



United States
CONSUMER PRODUCT SAFETY COMMISSION
Washington, DC 20814

OFFICE OF THE INSPECTOR GENERAL

Follow-up Audit Report

The Consumer Product Safety Commission's Travel Card Program

Date Issued: November 3, 2005

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Executive summary

Purpose: To provide an overview of the results obtained during the follow-up audit of the Consumer Product Safety Commission's (CPSC) Travel Card Program.

Background: Congress mandated the use of the Government contractor-issued travel charge card (travel card), in the Travel and Transportation Reform Act of 1998. The travel card program is designed to both reduce the Government's travel expenses (eliminating the need to process travel advances, etc.) and to generate revenue through refunds which are paid to the Government by the contractors who issue the travel cards.

Objectives: To determine if the recommendations made in the previous audit of the travel card program have been implemented, to determine whether any additional changes need to be made to the program to improve its efficiency, and to ensure that the CPSC is in compliance with the recent changes in the Federal Travel Regulation.

Findings and Recommendations: Great improvements have been made in the CPSC's Travel Card Program since the initial audit was performed in 2001. The majority of the recommendations from that audit have been implemented. However, further improvement is possible in the following areas:

1. Managers and supervisors should be more actively involved in the monitoring and operation of the Travel Card Program: Currently, the Division of Financial Services has nearly exclusive responsibility for monitoring CPSC employees travel card use. Increasing the role of supervisors and managers will greatly improve the CPSC's ability to monitor travel card use.
2. Improve monitoring of the delinquency reports generated by the Bank of America (the contractor providing travel card services): There is a flaw in the system used by the Bank of America to track delinquent payments. Currently, the CPSC relies nearly exclusively on the Bank of America's tracking system. The CPSC needs to both work with the Bank of American to improve the current tracking system and to perform a more active and independent review of travel card payments made by CPSC employees.
3. Educating CPSC employees regarding their responsibilities as members of the travel card program: The current CPSC regulations regarding the use of the travel card adequately set out the responsibilities of CPSC employees. However, a greater effort should be made to ensure that CPSC employees are aware of their responsibilities and of the potential consequences of failing to follow them.

FOLLOW-UP AUDIT OF THE CPSC TRAVEL CARD PROGRAM

INTRODUCTION

Purpose: To provide an overview of the results obtained during the follow-up audit of the Consumer Product Safety Commission's (CPSC) Travel Card Program.

Background: Congress mandated the use of the Government contractor-issued travel charge card (travel card), in the Travel and Transportation Reform Act of 1998, in order to both reduce travel expenses (eliminating the need to process travel advances, etc.) and to generate revenue through refunds which are paid to the Government by the contractors who issue the travel cards.

The Federal Travel Regulation (FTR), 41 CFR 300, implements the statutory requirements and Executive branch policies governing the use of the travel card by Federal civilian employees. The FTR contains policies and procedures that regulate both the issuance and use of the Government Contractor-issued travel card. The use of the travel card to pay for official travel related expense is mandatory pursuant to FTR 301-70-700 unless: (a) A vendor does not accept the travel charge card; (b) The Administrator of General Services has granted an exemption; or (c) The agency head or his/her designee has granted an exemption.

Because certain common expenses will not be payable by credit card (undercover purchases of product samples, food from street vendors, toll booths, and taxi services, etc.) it is possible for CPSC employees to utilize their travel card to take cash advances through ATM machines. CPSC Directive 1300.1 states that cash advances are limited to those expenses that cannot be charged on the Government Travel Card; and that those taken for travel must not be obtained more than seven days prior to departure and no later than the last day of travel. As with any use of the travel card, cash advances must be solely for official government business.

In 1998, the General Services Administration (GSA) awarded contracts to four banks to provide travel card services to the Federal Government. The Bank of America issues the travel card used by CPSC employees. The CPSC reimburses employees for authorized travel expenses. The employee is responsible for making payment directly to the Bank of America. The Government employee's obligations to the Bank of America must be discharged in accordance with the Cardholders Agreement that the employee signed when they applied for the travel card.

