



September 28, 2018

MEMORANDUM FOR: John Torgerson
Interim Federal Co-Chair, Denali Commission

FROM: Mark H. Zabarsky
Principal Assistant Inspector General for Audit and Evaluation
Department of Commerce Office of Inspector General

SUBJECT: *Improvements Are Needed in the Denali Commission Government
Travel Program—Final Report No. DCOIG-18-004-A*

This memorandum provides our final report on the Denali Commission's (the Commission) travel program.¹ Our audit objective was to determine whether the Commission has adequate internal control over its travel program to ensure that federal funds are being appropriately managed.

We did not identify any instances of significant misuse of the travel card; however, it was determined that the Commission could improve its compliance with the Federal Travel Regulation.

We received the Commission's response to our draft report on September 11, 2018 and included the response as an appendix in our final report. The final report will be posted on the Denali Commission Office of Inspector General's website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M).

We would like to thank the Commission staff for their cooperation and courtesies extended to us during the audit. Please contact me at (202) 482-3884 if you would like to discuss the results of this review.

Attachment

cc: Denali Commission Commissioners
Corrine Eilo, Chief Financial Officer, Denali Commission
Peggy E. Gustafson, Inspector General, U.S. Department of Commerce

¹ The Department of Commerce Office of Inspector General (OIG) provides oversight services to the Denali Commission through a Memorandum of Understanding between the agencies.

Denali Commission

Improvements Are Needed in the Denali Commission Government Travel Program



FINAL REPORT

September 28, 2018

DCOIG-18-004-A

DENALI COMMISSION
OFFICE OF INSPECTOR GENERAL

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Introduction

The Denali Commission Act established the Commission in 1998 as a federal agency with the statutory purpose of providing job training and economic development services, rural power generation and transmission facilities, modern communication systems, water and sewer systems, and other infrastructure needs to rural areas of Alaska. To fulfill this mission, employees of the Commission may be required to use temporary duty travel for various purposes such as grant planning, site visits, conference attendance, and training.

The Commission uses the travel management system Concur to create and maintain documentary support for temporary duty travel and local travel. To manage temporary duty travel, travelers create travel authorizations in Concur, which then automatically routes the authorization requests to an authorized examiner and approving official for approval. Travelers are responsible for booking their own transportation, hotels, and anything else necessary to facilitate their travel. After trips are completed, travelers create vouchers in Concur to claim expenses and add supporting documentation. Concur routes the vouchers to the authorized examiners and approving officials for approval. Once vouchers receive final approval, travelers are reimbursed for their expenses.

The General Services Administration's (GSA's) Federal Travel Regulation (FTR) implements the various statutory requirements and executive branch policies for travel at government expense by federal civilian employees and other authorized individuals. The purpose of the FTR is to interpret statutory and other policy requirements in a manner that balances the need to assure that official travel is conducted in a responsible manner with the need to minimize administrative costs and communicate the resulting policies in a clear manner to federal agencies and employees. The FTR, which places restrictions on both government contract carrier and chartered air travel, requires travelers to use contract carriers when available—unless appropriate justifications and approvals for using non-contract carriers are expressly included in the travel authorization.² In addition, the FTR classifies a chartered air service as a government aircraft and requires prior written authorization for all travelers on a government aircraft on a trip-by-trip basis. Specifically, the head of agency and non-federal travelers require the head of legal to authorize the trip, while all other federal travelers require the designated travel-approving official to authorize the trip.³

The Commission asserted it uses chartered air services to fly to rural Alaska when there are multiple travelers on the same trip as it is more cost effective to charter a plane than purchase individual seats on a commercial carrier.

² FTR §§ 301-10.106-107.

³ FTR §301-70.803.

Objective, Finding, and Recommendation

Our audit objective was to determine whether the Commission has adequate internal controls over its travel program to ensure that federal funds are being appropriately managed. We did not identify any instances of significant misuse of the travel card; however, we determined that the Commission could improve its compliance with the FTR.

