

Board of Governors of the Federal Reserve System

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# The Board Can Strengthen Its Travel Card Program



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Consumer Financial Protection Bureau



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Consumer Financial Protection Bureau

Executive Summary, 2025-FMIC-B-007, May 21, 2025

# The Board Can Strengthen Its Travel Card Program

## Findings

The Board of Governors of the Federal Reserve System's Travel section established and maintained certain controls, including travel authorization and voucher reviews; however, the section's internal control system needs to be improved. The Travel section did not (1) clearly convey certain expectations in its *Travel* policy, (2) use key available controls to prevent and detect instances of noncompliance, and (3) enforce its policy regarding employee misuse of the government travel card (GTC) and account delinquency. Although we did not find widespread noncompliance with the *Travel* policy, we did identify multiple instances of significant noncompliance, including employees using their GTC for personal expenses and not paying their GTC balances timely.

The Travel section has not implemented certain key components of an internal control system because the Board's culture has historically allowed divisions flexibility to manage their own travel funds and because employees, not the Board, are financially liable for GTC misuse. Nevertheless, limiting division flexibility and establishing clear expectations will encourage good stewardship of agency resources. In addition, although the cardholder is financially liable for travel card expenses, the U.S. General Services Administration (GSA) requires that agencies ensure employees use their GTC correctly and abide by ethical conduct standards and not use their position for private gain.

Strengthening the *Travel* policy, implementing additional preventive and detective controls, and enforcing consequences for GTC misuse can help ensure consistent application of requirements; promote accountability; and reinforce a culture of compliance, integrity, and ethical values.

## Recommendations

Our report contains three recommendations designed to help ensure that the Board's GTC program has effective internal controls. In its response to our draft report, the Board concurs with our recommendations and outlines its planned and completed actions to address those recommendations. We will follow up to ensure that the recommendations are fully addressed.

## Purpose

The objective of this audit was to assess whether the Board had established and maintained effective internal controls for its GTC program. Our scope covered completed travel vouchers and GTC transactions from January 1, 2023, through December 31, 2023. During this period, 1,238 Board employees submitted 4,324 vouchers totaling approximately \$8.2 million in travel expenses.

## Background

The Board participates in the governmentwide GSA SmartPay Program. Participation requires compliance with program rules and regulations.

The Board's chief financial officer develops and implements the Board's *Travel* policy, which governs the Board's travel program, including the GTC. The Division of Financial Management's Travel section administers the policy.



## Office of Inspector General

Board of Governors of the Federal Reserve System  
Consumer Financial Protection Bureau

Recommendations, 2025-FMIC-B-007, May 21, 2025

### The Board Can Strengthen Its Travel Card Program

#### Finding 1: The *Travel* Policy Does Not Fully Convey Certain Travel Expectations

Number	Recommendation	Responsible office
1	<p>Update the <i>Travel</i> policy to</p> <ol style="list-style-type: none"><li>clarify acceptable lodging rates and the circumstances in which acceptable lodging rates may be exceeded.</li><li>detail expectations for combining business and personal travel, including documenting a cost comparison.</li><li>clarify the circumstances in which employees may book airfare outside the travel system.</li><li>establish an expectation that the traveler contact the Travel section and document a business travel–related reason for unblocking an MCC.</li></ol>	Division of Financial Management

#### Finding 2: The Travel Section Did Not Use Key Available Controls to Prevent and Detect Noncompliance With Travel Requirements

Number	Recommendation	Responsible office
2	<p>Establish preventive and detective controls to help ensure compliance with the <i>Travel</i> policy and GSA SmartPay Program requirements, including</p> <ol style="list-style-type: none"><li>assessing and updating the travel authorization and voucher review process to better ensure compliance with the <i>Travel</i> policy.</li><li>implementing a required GTC training program.</li><li>reviewing and blocking additional non-travel-related MCCs that do not appear to relate to Board business activities.</li><li>fully implementing automated travel system controls to alert employees of, notify the Travel section of, or prevent certain types of airfare and hotel reservations that do not comply with the <i>Travel</i> policy.</li><li>using GTC issuer and custom reports that display all transactions, summarize spending by MCC, and highlight delinquent accounts and accounts carrying balances to identify employee misuse of the GTC and accounts not paid timely and completely.</li><li>using data mining tools provided by the GTC issuer that can help identify transactions made on dates and times that deviate from normal government accountholder spending patterns and monitor individual charges and transactions.</li><li>using the GTC issuer report that identifies instances in which the Board paid state sales tax and determining whether to use the GTC issuer to recoup that state sales tax.</li></ol>	Division of Financial Management

### Finding 3: The Travel Section Did Not Address Employee Misuse of the GTC and Employee Account Delinquency

Number	Recommendation	Responsible office
3	Establish routine monitoring for GTC misuse and delinquent accounts and enforce <i>Travel</i> policy requirements for employee GTC responsibilities.	Division of Financial Management



# Contents

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<b>Introduction</b>	<b>6</b>
Objective	6
Background	6
Travel Authorization and Reimbursement Process	6
<b>Summary of Testing Results</b>	<b>8</b>
<b>Finding 1: The <i>Travel</i> Policy Does Not Fully Convey Certain Travel Expectations</b>	<b>10</b>
The <i>Travel</i> Policy Is Incomplete	10
Recommendation	12
Management Response	12
OIG Comment	13
<b>Finding 2: The Travel Section Did Not Use Key Available Controls to Prevent and Detect Noncompliance With Travel Requirements</b>	<b>14</b>
The Travel Section Did Not Use Available Controls to Help Ensure Proper Use of the GTC	14
Recommendation	16
Management Response	17
OIG Comment	17
<b>Finding 3: The Travel Section Did Not Address Employee Misuse of the GTC and Employee Account Delinquency</b>	<b>18</b>
The Travel Section Did Not Enforce <i>Travel</i> Policy Requirements Related to Employee GTC Responsibilities	18
Management Actions	19
Recommendation	19
Management Response	19
OIG Comment	19
<b>Appendix A: Scope and Methodology</b>	<b>20</b>
<b>Appendix B: Management Response</b>	<b>22</b>
<b>Abbreviations</b>	<b>27</b>