Although the travel card itself is issued by a government contractor and resembles the credit cards used in private commerce (it bears the name of the employee to whom it is issued), it is government property (a fact which is annotated on the face of the card).

Employees who are granted exemptions to allow them to travel without using the travel card are not precluded from using the travel card; they simply have the option of not doing so. However, whether or not an exemption is granted, all employees who do use the travel card must do so only for official travel related expenses. Misuse of the travel card can result in disciplinary action.

Delinquency is caused by an employee's failure to pay a financial obligation incurred on a travel card in accordance with the terms of the Cardholder Agreement. The employee must pay all undisputed charges directly to the bank in full by the billing due date printed on the billing statement. This date will typically be 25 to 30 days after the closing date on the statement.

Historically, throughout the Government there have been problems enforcing government employee's obligations to only use their travel cards for official purposes and to pay their financial obligations incurred on their travel cards. There are three primary reasons for the CPSC to take an active roll in managing employees use of the travel card.

First, agencies are responsible for ensuring that employees observe the Standard of Ethical Conduct for Employees of the Executive Branch. This in relevant part reads:

Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those-- such as Federal, State, or local taxes--that are imposed by law.
5 CFR 2635.902(b)(12)

Second, agencies are responsible for ensuring that employees follow the Federal Travel Regulation, which applies to all Government employees, including those at the CPSC.

Third, agencies are responsible for following the terms of the Master Contract, negotiated on the CPSC's behalf by GSA, including the requirements to ensure cardholders use the travel card correctly, monitor account activity, and manage employee delinquencies.

Finally, as fiscal officers, agencies have an obligation to maximize the refunds paid to them by the contractors who issue the travel cards. Refunds are negatively impacted by slow payments and/or credit losses.

Objectives: The objective of this follow-up audit is to determine whether timely and appropriate corrective actions have been implemented on the findings and recommendations made in the Audit of the Travel Charge Card Program, dated November 27, 2001, whether any additional changes need to be made to the program to improve its efficiency, and whether the Commission is in compliance with the changes in the Federal Travel Regulation as it pertains to travel charge cards for government travel.

Scope and Methodology. The follow-up of the Travel Charge Card Audit was performed in accordance with generally accepted government auditing standards. The scope of the review encompassed completed travel activity for fiscal year (FY) 2004 through the first quarter of FY 2005. There were 995 completed travel actions (travel vouchers for reimbursement filed) for the period of review. There were 256 CPSC employees who held travel cards as of January 2005. The majority of travel actions involved travel charge card holders. The following actions were taken to verify implementation of prior audit recommendations: interviews were held with the Directors of the Directorate for Administration, the Division of Financial Services (ADFS), Procurement Services (ADPS), and the Directorate for Field Operations; Federal and CPSC travel policies and procedures were obtained and reviewed, along with supporting documentation showing how, and by whom, the appropriate corrective actions were implemented. The OIG independently verified travel charge card data, confirmed that the appropriate internal controls were effective and commensurate with prior audit recommendations, and established that the current travel charge card policy was in accordance with the Federal Travel Regulation.

STATUS OF RECOMMENDATIONS

This audit found that corrective actions had been taken on all six recommendations contained in the original OIG audit report. The first four recommendations have been fully implemented and should be considered closed. The remaining two recommendations were considered partially implemented and remain open.

PRIOR FINDINGS, RECOMMENDATIONS, MANAGEMENT COMMENTS AND CORECTIVE ACTIONS

PRIOR FINDING A - INTERNAL CONTROLS: Internal controls for the travel card program were not adequate to ensure that travel cards were used only for official travel expenses. Policies and procedures applicable to the use of travel cards should be revised to reflect current regulations governing the mandatory use of travel charge cards. Specifically, policies and procedures should address the mandatory use of government travel charge cards; the authority to approve and grant exemptions to the use of the cards; monitoring of charges; the use of automated teller machines; reimbursement; and payments to the bank card company. A copy of the policies and procedures should be provided to all travelers.

