




Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: ACTION: Audit of Use of Government Travel
Charge Cards, DOT
FI-2003-049

Date: August 28, 2003

From: Alexis M. Stefani 
Principal Assistant Inspector General
for Auditing and Evaluation

Reply To
Attn Of: JA-60

To: Acting Assistant Secretary for Budget and Programs
and Chief Financial Officer
Assistant Secretary for Administration

This report presents the results of our audit of the Department of Transportation's (DOT) use of Government travel charge cards (travel cards). Our audit objectives were to determine whether: (1) employees used DOT travel cards only for official business; (2) delinquent travel card accounts were monitored and addressed; and (3) internal controls were adequate to provide safeguards against abuse and delinquencies. Our audit scope and methodology are discussed in Exhibit A.

INTRODUCTION

The Travel and Transportation Reform Act of 1998 and Federal Travel Regulations require that Federal employees obtain and use a contractor-issued Government travel card to pay for all official travel-related expenses. The regulations state that each employee who receives a travel card is responsible for using it for official purposes only and for paying the charges timely. With the travel card, each employee receives an account agreement specifically stating that the employee is prohibited from using the travel card for "personal, family, or household purposes." The card also is clearly imprinted "For Official Government Travel Only."

Citibank, a contractor under the General Services Administration (GSA) SmartPay Travel Card Program, is DOT's service provider for travel cards. As of June 30,

2002, about 90,000 DOT employees had Government travel cards, with charges of about \$250 million annually.¹

RESULTS IN BRIEF

Proper use of employee-issued travel cards and payment of the charges are Government-wide concerns. Although the vast majority of DOT employees have not abused their travel card privileges, our audit identified employees who misused their travel cards by charging personal purchases and withdrawing cash in excess of travel needs. We also identified employees who abused their travel card accounts by not paying their bills on time. We commend DOT for initiating several corrective actions, including recent revisions (June 30, 2003) to its travel card policy, to address problems of travel card abuses that were identified during our audit. The travel card program is a highly visible program, and the abuses of travel card privileges by a small minority of employees reflect negatively on the entire Department. As discussed in this report, there are additional steps DOT can take to improve its travel card program.

Using methodologies aimed at identifying employees who misused their travel cards or were delinquent with their payments,² we selected 146 DOT employees for review. We reviewed over 12,000 charges totaling about \$1.7 million on these employees' travel cards that occurred during the audit period July 1, 2001, through June 30, 2002. Our audit found that 96 of these employees abused their travel cards by charging personal purchases, withdrawing cash in excess of travel needs, or not paying their bills on time. About \$770,000 of the charges we reviewed were for personal purchases or excess cash, and 22 of the 96 employees were delinquent in paying their bills. Of those delinquent employees, all but one also misused their cards by charging personal expenses or withdrawing excess cash. Further, none of the delinquencies was due to delays in processing official travel reimbursements.

By abusing their travel cards, employees violated their account agreements with Citibank, the DOT travel card policy, and the Government's Standards of Ethical Conduct for Employees of the Executive Branch regulations. In addition,

¹ As of June 2003, only about 30,000 DOT employees had Government travel cards, because the U.S. Coast Guard and the Transportation Security Administration transferred to the Department of Homeland Security on March 1, 2003.

² In this report, we refer to "delinquent employees" as those whose accounts are more than *60 days* past due (i.e., past the billing date). Although an account is technically delinquent if the balance is not paid by the payment due date (which is 1 month after the statement date), we recognized that some employees had not received their reimbursements prior to their bills' due dates. Thus, we allowed employees an additional 30 days from the due dates to have their vouchers processed and receive their reimbursements before categorizing them as delinquent.

delinquencies cost DOT up to \$160,000 in fiscal year (FY) 2002 in the form of reduced rebates from Citibank.³ Further, DOT employees who were delinquent in paying their travel card bills personally benefited by, in effect, receiving interest-free loans. In addition, those employees whose accounts were written off and who did not pay the balance were unjustly enriched. Although these employees represent a small percentage of DOT employees, their abuses of Government travel cards detract from the honesty and integrity of the rest of DOT's employees.

In this report, we recommended that DOT use our data mining approaches to identify other employees who abused their travel card privileges. The Department concurred with this recommendation and added that travel card program coordinators will be trained on these approaches.

Misuse for Personal Expenses or Cash

Of the 96 employees reviewed who abused their travel cards, 95 employees:⁴ (1) charged personal expenses, such as cable/telecommunications services, medical procedures, and personal travel expenses; (2) withdrew cash in excess of allowable travel advances or when no travel was involved; or (3) did both of the preceding.

The following are examples of the misuse we found.

- A Federal Railroad Administration (FRA) employee charged \$15,295 for personal cable and satellite services.
- A Maritime Administration (MARAD) employee charged \$8,600 for personal cash and airline and hotel costs.
- A Federal Aviation Administration (FAA) employee charged \$3,700 for laser eye surgery.
- A U.S. Coast Guard (Coast Guard) employee made 31 cash withdrawals totaling \$3,480 in a 6-month period but was not on official travel.
- A Transportation Security Administration (TSA) employee charged \$2,900 for personal cash and car rental, airline, and hotel costs.

³ Rebates are calculated using a complex formula that considers total amount of charges and timely payment of balances.

⁴ The one other employee who abused the travel card did not make any personal purchases or excess cash withdrawals but was significantly delinquent in paying the bills.

- An FRA employee charged \$950 to pay for furniture.

Of the 95 employees who misused their travel cards, 93 employees charged about \$407,000 for personal goods or services, and 48 withdrew about \$361,000 in excess cash over a 1-year period.

The misuses for personal expenses and cash that we identified were in violation of the cardholder agreement, which clearly states the employee is not to use the travel card for personal purposes. In addition, we found that DOT could have done more to detect and prevent such misuses. For example, prior to the June 2003 travel card policy revisions, DOT's policy only required travel card program coordinators to monitor for *delinquencies*. Further, the policy did not set limits on cash withdrawals. In response to our concerns, DOT issued a revised travel card policy, which will strengthen oversight of the travel card program. We referred the 95 cases of misuse to our Office of Investigations for further review and appropriate action.