# Introduction

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## Objective

The Government Charge Card Abuse Prevention Act of 2012 requires offices of inspector general to conduct periodic audits or reviews of their agency's charge card programs.<sup>1</sup> Although we conduct regular risk assessments of the Board of Governors of the Federal Reserve System's government travel card (GTC) program, we last audited the program in 2012.<sup>2</sup>

The objective of our audit was to determine whether the Board had established and maintained effective internal controls for its GTC program. Our audit covered completed travel vouchers and GTC transactions from January 1, 2023, through December 31, 2023. During this period, 1,238 Board employees submitted 4,324 vouchers totaling approximately \$8.2 million in GTC transactions. Appendix A provides additional details on our scope and methodology.

## Background

The Board is not subject to the Travel and Transportation Reform Act of 1998 or the U.S. General Services Administration's (GSA) *Federal Travel Regulation*. However, the Board does participate in the governmentwide GSA SmartPay Program through the GSA SmartPay Master Contract. Participating in the GTC program reduces administrative costs and promotes efficient business practices, such as allowing Board travelers to purchase government contract airfare and obtain tax exempt status when paying for lodging. Participation also requires compliance with the GSA SmartPay Program rules and regulations.

As part of the GSA SmartPay Program, Board employees apply for and receive a GTC based on their own credit history. Any instances of nonpayment or delinquent payment affect the employee's personal credit history and rating.

The Board's chief financial officer (CFO) develops and implements the Board's *Travel* policy, which establishes the Board's travel requirements. The Travel section in the Division of Financial Management administers the GTC program. The Travel section oversees the program, ensures compliance with program requirements, aids travelers with reimbursements for business travel and relocation expenses, and manages the agency's relationship with the travel system contractor and its online booking service.

## Travel Authorization and Reimbursement Process

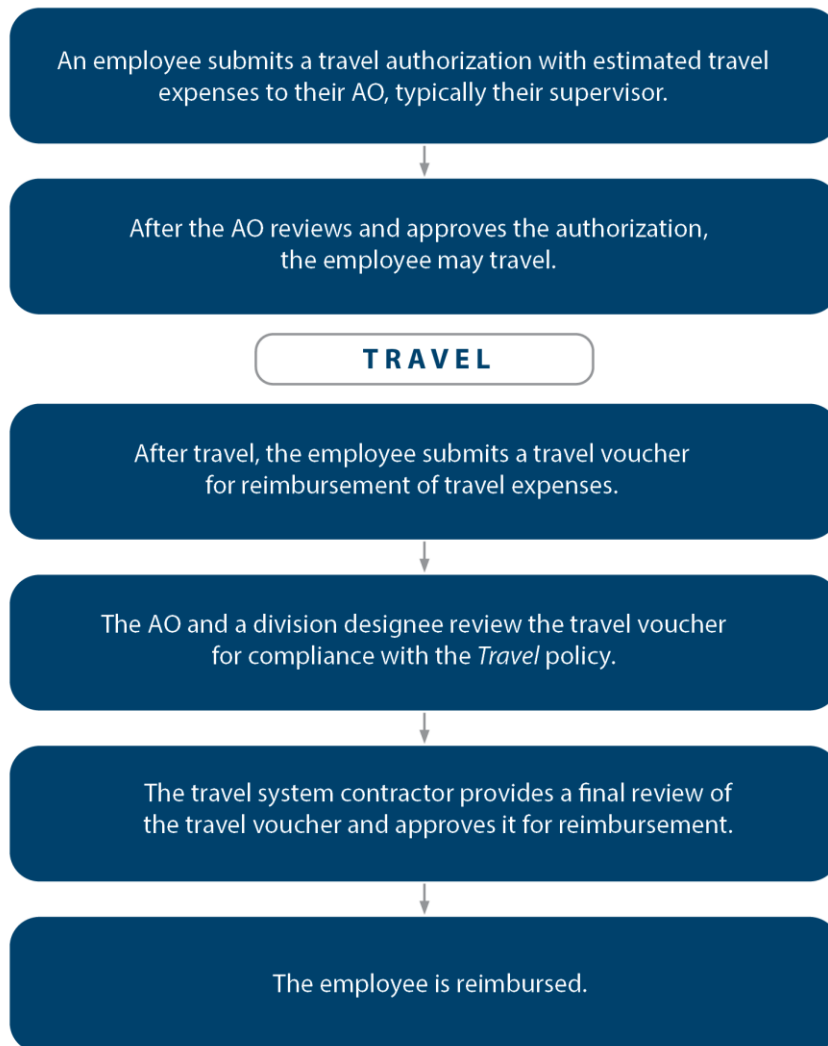
The travel process begins when an employee identifies a need to travel for Board purposes. The prospective traveler obtains approval from their approving official (AO), typically their supervisor, for travel-related expenditures. After the traveler returns from business travel, they follow the travel reimbursement process to be refunded for travel-related expenses (see figure).

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<sup>1</sup> The Government Charge Card Abuse Prevention Act, Pub. L. No. 112-194, 126 Stat. 1445 (2012).

<sup>2</sup> Office of Inspector General, [Audit of the Board's Government Travel Card Program](#), September 28, 2012.

Figure. The Travel Authorization and Reimbursement Process



Source: OIG analysis of Board documentation.



# Summary of Testing Results

Because the Board is not subject to federal travel regulations, the *Travel* policy governs the program. Historically, the policy has afforded travelers considerable flexibility, including not requiring travelers to adhere to government per diem rates when selecting hotels. In addition, the Travel section has taken a customer service–focused approach rather than a compliance-focused approach to overseeing the GTC program. The travel section is updating the *Travel* policy for the first time since 2017.

