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GOVERNANCE: Opportunities Exist to Improve the Travel Card Program and Reduce Risks

Audit Report No. OIG-A-2014-005 | April 18, 2014



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REPORT HIGHLIGHTS

Why We Did This Review

Travel cards are company credit cards issued to employees for business travel. However, travel cards are an inherently risky method for purchasing because of the highly decentralized nature of the transactions, and the potential for misuse. The travel card program costs the company about \$130,000 to operate. Since April 2012, the Travel Services group has improved internal controls over travel cards; however, Finance officials remained concerned about the adequacy of these controls.

We initiated a systematic review using Audit Command Language (ACL), a specialized data analysis software tool, to analyze 100 percent of travel card purchases for the 12-month period ending December 2012.

Our objective was to assess the effectiveness and efficiency of the travel card program.

The full report is at www.amtrakoig.gov/reading-room

GOVERNANCE: OPPORTUNITIES EXIST TO IMPROVE THE TRAVEL CARD PROGRAM AND REDUCE RISKS (Audit Report OIG-A-2014-005, April 18, 2014)

What We Found

We identified opportunities to improve the travel card program's controls and cost-effectiveness. Specific control weaknesses identified include the following:

- Travel cards were often misused. In 2012, cardholders charged \$469,000 of the total \$1.3 million (36 percent) on potential personal expenses, a policy violation.
- Employees defaulted on about \$16,000 in card balances, including some personal expenses of the cardholders. None of this money has been recovered, and the bank absorbed the loss.
- Inaccuracies in cardholder records and weak oversight resulted in card accounts remaining active for 22 terminated employees and other anomalies.

More important, the travel card program is not cost-effective because it is significantly under-enrolled and under-utilized. Amtrak does not require the use of travel cards for business trips; as a result, only 419 (33 percent) of employees with multiple business trips had travel cards. Also, these cardholders charged only 33 percent of their total business travel expenses to the travel cards. As a result of delayed payments and underutilization, the corporation received a rebate of only \$7,675 of \$1.3 million (0.59 percent) for 2012.

Our review of best practices showed that many organizations address control and cost-effectiveness issues by shifting hotel and car rental bookings from individual cards to centralized corporate charge cards. Replacing individual cards with centralized corporate card will increase rebates and reduce operating cost and risks.

Corrective Actions

We recommend and the Chief Financial Officer agreed to evaluate travel card program alternatives, recover unpaid balances, and monitor employee travel expenses using data analytics.

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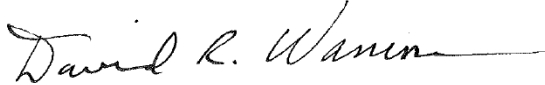
NATIONAL RAILROAD
PASSENGER CORPORATION

Office of Inspector General



Memorandum

To: Gerald Sokol, Jr.
Chief Financial Officer (CFO)

From: David R. Warren 
Assistant Inspector General, Audits

Date: April 18, 2014

Subject: *Governance: Opportunities Exist to Improve the Travel Card Program and Reduce Risks* (Audit Report OIG-A-2014-005)

This report provides the results of our review of the effectiveness and efficiency of the travel card program. The Travel Services group in the Finance department is primarily responsible for defining travel card policy, developing procedures, and administering the travel card program. Amtrak's Corporate Travel Charge Card policy establishes procedures to cover the reimbursable business travel expenses of eligible employees during travel. When effective and well controlled, travel cards are a convenient alternative for employees who do not have personal credit cards or do not want to use them for business travel expenses. Moreover, the use of the cards helps reduce transaction-processing costs for the organization.

Travel cards are individual credit cards issued by US Bank. They are governed by the GSA SmartPay¹ program; therefore, Amtrak is expected to follow the requirements of the General Services Administration (GSA). In calendar year (CY) 2012, Amtrak cardholders conducted approximately 17,000 transactions to procure about \$1.3 million of goods and services.

Travel cards are an inherently risky method for purchasing because of the highly decentralized nature of the transactions, the number of cardholders and their creditworthiness, and the potential for misuse. Organizations using travel cards establish controls to help ensure that employees use these cards appropriately. Adequate internal controls serve as the first line of defense in preventing fraud. Before April 2012,

¹ GSA SmartPay is a GSA government payment program that manages master contracts through which agencies and organizations can obtain purchase, travel, fleet, and integrated cards.