Management's Response: Management concurred with both Finding A and recommendations 1 and 2 and agreed to take action to implement these recommendations.

Prior Recommendation 1: CPSC policies and procedures should be updated in compliance with Federal policies and procedures on the mandatory use of travel charge cards. This recommendation has been "**Fully Implemented**".

Actions taken by management to implement Prior Recommendation 1: On December 16, 2003, the CPSC adopted Appendix 7 to Directive 1300.1. This appendix was titled, "Travel Charge Card Program – General Policy and Guidelines." It incorporated not only the updates

recommended by the Office of Inspector General in the original audit of the travel card program, but also other policy revisions required by the "Corrections and Additions" to the Federal Travel Regulation published by the GSA on September 13, 2002. **Recommendation Closed.**

Prior Recommendation 2: Employees should be provided procedures on the use of the travel card and payment of applicable bills. The procedures should also inform employees that disciplinary action could be taken against them for the misuse of travel charge cards. This recommendation has been "**Fully Implemented**".

Actions taken by management to implement Prior Recommendation 2: CPSC Procedures on the use of the travel card and the payment of associated bills are found in Directive 1300.1, Appendix 7, dated December 16, 2003. On December 31, 2003, the Directorate for Administration issued an e-mail informing all CPSC employees to access the new directive (on the CPSCNET) and to be aware of the training requirements regarding the Travel Charge Card Program. Appendix 7 of CPSC Directive 1300.1 informs employees: (1) of their responsibilities for proper use of the travel card, (2) of the requirement that they make timely payment to the bank card company for charges billed, and (3) that disciplinary action can be taken against employees for misuse of the travel charge card, and that the CPSC can garnish employee wages to pay delinquent debts owed the bank card company. **Recommendation Closed.**

PRIOR FINDING B - USE OF TRAVEL CHARGE CARDS: All travelers had not been issued travel cards or granted an exemption to the use of the card. The use of travel cards was not monitored to ensure that all purchases were authorized. A review of travel vouchers and on-line charge card statements provided by Bank of America revealed that some employees misused their travel cards by purchasing personal items. Disciplinary action can be taken against employees who use the travel card for purposes other than official travel.

Management's Response: Management concurred with both Finding B and recommendations 3 through 5 and agreed to take action to implement these recommendations.

Prior Recommendation 3: All travelers who do not have travel cards should be contacted and instructed to request a government travel card, or an exemption to the requirement of mandatory use. This recommendation has been "**Fully Implemented**".

Actions Taken By Management to Implement Prior Recommendation 3: Although it could not be determined exactly how all employees who were formerly without travel cards (as of the prior audit) were contacted and instructed to request travel cards, the results of this audit make it apparent that this was accomplished. Currently, exemptions are automatically granted to employees who travel less than 5 times a year, as prescribed by FTR policy implemented on September 13, 2002. A review of travel activity from October 2003 through December 2004 indicated that with only one exception, all travelers who traveled more than five times a year had travel cards. It was found that many employees who traveled less than five times in fiscal year 2004 also had travel cards. **"Recommendation Closed"**.

Prior Recommendation 4: A memorandum should be issued to all employees reminding them of the mandatory requirement to use the travel charge card. This recommendation has been "**Fully Implemented**".

Actions Taken By Management to Implement Prior Recommendation 4: This recommendation can be considered implemented by the addition of Appendix 7 to CPSC Directive 1300.1, dated December 16, 2003 and the Directorate for Administration e-mail dated December 31, 2003 informing all CPSC employees of the adoption of Appendix 7, which implements the mandatory requirements regarding the travel charge card. "**Recommendation Closed**".

Prior Recommendation 5: Periodic reviews should be performed of employees' accounts to determine if all charges are official government charges, and if accounts are paid in a timely manner. Management reports provided by the Bank of America should be used for this purpose. This recommendation has been "**Partially Implemented**".