The travel section established and maintained certain controls, including travel authorization and voucher reviews; however, the section’s internal control system needs to be improved. Although we did not find widespread noncompliance with *Travel* policy, we did identify multiple instances of significant noncompliance, including misuse—employees using a GTC for non-business travel expenses—and not paying their GTC balances timely.

We tested three sets of data:

- 1. 4,324 completed travel vouchers reimbursing 1,238 Board employees in 2023
- 2. 17,459 GTC transactions made on 1,448 GTC accounts in 2023
- 3. the status of 2,123 GTC accounts as of August 2024

The table provides an overview of *Travel* Policy requirements and our testing results. Our findings discuss how the existing internal control system contributed to noncompliance.

**Table. *Travel* Policy Requirements and Testing Results for GTC Account Statuses as of August 2024 and Completed Travel Vouchers and GTC Transactions, January 1, 2023, through December 31, 2023**

Topic	Policy requirement	Testing results
Delinquent accounts	Employees must comply with all applicable rules and regulations that relate to the GSA SmartPay Program, which include paying the balance in full by the due date.	As of August 13, 2024, <sup>a</sup> <ul style="list-style-type: none"><li>90 Board employees had delinquent accounts with a past-due balance of approximately \$64,300. The status of 31 of these accounts was <i>presuspension</i>, <i>suspension</i>, or <i>precancellation</i>.<sup>b</sup></li></ul>
Non-business-travel GTC use	Employees may only use the GTC for business travel expenses. <sup>c</sup>	19 employees made 94 transactions totaling around \$9,300 for expenses while not on business travel. <sup>d</sup> <ul style="list-style-type: none"><li>One employee made 59 of the 94 transactions at liquor stores, lounges, restaurants, clothing stores, and other vendors totaling approximately \$3,700.</li><li>Another 16 Board employees used their GTC for approximately \$5,400 in personal use expenditures on Airbnbs, restaurants, and other vendors.</li></ul>



Topic	Policy requirement	Testing results
Reimbursement while on personal leave	Employees will only be reimbursed for the business portion of their trip.	The Board reimbursed two employees a total of \$842 for lodging and meals, incidentals, and other expenses incurred while the employees were on personal leave.
Foreign air carrier	Employees must use a U.S.-flag air carrier or an approved foreign air carrier unless an exception applies.	All 13 employees who took the 37 flights on an unapproved foreign air carrier (1) selected an exception from the automated travel system exception list, (2) received approval by a Travel Office representative, or (3) did not have an approved air carrier available.
First-class or business-class airfare seating selections	Employees must use coach-class accommodations unless an applicable exception applies.	All 22 employees in our statistical sample who booked first-class or business-class airfare on 62 flights selected an exception from the automated travel system exception list.
State sales tax	Employees will not be reimbursed for state sales tax on lodging when traveling to tax-exempt locations.	The Board reimbursed 10 employees for state sales tax on 11 of 53 trips in our statistical sample, totaling \$525. The travel system contractor's voucher review did not detect the state sales tax charged for 3 of the 11 trips. <sup>e</sup>
Late submission of vouchers	Employees must submit vouchers within 5 business days after Board travel.	<p>Employees submitted 1,706 of the 4,324 travel vouchers (40 percent) for reimbursement up to 228 days after travel occurred in 2023.</p> <p>89 employees who did not timely submit their voucher in 2023 carried a GTC balance as of August 2024.<sup>a</sup> Further, 36 of these 89 employees with a balance were also delinquent on their GTC in August 2024.</p>

Source: OIG analysis.

<sup>a</sup> For this test, we used data from August 2024 because the Travel section did not retain delinquent account data from 2023.

<sup>b</sup> The GTC issuer may suspend accounts with balances that are more than 60 days past due and cancel accounts with balances that are more than 125 days past due.

<sup>c</sup> According to the *Travel* policy, employees who use their GTC for personal use are subject to disciplinary or adverse action up to and including separation from Board employment.

<sup>d</sup> We concluded that these transactions related to personal expenses because employees were not reimbursed for these expenses through an approved travel voucher. Through separate tests, we confirmed that two employees used their card for personal use. We did not follow up on the other examples and referred all the instances to the Travel section for review.

<sup>e</sup> For the eight trips in which the state sales tax was paid by the traveler, the Travel section made a business decision to reimburse employees for sales tax if the traveler or the Travel section attempted, but failed, to have the taxes removed. For the three trips in which state sales tax was not detected, neither the traveler nor the Travel section attempted to remove the taxes. Based on the observed error rate in the sample for our testing analysis in the state sales tax approval process, the projected upper error limit for the population exceeds the acceptable threshold, indicating a control weakness that could result in the Board unnecessarily paying state sales tax.



# Finding 1: The *Travel* Policy Does Not Fully Convey Certain Travel Expectations

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The *Travel* policy establishes the Board's travel requirements but does not clearly convey all expectations. Internal control standards require program management to (1) document its internal control system and (2) periodically review policies, procedures, and related control activities for effectiveness in addressing related risks. According to a Travel section employee, the *Travel* policy is purposely nonspecific on certain topics to afford employees maximum flexibility when making travel arrangements. Further, the Board's decentralized structure and consensus-driven culture<sup>3</sup> allows divisions to decide how much to spend on travel and makes it difficult to add requirements to a policy that apply to all Board divisions. Governance and culture challenges notwithstanding, the Board delegates to the CFO the responsibility and authority to develop, approve, and implement Board policies related to travel. Comprehensive updates to the *Travel* policy that establish clear expectations can encourage good stewardship of agency resources.