Employees Delinquent in Paying Travel Card Bills

Of the 96 employees who abused their cards, we identified 22 who were delinquent in paying their bills. Of the 25 Federal agencies using GSA's SmartPay travel card, DOT had the highest delinquency rate as of January 2003—12.9 percent compared to an average of 7.2 percent for the other agencies.⁵ In addition, delinquencies and write-offs of balances by Citibank resulted in DOT losing up to \$160,000 in rebates in FY 2002. As of May 2003, DOT's delinquency rate had dropped to 5.8 percent using GSA's methodology for calculating delinquency rates.⁶

During our audit, we identified two best practices available to DOT to help control delinquencies. First, the Travel and Transportation Reform Act allows agencies to deduct the amount of delinquent funds from an employee's pay. Another method is split reimbursements, where employees receive part of their travel voucher reimbursements and part is sent directly to Citibank to pay the bills.⁷ Only Coast

⁵ Without Coast Guard and the Transportation Security Administration, which have since transferred to the Department of Homeland Security, DOT's delinquency rate would have been 7.4 percent.

⁶ Using an alternate methodology, DOT's Office of Financial Management calculated that DOT's delinquency rate as of May 2003 was 3.5 percent. GSA and the credit card banks calculate delinquency rates by dividing agencies' total outstanding monthly balances (dollars) into the balances that are overdue between 61 and 181 days *after the billing dates*. The Office of Financial Management calculates delinquency rates from the bills' *due dates*, which are usually 30 days from the billing dates.

⁷ As an example of a split reimbursement: an employee submitted a voucher for official travel expenses of \$1,000. On this trip, the employee charged \$700 in expenses (e.g., air fare and all hotel charges, which could include restaurant charges). The employee would be reimbursed for \$300, and \$700 would be disbursed directly to Citibank.

Guard had implemented these methods. We note that, after our audit, DOT initiated steps to broaden the implementation of these best practices.

DOT's delinquencies occurred because employees did not comply with their Citibank account agreements or DOT travel card policy, and managers did not perform adequate oversight of employee travel card use and did not take advantage of best practices to control delinquencies.

Disciplinary Action Was Inconsistent

The Operating Administrations' policies regarding disciplinary actions for travel card abuses were inconsistent. Three Operating Administrations had no travel card policies. The policies of the other 10 Operating Administrations addressed disciplinary actions, but they differed in the severity of the recommended actions. For example, the Federal Motor Carrier Safety Administration's (FMCSA) disciplinary action for employees who had not paid their bills within 60 days of the due dates called for 2- to 30-day suspensions. However, FAA's disciplinary action for the same offense only called for a reprimand.

DOT Actions Taken to Strengthen Controls

DOT has initiated several corrective actions, including recent revisions to its policy, to address problems of travel card abuses that we identified in this audit. For example, on June 30, 2003, the Office of the Secretary (OST) issued policy revisions that require the Operating Administrations to monitor for travel card misuse (e.g., review activity reports and identify personal charges) in addition to delinquencies; set stringent limits on cash withdrawals; and provide guidance on disciplinary actions for the abuses. Furthermore, between July 2002 and January 2003, DOT blocked from travel card use specific categories of inappropriate merchants (see Table 2 on page 9 for examples), which means Citibank will decline attempted travel card purchases at these merchants. To stress the importance of addressing delinquencies, OST will provide each Operating Administration quarterly lists of their delinquent employees and require the Operating Administrations to notify OST as to the resolutions of these accounts.

We believe the recent policy revisions and additional actions recommended in this report can be effective in strengthening the oversight of DOT's travel card program. However, the key to correcting travel card problems is to follow through and ensure that the Operating Administrations implement the policy revisions.

RECOMMENDATIONS

We made six recommendations to build on current initiatives and to strengthen internal controls over the travel card program. In summary, we are recommending that the Office of the Secretary, in coordination with the Operating Administrators:

- Use data mining tools—such as reviews of Citibank databases for transactions to inappropriate merchants, comparisons of employees’ travel card charges to their travel vouchers, and reviews of employees’ cash withdrawals—to identify abusive travel card activity and ensure compliance with DOT policy;
- block additional merchant category codes;
- implement to the maximum extent possible the best practices of salary offsets and split travel reimbursements for employees that have become delinquent; and
- report to the Office of Inspector General (OIG) the actions taken with respect to the employees identified by our audit work as having abused their travel cards.

Detailed recommendations are provided on pages 17 and 18.

DOT Corrective Actions. DOT agreed with all of our recommendations and is taking or has already taken corrective actions in response to our audit. Management’s comments and our responses are provided on pages 18 through 20. The complete text of management’s comments is in the Appendix.

BACKGROUND

The Travel and Transportation Reform Act of 1998 (Public Law 105-264) and Federal Travel Regulations (FTR) require Federal employees to obtain and use a contractor-issued Government travel card to pay for all official travel-related expenses. DOT uses Citibank as its service provider for travel cards.

The FTR and Citibank Cardholder Agreement state that each employee is responsible for using the travel card for official purposes only and paying the charges timely. Further, the statement “For Official Government Travel Only” is clearly imprinted on the face of the travel card.

On March 26, 2002, the DOT Assistant Secretary for Budget and Programs and Chief Financial Officer, who is responsible for the travel card program, issued departmentwide travel card policy. The policy states:

When employees apply for a contractor-issued credit card, they assume the responsibility to use the card for official purposes and pay the charges in a timely manner. These responsibilities are explained in the Cardholder Agreement that each employee signs during the application process.

The policy requires that the Operating Administrations have their designated travel card program coordinators *monitor monthly delinquency* reports provided by Citibank and provide these reports to supervisors of delinquent employees for appropriate action. The policy further directs supervisors to take disciplinary actions, which can include salary offset, suspension, and termination, against employees whose accounts become delinquent.