We reviewed the FTR and GSA's SmartPay guidance and training for government travel cards. In addition, OIG interviewed agency officials such as the Commission's travel Agency/Organization Program Coordinator (A/OPC), examining officials, and approving officials to obtain an understanding of the Commission's process and identify key internal controls. OIG assessed these key controls by selecting a judgmental sample of 42 of 966 travel card purchases and a random sample of 36 of 172 temporary duty travel trips during the period of October 1, 2015, to March 31, 2017.⁴ For both samples, OIG conducted detailed reviews of travel authorizations, travel vouchers, and supporting documentation such as invoices and receipts in order to determine whether the Commission was compliant with federal regulations and federal funds are being appropriately managed. Appendix A further details the objective, scope, and methodology of the audit.

The Commission Could Improve Its Compliance with the FTR

Based on our sample of 36 temporary duty travel trips, we found that 12 trips included air travel that was not adequately justified and approved. The FTR requires travelers to use contract carriers when available, unless appropriate justifications and approvals for using non-contract carriers are expressly included in the travel authorization.⁵ In addition, the FTR classifies chartered air services as a government aircraft and generally requires prior written authorization or approval for all travelers on a government aircraft on a trip-by-trip basis.⁶

We identified 9 travel vouchers used a non-contract fare instead of a GSA contract carrier for air travel. For each voucher, we determined that the purpose and location of the travel was valid. Although we determined that the use of the non-contract fare met the exemptions listed in the FTR, the Commission neither required approval on the travel authorization nor showed evidence that the use was advantageous to the government.

After performing a cost analysis to compare the commercial flights purchased with the GSA city-pair contract fares for those routes, we determined that use of a non-contract fare resulted in an overall lower cost to the government. According to the FTR, using a non-contract carrier is an authorized exception when the lower fare results in a lower total trip cost to the government. Among the FTR's requirements for use of a non-contract fare is that the travel authorization must show agency approval of the non-contract fare and that the Commission must determine that the proposed transportation was practical and cost effective.⁷ However, for the 9 vouchers we reviewed, there was no evidence of the required approval or

⁴ See Appendix A for sampling methodology.

⁵ FTR §301-10.106.

⁶ FTR §301-70.803.

⁷ FTR §301-10.108.

the Commission's determination that the use of the non-contract fares were practical or cost effective for the Government.

Furthermore, the remaining three trips used chartered air services that did not have the necessary justifications and approvals on the travel authorizations as required by the FTR.⁸ Although all three authorizations were for different travelers on the same trip, we determined that the approved travel was for a valid purpose and temporary duty location. The trip was to a remote Alaska village where a GSA city-pair contract fare was not available. Based on the location and available commercial flights, we determined that the travelers used the most economical method available.

During OIG interviews, the Commission's approving officials stated that they were not aware of the FTR requirements pertaining to the use of non-contract carriers and chartered air services even though they have attended relevant FTR training.

Adequately justifying and approving all travel authorizations in compliance with the FTR will

- help improve internal control over temporary duty travel,
- improve transparency of official government travel, and
- reduce the risk of federal funds being used inappropriately.

Recommendation

We recommend that the interim Federal Co-Chair of the Commission direct Commission travel oversight officials to ensure that non-contract carrier and chartered air service travel are properly justified and approved in accordance with the FTR.

⁸ FTR §301-70.803.

Summary of Agency Response and OIG Comments

The OIG received the Commission's response to the draft report, which we have included as appendix B of this final report. The Commission concurs with the finding and recommendation in this report. In its response, the Commission detailed the actions it plans to take to implement our recommendations. We believe the actions detailed in the agency response are sufficient and therefore no corrective action plan is required.

Appendix A: Objective, Scope, and Methodology

The objective was to determine whether the Commission has adequate internal control over its travel program to ensure that federal funds are being appropriately managed. We conducted fieldwork from April 2017 through January 2018 in Anchorage, Alaska.