## The *Travel* Policy Is Incomplete

The Board's *Travel* policy establishes requirements for booking transportation, booking international travel, and processing reimbursement requests. However, the Board's *Travel* policy does not fully address the following topics:

- **Permissible lodging costs:** The *Travel* policy states that the Board will reimburse actual lodging costs not to exceed the typical cost of a room in a business-class hotel, but the policy does not convey any criteria or parameters to help define the typical cost of a business-class hotel. The Travel section uses percentages above the federal per diem rates as a guideline to assess reasonable cost of lodging, and the travel system generates an automated warning for employees if the hotel room they book exceeds the federal per diem rate; however, the system allows employees to complete reservations that exceed the per diem rate and submit the travel authorization.
  - In 2023, 70 of the 1,163 employees (6 percent) who traveled for Board business exceeded the applicable hotel per diem rate by 200 percent or more on 82 of 3,235 trips (3 percent) with rates ranging from approximately \$200 per night to almost \$800 per night.<sup>4</sup> Further, 10 of these 82 trips (12 percent) exceeded 300 percent of the applicable lodging per diem rate. Of the 70 employees identified in 2023 with high per diem rates,
    - 49 (70 percent) were staff-level employees.
    - 31 (44 percent) were concentrated in 3 of the Board's 14 divisions: 2 mission-facing divisions and 1 support division.<sup>5</sup>

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<sup>3</sup> *Consensus-driven culture* means that the Board attempts to reach consensus among all divisions before implementing enterprisewide initiatives.

<sup>4</sup> The employee and trip counts are based on Board travelers who included lodging in their 2023 travel voucher.

<sup>5</sup> Our testing excluded the Office of Inspector General because of independence considerations.

- Of the 82 trips identified in 2023 with high per diem rates, 52 (63 percent) related to conference attendance.<sup>6</sup>
- **Requirements when combining business and personal travel:** The *Travel* policy states that if a trip involves both business and personal travel, the Board will reimburse employees for the cost they would have incurred if the trip had been only for business travel.<sup>7</sup> However, the policy does not require a traveler to document proof that their personal travel does not exceed the cost of the business travel.<sup>8</sup>
  - Of the 30 trips we reviewed that combined business and personal travel in 2023, 6 (20 percent) did not include cost comparison documentation to support the business expense. In these instances, travelers flew to a destination that was not part of their business travel. For example, one of the 6 trips included fully reimbursed airfare to Portugal, even though all business occurred in Belgium, and no documentation was submitted to show that the cost of the flight was less than or equal to the cost of flying to Belgium. Without supporting documentation, we cannot determine whether these trips incurred additional costs.
- **Airfare reservations outside the travel system:** The *Travel* policy encourages, but does not require, employees to book within the travel system to the greatest extent possible. The policy does not provide specific guidance for when booking may occur outside the travel system. Booking within the travel system allows the Travel section to use automated travel system controls to help ensure compliance with the *Travel* policy. For example, automated system controls will warn employees if they are booking a flight on a disallowed foreign air carrier or with a noncontract air carrier.<sup>9</sup>
  - Of the 7 instances we reviewed of employees booking airfare outside the travel system, 2 of the 7 employees (29 percent) did not provide a justification. For the 5 employees who did, they noted either lower costs or combined personal and business travel as justifications.
- **Blocked transactions:** The GTC issuer automatically blocks transactions with certain merchant category codes (MCCs).<sup>10</sup> If a traveler needs to make a purchase with a merchant that has a blocked MCC, the traveler can contact the Travel section to request a temporary lift of that block. The Travel section will grant a request if it determines the purchase to be an allowable business purchase. This informal process is not documented in the *Travel* policy; the policy does not explain if and how employees should work with the Travel section to unblock an MCC, nor does it

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<sup>6</sup> We could not confirm whether travelers stayed in the designated conference hotel while attending conferences.

<sup>7</sup> For example, if a traveler flies to Los Angeles for personal reasons, and then travels to San Francisco for business, the Board will reimburse the traveler for the cost of airfare from Washington, DC, to Los Angeles as long as it does not exceed the cost of roundtrip fare from Washington, DC, to San Francisco.

<sup>8</sup> In June 2024, the Travel section implemented a new cost comparison tool in the travel system; however, the new tool is not mentioned in the *Travel* policy, and a Travel section employee stated that it is infrequently used.

<sup>9</sup> The *Travel* policy requires employees to use a U.S. air carrier, as required by the Fly America Act, unless an exception applies. The policy also requires all coach airfare tickets to be purchased with a GSA City Pair Program contract carrier because those flights are completely refundable and can be changed until the day of travel.

<sup>10</sup> An MCC is a four-digit number used to classify a business by the type of goods or services it provides.

formalize the Travel section's expectation that the traveler or the Travel section document a business travel–related reason to substantiate the unblocking of an MCC.

- Of the 20 requests to unblock an MCC, 7 (35 percent) did not explain the business travel need.

Internal control standards require program management to (1) document the program's internal control system and (2) periodically review policies, procedures, and related control activities for effectiveness in addressing related risks. Policies and procedures communicate management expectations to personnel so that personnel can implement the control activities for their assigned responsibilities.

According to a Travel section employee, the *Travel* policy is purposely nonspecific about certain topics to afford employees maximum flexibility when making travel arrangements. The employee also noted that all Board divisions must agree on any updates to the policy. As we reported in 2017, the Board's decentralized structure and consensus-driven culture make it difficult to add requirements to a policy that apply to all Board divisions. As part of this decentralized structure, divisions maintain their own budgets, which allows them to decide how much to spend on travel.<sup>11</sup> Governance and culture challenges notwithstanding, the Board delegates to the CFO the responsibility and authority to formulate, approve, and implement Board policies related to travel.

Comprehensively updating the *Travel* policy and related procedures to limit division flexibility and establish clear expectations will help Board employees consistently apply travel requirements and encourage good stewardship of agency resources.

