers. We obtained information for fiscal year 2018 transactions directly from CCRS and also obtained the travel voucher data from OCFO. The CCRS data included 95,327 transactions totaling more than \$14.5 million. We compared the CCRS data to the travel voucher data to determine that in fiscal year 2018, 3,628 HUD employees who had travel card transactions submitted travel vouchers. An additional 199 employees had travel card transactions but did not submit vouchers. We analyzed travel card transaction and travel voucher data and identified high-risk areas to test during the audit. This analysis identified 468 transactions totaling \$54,527 that met the following criteria: (1) ATM withdrawals made more than 5 days before a work trip or after the trip, (2) transactions made more than 14 days before a work trip or 14 days after the trip, and (3) transactions made by employees who had no travel vouchers in fiscal year 2018. To better focus on the transactions at highest risk, this universe excluded miscellaneous transactions; refunded transactions; Amtrak, airport, and airline transactions; transactions for trips that began in fiscal year 2017; and transactions for less than \$10. The universe also excluded Office of Inspector General (OIG) employees and HUD employees under relocation agreements. We selected a sample of 206 transactions totaling \$35,587. These transactions were made by the 53 employees who had total purchases in the high-risk universe of at least \$300. We reviewed documents in the Concur travel system and followed up with OCFO to determine whether the government travel cards were used for illegal, erroneous, and improper purchases and what corrective actions were taken to address these issues. The results of this sample cannot be projected to the universe.

In addition, we analyzed CCRS transaction and travel voucher data and identified 300 employees with a more than \$500 difference between the lodging and miscellaneous amounts claimed on their vouchers and their lodging travel card transactions. The differences totaled \$607,699. To account for fiscal yearend timing differences as well as potential nonuse due in certain allowable circumstances and to identify the most egregious instances, we filtered on employees who used

their travel cards for lodging during government travel less than 30 percent of the time. With this filter applied, we chose a sample of hotel reimbursements for the 20 employees with the largest differences. These employees claimed reimbursements totaling \$199,866 for hotel expenses in fiscal year 2018. We reviewed information in the Concur travel system to determine whether employees improperly used their personal sources of payment to pay for expenses during official government travel. The results of this sample cannot be projected to the universe.

We relied in part on data maintained by HUD in its Concur travel system and CCRS. Specifically, we relied on the Citibank data to identify high-risk areas of potentially improper transactions and select samples of transactions to review during the audit. We verified Citibank data by tracing transactions to source documents that were either directly uploaded to the Concur travel system by employees or provided by related program offices. Based on work performed, we determined that the computer-processed data were sufficiently reliable for the purposes of this report.

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

# Internal Controls

---

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Controls to ensure that travel cards were properly used for authorized and legal purchases and payments.
- Controls to ensure that the travel cards were used when required.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiencies**

Based on our review, we believe that the following items are significant deficiencies:

- HUD did not have adequate controls to ensure the proper use of the travel cards (finding 1).
- HUD had no controls to prevent or detect employees who did not use their government travel cards when required (finding 2).

# Appendixes

---

## Appendix A

---

### Auditee Comments

The Office of Chief Financial Officer chose not to provide any comments to include in the final report.



## Appendix B

---

### Criteria

#### Public Law 112-194, Government Charge Card Abuse Prevention Act of 2012

#### Section 3. Management of Travel Cards

##### (1) Required Safeguard and Internal Controls

The head of each executive agency that has employees that use travel charge cards shall establish and maintain the following internal control activities to ensure the proper, efficient, and effective use of such travel charge cards:

- A. There is a record in each executive agency of each holder of a travel charge card issued on behalf of the agency for official use, annotated with the limitations on amounts that are applicable to the use of each such card by that travel charge card holder.
- B. Rebates and refunds based on prompt payment, sales volume, or other actions by the agency on travel charge card accounts are monitored for accuracy and properly recorded as a receipt of the agency that employs the card holder.
- C. Periodic reviews are performed to determine whether each travel charge card holder has a need for the travel charge card.
- D. Appropriate training is provided to each travel charge card holder and each official with responsibility for overseeing the use of travel charge cards issued by the executive agency.
- E. Each executive agency has specific policies regarding travel charge cards issued for various component organizations and categories of component organizations, the credit limits authorized for various categories of card holders, and categories of employees eligible to be issued travel charge cards, and designs those policies to minimize the financial risk to the Federal Government of the issuance of the travel charge cards and to ensure the integrity of travel charge card holders.
- F. Each executive agency has policies to ensure its contractual arrangement with each travel charge card issuing contractor contains a requirement that the credit worthiness of an individual be evaluated before the individual is issued a travel charge card, and that no individual be issued a travel charge card if that individual is found not creditworthy as a result of the evaluation (except that this paragraph shall not preclude issuance of a restricted use, prepaid, declining balance, controlled-spend, or stored value card when the individual lacks a credit history or has a credit score below the minimum credit score established by the Director of the Office of Management and Budget). The Director of the Office of Management and Budget shall establish a minimum credit score for determining the creditworthiness of an individual based on rigorous statistical analysis of the population of card holders and historical behaviors. Notwithstanding any other provision of law, such evaluation shall include an assessment of an individual's consumer report from a consumer reporting agency as those terms are defined in section 603 of the Fair Credit Reporting Act (15 U.S.C. [United States Code] 1681a).
- G. Each executive agency uses effective systems, techniques, and technologies to prevent or identify improper purchases.