On June 30, 2003, DOT issued policy revisions that included new requirements for the Operating Administrations regarding monitoring for *misuse*, limits on cash withdrawals, delinquencies, and disciplinary actions.

RESULTS

We reviewed over 12,000 charges totaling about \$1.7 million made by 146 nonstatistically selected DOT employees on their Government travel cards. Our audit found that, of the 146 DOT employees we reviewed, 96 abused their travel cards by charging personal purchases, withdrawing cash in excess of travel needs, or not paying their bills on time. In total, about \$770,000 of the charges by 95 employees reviewed were for personal purchases or excess cash, and 22 employees were delinquent in paying their bills.

Table 1 summarizes our findings of abuse and delinquencies.

Table 1. Summary of 96 Employees Who Abused Travel Cards

	Totals	Delinquent
Misuse	95	21
No Misuse	1 *	1
Total	96	22

* This employee abused the travel card by not paying her bills over a 180-day period and having her account written off; all her charges were for official travel expenses.

By abusing their travel cards, employees violated their travel card account agreements with Citibank, the DOT travel card policy, and the Standards of Ethical Conduct for Employees of the Executive Branch regulations (Title 5 Code of Federal Regulations Part 2635 et seq.). In addition, delinquencies and write-offs of balances by Citibank resulted in costs to DOT in the form of reduced rebates. For example, in FY 2002 DOT could have received about \$160,000 in rebates; however, because of the number and dollar-volume of delinquencies and write-offs, DOT did not receive any rebates. Further, DOT employees who were delinquent in paying their travel card bills personally benefit by, in effect, receiving interest-free loans. In addition, those employees whose accounts were written off and who did not pay the balance were unjustly enriched.

Misuse for Personal Expenses and Cash

Of the 96 DOT employees in our sample who abused their travel cards, 95 employees charged: (1) personal expenses, such as cable/telecommunications services, medical procedures, and personal travel expenses (93 employees); (2) cash withdrawals in excess of allowable travel advances or when no travel was involved (48 employees); or (3) both of the preceding (46 employees).

Personal Purchases. Our audit identified 93 employees who misused their travel cards by charging about \$407,000 for personal goods or services. For example:

- An FRA employee charged \$15,295 for personal cable and satellite services. The employee also charged \$922 in personal travel expenses and \$85 for county taxes. The employee paid his credit card bills on time.
- An FAA employee charged \$3,700 for laser eye surgery. The employee claimed this was a medical emergency and that she had no other card to use. The employee was counseled by her supervisor after we notified him of the abuse. The employee paid her credit card bills on time.
- A MARAD employee charged \$4,600 for personal airline and hotel costs. The employee also obtained two cash advances totaling \$4,000 but was not on official travel. The employee paid his credit card bills on time.

Misuse of travel cards for personal expenses occurred in two types of purchases – non-travel purchases (such as cable TV and doctors' services) and travel-related purchases (such as airline and hotel expenses). These two types of personal use require different actions to identify and different internal controls to reduce misuses in the future.

Program coordinators can easily identify *non-travel* charges by scanning monthly cardholder activity reports available from Citibank for personal expenses such as doctors' services and sporting goods. To further address travel card misuse for non-travel expenses, categories of merchant codes that are clearly not for Government travel (such as dating/escort services and betting facilities) can be blocked from use by DOT employees. The Departments of Defense and Education consider this a best practice and have each blocked over 200 merchant codes.

As of April 2003, at the request of DOT, Citibank blocked 46 merchant categories departmentwide that were determined to be inappropriate for official travel. Examples of these blocked categories are provided in Table 2.

Table 2. Examples of Merchant Categories Blocked Departmentwide

Merchant Category	Code	Merchant Category	Code
Dating/Escort Services	7273	Fines	9222
Massage Parlors	7297	Bail & Bond Payments	9223
Betting Facilities	7995	Tax Payments	9311
Court Costs, incl. Child Support	9211	Food Stamps	9401

In addition, Coast Guard and FAA blocked another 155 and 70 codes, respectively, for their travel cards. Examples of the additional categories blocked by Coast Guard and FAA are given in Table 3.

Table 3. Examples of Merchant Categories Blocked by Coast Guard and FAA

Merchant Category	Code	Merchant Category	Code
Veterinary Svcs.	742	Florists	5193
Landscaping	780	Boat Dealers	5551
Heating/Plumbing	1711	Pawn Shops	5933
Roofing/Siding	1761	Insurance Underwriting	6300

Based on the abuses we found (e.g., cable TV services, health spa services, and sporting goods), DOT is not taking full advantage of this method to reduce misuse.

Thus, we are recommending that OST review the merchant categories again and block additional categories that are clearly not for official Government travel.

Detecting personal *travel-related* charges, such as airline and hotel expenses, is not as easy. Identifying employee misuse for personal travel-related expenses requires comparing employees' charges to travel vouchers. In total, we identified 81 employees who misused their travel cards in this way.

As part of our audit, we developed a computer matching technique to help identify this type of misuse. Our matching process compared employees' Citibank charges for airline and hotel expenses to travel reimbursements made to employees as reflected in the Departmental Accounting and Financial Information System (DAFIS).⁸ For the year ending June 30, 2002, this matching process identified about 4,700 employees who had airline and hotel charges but did not have corresponding travel voucher payments in DAFIS. We nonstatistically selected 71 of these employees, reviewed over 1,300 of their travel card transactions, and identified 29 who charged personal travel expenses on their Government travel card.⁹

Our other data mining methodologies (e.g., selecting employees for review who had their cards canceled or who had written three or more non-sufficient funds [bounced] checks to Citibank) identified the other 52 employees (81 minus 29) who did not have travel vouchers to support their charges for airline, hotel, car rental, and restaurant expenses¹⁰ totaling about \$170,000. Prior audit work by the Department of Education OIG and the General Accounting Office (GAO) demonstrated that these data mining techniques identify employees having a high potential for misusing the card by making personal purchases.