## Recommendation

We recommend that the CFO

1. Update the *Travel* policy to
  - a. clarify acceptable lodging rates and the circumstances in which acceptable lodging rates may be exceeded.
  - b. detail expectations for combining business and personal travel, including documenting a cost comparison.
  - c. clarify the circumstances in which employees may book airfare outside the travel system.
  - d. establish an expectation that the traveler contact the Travel section and document a business travel–related reason for unblocking an MCC.

## Management Response

In response to our draft report, the chief financial officer concurs with our recommendation. DFM plans to publish an updated *Travel* policy that addresses the recommended items by December 31, 2025.

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<sup>11</sup> Office of Inspector General, *The Board's Organizational Governance System Can Be Strengthened*, [OIG Report 2017-FMIC-B-020](#), December 11, 2017.

## OIG Comment

The actions described by the chief financial officer appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



## Finding 2: The Travel Section Did Not Use Key Available Controls to Prevent and Detect Noncompliance With Travel Requirements

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The Travel section did not make use of key available controls—some of which are required or recommended by the GSA SmartPay Program—to prevent or detect noncompliance with the *Travel* policy. Internal control standards state that management designs, implements, and maintains effective internal controls to help achieve organizational objectives; further, one of the Board’s strategic objectives is to ensure effective stewardship and management of resources. In addition, the GSA SmartPay Program requires agencies to monitor GTC use. A Travel section employee stated that they were not aware of many of the GSA SmartPay Program requirements or available controls. Establishing additional internal controls will help the Board meet GSA SmartPay requirements, ensure that employees comply with relevant requirements and are not reimbursed for unallowable expenses, and ensure that employees are not using their card for personal use.

### The Travel Section Did Not Use Available Controls to Help Ensure Proper Use of the GTC

As discussed in the Summary of Testing Results section, we identified instances of Board employees not complying with the *Travel* policy, including travelers receiving reimbursements for unallowable expenses and employees using their GTC for personal expenses. The Travel section did not use available controls—some of which are required or recommended by the GSA SmartPay Program—to help prevent or detect instances of noncompliance with the *Travel* policy.

The Travel section established a travel authorization and voucher review process to help ensure that employees comply with the *Travel* policy; however, the Travel section’s reviews, which are outsourced to a travel system contractor, are performed only at the voucher phase and are focused on reimbursement accuracy. AOs authorize travel expenses, and the Travel section does not review authorizations before funds are spent. As noted in finding 1, AOs do not have a policy with clear expectations for certain topics that they can reference when authorizing expenses. In addition, the Travel section does not fully use the following controls to help support the AOs in their review and help identify and prevent instances of employee noncompliance with the *Travel* policy:

- **Blocking non-travel-related MCCs:** The GSA SmartPay Program allows and encourages federal agencies to determine which MCCs should be restricted to help ensure that GTCs are used only for authorized travel and travel-related expenses. The GTC issuer automatically blocks some MCCs, but the Board does not review that list of blocked MCCs or block additional MCCs. As of April 2024, the Board had not blocked multiple non-business-travel MCCs, such as Health and Beauty Spas; Sports and Recreation Camps; Furniture, Home Furnishings, and Equipment Stores;

and Bar, Lounge, Disco, Nightclub, Taverns—Alcoholic Drinks.<sup>12</sup> We identified seven transactions associated with the Bar, Lounge, Disco, Nightclub, Taverns—Alcoholic Drinks MCC. Monitoring and blocking additional non-travel-related MCCs would help prevent employees from making unallowable transactions with their GTC.

- **Using automated travel system controls:** The travel system can alert employees of, notify the Travel section of, or prevent certain types of airfare and hotel reservations that do not comply with the *Travel* policy. Using automated controls can help ensure that employees make allowable hotel or transportation reservations.
  - **Traveler notifications:** The Travel section enabled the travel system to alert employees when they are booking impermissible air travel and to require them to select from 11 potentially permissible exception types. However, the travel system does not require an additional explanation to support the exception selected, which may prevent AOs from making an informed assessment about whether to grant an exception when reviewing a travel authorization. In addition, the Travel section relies on Board divisions to grant exceptions and does not follow up on the accuracy of the exception type selected by travelers. We identified an instance of multiple employees taking the same flight but selecting different exception types, seemingly indicating that the exception types may not be adequately differentiated or understood.
  - **Travel section notifications:** A Travel section employee stated that they have enabled the travel system to notify the Travel section when employees reserve hotels that are more than 150 percent above the federal hotel per diem rate; however, the employee stated that they do not follow up on these notifications because of resource constraints and because the *Travel* policy does not limit hotel rates.
  - **Booking restrictions:** The Travel section could enact system controls that prevent employees from selecting airfare or lodging options that do not comply with the *Travel* policy. For example, the Travel section has not enabled a control that prevents employees from reserving hotels above a predetermined amount.
- **Requiring training:** The GSA SmartPay Program requires (1) training for all new program participants and (2) refresher training at least once every 3 years for all program participants. However, the Travel section does not require employees and AOs to attend training. Instead, the Travel section offers voluntary traveler/arranger and approver training sessions twice monthly for cardholders and AOs. Travel section employee stated that these trainings are not well attended. Requiring travel training would help ensure that both employees and AOs are aware of policy requirements.

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<sup>12</sup> We used MCC information from April 2024 because the card issuer could not provide historical information. In January 2025, a Travel section employee stated that no changes had been made to the MCC list since April 2024.

Further, the Travel section does not use the following detective controls to help detect instances of employee noncompliance with the *Travel* policy or GSA requirements:

- **Monitoring GTC use and payment status:** The GTC issuer has a series of reports that identify employee misuse of the GTC and delinquent accounts, including reports that display all transactions, summarize spending by MCC, and show delinquent accounts. Further, the GTC issuer can customize reports to help the Travel section monitor employees who are not paying the GTC balance in full.
- **Using data mining tools:** The GSA SmartPay Master Contract states that agencies can request that the GTC issuer assist in identifying potential misuse through data mining tools. The available data mining tools can (1) identify transactions made on dates and times that deviate from normal government accountholder spending patterns and (2) monitor individual charges and transactions.
- **Monitoring state sales tax:** When traveling for federal government business, employees are exempt from lodging taxes in certain locations and are responsible for presenting appropriate documentation to the hotel. The *Travel* policy states that the Board will not reimburse travelers for taxes that could have been avoided. We identified instances in which the Board did not detect sales tax charges or chose to reimburse employees if they unsuccessfully attempted to have the taxes removed. The GTC issuer has a report to identify transactions with sales tax, and the GSA SmartPay Master Contract allows the GTC issuer to reclaim state sales tax on behalf of the Board.