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management of the Travel Services group did not properly maintain records or actively enforce the travel card policy. Current management has focused on policy enforcement and has made significant progress reducing risks. Since April 2012, management took a number of actions to improve the controls—such as tightening the merchant category codes that restrict cardholders to purchase only certain types of goods and services, and closer monitoring of charges. However, Finance officials remained concerned about the adequacy of internal controls over the use of travel cards.

After discussion with officials from the Finance department, we decided to conduct a systematic review of travel card use and related controls. To accomplish our objectives, we relied heavily on Audit Command Language (ACL), a specialized data analysis software tool. Using the tool, we analyzed 100 percent of travel card purchases for CY 2012 to test employee compliance with controls and to identify control weaknesses. We will provide the Finance department the ACL testing tools we developed for this review. For details on our scope and methodology, see Appendix A.

The reporting objective of this audit was to assess the effectiveness and efficiency of the travel card program.

OPPORTUNITIES EXIST TO IMPROVE THE TRAVEL CARD PROGRAM'S CONTROLS AND COST-EFFECTIVENESS

Since April 2012, the Travel Services group has improved its policies and procedures for controlling the use of travel cards; however, further improvements can be made. More important, the travel card program is not cost-effective because it is significantly under-enrolled, under-utilized, and often misused. The following summarizes the results of our analysis of the cardholder transactions in CY 2012:

- **Misuse.** Employees often use travel cards for their personal expenses. Amtrak's Corporate Travel Charge Card policy (P/I 8.36.1) requires that cardholders charge only business travel expenses on their cards; however, the Travel Services group finds it challenging to enforce this policy because of a lack of cooperation from managers. Our review found that 382 cardholders used their travel cards to charge \$469,000 of the total \$1.3 million (36 percent) in potential personal expenses.

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Although most personal expenses were travel-related—such as hotels, airline tickets and meals—we also identified about \$20,000 in non-travel related expenses, such as auto services, a household move, and a vacation package.

- **Defaults.** If cardholder balances are not paid in full within six months, US Bank writes them off as defaulted amounts and takes the loss. In 2012, the total defaulted amount was about \$16,000. If these default amounts increase, the corporation would be exposed to lower rebates and an adverse relationship with the bank. These defaulted balances included some personal expenses. None of this money has been recovered because there is no formal process to do so.
- **Issues of data quality.** The Travel Services group periodically reviews cardholder transactions, but the review is manual, ad hoc, and prone to errors. Our analytic tests found a few data quality issues and underlying weak oversight, such as travel card accounts not being deactivated for 22 terminated employees, 143 incorrect cost-center assignments, and 19 incorrect employee numbers. These issues can make cancellation of cards difficult when employees separate. Also, compliance with accurate record-keeping standards under the new GSA control requirements² will be difficult. During this audit, we brought these three issues to management's attention so timely corrective actions could be taken.

The travel card program costs Amtrak about \$130,000 a year, but the program is not cost-effective because it is significantly under-enrolled and under-utilized. In 2012, delayed payments and underutilization resulted in a significantly lower rebate of \$7,675 of \$1.3 million (0.59 percent). Also, many cardholders use their personal cards for business travel for convenience or to earn rewards, which further reduces the amount of potential rebates.

- **Underutilization.** Most employees are not enrolled in the travel card program because Amtrak does not require the use of travel cards for trips. Only 419 of the 1,273 employees (33 percent) with multiple business trips in 2012 had obtained the travel cards. Further, these 419 employees charged only 33 percent of their total

² GSA SmartPay® Smart Bulletin No. 021, issued on September 9, 2013, requires Amtrak to implement controls such as periodic justification for card renewal and training re-certification.

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business travel expenses to their cards, well below the 75 percent utilization rate achieved by many companies running successful travel card programs.

- **Delayed payments.** The Travel Charge Card policy requires that employees pay their card balances in full each month. Amtrak reimburses employees for their business-related card charges via expense reports. US Bank sets Amtrak's rebate rate, which ranges from 0.38 percent to 0.98 percent depending on the employee's days-to-payment history. Delinquent card balances significantly reduce the rebate.