Actions Taken By Management to Implement Prior Recommendation 5: The responsibility for reviewing employees' use of the travel card rests with the Division of Financial Services. At the present time, supervisors are required to review travel vouchers submitted by their subordinates, but are not required to review their subordinates' credit card records.

In order to determine if employees are delinquent in paying the travel card bills, the Division of Financial Services reviews Bank of America "Delinquency Reports" on a monthly basis. (See page 7, "Management's Response" to Prior Recommendation 6 for additional details.)

Directive 1300.1, calls for the Division of Financial Services (ADFS) to perform periodic reviews to determine if any cardholder has made unofficial charges. Currently, it is ADFS' unwritten policy to perform reviews of all credit card record transactions quarterly.

If the ADFS reviewer questions a travel card transaction, then the records relating to that transaction are referred to the Director of ADFS for follow-up. To date, this process has found no questionable charges.

The adoption of a review process since the previous audit is a definite improvement in internal controls. However, results of this audit call into question the effectiveness of the current review process. The reviews allegedly performed by ADFS failed to detect incidents of misuse of the travel card and actionable failures to make payments in a timely manner that were found during a subsequent review by the Office of the Inspector General.

In conducting the above referenced review, the travel records of 20 judgmentally selected travel card holders (selection based on the travel card holders having traveled on more than five occasions) were reviewed. The review consisted of comparing the travel vouchers and travel authorizations of each of these employees selected to the monthly billing statements associated with these employees travel cards. This comparison was designed to determine: (1) If the employees' official travel expenses were paid via their travel cards (or in the alternative to

determine if the employees qualified for an exemption which would waive this requirement); (2) if the travel cards were used only for official purposes (as defined in CPSC and other Federal directives), and (3) if the employees in question paid their travel card bills in a timely manner in accordance with the Federal Travel Regulations and CPSC Directive 1300.1.

The review by the OIG found that five out of twenty employees' records reviewed needed a more in-depth review than is customarily performed by ADFS to determine if the employee's conduct was appropriate; and one of the twenty employees was found to have violated CPSC procedures by traveling more than five times in the proceeding year but not having requested a travel card. Following the in-depth review it was determined that 3 of the 5 employees should have been contacted and questioned by ADFS regarding what appeared to be potential misuse of their travel cards. After further investigation it was determined that two of the employees had charged commercial carrier tickets on their travel card in violation of CPSC procedures. The tickets were used for official purposes, but should not have been charged on the travel card. The remaining employee was found to have: (a) used the travel card for personal charges (including buying groceries in the local area), (b) used the travel card to make ATM withdrawals not associated with travel or outside the time period in which ATM withdrawals for official travel were authorized (too long before the travel for which the withdrawal was allegedly made), (c) and was both repeatedly delinquent in making payments to the Bank of America and wrote "bad" (nonsufficient funds) checks to the Bank of America. (See "Recommendation 6" below for additional information). **Recommendation Open**

Additional Corrective Actions Necessary to Implement Prior Recommendation 5: Although procedures do now exist to allow for some oversight over employees' use of their travel cards (ADFS' policy is to perform reviews of charge card activity on a quarterly basis), these procedures need to be strengthened.

At the present time, only ADFS has access to both the travel records (travel authorization, travel voucher, etc.) and the statements of monthly travel card activity generated by the Bank of America. If the decision is made to continue to centralize this information in ADFS, then ADFS will have to take a more active (and time consuming) role in monitoring the travel card program. First, ADFS should compare the monthly record of charges provided by the Bank of America to each employee's travel authorization to determine if the travel card was used when an employee was not on travel status. Second, the record of charges should be reviewed to determine if any of the charges made during travel were not for authorized expenses (tourist attractions, gifts, gentlemen's clubs, etc.). ADFS has expressed concern over the additional work required to perform this type and frequency of review.