Internal control standards state that management is directly responsible for the design, implementation, and operating effectiveness of an entity's internal control system to help achieve organizational objectives, such as the Board's strategic objective to ensure effective stewardship and management of resources. The GSA SmartPay Program requires agencies to monitor GTC misuse and payment status, including delinquency.

The Travel section employee we interviewed stated that they were not aware of many of the GSA SmartPay Program requirements or available controls to help manage the GTC program. The Travel section is ultimately responsible for ensuring the effectiveness of the GTC program's internal control system.

Establishing effective preventive and detective controls will help the Board meet GSA SmartPay requirements, ensure that travelers comply with requirements and are not reimbursed for unallowable expenses, and ensure that employees do not use their card for personal use.

## Recommendation

We recommend that the CFO

2. Establish preventive and detective controls to help ensure compliance with the *Travel* policy and GSA SmartPay Program requirements, including
  - a. assessing and updating the travel authorization and voucher review process to better ensure compliance with the *Travel* policy.
  - b. implementing a required GTC training program.



- c. reviewing and blocking additional non-travel-related MCCs that do not appear to relate to Board business activities.
- d. fully implementing automated travel system controls to alert employees of, notify the Travel section of, or prevent certain types of airfare and hotel reservations that do not comply with the *Travel* policy.
- e. using GTC issuer and custom reports that display all transactions, summarize spending by MCC, and highlight delinquent accounts and accounts carrying balances to identify employee misuse of the GTC and accounts not paid timely and completely.
- f. using data mining tools provided by the GTC issuer that can help identify transactions made on dates and times that deviate from normal government accountholder spending patterns and monitor individual charges and transactions.
- g. using the GTC issuer report that identifies instances in which the Board paid state sales tax and determining whether to use the GTC issuer to recoup that state sales tax.

## Management Response

In response to our draft report, the chief financial officer concurs with our recommendation. DFM plans to establish additional preventive and detective controls to help ensure compliance with the *Travel* policy and GSA SmartPay Program requirements by November 30, 2025.

## OIG Comment

The actions described by the chief financial officer appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



## Finding 3: The Travel Section Did Not Address Employee Misuse of the GTC and Employee Account Delinquency

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The Travel section did not enforce *Travel* policy requirements to address instances of GTC misuse or delinquencies because the financial liability of misuse and delinquency lies with the cardholder and not the Board. Although the cardholder is financially liable, the GSA SmartPay Program requires participating agencies to ensure that cardholders use the account correctly, monitor account activity, and manage delinquencies; it also requires cardholders to adhere to the Office of Government Ethics' requirement that employees not use their position for private gain and satisfy their financial obligations. Enforcing consequences for GTC misuse and delinquency can help reinforce a culture of compliance, integrity, and ethical values. We believe that reinforcing such a culture can also help reduce the risk of employee actions damaging public trust in the Board.

### The Travel Section Did Not Enforce *Travel* Policy Requirements Related to Employee GTC Responsibilities

The Travel section does not enforce policy requirements to address instances of GTC misuse or employees with delinquent accounts. The *Travel* policy states that any employee who improperly or fraudulently uses or abuses their GTC (including using it for expenses not related to business travel) or who is delinquent in payments will be subject to disciplinary or adverse action up to and including separation from Board employment. As discussed in the Summary of Testing Results section, we identified numerous and significant instances of employees misusing their GTC and not paying their balance timely.

As described in finding 2, because the Travel section does not directly monitor or use the travel system contractor to monitor GTC use or payment, the section may not have been aware of GTC misuse until we notified it about the instances we identified. When asked about the policy requirements to address GTC misuse, a Travel section employee stated that the Travel section does not follow or enforce the policy; it believes that the Board's financial and reputational risk is limited because the financial liability is on the employee. Employees obtain the GTC directly from the card issuer and delinquent payment reflects on the employee's personal credit history and credit rating.

Although the cardholder is financially liable, the GSA SmartPay Program requires participating agencies to ensure that cardholders use the account correctly, monitor account activity, and manage delinquency. The GSA SmartPay Program also notes that federal employees must abide by the Office of Government

Ethics' *Standards of Ethical Conduct for Employees of the Executive Branch*, which states that employees must not use their position for private gain and must satisfy their financial obligations.<sup>13</sup>

Enforcing consequences for GTC misuse and delinquency can help reinforce the Board's culture of compliance, integrity, and ethical values. We believe that reinforcing this culture can help reduce the risk that employee actions, including using a government-issued card for personal expenses, will damage public trust in the Board.

## Management Actions

In November 2024, we notified the Travel section of the employees we identified as having misused the GTC and having a delinquent account. Starting in November 2024, the Travel section followed up with the individuals on all the referred instances of misuse in accordance with the *Travel* policy. For example, the Travel section notified employees that they could not use their card for non-business travel and notified managers of significant noncompliance. In one instance, the Travel section is working with the employee, their manager, and employee relations staff to ensure that the GTC misuse is resolved. Considering the Board's actions, we do not recommend additional efforts to resolve the specific instances we identified.

## Recommendation

We recommend that the CFO

3. Establish routine monitoring for GTC misuse and delinquent accounts and enforce *Travel* policy requirements for employee GTC responsibilities.