To effectively monitor and identify personal travel-related charges, Operating Administrations should periodically perform their own matching process; data-mine Citibank databases for abusive activity; or randomly compare employees' travel charges to travel vouchers. In addition, we provided the list of about

⁸ For all airline and hotel charges made by DOT employees for the period July 1, 2001, through June 30, 2002, our matching process checked whether corresponding vouchers had been paid within 90 days of when those charges were made.

⁹ The other 42 (71 minus 29) employees from our matching process did not misuse their cards—14 employees had valid reasons why they did not have DAFIS voucher payments (e.g., they filed their vouchers more than 90 days after the charge, their card numbers had been stolen, or they received reimbursement from another agency) and 28 were misidentified in the matching process due to coding errors in the Citibank or DAFIS databases.

¹⁰ These 52 employees were not identified in our matching process because they also had official travel voucher payments in DAFIS.

4,700 employees to DOT officials to review and identify other employees who misused their travel cards by charging personal travel expenses.

Misuse also occurred because infrequent travelers' accounts remained open. These misuses could have been stopped if the infrequent travelers' accounts had been closed or deactivated. In the group of employees who misused their travel cards, there were eight employees whose accounts remained open even though they did not have any official travel for a 12-month period. These inactive accounts are susceptible to unofficial use and abusive activity including delinquency. Inactive accounts remained open because DOT had no policy that required the deactivation of infrequent travelers' accounts.

The misuses for personal non-travel and travel expenses that we identified were in violation of the cardholder agreement, which clearly states the card is to be used only for official travel-related expenses. However, these misuses were not previously identified because DOT's 1998 and 2002 travel card policies did not require any official to monitor for *misuse*. (The 2002 policy only required monitoring for *delinquencies*.) Further, DOT did not take full advantage of available measures to block inappropriate merchant categories, which would prevent employees from making non-travel-related purchases. Finally, neither the cardholder agreement nor DOT policy called for any penalties if employees misused their cards by charging personal items.

Since we initiated our audit, DOT has taken action to correct these deficiencies by issuing a revised travel card management policy on June 30, 2003, and taking other corrective actions. Examples of these actions are the requirement to monitor for misuse and the blocking of additional inappropriate merchant codes. To further strengthen the program's controls, DOT should periodically analyze Citibank databases for abusive activity (data mining), compare employees' travel card charges to their travel vouchers, and block all inappropriate merchant codes.

Inappropriate Cash Withdrawals. Of the 95 employees who misused their travel cards, we identified 48 employees who withdrew cash, usually from automated teller machines (ATMs), in excess of their travel needs or when they were not on travel. These employees made over 2,000 excess cash withdrawals totaling about \$361,000 over a 1-year period.

ATM services are provided by the travel card contractor to allow employees to withdraw cash to use for miscellaneous expenses while on official travel (e.g., taxi, tips, and parking). The FTR states that the cash advance should not exceed the estimated amount of the employee's cash transaction expenses (expenses that cannot be charged and must be paid using cash or checks). The GSA SmartPay

contract further states that, at the agency's request, the bank will set specified limits on ATM cash withdrawals.

Specific examples of the misuses are provided below.

- A Coast Guard employee made 31 ATM withdrawals totaling \$3,480 in a 6-month period but was not on official travel. According to the employee, his wife was using his travel card without his knowledge, hiding the credit card statements, and bouncing checks when sending payments.
- An FAA employee withdrew \$2,900 cash while making an official business trip. His voucher for this trip showed total expenses of \$2,117. A reasonable estimate of cash needs for this trip should have been no more than \$900 (given that not all meals were charged on the travel card). Thus, the employee withdrew an excess of \$2,000 in cash. The employee told us he had personal financial difficulties.
- Another FAA employee withdrew about \$50,000 in cash over a 12-month period (an average of \$4,000 per month) but was not on official travel. Citibank eventually canceled the account and wrote off a balance of \$6,600. The employee's supervisor was not aware of the abuse until we notified her. The supervisor took disciplinary action by suspending the employee, and the employee had paid off \$2,700 of the balance as of April 30, 2003.

Inappropriate ATM cash withdrawals occurred because these DOT employees violated the FTR, which requires that travel advances not exceed the estimated amount of the out-of-pocket cash expenses. Also, DOT did not set appropriate limits on amounts of cash that employees could withdraw. The Operating Administrations' ATM monthly cash limits varied from \$1,000 to \$4,000.

To identify employees who abused cash withdrawals, we judgmentally selected 12 employees who made more than 100 cash withdrawals or withdrew more than \$20,000 in cash for the year, and found that 11 employees had made inappropriate cash withdrawals. Therefore, as an additional level of control, the Operating Administrations should sample and analyze their employees' cash withdrawals (e.g., those employees who had 50 or more cash withdrawals in a year¹¹).

¹¹ We narrowed our sample to the most egregious misusers of cash withdrawal privileges, i.e., those that had over 100 cash withdrawals in a year. We observed that there were over 400 employees who made over 50 withdrawals in a year. We are suggesting that the Operating Administrations focus their reviews on the employees who had a high number of withdrawals in a year.

DOT's recent policy revisions also address this problem of inappropriate cash withdrawals. The revisions have Citibank setting a limit of \$400 per month on cash withdrawals. Exceptions to the cash limit can easily be obtained in those cases where the limit is not sufficient to cover travelers' reasonable cash needs. The new policy also requires the Operating Administrations to document the reasons for authorizing any higher limits.

Follow-Up on Identified Misuse. OIG's Office of Investigations reviewed the 95 cases of travel card misuse that we identified in our audit. The Office of Investigations determined that in two cases the employee's Operating Administration had already identified the travel card misuse and had taken administrative action. The Office of Investigations referred all 26 of our Coast Guard cases to Coast Guard Investigations. An additional 58 cases have been referred to the appropriate Operating Administration for appropriate action. The Office of Investigations is still reviewing nine cases to determine whether criminal prosecution is warranted.

Employees Delinquent in Paying Travel Card Bills

We found that DOT employees also abused their travel cards by failing to pay their bills on time. Of the 96 employees who abused their cards, 22 were delinquent.¹² Citibank wrote off 14 of the 22 employees' accounts totaling \$117,600 at the time of write-off. Citibank cancels and writes off accounts that are over 180 days past due. The other eight employees were not delinquent over 180 days.