In the alternative, some of the oversight functions currently centralized in ADFS could be transferred to individual supervisors throughout the CPSC. The traveler's approving official (generally a first level supervisor) is in a better position to determine if travel card charges are for official business than ADFS. These officials should know what travel they have approved their subordinates to take.

If this course is adopted, each travel approving official would need to be provided with a copy of the Bank of America's monthly record of travel card activity for each of the travel approving official's subordinates. (ADFS has indicated that it would be able to download the report and reformat it for distribution to the approving officials. In the opinion of ADFS this would take time to do, but would not be as time intensive as performing a comprehensive review of the travel charges.) The travel authorizing official would then need to compare the travel card activity to the subordinate's travel history. Under this model, on a monthly basis supervisors would be responsible for reviewing each of their subordinates' travel card usage (by comparing it to their authorized travel); and ADFS would have to both provide additional training to supervisors regarding their "new" duty to monitor their subordinate's travel card activity and would have to continue to perform spot checks of employees travel card usage as a quality control measure.

Under either the centralized (ADFS maintains all duties related to the travel card) or the decentralized (supervisors are given primary responsibility to monitor their subordinate's travel card usage) models, the CPSC needs to be more active and thorough in its monitoring of travel card use.

PRIOR FINDING C - Reimbursement of Travel Expenses: Some CPSC employees did not pay their travel card bills in a timely manner. Payment of credit cards bills is the responsibility of employees. Since charges and payment were not being monitored, management was not aware of delinquent accounts and attempts were not made to encourage employees to settle them. Failures to pay bills in a timely manner could result in travel cards being revoked.

Prior Recommendation 6: All employees who currently have delinquent accounts should be contacted and attempts made to collect the amounts due and/or settle disputes, if applicable. If collections can not be made, arrangements should be made to deduct the amount from employees' pay. **Partially Implemented**

Management's Response: "As of September 17, there were two cardholders who were in a delinquent status. ADFS contacted the delinquent cardholders via e-mail regarding their delinquency. ADFS practice in the future will be to notify the employee, their supervisor, and the Office of Human Resources (EXRM). EXRM is currently updating its procedures on CPSC disciplinary action. The procedures will address offsetting employees salary to pay delinquent debts owed the government credit card company. This will also be included in updates to ADFS documentation on the travel card program."

Actions Taken By Management to Implement Prior Recommendation 6: The Division of Financial Services now reviews Bank of America "Delinquency Reports" on a monthly basis to determine whether employees are delinquent in paying their accounts. In accordance with CPSC policy ADFS sends e-mails to employees who have reached an over 60 day delinquency status stating that their travel card could be temporary suspended. ADFS also informs the employees' supervisors. EXRM is provided with a monthly listing of employees who are delinquent in paying their accounts. A delinquency of over 120 days could result in the employee's right to use the travel card being terminated. **Partially Implemented.**

Despite Management's response to the original audit, no steps have been taken to implement procedures to garnish the wages of employees to pay delinquent debts associated with the Government travel card program. Both ADFS and EXRM indicated that they have no current plans to implement such procedures and that to date such procedures have not been needed as employees, when confronted with possible administrative action by the agency, have paid their delinquencies.

Although to date no CPSC employee has had their authorization to use the travel card terminated, procedures do exist for dealing with that contingency if it does occur. If an employee's travel card is cancelled or suspended due to non-payment, the agency may still send the employee on official travel. The agency can exempt the cardholder from mandatory use of the travel card and require the employee to use personal funds to pay for their official travel. (The employee would still be able to file a travel voucher for reimbursement.)

ADFS' current policy for monitoring delinquencies, adopted in response to the prior audit, represents a quantum improvement in internal controls for the travel card program. However, because ADFS' system relies so heavily on the Bank of America's monitoring system, any flaw in that system will have a detrimental effect on the CPSC's ability to monitor its employees. Unfortunately, our review determined that such a flaw does exist in the Bank of America's "Delinquency Report" system.