Travel Card Best Practices

Our review of best practices showed that many organizations address control and cost-effectiveness issues by shifting hotel and car rental bookings from individual cards to centralized corporate charge cards. Employees can use their personal credit cards for meals and incidentals. Currently, employees do not need individual travel cards to make airline reservations using the online eTrax Worldspan catalog.³ The company pays the airline charges directly to Worldspan using a corporate charge card, but does not take the same approach for hotel and car rental expenses. Using that direct approach for hotel and car rental would result in a number of benefits:

- increasing rebates by about \$41,000 annually due to a higher rebate rate of 1.2 percent to 1.8 percent
- maximizing state and local tax exemption
- improving bargaining power to negotiate lower rates with hotels and car rentals
- ensuring that the types of hotel rooms and cars booked are consistent with policy
- eliminating individual travel cards, which would reduce the risk of default

³ *eTrax Worldspan* is the electronic travel booking system that Amtrak uses for airlines, hotels, and car rentals.

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RECOMMENDATIONS

We recommend that the Chief Financial Officer direct the Travel Services group to take the following actions:

1. Evaluate travel card program alternatives' cost and benefits to include the best practices discussed in this report.
2. Recover unpaid balances from delinquent cardholders.
3. Monitor employee travel expenses using data analytics for additional improvement opportunities.

MANAGEMENT COMMENTS AND OIG ANALYSIS

In his response to the draft report, the Chief Financial Officer agreed with our recommendations and provided corrective actions and implementation dates to address them. The proposed corrective actions address the intent of our recommendations. For his complete response, see Appendix B.

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Appendix A

SCOPE AND METHODOLOGY

The scope of our work included reviewing Amtrak's Corporate Travel Charge Card policy (P/I 8.36.1), the travel card manual, and the US Bank contract to identify the key controls implemented. We also obtained cardholder information as of July 2013, and travel card transaction data from US Bank for November 2011 through August 2013 (30,964 transactions valued at approximately \$2.2 million for 839 cards). We extracted names of active employees from master data and matched them against US Bank cardholder data. We also compared employees' travel authorizations and expense reports submitted in Amtrak's procurement system, eTrax, against travel card charges. Using ACL, we performed several data analytic tests to identify exceptions.

We conducted this performance 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our methodological approach was to identify non-compliance with travel card policy by performing various data analytic tests on travel card usage. We also identified the potential adverse consequences of the identified exceptions (noncompliance and control weaknesses), to the extent that they were readily discernible. We identified causes only when we could show that policy and procedures were not being followed or when we found an absence of policy and procedures.

Internal Controls

In conducting the audit, we assessed the adequacy of internal controls by performing tests of user compliance with the policies in multiple areas discussed in our scope and methodology.

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Use of Computer-Processed Data

To achieve our objective, we used computer-processed data from the service provider and Amtrak's procurement system, eTrax. We loaded this data into ACL and developed automated programs for our tests. To validate the results of our analysis, we selected a few exceptions and compared them with the source data to ensure that automated programs were producing accurate results based on the established test criteria.

Prior Reports

We reviewed the following audit report for potential relevance to our work:

- *Amtrak OIG 104-2004, eTrax Application Review, 2/23/2006*, concluded that Amtrak's eTrax interface with Worldspan did not provide for an automated reconciliation process to validate the charges for airline reservations. Every month, the Director of Travel Support Services manually reconciled the Detailed Ticket Report provided by Worldspan with the Credit Card Statement from American Express, and made the journal entry to allocate all ticket charges to the appropriate cost centers in Amtrak's financial system. In this report, we recommended that Travel Support Services and eTrax management implement the Procurement Charge Card Reconciliation process for the charges from the Worldspan catalog.

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Appendix B


COMMENTS FROM AMTRAK'S MANAGEMENT

NATIONAL RAILROAD PASSENGER CORPORATION
 60 Massachusetts Avenue, NE, Washington, DC 20002



Memo

Date: April 10, 2014

From: Gerald Sokol, Jr. 
 Chief Financial Officer

To: Dave Warren, Assistant Inspector
 General, Audits

Department: Finance

Subject: Governance: Opportunities Exist
 to Improve the Travel Card
 Program and Reduce Risks

cc: DJ Stadtler
 Eleanor Acheson
 William Herrmann
 Paul Vilter
 Michael Kole
 Michael Latiff
 Matthew Gagnon
 Melantha Paige

We appreciate the opportunity to respond to the recommendations put forth in the OIG Report "*Governance: Opportunities Exist to Improve the Travel Card Program and Reduce Risks*", dated March 12, 2014. Since 2012 the Travel Services Office has implemented several processes to improve overall management and control of the Travel Card Program as pointed out in the report. We will continue to seek the most cost effective and efficient means to conduct this program.