## Management Response

In response to our draft report, the chief financial officer concurs with our recommendation and stated that DFM established a monitoring program for GTC misuse and delinquent accounts in November 2024.

## OIG Comment

The actions described by the chief financial officer indicate that DFM has addressed our recommendation. We will follow up to confirm that the measures taken fully address our recommendation.

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<sup>13</sup> As a matter of policy, Board employees are subject to the *Standards of Ethical Conduct for Employees of the Executive Branch*, issued by the U.S. Office of Government Ethics.



# Appendix A: Scope and Methodology

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Our objective was to determine whether the Board has established and maintained effective internal controls for its GTC program. Our audit covered completed travel vouchers and GTC transactions on individually billed accounts from January 1, 2023, through December 31, 2023. During this period, 1,238 Board employees submitted 4,324 vouchers totaling approximately \$8.2 million in travel expenses.

To accomplish our objective, we performed the following tests:

- **Hotel lodging above per diem rate.** We compared all 4,324 travel vouchers to the federal lodging per diem rates. We identified 82 vouchers that exceeded the applicable federal hotel per diem rate by 200 percent or more. We analyzed the 82 vouchers to identify trends in employee grade levels, trip destinations, and trip purposes.
- **Airfare reimbursed for personal travel during business travel.** We analyzed all 4,324 travel vouchers and identified 79 vouchers with multiple destinations listed. We judgmentally selected 30 vouchers, 10 with domestic travel and 20 with international travel, to determine whether trips that combined both business and personal travel documented that the trip cost did not exceed the cost if the trip had only included business travel.
- **Blocked MCCs.** We compared all 17,459 GTC transactions to the Board’s allowable MCC list and identified 20 transactions that were not on the allowable list. We reviewed these 20 transactions to determine whether the traveler had a documented business need to unblock the MCC.
- **Hotel state sales tax paid in tax-exempt states.** We filtered all 4,324 travel vouchers to identify vouchers that included both (1) a destination to a tax-exempt state and (2) state sales taxes. We identified 115 vouchers for trips in tax-exempt states that included lodging taxes. We selected a statistical sample of 53 trips to determine whether (1) the traveler claimed and received reimbursement for state sales tax and (2) whether the traveler or the Travel section attempted to have the sales tax refunded.
- **Non-business-travel use of GTC.** We compared the dates on all 17,459 GTC transactions to the 4,324 travel voucher dates to identify instances in which employees made transactions when they were not on business travel. We identified 92 transactions that did not have associated travel vouchers and 2 transactions with a voucher for non-business travel. We analyzed these transactions to identify (1) how many Board employees used their GTC for non-business-travel transactions and (2) the types of transactions.
- **Vouchers submitted after 5 business days.** We analyzed all 4,324 travel vouchers and identified 1,706 vouchers that travelers submitted later than 5 business days after travel concluded. From the 1,706, the team selected a judgmental sample of 30 travel vouchers: 3 that were submitted after up to 30 business days, 5 that were submitted after 31–60 business days, 6 that were submitted after 61–90 business days, 9 that were submitted after 91–120 business days, and 7 that were submitted 121 business days or more. We contacted the travelers associated with these 30 vouchers to identify why vouchers were not submitted timely.

- **Delinquent and past-due accounts.** We filtered the GTC issuer's report with all 2,123 GTC accounts by GTC balance and identified 172 Board employees with a balance as of August 13, 2024. We reviewed all 172 accounts to identify whether the accounts were (1) delinquent, (2) tied to vouchers that had not been submitted for reimbursement, or (3) associated with vouchers submitted more than 5 business days after travel concluded.
- **Meals and incidental expenses reimbursement on personal leave during business travel.** We compared the dates on all 4,324 travel vouchers with dates included in personal leave data provided by the Board's Office of Human Capital and identified 58 traveler vouchers in which travel coincided with personal leave. We reviewed all 58 travel vouchers to determine whether the travelers were reimbursed for expenses while on annual leave.
- **Foreign air carrier use.** We filtered the 8,601 transactions in the travel system's Air Travel Transaction report to identify all 53 transactions that did not use an approved foreign air carrier. We reviewed all 53 transactions to determine whether the transactions were allowable under the Fly American Act and complied with the *Travel* policy.
- **First-class or business-class airfare seating selections.** We reviewed the first-class and business-class travel report from the travel system and identified 168 travel vouchers that included first-class or business-class airfare reservations. We selected a statistical sample of 62 travel vouchers to determine whether all followed the *Travel* policy when selecting first-class or business-class airfare.

In addition, we:

- reviewed laws, regulations, and Federal Reserve System documents, including
  - Government Charge Card Abuse Prevention Act of 2012
  - Office of Management and Budget Circular A-123, Appendix B
  - Fly America Act
  - GSA SmartPay Master Contract
  - *Travel* policy (2017)
- interviewed employees from the Board's Travel section.

To conduct our testing, we obtained travel, trip reimbursement, GTC transaction, and personal leave data from the Board's electronic travel system, the Travel section, and the Office of Human Capital. For any system that we did not have direct access to, we observed a Board employee extract and provide us with the requested reports and verified the completeness of the reports we received. We also verified the accuracy and completeness of the documentation by tracing the data to source documents.

We conducted our work from January 2024 to February 2025. 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.

# Appendix B: Management Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

DIVISION OF  
FINANCIAL MANAGEMENT

May 15, 2025

Ms. Cynthia Gray  
Deputy Associate Inspector General for Audits and Evaluations  
Office of Inspector General  
Board of Governors of the Federal Reserve System  
Washington, DC 20551

Dear Ms. Gray:

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft report titled, *The Board Can Strengthen Its Travel Card Program*. We appreciate the OIG's effort to develop the report and recommendations to further strengthen our travel card program.