Of the 25 Federal agencies using GSA's SmartPay travel card, DOT had the highest delinquency rate as of January 2003. DOT's rate was 12.9 percent, compared to a range of 2 percent to 10 percent for all others. Coast Guard and TSA accounted for 73 percent of DOT's delinquent dollars. Without Coast Guard and TSA, DOT's delinquency rate would have been 7.4 percent, which would have been below the overall Federal agency rate of 7.6 percent. As of May 2003,

¹² In this report, we refer to "delinquent employees" as those whose accounts are more than *60 days* past due (i.e., past the billing date). Although an account is technically delinquent if the balance is not paid by the payment due date (which is 1 month after the statement date), we recognized that some employees had not received their reimbursements prior to their bills' due dates. Thus, we allowed employees an additional 30 days from the due dates to have their vouchers processed and receive their reimbursements before categorizing them as delinquent.

DOT's delinquency rate had dropped further to 5.8 percent using GSA's methodology for calculating delinquency rates.¹³

The delinquencies we identified and DOT's high delinquency rate occurred because employees did not comply with their Citibank account agreements and DOT travel card policy, and managers did not perform adequate oversight of their employees' travel card activities. For the 22 delinquent employees, we compared the timing of their vouchers to when they became delinquent and found that none of the delinquencies was due to receiving untimely travel voucher reimbursements.

Supervisors only knew that 9 of the 22 employees were delinquent. Under DOT's prior travel card policy (in effect from September 1998 through March 2002), coordinators were not required to monitor for delinquencies and did not routinely get delinquency reports. The policy was in effect until March 26, 2002, when a new policy required program coordinators to monitor and report delinquent employees to their supervisors. Prior to the new policy, program coordinators could request and receive delinquency reports, but there was no requirement to do so.

Besides violating DOT policy and ethics regulations, delinquencies and write-offs result in costs to DOT in the form of reduced rebates. Citibank rebates are calculated through a complex formula that considers dollar-volume of transactions, amount and length of delinquencies, and value of write-offs. In FY 2002, DOT could have earned about \$160,000 in rebates; however, DOT did not receive any rebate due to the volume of delinquencies and write-offs.

To address the delinquency problem, OST is now requiring the Operating Administrations, on a quarterly basis, to provide OST details on specific actions taken regarding their employees who were delinquent more than 60 days. To strengthen internal controls, we recommend that OST also reiterate to Operating Administrations the policy requirements regarding delinquencies; i.e., program coordinators are required to notify supervisors of delinquent employees, and supervisors are to take appropriate actions.

Of the 14 employees whose accounts were written off, 8 were still employed at DOT. We provided the names of these eight employees to their respective

¹³ Using an alternate methodology, DOT's Office of Financial Management calculated that DOT's delinquency rate as of May 2003 was 3.5 percent. GSA and the credit card banks calculate delinquency rates by dividing agencies' total outstanding monthly balances (dollars) into the balances that are overdue between 61 and 181 days *after the billing dates*. The Office of Financial Management calculates delinquency rates from the bills' *due dates*, which are usually 30 days from the billing dates.

Operating Administrations and recommended that action be taken to ensure their accounts are paid in full and that disciplinary action be taken for their violations of DOT policy.

Best Practices. During our audit, we identified two practices available to DOT to help control delinquencies in Government travel card accounts. First, the Travel and Transportation Reform Act of 1998 allows agencies to deduct from an employee's pay the amount of delinquent funds the employee owes on his/her travel card. Only Coast Guard had used this salary offset program to address its delinquencies.

GSA has recommended another method, called split reimbursement, to address delinquencies. A split reimbursement is where a delinquent employee agrees to have part of his/her current travel voucher claim sent directly to Citibank to pay the travel card charges included on that voucher. Under this method, the delinquent employee retains use of the travel card but does not go further into debt with Citibank. Only Coast Guard had used this split reimbursement method.

To demonstrate the value of these methods, we identified an FAA employee who received \$30,000 in travel reimbursements over a 12-month period, but became delinquent on about \$4,000 that was subsequently written off by Citibank. The employee told us that she did not pay her travel card bills with her reimbursements because of personal financial difficulties. If FAA had used salary offset or split reimbursement, this employee's charges to her travel card would have been paid, avoiding the write-off.

While the split reimbursement program does not prevent an employee from becoming delinquent, it can prevent future or further delinquencies. On the other hand, salary offset can be an effective tool to ensure employees pay delinquent accounts, thus preventing Citibank from having to write off these accounts. DOT has begun, and should continue, to implement these two best practices to address delinquencies.

Program Coordinators Are Key to Strengthening Controls

The Operating Administrations' program coordinators are DOT's first line of defense in detecting and reporting travel card fraud, waste, and abuse. To effectively perform their duties, program coordinators must have proper training and be afforded sufficient time to carry out their travel card monitoring, reporting, and follow-up duties.

We found that DOT does not require continuing education or training for program coordinators. Although GSA conducts annual training for program coordinators on the SmartPay Program, DOT attendance by program coordinators is voluntary. Some program coordinators advised us that they did not have any training other than an initial briefing at which they received Citibank's program coordinator handbook. We believe that program coordinators should receive training at least annually to ensure effective monitoring of cardholders' activity and to share best practices.

In addition, DOT had not established the program coordinators' function in a manner that would ensure effective management and oversight of cardholders' activities. We found that program coordinators could not be effective in providing oversight because they were given responsibility for a large number of cardholders. For example, the Federal Highway Administration (FHWA) had one program coordinator responsible for about 2,900 cardholders. Further, program coordinators were given little time to perform their functions, which are usually assigned as collateral duties. For example, one program coordinator's official position was Travel Branch Manager (a full-time job), but she was also expected to effectively monitor over 3,000 travel cardholders.