To accomplish the audit objective, we:

- Communicated with Commission officials and administrative support personnel to gain an understanding of the travel program processes and procedures.
- Requested, obtained, and analyzed the Commission's history of travel card transactions and temporary duty travel between October 1, 2015, and March 31, 2017.
- Obtained a sample of travel card transactions. For the audit review period of October 1, 2015, through March 31, 2017, we performed a judgmental sample based on a risk analysis that identified purchases flagged for risk due to transactions made outside periods of authorized travel, suspicious merchant category codes, and no name listed on the transaction. The risk analysis resulted in a sample of 42 of 966 total travel card purchases chosen for review.
- Reviewed supporting documentation for the sample of 42 purchase card transactions, which included the corresponding travel authorizations and vouchers, city of purchase, merchant name, merchant category code, available receipts, travel cardholder justification, and any other related documentation.
- Obtained a sample of temporary duty travel. For the audit review period of October 1, 2015–March 31, 2017, a random sample of 36 of 172 total temporary duty travel vouchers was chosen for review.
- Reviewed supporting documentation for the sample of 36 temporary duty travel vouchers, which included the travel authorizations, travel vouchers, receipts, approvals, and any other related documentation.
- Obtained and analyzed active cardholders, users, and system permissions for each user from the online travel card management system.
- Requested, obtained, and analyzed the template of merchant category codes used to initiate all new travel cards.

For the review of the travel program, we relied on computer-generated data from the online travel system and the online travel card management system. We established data reliability by comparing travel authorizations in the travel system to the corresponding travel vouchers and supporting documents. In addition, we compared travel card transaction supporting documentation to the list of transactions from the online travel card management system. We also verified active cardholders, account users, and system permissions by discussing with the A/OPC to ensure all cardholders and users are still employed and necessary as well as the validity of system permissions based on job duties. Based on this review, we determined the data used were sufficiently reliable to support audit conclusions.

During the review, we identified deficiencies in the Commission's internal control that are significant within the context of the audit objectives by interviewing officials, reviewing policies and procedures, reviewing travel card and temporary duty travel documentation, and reviewing user access, system permissions, and travel card templates in the online purchase card management system. As described in the findings, procedural and documentary controls are insufficient to certify that temporary duty travel is being justified and approved in compliance with the FTR. During the review, we identified instances of possible violations in the audit and referred the activity to the Department of Commerce Office of Inspector General, Office of Investigations.

We performed this review under authority of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B: Agency Response



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September 11, 2018

Mr. Mark H. Zabarsky
Denali Commission
US Department of Commerce - Office of Inspector General
1401 Constitution Ave NW
Washington DC 20230

Dear Mr. Zabarsky,

This letter is in response to the Draft Report, *Improvements Are Needed in the Denali Commission Government Travel Program*, dated August 29, 2018. The Draft Report made one Recommendation and the agency's response is below:

"We recommend that the interim Federal Co-Chair of the Commission direct Commission travel oversight officials to ensure that non-contract carrier and chartered air service travel are properly justified and approved in accordance with the FTR."

Response:

We concur with this recommendation. Beginning October 1, 2018, all travel authorizations initiated for Denali Commission employees and invitational travelers using a non-contract city-pair fare will be required to include documentation and justification of the applicable exception in accordance with Federal Travel Regulations §301-10.107. The approving official will ensure that at least one of the exception requirements has been met; that it is reasonably anticipated that the ticket will be used if it is non-refundable, restricted, or has specific eligibility requirements; and that the proposed non-contract transportation is practical and cost effective for the Government. In the case of the use of chartered aircraft, the approval by senior legal official will be documented in advance and in writing.

Sincerely,

A handwritten signature in blue ink that reads "John Torgerson".

John Torgerson
Interim Federal Co-Chair

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