

Internal Audit Department  
NeighborWorks® America

Audit Review of the Corporate [REDACTED]  
Travel Card Process

Project Number: FIN.CORPTRAVEL.2012

**Audit Review of the Corporate [REDACTED] Travel Card Process**  
**Internal Audit Department Project #FIN.CORPTRAVEL.2012**

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May 4, 2012

To: NeighborWorks America Audit Committee

**Subject: Audit Review of the Corporate [REDACTED] Travel Card Process  
Internal Audit Department Project FIN.CORPTRAVEL.2012**

Please find enclosed the final audit review report of the Corporate [REDACTED] Travel Card Process. Please contact me with any questions you might have. Thank you.

Frederick Udochi  
Director of Internal Audit

Attachment

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**Function Responsibility and Internal Control Assessment**  
**Audit Review of the Corporate [REDACTED] Travel Card Process**

<b>Business Function Responsibility</b>	<b>Report Date</b>	<b>Period Covered</b>
Finance	May 4, 2012	January 1, 2011 - January 31, 2012
<b>Assessment of Internal Control Structure</b>		
Effectiveness and Efficiency of Operations		<b>Generally Effective<sup>1</sup></b>
Reliability of Financial Reporting		<b>Generally Effective</b>
Compliance with Applicable Laws and Regulations		<b>Not Applicable</b>

This report was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

<sup>1</sup> **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

## Executive Summary of Observations, Recommendations and Management Responses

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p><b>Observation No. 1</b></p> <p><b>Employee Use of the [REDACTED] Travel Card for Personal Purchases</b></p> <p>The [REDACTED] travel card policy specifically states that the card should not be used for personal purchases. Internal Audit identified three employees that used the [REDACTED] travel card to make personal purchases.</p> <p><b>Risk Rating:</b> [REDACTED]</p>	<p>Yes</p> <p>1 ex-employee used card for personal items, 1 employee had a single transaction where they mistakenly used their business card instead of their personal card, (there is no pattern of misuse and management has reiterated the corporate policy with the employee), the other 1 employee had legitimate business uses upon further follow-up</p>	<p>We recommend Management review the transaction level information (provided by Internal Audit) to confirm whether the charges identified were related to valid business travel or personal expenses and follow up appropriately with the employees.</p> <p>In addition, we recommend Management periodically monitor (i.e., quarterly) all travel card transactions in order to identify potential personal transactions and follow up as appropriate. Furthermore, we recommend Management reiterate to employees that the [REDACTED] travel card should be used solely for business travel related expenses and</p>	<p>Yes</p>	<p>Management has existing monitoring procedures in place and is committed to further measures as appropriate. Management notes that while Internal audit has suggested "all" transactions be reviewed, it is financially prohibitive to monitor "all" transactions and the balance of resources committed to monitoring should be commensurate with the corporation's historical credit card performance and the scale of Internal Audit's observations: 3 card users identified from this review from a population of 252 actives (1%) wherein 1 card had all legitimate business uses, 1 card had legitimate business uses except for a single transaction which was made in error, and 1 card had verified uses violating corporate policies; 22 out of 21,321 (&lt;0.5%) transactions appeared non-business related (2 were found to be legitimate upon further follow-</p>	<p>In addition to sending the account-holder portfolio report to the Corporate [REDACTED] Travel Card Coordinator, [REDACTED] has already begun sending the same file to the Controller on a weekly basis.</p> <p>A determination for continuous random sampling of transactions is targeted to be made by September 30, 2012.</p>	<p>Internal Audit accepts Management's response.</p>

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		<p>incidentals as well as the consequences for non compliance with the Policy.</p>		<p>up); 23 transactions valued at \$7,800 out of corporate total charges of \$2.7 million (&lt;0.5%) for the review period.</p> <p>Current procedures involve the corporate [REDACTED] Travel Card Coordinator reviewing the monthly reports received from [REDACTED] (not at the transaction level but at the account summary level) and preparing an analysis including a delinquency report, and highlighting any notable items (if any) submitting the summary to the Controller. Inquiry into delinquencies are directed to the account holders with their supervisor copied to address bringing the account current. Management has consistently taken major actions in the past, including discipline up to termination of employment for employees who grossly misused their corporate travel [REDACTED] card in violation of policy.</p> <p>Management has issued periodic reminders in the past of the company policy expressly prohibiting usage of the corporate travel card for</p>		

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				<p>personal transactions, and will continue to do so. In addition, the Corporation's Code of Ethical Conduct contains a provision prohibiting the personal use of corporate credits and the ethics training course has a question on appropriate use of corporate credit card.</p> <p>Management maintains on-going monitoring, and coinciding with this review, has already enhanced reporting from [REDACTED] by increasing it to weekly instead of monthly with copies directed to both the plan coordinator and the Controller. Management is also in the midst of working with [REDACTED] to explore options for a continuous monitoring system using random sampling at the transaction level covering all account holders.</p>		

Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p><b>Observation No. 2</b></p> <p><b>Cash Withdrawal Limits</b></p> <p>██████████ established a cash withdrawal limit/restriction of \$150 per week (measured Thursday – Wednesday) and Internal Audit identified six occurrences where five different employees' withdrawals exceeded the amount as defined by ██████████. Internal Audit notes that this was due to the noted employees' ██████████ travel cards cash withdrawal window having a different measurement of Tuesday - Monday.</p> <p><b>Risk Rating:</b> ██████████</p>	Yes	<p>We recommend Management coordinate with ██████████ to obtain confirmation that the appropriate cash withdrawal limits have been established and measured in the same manner for all NeighborWorks ██████████ travel cardholders to prevent future cash withdrawals outside the Policy.</p>	Yes	<p>Management was not aware of the variant weekly withdrawal windows that ██████████ had established for our accountholders that resulted in the excess weekly cash withdrawals over the policy limit.</p> <p>Management immediately contacted the Bank about the issue observed by Internal Audit. The Bank informed us that those particular accounts were set to reset the cash limits on Monday night. So these cardholders were withdrawing cash over the weekend and then on Tuesday morning they were able to receive additional funds since the limits reset. To avoid this type of situation in the future, Management asked ██████████ to reset the ATM cash withdrawal term: for a seven day calendar one time per week \$150.00 maximum withdrawal. The Bank agreed to update the term to a Friday night refresh; this results in the cardholder now having cash take-out from Saturday through Friday of the week -\$150.00</p>	<p>The Bank adjusted its system to time the cash withdrawal time frame between Friday to Saturday for all account holders. Completion in June, 2012.</p> <p>Management will work with ██████████ to establish a procedure to periodically review account features for all card holders in the portfolio (i.e. annually or semi-annually as appropriate).</p> <p>Anticipated set-up by September 30, 2012.</p>	Internal Audit accepts Management's response.



Summarized Observation; Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
				total. This still results in providing a week's time. Communications to this term update will be communicated to all cardholders by [REDACTED] and management will follow-up with a staff-based communication thereafter.		

**Risk Rating Legend:**

**Risk Rating: HIGH**

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

**Risk Rating: Moderate**

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

**Risk Rating: Low**

A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

<b>Management Response to Audit Review Recommendations Corporate [REDACTED] Travel Card</b>		
<b># Of Responses</b>	<b>Response</b>	<b>Recommendation #</b>
2	Agreement with the recommendation(s)	1, 2
N/A	Disagreement with the recommendation(s)	N/A

## Background

NeighborWorks America participates in the Government Services Administration's Federal [REDACTED] travel card program with [REDACTED] via a contractual agreement with the Department of Veteran Affairs, which permits NeighborWorks to tag onto its existing agreement/task order. The [REDACTED] travel card program was established to reduce the issuance of cash advances to employees that travel and reduce the need for employees to use their personal funds to finance business travel. In order to be eligible to receive a [REDACTED] travel card, an employee must obtain authorization from his/her supervisor (Director or above). Employees are individually billed for all charges to the [REDACTED] travel card; therefore, an expense report must be completed for all business travel expenses to ensure that payment may be remitted to [REDACTED] by the employee. The employee is held personally liable for any unpaid balance on the travel card. In addition, the [REDACTED] travel card is a charge card; therefore, the entire balance is due at the end of billing cycle (i.e., 17<sup>th</sup> of the month).

Each employee receiving a [REDACTED] travel card must participate in a one on one orientation with the Accounting Manager. During the one on one session the Accounting Manager reviews guidelines regarding usage of the card, examples include:

- The card should be used for business travel use only;
- The cards should not be used to make personal purchases;
- Cash Withdrawal limits (\$150/week including fees);
- Charges must be disputed within 60 days of the statement.

In addition to the individually billed accounts, NeighborWorks has four master billed [REDACTED] travel card accounts that are used to book business travel reservations of employees (without travel cards), consultants, and training/seminar participants. A physical card does not exist for the master billed accounts; however, the travel agent (i.e., [REDACTED]) has the card numbers to charge the appropriate card when booking travel. The Accounting Department receives the monthly statement for the master billed accounts, reconciles the statements to documentation supporting authorization for the travel charges (i.e., Travel Report or a Request for Travel Authorization form), and remits payment to [REDACTED].