OST's recent travel card policy revisions address these issues by directing the Operating Administrations to:

- Ensure that program coordinators attend annual training and maintain proficiency in the use of Citibank's electronic reporting system in order to effectively perform their monitoring functions, and
- Assign an adequate number of program coordinators in a manner that ensures effective oversight over all travel cardholders.¹⁴

We believe the policy requiring the Operating Administrations to monitor for travel card misuse, to provide training for program coordinators, and to assign an adequate number of program coordinators will strengthen the oversight and management of DOT's travel card program.

Disciplinary Action Was Inconsistent

We found that the Operating Administrations' policies and guidelines regarding disciplinary actions for travel card abuses were inconsistent. OST, the Bureau of Transportation Statistics, and the Saint Lawrence Seaway Development

¹⁴ Although Citibank recommends 1 program coordinator for each 150 to 200 cardholders, OST will allow the Operating Administrations to set their own ratios.

Corporation did not have any internal policies but relied on the Department's policy, which was not specific regarding disciplinary actions. The remaining 10 Operating Administrations did address disciplinary actions, but they differed in the severity of the recommended actions. For example, FMCSA's disciplinary action for employees whose bills were more than 60 days past due called for 2- to 30-day suspensions. However, FAA's disciplinary action for the same offense called for a reprimand.

We contacted the supervisors of 55 employees who had misused their travel cards and found that supervisors were only aware of 15 of the employee misuse cases.¹⁵ All 15 employees received some level of disciplinary action or were under review to determine the disciplinary action.¹⁶

We reviewed the disciplinary actions taken or considered against the 15 employees and found that the disciplinary actions were inconsistent. For example, an FAA employee who charged personal expenses of \$51,000 and was delinquent, was suspended for 5 days, while an FMCSA employee who made personal purchases of \$5,900 but had paid her bills resigned after being advised that she might be terminated.

These inconsistent disciplinary actions were caused by the lack of consistent disciplinary policy or guidance from OST. However, OST's June 30, 2003 revisions to the travel card policy include a table of suggested penalties for various travel card abuses (see Exhibit B). The policy requires Operating Administrations to use this table as a guide in developing their own disciplinary actions for travel card abuses. We believe this policy, when implemented, will address the problem of inconsistent disciplinary actions.

RECOMMENDATIONS

To build on the actions already initiated by DOT and to further strengthen internal controls over the travel card program, we recommend that the Assistant Secretary for Budget and Programs and Chief Financial Officer, in coordination with the Operating Administrators:

1. Use data mining tools—such as reviews of Citibank databases for transactions to inappropriate merchants, comparisons of employees' travel

¹⁵ These 15 employees were identified by Citibank's delinquency or other reports, turning themselves in, or anonymous tips.

¹⁶ For the other 40 employees, neither the program coordinators nor supervisors were aware of the misuse. As discussed previously, although the March 2002 policy made program coordinators responsible for monitoring for employee delinquencies, they were never required to monitor for travel card misuses.

card charges to their travel vouchers, and reviews of employees' cash withdrawals—to identify abusive travel card activity and ensure compliance with DOT policy.

2. Block additional merchant category codes (e.g., cable TV services, health spas, and sporting goods) that are clearly not for official Government business.
3. Require Operating Administrations to comply with the policy regarding delinquencies; i.e., program coordinators are to notify supervisors of delinquent employees, and supervisors are to take appropriate actions.
4. Follow up to ensure the Operating Administrations are implementing to the maximum extent possible the best practices of salary offsets and split travel reimbursements to address delinquencies.
5. Require Operating Administrations to ensure compliance with travel card payment policies, which will maximize rebates, and put the \$160,000 in potential rebates to better use.

We also recommend that the Assistant Secretary for Administration in coordination with the Operating Administrators:

6. Report to OIG the actions taken with respect to the employees identified by our audit work as having abused their travel cards.

MANAGEMENT COMMENTS AND OIG RESPONSE

A draft of this report was provided to the Assistant Secretary for Budget and Programs and Chief Financial Officer, and the Assistant Secretary for Administration on July 17, 2003. The Assistant Secretaries jointly responded on August 11, 2003, agreeing with all our recommendations and providing the following comments. (See the Appendix to this report for the complete text of the Assistant Secretaries' comments.) The actions taken and planned are responsive to our recommendations.

Recommendation 1. Concur. DOT's program coordinators are responsible for monitoring overall travel card program performance and implementing departmental policy. One of their primary responsibilities includes monitoring monthly reports to identify delinquency trends or possible misuse. Potential problems are to be immediately communicated to appropriate management.

DOT's new policy clearly spells out program coordinator responsibilities. DOT anticipates implementing the use of data mining tools during August 2003.

Recommendation 2. Concur. All merchant category codes have been blocked for all of DOT with the exception of the following categories: airlines; rental cars; fuel and service stations; public transportation (bus, subway, etc.); hotels and motels; and restaurants. Citibank has commented that DOT's actions should minimize misuse of its travel cards. This action will be completed by September 2, 2003.

Recommendation 3. Concur. To help ensure compliance, DOT will require Operating Administrations to submit quarterly reports to the Office of Financial Management to monitor progress on travel card delinquencies and disciplinary actions. The first quarterly reports are to be submitted by October 15, 2003.

Recommendation 4. Concur. DOT is in the process of implementing salary offsets departmentwide. In previous guidance, Operating Administrations were given authority to implement salary offsets on a voluntary basis. Employee salary offsets will begin in September 2003. DOT is also in the process of automating travel voucher processing, which will facilitate implementation of split travel reimbursements. DOT expects to initiate this action during December 2003.

Recommendation 5. Concur. GSA's master travel card contract allows Citibank to subtract any rebates earned by Federal agencies from incurred write-offs, and write-offs can be carried over the life of the contract. DOT's write-off total through the second quarter of FY 2003 was \$569,000. With an approximate earned quarterly rebate of \$35,000, it would take about 4 years before DOT would actually receive any rebate funds. Since there are 5 years remaining in the Citibank contract, it is unlikely DOT will benefit from rebates.