Under the system currently in place at the Bank of America, delinquencies are tracked both in terms of the total amount of money owed and in terms of how long the debts have been delinquent. For example, if an employee fails to pay a fifty dollar debt in April and then charges and fails to pay an additional sum of thirty dollars in May, the June delinquency report would show that there was an 80 dollar delinquency and that fifty dollars of the delinquency was sixty days delinquent and thirty dollars of the delinquency was thirty days delinquent. This information is especially valuable when you consider that the CPSC's system of corrective action (warning notices and suspension/terminations of card privileges) is based on how long a debt has been delinquent, not the size of the debt owed.

The flaw in the system is that when an employee makes a payment on their account, the payment is credited first against the oldest delinquency and then, if the payment is large enough, against all other existing delinquencies up to and including the most recent. If a payment is made via check the debt is first offset by the amount of the payment and then the check is cleared through the bank. If the check is returned by the issuing bank due to nonsufficient funds, the delinquency is put back on the cardholders account, but the delinquency is now shown as all existing in the current payment period.

In the example given above, if the hypothetical government employee attempted to pay the entire amount owed to the Bank of America (\$80.00) in May by writing a check for which he did not have sufficient funds in his account, the day the check was accepted by the Bank of America the debt the employee owed the Bank of America would be reduced to zero in the Bank of America's monitoring system. A few days later, when the check was returned (bounced) by the issuing bank for nonsufficient funds, the Bank of America would place the debt back onto the

account of the government employee, but the entire debt would now be shown as being thirty days late. The system would not show or would "lose" the fact that part of the debt was actually sixty days past due.

In essence, by passing a bad check, the government employee is rewarded by having their debt moved up from sixty, ninety, or one hundred and twenty days past due to being only thirty days passed due. Since the CPSC's monitoring system is based solely on the length of time that the Bank of America's system says that a debt is "past due" this is a huge hole in the current system. (**Recommendation Open**)

Additional Corrective Actions Necessary to Implement Recommendation 6:

1. Close the hole in the delinquency tracking system: In order to close the above referenced "hole" in the delinquency tracking system it is imperative that ADFS monitors the monthly Bank of America transaction records for each employee who appears on the delinquency list. This is the only way, at the present time, to tell if an employee makes an actual payment or makes a fraudulent payment. If the monthly transactional report shows that a payment was made with a nonsufficient funds check then ADFS will have to manually calculate the length of deficiency.

ADFS should also contact both the General Services Administration (as the primary contract administrators) and the Bank of America and request that the Bank of America correct the problems discussed above in the delinquency monitoring system.

Since the original audit, the General Services Administration has published a "Survival Guide" for managing delinquency related to the Government travel card program. Several of their suggestions appear to be highly relevant to the CPSC and their adoption is urged. These include the following recommendations which the Executive Director's Office could implement:

2. Notify senior officials about individual card holders who commit travel card violations: Publicizing to senior officials (Executive Director's Office) the names of both those employees who are in violation of CPSC policies and the names of the supervisors responsible for them, will provide supervisors a strong incentive to play an active role in monitoring their employees travel card use. CPSC Order 1300.1 should be modified to require that senior officials are notified promptly (within one week) in writing whenever ADFS becomes aware of a travel card violation.

3. Hold Senior Managers Accountable for their employees: ADFS should provide a monthly delinquency report to upper management (Executive Director's Office) that sets out the number of employees who are delinquent, the length of the delinquencies in question, and the amounts of the delinquencies. This information should be broken out by Directorate and Office. This would give the Executive Director the opportunity to question senior managers about what they are doing to deal with the delinquency problems in their Offices or Directorates.

4. Education about the consequences of travel card violations: Employees in general and supervisors in particular should be educated about the negative impacts and possible consequences of employees violating CPSC and Federal regulations regarding the use of the

travel card. This training should emphasize that Agencies are entitled to "refunds" from the contractors who issue the travel cards based on the use of the travel cards; and that these refunds are negatively impacted by slow payments and/or credit losses. Additionally, the relevant provisions of the Standards of Ethical Conduct for Employees of the Executive Branch and the Federal Travel Regulation should be stressed.