In addition to the improvements already implemented, Travel Services believes there is an opportunity for more program improvements through the new travel booking tool. The process to procure a new booking tool is in the final stages and we anticipate beginning the implementation within the next couple of weeks. Once the new travel booking tool is fully implemented, a team will be formed to evaluate and recommend improvements to the Travel Card Program based on this report and the services/reports available through the new booking tool.

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Recommendation 1:

Evaluate travel card program alternatives' cost and benefits to include the best practices discussed in this report.

Management Response/Action Plan:

Management agrees with the OIG's recommendation. Within 90 days of the completed implementation of the new travel booking tool, Management will assemble a team to study and make recommendations on the alternatives discussed in this report. It is critically important that over the next several months all efforts be focused on the implementation of the travel booking tool as the current booking tool will no longer be operational after June 2014.

Management believes that the experience gained after implementation will be valuable to this "best practices" review in that Amtrak will know much more about the specific programs and processes available to us through the new booking tool.

Recommendation 2:

Recover unpaid balances from delinquent cardholders.

Management Response/Action Plan:

Management agrees with the OIG's recommendation and will coordinate with the Finance and Law Departments regarding the implementation of strengthened controls which will allow unpaid balances to be recovered from delinquent cardholders. During the period October 2012 to September 2013, the overall delinquency rate was reduced by over 60% through an intensified management review process undertaken by Travel Services. As part of that process, the Director, Travel Services sends an email reminder to the employee and their immediate supervisor when their travel card account is delinquent for 60 days. This generally results in action by the employee to bring their account up to date. If no response is received or no action taken by the employee an additional reminder is sent to the next level of management until the debt is resolved.

Travel Services must defer to the Finance and/or the Law Departments for action beyond the email reminders to the card holder and supervisor as described above who remain delinquent after the initial 60 day notice. As part of the evaluation of alternatives called for in Recommendation #1, Travel Services will coordinate with the Law Department on actions which can be taken regarding employees who remain delinquent after the reminders in the current process.

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Recommendation 3:

Monitor employee travel expense using data analytics for additional improvement opportunities.

Management Response/Action Plan:

Management agrees with the OIG's recommendation. Management will continue with the increased level of review as noted in the audit report. In addition, Travel Services will work with OIG and the Audit Command Language (ACL) software to enhance review capabilities. Travel Services will explore the potential for an expanded level of reporting and review within the new travel booking tool, as well as fully utilizing the reports and tools offered by US Bank under the SmartPay program.

Once again, we appreciate the opportunity to comment on the recommendations offered in this report. Travel Services is committed to improving the level of service provided to Amtrak employees who must travel as part of their jobs. In addition, we continually seek ways to improve the overall efficiency of the Travel Program and reduce and/or eliminate risks associated with our programs.

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Appendix C

ABBREVIATIONS

ACL	Audit Command Language
CY	Calendar Year
GSA	General Services Administration
OIG	Office of Inspector General

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Appendix D

OIG TEAM MEMBERS

Vipul Doshi	Senior Director, Audits
Vijay Chheda	Audit Manager
Michael Baker	Senior Auditor, IT
Jim Tarantino	Consultant
Kim Tolliver	Consultant

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OIG MISSION AND CONTACT INFORMATION

Amtrak OIG's Mission	The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits, inspections, evaluations, and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management, and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.
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To Report Fraud, Waste, or Abuse	<p>Report suspicious or illegal activities to the OIG Hotline (you can remain anonymous):</p> <p>Web: www.amtrakoig.gov/hotline Phone: 800-468-5469</p>
Contact Information	<p>David R. Warren Assistant Inspector General, Audits</p> <p>Mail: Amtrak OIG 10 G Street NE, 3W-300 Washington D.C., 20002</p> <p>Phone: 202-906-4600 Email: david.warren@amtrakoig.gov</p>