Regarding DOT's comment to recommendation 5, we recognize that DOT's rebates are impacted by past account write-offs. However, the second quarter 2003 write-off balance of \$569,000 will be *reduced* by the amounts employees pay on those accounts. During our audit, we identified seven employees who had made payments on their written-off accounts. If DOT aggressively implements salary offsets, the \$569,000 balance will be reduced, allowing DOT to realize its rebates quicker. Further, regardless of the new contractor, DOT's actions to ensure compliance with travel card payment policies (e.g., employees paying bills on time) will maximize future rebates and allow DOT to put those funds to better use.

Recommendation 6. Concur. The Assistant Secretary for Administration fully supports accountability for appropriate disciplinary action for travel card misuse or delinquency. The Departmental Office of Human Resource Management will issue a memorandum to all Operating Administrations reminding them of their responsibilities to review and evaluate the travel card offenses identified by OIG. The memorandum will request that the Operating Administrations report the disposition of these offenses to the Assistant Secretary's office, including any disciplinary actions taken. As noted in the report, disciplinary actions have already been initiated against some of the individuals identified in the OIG audit. The Assistant Secretary for Administration will summarize and forward the reported data on the individuals to OIG. DOT anticipates that this effort will be complete within 90 days of receiving OIG's list of employees who abused their travel cards. OIG provided the list of employees to DOT on August 26, 2003.

ACTION REQUIRED

The actions taken and planned by DOT are reasonable. Therefore, all our recommendations are resolved, subject to follow-up requirements in DOT Order 8000.1C.

We appreciate the courtesies and cooperation of Department of Transportation representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1992 or Robin Hunt at (415) 744-3090.

#

EXHIBIT A. SCOPE AND METHODOLOGY

This audit included individually billed travel cards and did not include centrally billed accounts. For the period July 1, 2001, through June 30, 2002, about 90,000 DOT employees had Government travel cards and made over 1.4 million transactions totaling about \$250 million.

To address our objective regarding travel card abuse, we considered abusive travel card activity to include (1) use of the card for anything other than official Government travel (e.g., personal purchases and cash), and (2) cases in which employees did not pay the bill timely, regardless of whether the charges were for official travel or not.

We used the five data mining characteristics listed below to identify those employees having a high potential to abuse their Government travel cards:

- (1) wrote 3 or more non-sufficient funds checks to Citibank;
- (2) had their cards canceled for delinquency and nonpayment;
- (3) made more than 100 automated teller machine withdrawals or withdrew more than \$20,000 in a year;
- (4) made purchases at categories of merchants identified by DOT's Office of Financial Management as potentially inappropriate for Government travel;¹⁷ and
- (5) had airline or hotel charges with no corresponding travel voucher payment in DOT's automated accounting system.

We used the first three characteristics based on prior review work conducted by GAO and the Departments of Education and Defense Offices of Inspector General, which determined that these characteristics were often associated with travel card delinquency and misuse. We used the fourth and fifth characteristics to identify potential personal use of the travel card. (For the fifth characteristic, we developed a computer matching process to identify charges to the Government travel card when no reimbursement travel voucher was paid by DAFIS within 90 days of the charge.)

Of the 90,000 DOT employees who had travel cards, we identified a universe of about 10,000 employees having one or more of the 5 characteristics during the

¹⁷ The Office of Financial Management identified 114 merchant categories as potentially inappropriate and blocked 46 of these categories departmentwide. The Office of Financial Management recommended that the Operating Administrations review and take steps to block as many of the other 68 categories as they deemed appropriate.

period July 1, 2001, through June 30, 2002. From that universe, we nonstatistically selected 146 employees for in-depth review. These 146 employees had over 12,000 travel card transactions from July 1, 2001, through June 30, 2002. These employees were located throughout the country from all DOT Operating Administrations except the Bureau of Transportation Statistics and the Saint Lawrence Seaway Development Corporation. We excluded these two organizations because of their low volume of transactions.

We also reviewed DOT delinquency reports provided by Citibank and Government-wide delinquency and charge-off reports provided by GSA for the period July 2001 through May 2003. We compared DOT's reported delinquency rates to other Federal agencies. For the purposes of this audit, we defined delinquent employees as those whose payments were more than 60 days past due. We interviewed employees, program coordinators, and supervisors to determine the reasons for delinquencies.

We reviewed the Federal Travel Regulations and DOT's policies and procedures regarding travel cards. This included reviewing all the Operating Administrations' draft and final internal travel card policies.

We performed the audit from July 2002 through June 2003 in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

EXHIBIT B. DOT'S TABLE OF PENALTIES FOR TRAVEL CARD ABUSE

TABLE OF OFFENSES AND DISCIPLINARY ACTIONS FOR DELINQUENT AND UNAUTHORIZED USE OF THE GOVERNMENT TRAVEL CHARGE CARD

The following table is provided as guidance for administering discipline for the unauthorized use of the Government approved charge card accounts, for other than disputed charges. This table includes a range of penalties providing the supervisor with latitude to consider appropriate mitigating or aggravating circumstances. Columns delineating the number of offenses, first, second, and third, are provided for the application of progressive corrective actions.

NOTE: This table is solely a sample. OAs need not follow this table and are free to develop their own Table of Penalties for their organization.

Nature of Offense	First Offense	Second Offense	Third Offense
Payment of Government contractor-issued credit card bill is sixty (60) days or more past due.	Oral admonishment to written reprimand.	Written reprimand to 5-days suspension.	10-days suspension.
Failure to pay Government contractor-issued credit card after receiving reimbursement (60 days or more past due).	Written admonishment to 5-days suspension.	Written reprimand to 10-days suspension.	Removal.
Government contractor-issued credit card used for personal expenses or purchases not related to official business.	Written reprimand to 5-days suspension and offer counseling.	10-days suspension to removal.	Removal.
Government contractor-issued credit card used for personal purchases (not related to official travel) and employee is delinquent in payment (60 days or more past due).	Written reprimand to 10-days suspension and offer counseling.	10-days suspension to removal.	Removal.
Misuse and/or conversion of Government funds for personal use.	Written reprimand to removal.	Removal.	