- H. Each executive agency ensures that the travel charge card of each employee who ceases to be employed by the agency is invalidated immediately upon termination of the employment of the employee (or, in the case of a member of the uniformed services, upon separation or release from active duty or full-time National Guard duty).
- I. Each executive agency shall ensure that, where appropriate, travel card payments are issued directly to the travel card-issuing bank for credit to the employee's individual travel card account.

### **(3) Inspector General Audit**

The Inspector General of each executive agency with more than \$10,000,000 in travel card spending shall conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. The findings of such audits or reviews along with recommendations to prevent improper use of travel cards shall be reported to the Director of the Office of Management and Budget and Congress.

### **(4) Penalties for Violations**

Consistent with the guidance prescribed under paragraph (2), each executive agency shall provide for appropriate adverse personnel actions to be imposed in cases in which employees of the executive agency 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, including removal in appropriate cases.

## **41 CFR Chapter 301, Federal Travel Regulation, Temporary Duty (TDY) Travel Allowances**

### **301-2.1. Must I have authorization to travel?**

Yes, generally you must 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, your agency may approve a specific authorization for reimbursement of travel expenses after travel is completed. However, written or electronic advance authorization is required for items in § 301-2.5 (c), (i), (n), and (o) of this part.

### **301-11.11 - How do I select lodging and make lodging reservations?**

When selecting a commercial lodging facility, first consideration should be given to government lodging agreement programs such as FedRooms (<http://www.fedrooms.com>). One of the advantages of obtaining lodging using the FedRooms program is that the room cancellation deadline is 4:00 p.m. (or later) on the day of arrival.

### **301-11.16. What reimbursement will I receive if I prepay my lodging expenses and my TDY is curtailed, canceled or interrupted for official purposes or for other reasons beyond my control that are acceptable to my agency?**

If you sought to obtain a refund or otherwise took steps to minimize the cost, your agency may reimburse expenses that are not refundable, including a forfeited rental deposit.

### **301-51.1. How must I use the Government contractor-issued travel charge card?**

You are required to activate the Government contractor-issued travel charge card once you receive it, and then use it as the method of payment for all official travel expenses unless exempted under §301-51.2.

**301-51.2. Are there any official travel expenses that are exempt from the mandatory use of the Government contractor-issued travel charge card?**

Expenses for which payment through the Government contractor-issued travel charge card is impractical (e.g., vendor does not accept credit cards) or imposes unreasonable burdens or costs (e.g., fees are charged for using the card) are exempt from use of the travel charge card. Your agency may also exempt an official travel expense when it is necessary in the interest of the agency (see §301-51.5).

**301-51.7. For what purposes may I use the Government contractor-issued travel charge card while on official travel?**

You are required to use the Government contractor-issued travel charge card for expenses directly related to your official travel.

**301-51.8. May I use the Government contractor-issued travel charge card for personal reasons while on official travel?**

No, you may not use the Government contractor-issued travel charge card for personal reasons while on official travel.

**301-51.9. What are the consequences if I misuse the Government contractor-issued travel charge card on official travel?**

Your agency may take appropriate disciplinary action if you misuse the Government contractor-issued travel charge card according to internal agency policies and procedures.

**301-70.700. Must our employees use a Government contractor-issued travel charge card for official travel expenses?**

Yes, your employees must use a Government contractor-issued travel charge card for official travel expenses unless:

- (a) A vendor does not accept the travel charge card;
- (b) The Administrator of General Services has granted an exemption (see [§301-70.704](#)); or
- (c) Your agency head or his/her designee has granted an exemption.

**Appendix B of OMB Circular A-123, Improving the Management of Government Charge Card Programs**

**4.9. What administrative and/or disciplinary actions may be imposed for charge card misuse?**

Improper, fraudulent, abusive, or negligent use of any Government charge card is prohibited. The agency may impose disciplinary action for charge card infractions, including removal for serious or repeated infractions. Appropriate agency personnel may impose, but are not limited to, the following administrative and/or disciplinary actions for negligence, misuse, abuse, or fraud:

- Verbally counsel and issue a letter of counseling/reprimand to the employee;
- Deactivate, suspend, or cancel employee accounts; and
- Impose additional disciplinary actions deemed appropriate by the agency.

Circumstances surrounding each case should be considered when determining the proper type of corrective or disciplinary/adverse action, if any, which may be imposed. Generally, a progression of increasingly severe penalties is suitable. In some instances, the infraction may warrant the most severe penalty for a first offense.

Egregious purchases are most severe when they result in an intentional private gain for a cardholder/purchaser with little if any benefit to the agency. Agencies must comply with all applicable law and regulatory guidance in determining whether to impose disciplinary or adverse action in any specific case.