5. The adoption of a penalty guide for offenses involving the travel card: The GSA has developed a Sample Agency Travel Card Penalty Guide. This table could either be utilized as a training aide for supervisors to help emphasize the seriousness of the misconduct in question by demonstrating the range of penalties employed at other Federal Agencies or it could be adopted formally and incorporated into CPSC Directive 1300.1 as a formal penalty guide. (See Appendix A)

APPENDIX A

Table of Penalties

Chapter Five

Disciplinary Action

CAUSES OF DELINQUENCY

Delinquency results when a cardholder fails to make payment in a timely manner. Even if the agency does not reimburse the employee in a timely fashion, the employee must make timely payments to the bank.

Delinquency results when one of the following situations occurs:

- Employee withdraws cash or uses card for non-official travel expenses and does not pay the bank.
- Employee fails to file for reimbursement and does not pay the bank.
- Reimbursement is not paid in a timely manner by the agency, and the employee does not pay the bank.
- Employee receives reimbursement but fails to pay the bank.

The A/OPC does not generally initiate the personnel action but is often called upon to provide supporting documentation.

Penalties imposed by agencies include letters of counseling or reprimand, suspension and termination. The penalty imposed is dependant upon whether it is a first or second offense and the nature of the offense. Employees may also be subject to legal actions by the bank.

INITIATING ACTION
Prior to taking disciplinary action, it is important to analyze the situation and determine the cause of the delinquency. If the delinquency is due to failure of the agency, this factor should be considered in determining the disciplinary action.

Many agencies use exception reports to track misuse and provide letters to employees if violations occur, even if the accounts do not become delinquent. **Educating the cardholder is key to ensuring that misuse does not occur.**

Sample Agency Travel Card Penalty Guide

TYPE OF DELINQUENCY OR MISCONDUCT	PENALTY FOR FIRST OFFENSE	PENALTY FOR SUBSEQUENT OFFENSE
a. Failure to act on a notice of delinquency within 15 days of receipt.	Verbal counseling to written warning.	Reprimand.
b. Notice of delinquency (debt more than 60 days delinquent) without proof of payment or an approved repayment agreement.	Written warning.	Suspension.
c. Unauthorized use of card for other than official purposes (includes purchases and ATM withdrawals less than \$500.00).	Suspension of 5 to 10 workdays.	Removal.
d. Unauthorized use of card in excess of \$500.00.	Suspension of 15 workdays to removal.	Removal.
e. Authorizing another to use the Cardholder's card for an unauthorized purchase/withdrawal.	Removal.	Removal.



APPENDIX B

Management's Response



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

Memorandum

Date: October 17, 2005

TO : Christopher W. Dental
Inspector General

THROUGH: Ed Quist *eeq*
Director
Office of Financial Management, Planning and Evaluation

FROM : Deborah Peebles Hodge *dph*
Director
Division of Financial Services

SUBJECT : Draft Audit Report - Follow-up Audit of Travel Card Program

The subject audit has been reviewed by this office. Below are our comments to the open recommendations 5 and 6.

IG Recommendation 5: Although procedures do now exist to allow for some oversight over employee's use of their travel cards (ADFS' policy is to perform reviews of charge card activity on a quarterly basis), these procedures need to be strengthened.

EXFM Comment: We believe that we can always improve and strengthen oversight of this process. To do so, we plan to have managers and supervisors more actively involved in this process. They have direct knowledge of employee travel and can best determine if charges are for official business. Therefore, we will implement the following procedures for employee travel card activity:

1. FMFS will provide Assistant/Associate Executive Directors (AED's) and Office Directors, a report of travel card activity for their area of responsibility on a monthly basis. The AED or Office Director will review card usage in comparison with the authorized travel. The AED or Office Director will be required to:
 - (1) Review the travel card activity report;
 - (2) Sign and date it;
 - (3) Return the report to the Director, Financial Management, Planning and Evaluation (EXFM), highlighting any misuse of the card as applicable;
 - (4) The Director EXFM, will prepare a letter to the employee through the employee's supervisor regarding the offense.