Source: DOT's June 30, 2003 Travel Card Policy.

Exhibit B. DOT'S Table of Penalties for Travel Card Abuse

EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT

THE FOLLOWING INDIVIDUALS CONTRIBUTED TO THIS REPORT.

<u>Name</u>	<u>Title</u>
Glenn Griser	Program Director
Leroy Davis	Project Manager
Cindy Allen	Management Analyst
Petra Rose	Senior Statistician
Eric Whipkey	Statistician
William Savage	Computer Specialist
Shirley Murphy	Writer/Editor
Thomas Lehrich	Counsel

APPENDIX. MANAGEMENT COMMENTS

Aug 11, 2003

MEMORANDUM TO: Alexis M. Stefani
Principal Assistant Inspector General for
Auditing and Evaluation

FROM: *for* Donna McLean *Phyllis Schenker*
Vincent T. Taylor *Yuri Samoylov*
Assistant Secretary for Administration

SUBJECT: **Action:** Response to the Office of Inspector General (OIG)
Draft Report "Audit of the Use of Government Travel
Cards," Department of Transportation (DOT)

In response to the OIG draft audit report of the DOT's use of Government travel charge cards, we offer the following comments and responses to the draft report recommendations. As noted in the draft report, the Department has taken aggressive action over the past year to strengthen its travel card program, and has achieved significant improvements to the Program's operation. We appreciate this opportunity to review and comment on the draft report, and look forward to continued efforts with the OIG to identify additional program improvements.

Recommendations and Responses

Recommendation 1

Use data mining tools – such as reviews of Citibank databases for transactions to inappropriate merchants, comparisons of employees' travel card charges to their travel vouchers, and reviews of employees' cash withdrawals – to identify abusive travel card activity and ensure compliance with DOT Travel Policy.

Response

Concur -- DOT's Agency/Office Program Coordinators (A/OPCs) are responsible for monitoring overall program performance, implementing departmental travel policy, and alerting management of emerging problems. One of their primary responsibilities includes monitoring monthly reports to identify delinquency trends or possible misuse. Potential problems are to be immediately communicated to the appropriate management.

Our new policy clearly spells out the A/OPCs responsibilities in this area and requires that they attend annual training. We anticipate completing this action during August 2003.

Recommendation 2

Block additional merchant category codes (e.g., cable TV services, health spas, and sporting goods) that are clearly not for official Government business.

Response

Concur -- All merchant category codes (MCCs) have been blocked for all of DOT with the exception of the following:

- A – air
- B – vehicle (rental cars)
- C – hotels/motels
- D – misc. transportation (taxi, bus, subway)
- I – restaurants
- M – campsites (necessary for Alaska travel)
- S – fuel

Citibank management has reiterated on numerous occasions that DOT has sufficiently exhausted MCC blocks in a way that should minimize misuse of the travel card. This action will be completed by September 2, 2003.

Recommendation 3

Require the Operating Administrations (OAs) to comply with policy regarding delinquencies; i.e., the A/OPCs are to notify supervisors of delinquent employees, and supervisors are to take appropriate actions.

Response

Concur -- In order to ensure that the OAs comply with policy, quarterly reports to the Office of Financial Management will be required to track progress in a number of areas including delinquencies, disciplinary actions, charge-offs, and possible misuse. This action has begun and the first quarterly report is to be submitted by October 15, 2003.

Recommendation 4

Follow up to ensure the OAs are implementing to the maximum extent possible the best practices of salary offsets and split travel reimbursement to address delinquencies.

Response

We are in the process of implementing salary offsets Department-wide. Once the labor unions review this process and provide comments accordingly, it will be put into effect. In previous departmental guidance on this subject, the OAs were given authority to implement salary offsets on a voluntary basis. We expect to initiate salary offsets for non-bargaining unit employees during September 2003. The OAs with bargaining unit employees will still need to satisfy local bargaining requirements prior to implementing this provision.

We are also in process of automating our travel vouchering process nationwide which will facilitate implementation of split travel reimbursements. We expect to initiate this action during December 2003.

Recommendation 5

Require the OAs to ensure compliance with travel card payment policies, which will maximize rebates, and put the \$160,000 in potential rebates to better use.

Response

Concur -- However, it should be noted that at this point, complying with travel card payment policies will not result in rebates generated back to DOT. The General Services Administration Master Travel Charge Card Contract allows Citibank to subtract any rebates earned by Federal agencies from incurred write-offs. These write-offs can be carried over the life of the contract. DOT's write-off total as of the end of second quarter, fiscal year 2003, was \$569,000. With an approximate quarterly rebate of \$35,000 it would take about four years before we would see any rebates, assuming that we are not incurring any additional write-offs. Since there are five years remaining in Citibank contract, there is a good chance we will not see any rebates for the remainder of the Citibank contract.

Recommendation 6

The Assistant Secretary for Administration should ensure that the OAs are aware of their responsibilities to review and evaluate the travel card offenses of their employees identified in this audit and initiate appropriate disciplinary action.

Response

Concur -- The Assistant Secretary for Administration fully supports accountability for timely and appropriate disciplinary action for instances of travel card misuse or delinquency. The Departmental Office of Human Resource Management, on behalf of the Assistant Secretary for Administration, will issue a memorandum to all operating administrations reminding them of their responsibilities to review and evaluate their employees' travel card offenses identified by OIG in relation to this audit. The memorandum will request that each operating administration report the disposition of this review process to the Assistant Secretary's office, including any disciplinary actions taken to correct the identified misconduct. Operating Administrations are responsible for determining and applying appropriate disciplinary action, as each has delegated or statutory personnel authority. As noted in the report, informal or formal disciplinary actions have already been initiated against some of the individuals identified in the OIG audit. The Departmental Office of Human Resource Management will prepare a summary of the data reported and forward it to the OIG via the Assistant Secretary for Administration. We anticipate that this effort will be complete within 90 days of receiving the audit listing from OIG.