We were encouraged that your testing results reflected the strong culture of compliance and financial stewardship we maintain related to the Board's travel program. While we recognize that there is opportunity for improvement, we were pleased to see your testing results reflect:

- 99.5% of travel card transactions were for expenses while on Board travel, as outlined in the Board's travel card program guidelines.
- 98% of the trips taken reflected lodging rates within the Board's guidelines, before considering known exceptions.
- 98.5% of cardholder account balances were considered timely by program standards.

Your audit resulted in three findings and related recommendations. We agree with the recommendations and will take action to address them. However, I would note that the Board is transitioning away from the GSA SmartPay Program. While many of your recommendations apply regardless of the specific travel card program the Board uses, there are several GSA SmartPay Program specific recommendations, and we will work to

implement these recommendations so long as we continue to use the program. We have included detailed responses in the attachment.

Sincerely,

**RENDELL JONES** Digitally signed by RENDELL JONES  
Date: 2025.05.15 12:29:14 -04'00'

Rendell L. Jones  
Director and Chief Financial Officer

Attachment: Response to Recommendations Presented in the Draft OIG Report “*The Board Can Strengthen Its Travel Card Program*”

cc: Winona H. Varnon  
Stephen J. Bernard  
Cynthia Francis  
Jeff Windsor  
Craig Delaney  
Jean Anderson  
Michelle Kapoor

**Attachment:** Response to Recommendations Presented in the Draft OIG Report “*The Board Can Strengthen Its Travel Card Program*”

**Recommendation**

1. Update the *Travel* policy to
  - a. clarify acceptable lodging rates and the circumstances in which acceptable lodging rates may be exceeded.
  - b. detail expectations for combining business and personal travel, including documenting a cost comparison.
  - c. clarify the circumstances in which employees may book airfare outside the travel system.
  - d. establish an expectation that the traveler contact the Travel section and document a business travel–related reason for unblocking an MCC.

**Management Response**

Overall, management agrees to update the Board’s Travel policy to convey certain travel expectations. Except where indicated differently below, the policy changes outlined in 1(a) – 1(d) will be published by December 31, 2025.

- a. Management will update the Travel policy to clarify acceptable lodging rates in terms of GSA per diem and the circumstances in which acceptable lodging rates may be exceeded.
- b. Management will detail expectations for combining business and personal travel, including documenting a cost comparison. Management will also update the policy to direct travelers to use a new cost comparison tool in the travel system that was implemented in June 2024.
- c. Management will clarify the circumstances in which employees may book airfare outside the travel system and will update the Travel policy to require appropriate justification and approval.
- d. Effective beginning in January 2025, management implemented enhanced documentation standards for unblocking a merchant category code (MCC) and communicated this change to employees as these situations occurred during the travel voucher process with the traveler.

**Recommendation**

2. Establish preventive and detective controls to help ensure compliance with the Travel policy and GSA SmartPay Program requirements, including



- a. assessing and updating the travel authorization and voucher review process to better ensure compliance with the Travel policy.
- b. implementing a required GTC training program.
- c. reviewing and blocking additional non-travel-related MCCs that do not appear to relate to Board business activities.
- d. fully implementing automated travel system controls to alert employees of, notify the Travel section of, or prevent certain types of airfare and hotel reservations that do not comply with the Travel policy.
- e. using GTC issuer and custom reports that display all transactions, summarize spending by MCC, and highlight delinquent accounts and accounts carrying balances to identify employee misuse of the GTC and accounts not paid timely and completely.
- f. using data mining tools provided by the GTC issuer that can help identify transactions made on dates and times that are outside normal government accountholder spending patterns and monitor individual charges and transactions.
- g. using the GTC issuer report that identifies instances in which the Board paid state sales tax and determining whether to use the GTC issuer to recoup that state sales tax.

#### **Management Response**

Management agrees with this recommendation and will establish additional preventative and detective controls to help ensure compliance with the Travel policy and GSA SmartPay Program requirements. Except where indicated differently below, the actions outlined in 2(a) – 2(g) will be completed by no later than November 30, 2025.

- a. Management has assessed the travel authorization and voucher review process to ensure compliance with the Travel policy and we are in the process of drafting an updated policy and procedures document to strengthen preventive controls related to travel authorization. In addition, management will partner with our vendor to update the voucher review process.
- b. Management is working with People, Strategy & Operations (PSO) to develop a GTC training program.
- c. Management has reviewed and blocked the updated MCC list and, beginning in June 2024, initiated semi-annual reviews of MCCs.
- d. Management is working with our travel vendor to implement additional automated controls to strengthen compliance with the updated Travel policy.
- e. Management began using card issuer and custom reports in November 2024 to monitor delinquent accounts and potential misuse.
- f. Management will use the card issuer data mining tools as appropriate.
- g. Management will use the card issuer state sales tax report as appropriate.

**Recommendation**

3. Establish routine monitoring for GTC misuse and delinquent accounts and enforce Travel policy requirements for employee GTC responsibilities.

**Management Response**

Management agrees with the recommendation. The Board currently has a set of monitoring controls that eliminate financial risk based on GTC misuse or delinquency to the Board. However, we agree that more needs to be done to ensure that employees comply with the GTC requirements remain current on their account payments.

During the audit, the OIG found \$9,300 of misuse, and of this approximately 75% was attributable to two travel cardholders, 0.1 percent of total travel cardholders. The Board took steps to discipline these cardholders, and, in November 2024, the Board implemented a monitoring program for GTC misuse. In addition, in November 2024, the Board also implemented a monitoring program for delinquent accounts. Since the implementation of these monitoring programs, we have been able to timely identify potential issues with misuse and/or delinquency and we have trained staff to ensure that they enforce Travel policy requirements for employee GTC responsibilities.



# Abbreviations

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AO	approving official
CFO	chief financial officer
GSA	U.S. General Services Administration
GTC	government travel card
MCC	merchant category code

# Contact Information

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Report fraud, waste, and abuse.

Those suspecting possible wrongdoing may contact the  
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web form, phone, or fax.

OIG Hotline

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