In cases of suspected fraud, charge card managers must refer these instances to independent investigatory agencies (e.g., the agency's Office of Inspector General or the Department of Justice) for investigation.

## **Department of Housing and Urban Development, Office of the Chief Financial Officer Travel Charge Card Procedure Guide and Management Plan**

### **III. Policy**

Government Travel Cards (GTC) are credit cards issued in an employee's name by a financial institution (travel card contractor) that is under contract with the General Services Administration (GSA). The travel card contractor, at the request and approval of HUD, issues GTCs to employees. HUD approves GTCs for employees who are expected to travel two or more times per year. Employees are responsible for all purchases made with the GTC. The GTC must be used for all official travel expenses that can be paid by credit card. This includes airfare, rail or bus tickets, lodging, meals, rental cars and other miscellaneous expenses; to the extent the card is accepted. Cash advances may be acquired from an Automatic Teller Machine (ATM) with the travel card and the cash used for meals and incidental expenses (M&IE), incidental to approved travel.

The GTC must only be used for official travel related expenses. HUD may take disciplinary action if the GTC is used for purposes other than official travel or if an employee is delinquent in reimbursing the travel card contractor for valid charges made with the card. Disciplinary action may range from a reprimand to removal. HUD may deduct delinquent, undisputed amounts due the travel card contractor from an employee's disposable pay in accordance with Public Law 105-264.

#### **4. Disciplinary Action for Abuse/Misuse of Card**

The GTC must only be used for official travel-related purchases during the period of official travel as specified in this Procedure Guide. The APOC will provide written notification of questionable transactions to the Administrative Officer on a monthly basis using Unmatched Transaction Report. At this time, the Administrative Officer will notify the APOC who will notify the travel card contractor to temporarily suspend the employee's travel card until the matter is resolved.

The supervisor must request a written explanation of the questionable transaction(s) from the employee. The supervisor will promptly meet with the employee to discuss the questionable transaction(s) and the written explanation. The supervisor must forward the employee's written explanation to Administrative Officer.

If the questionable transaction(s) are determined by Agency management to be in accordance with established policy regarding use of the GTC, the Administrative Officer will notify the employee in writing, and the matter will be considered resolved. The APOC will reinstate the employee's travel card.

HUD will take appropriate disciplinary action when it is determined by Agency management that the Government contractor-issued travel charge card was used for nonofficial purposes. Disciplinary action may range from a reprimand to removal.

**HUD Handbook 0752.02 REV-3, Adverse Actions**

**Appendix 1: Offenses and Penalties**

Nature of Offense	First	Second	Third
Offenses related to Government travel charge card and/or ATM card.  a. Misuse of card or delinquent in payment.  b. Misuse of card and delinquent in payment.	Reprimand to 5-day suspension  5-day to 30-day suspension	5-day to 30 days suspension  14-day suspension to removal	30-day suspension to removal  Removal

## Appendix C

---

### Risk Assessment

**Risk Assessment Objective:** What was the risk in the travel card program and were the travel cards used for illegal, improper, or erroneous transactions?

**Risk Assessment Conclusion:** We assessed the risk of the travel card program to be moderate. We determined that the travel cards were used for illegal, improper, or erroneous transactions. We recommend proceeding to audit to determine whether HUD travel cards were used for potentially illegal, improper, or erroneous purchases.

**Analysis:** During the risk assessment, we:

- Reviewed Federal Travel Regulations, OMB and HUD Guidance;
- Reviewed HUD's travel card policies;
- Interviewed employees of HUD and Administrative Resource Center for the travel card program at Treasury;
- Analyzed fiscal year 2018 travel card transaction data from Citi Customer Reporting System (CCRS) and documents in Concur;
- Analyzed the travel card monitoring reports, training reports, and cardholders data;
- Identified potential risk areas for travel card misuse and abuse; and
- Reviewed a sample of transactions for each risk category to determine whether the travel cards were used for illegal, improper, or erroneous transactions.

The Government Charge Card Abuse Prevention Act of 2012 required HUD to establish and maintain certain internal control activities to ensure the proper, efficient, and effective use of such travel charge cards. We found that HUD had the following internal control activities that were lacking or not adequate.

- HUD did not have a complete record of each employee who completed the training in fiscal year 2018.
- HUD did not review the travel cardholders' records in fiscal year 2018 to determine whether each cardholder had a need for the travel charge card. We found instances when employees used their travel cards for unauthorized transactions but have not been traveling recently.
- HUD did not have effective systems, techniques, and technologies to prevent or identify improper purchases. HUD did not timely address the travel card violations identified in the monitoring reports. As a result, several employees continued making cash withdrawals for several months.

The risk factors above increased the overall risk of the travel card program. Therefore, we assessed the travel card program risk to be moderate. Based on our review, we determined that the following transactions and purchases have a high risk for travel card misuse and abuse:

1. ATM withdrawals 5 days outside of the trip dates,
2. Purchases and payments 14 days outside of the trip dates,
3. Transactions for employees without voucher expenses,
4. Transactions that are significantly greater than voucher expenses, and
5. Purchases during official government travel that are not paid by the government travel card.