2. Guidance on this process to the AED or Office Directors will be provided via memorandum and subsequently incorporated in agency directives when updated.
3. FMFS will perform a quarterly review on three randomly selected employees and report any inappropriate activity to the Director, EXFM. Questionable activity will be forwarded to the AED and Office Director for an explanation.

These recommendations will be implemented upon concurrence by the Office of the Executive Director.

The draft audit listed five additional corrective actions necessary to implement Recommendation 6. Each is listed below with our response.

1. IG Recommendation: Close the hole in the delinquency tracking system:

EXFM Comment: The audit pointed out on page 8 and 9 a problem with the Bank of America (BOA) delinquency report. In summary it states, "In essence, by passing a bad check, the government employee is rewarded by having their debt moved up from sixty, ninety, or one hundred and twenty days past due to being only thirty days passed due. Since the CPSC's monitoring system is based solely on the length of time that Bank of America's system says that a debt is "past due" this is a huge hole in the current system".

FMFS will contact BOA and the General Services Administration (GSA) to point out the problem with the delinquency report. A request will be made to BOA to correct this problem. We have no control over what, if any, action BOA or GSA will take to correct this. However, FMFS will implement a monitoring process which will alert us to any problems with the delinquency report. When an employee appears as 60 days delinquent, ADFS will review detailed travel activity should the employee's name appear on subsequent delinquency reports as 30 days past due. Should this occur, the process outlined in paragraph 1 (4) above will be followed. We believe that this will enhance the delinquency review and surface any situations such as the one pointed out in this audit. This recommendation will be implemented immediately.

2. IG Recommendation: Notify senior official about individual card holders who commit travel card violations.

EXFM Comment: AED's and Office Directors will have greater responsibility to monitor subordinate travel card usage as outlined in our comments to Recommendation 5. We will require that violations be reported to the Director, EXFM. The tentative implementation for this notification process is February 2006.

3. IG Recommendation: Hold Senior Managers Accountable for their employees:

EXFM Comment: In your draft audit, you recommended that FMFS provide a monthly delinquency report to upper management (Executive Director's Office) that sets out the

number of employees who are delinquent, the length of the delinquencies in question and the amounts of the delinquencies. Currently FMFS notifies the employee, the employee's supervisor and Office of Human Resources Management (EXRM) when an account is 60 days past due. Over the past 20 months, delinquencies have averaged less than one per month; once notified employees have taken action to pay the bill. In addition to the current notifications, we will add the Director, EXFM as well as the Executive Director, effective immediately.

4. IG Recommendation: Education about the consequences of travel card violations:

EXFM Comment: CPSC Order 1300.1, Travel, CPSC Travel Policy and Procedures, Appendix 5, Use of Automated Teller Machines (ATM) for Cash Advances and Appendix 7, Travel Charge Card Program – General Policy and Guidelines, provide guidance on CPSC's travel card program. We will send the two Appendices to employees on an annual basis and include a note on your recommendations regarding refunds from the contractor and emphasize the need for timely payment of bills. We will send this notice out annually not later than March of each year.

5. IG Recommendation: The adoption of a penalty guide for offenses involving the travel card:

EXFM Comment: We do not believe that a penalty guide specifically for travel should be adopted and that we should continue our current practice. CPSC, through its Office of Human Resources Management currently has a general format for applying penalties relating to actions of this type of misconduct. Given our small size, this approach has worked well for the agency. FMFS provides EXRM monthly reports of late or unpaid credit card balances. EXRM contacts the supervisor and the supervisor takes appropriate action.

Should you have questions regarding the responses, please contact Ed Quist at ext. 7655 or Debbie Hodge at ext. 7130.

APPENDIX C

Report Distribution

Chairman

Commissioners

Executive Director

Director for Office of Financial Management, Planning and Evaluation

Director for Division of Financial Services