## Scope

As of the audit date there are 252 active [REDACTED] travel cards issued to NeighborWorks America (including employee individual and master billed accounts). During 2011, Internal Audit notes there were a total of 21,321 transactions totaling \$2,721,563 charged to [REDACTED] travel cards issued to NeighborWorks America (i.e., individual and master billed accounts).

The scope for this review included the following:

- [REDACTED] Travel Card transactions during the period January 1, 2011 – December 31, 2011
- [REDACTED] Travel Card master bill accounts during the period September 2011 – January 2012

## Audit Methodology

An introduction meeting was held on February 7, 2012. Internal Audit performed the following procedures:

- Obtained and reviewed the existing agreement between NeighborWorks and [REDACTED], and the Department of Veteran Affairs;
- Reviewed the monthly [REDACTED] statements of the master billed accounts to obtain assurance that charges are authorized and accurately recorded; and
- Used Audit Command Language (ACL) and Microsoft Excel to analyze [REDACTED] travel card transactions during the 2011 calendar year.

## Observations and Recommendations

### **Observation No.1: Employee Use of the [REDACTED] Travel Card for Personal Purchases**

The [REDACTED] Travel Card Policy (Admin Manual Section 703), states “Use of the card for personal, family, or household purposes is strictly prohibited”; therefore, Internal Audit obtained the population of all 2011 [REDACTED] travel card transactions to determine if the [REDACTED] travel card was being used for non business travel. Using ACL and Microsoft Excel, Internal Audit sorted and reviewed the transactions to identify non travel and non business related transactions. Based on the review, Internal Audit identified twenty two transactions valued at approximately \$6,400 from three different employees (ranging from one transaction to nineteen transactions per employee) that appeared to be personal in nature. Internal Audit notes that one of the individuals noted was not an active employee at the time of this audit, one of the individuals was terminated based on discovery of the expenses during this audit, and Management is currently researching the transactions of the third employee. Examples of transactions identified include charges made to the following types of merchants:

- Steamships/Cruiselines (NCL – Norwegian Cruise lines)
- Cable Services (Comcast, Verizon Wireless)
- Theatrical Producers (New Orleans Saints, Top Notch Concierge)
- Auto & Truck Dealers, New (Sheehy Ford of Gaithersburg, Vince Whibbs of Pontiac)
- Home Furniture/Equipment (Mattress Fame Inc)
- Utilities – Electric, Gas, Water (WGL, WSSC)

Internal Audit notes the employees paid for these transactions using their own funds; therefore, these transactions were not paid with NeighborWorks America funds. This was however in violation of the company’s policy as corporate resources (i.e., the [REDACTED] travel card) were being used to finance (i.e., interest/fee free for two billing cycles (60 days)) personal expenses, which were not travel or business related.

### **Recommendation No. 1:**

We recommend Management continue researching the transaction level information provided by Internal Audit to confirm whether the charges identified were business travel related or personal transactions for the remaining employee and provide an update to Internal Audit on the status. If it is determined that the charges identified are personal, we recommend Management appropriately and consistently follow up with the employee regarding his/her unauthorized use of the [REDACTED] travel card.

In addition, we recommend Management periodically monitor (i.e., quarterly) all travel card transactions in order to identify potential personal transactions and follow up as appropriate. Internal Audit suggests ACL, Microsoft Excel pivot tables, or similar software may be used to facilitate an efficient and effective periodic review of

██████ travel card transactions. In addition, we recommend Management reiterate to employees that the ██████ travel card should be used solely for business travel related expenses and incidentals as well as the consequences for non compliance with the policy.

#### **Observation No. 2: Cash Withdrawal Limits**

Cash withdrawals are permitted on the ██████ travel card; however, they are limited to \$150 a week and \$350 per month as designed and governed by ██████

██████ asserts that the following cash withdrawal restrictions have been placed on all NeighborWorks issued ██████ travel cards:

- weekly cash withdrawal limits of \$150 per week (measured Thursday – Wednesday) and
- monthly cash withdrawal limit of \$350 per month (measured by the billing cycle, which is the 17<sup>th</sup> of the month)

Using ACL, Internal Audit reviewed all the cash withdrawals made during 2011 noting there were six occurrences where five different employees withdrew more than the weekly limit (as defined by ██████ restrictions).

Based on Management follow up with ██████ Internal Audit notes the occurrences sited were because the weekly cash withdrawal restriction was configured different for the specific employees noted. More specifically the employees noted were on a weekly cycle measured Tuesday – Monday, whereas the weekly cycle of all other cardholders was being measured Thursday – Wednesday.

#### **Recommendation No. 2:**

We recommend Management coordinate with ██████ to obtain confirmation that the appropriate cash withdrawal limits have been established and measured in the same manner for all NeighborWorks ██████ travel cardholders to ensure consistent application and prevent future cash withdrawals outside the Policy.