



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
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**OMB Director Daniels Calls for Quarterly Reports to Combat Charge Card Fraud**

**Six Months after Initiative, Progress Uneven**

**Washington, D.C.** – Office of Management and Budget (OMB) Director Mitchell E. Daniels, Jr. this week called for federal agencies to provide quarterly reports addressing their purchase and travel card programs. Six months after OMB requested agencies to combat increasing charge card fraud, progress has been uneven. While some agencies have shown improvements, additional action is necessary. A copy of the memo follows this release.

“Agencies should continue to take disciplinary actions and make appropriate civil and criminal referrals for employees who violate the public trust. We will monitor agencies’ progress as the 2004 Budget is constructed,” said Daniels.

The first quarterly report, covering October 1, 2002 through December 31, 2002, should be submitted to OMB’s Office of Federal Procurement Policy no later than January 15, 2003.

Among the positive developments, the memo highlights:

- Cards have been canceled. By the end of this month, the Department of Defense (DoD) will have canceled approximately 400,000 travel cards, or nearly 20 percent of the total issued by the government. The Department of Energy has canceled 8 percent of purchase cards and over 5 percent of travel cards.
- Wages have been garnished from employees with long overdue bills at DoD and the Department of Interior.
- Delinquent accounts are down, in some cases, significantly. For example, the number of delinquent bills charged by Department of Housing and Urban Development employees dropped 96 percent in the past year. Government-wide delinquency rates have fallen from double-digit figures to 7 percent, according to the latest data.

Furthermore, the memo reports several best practices found thus far, including:

- Blocking of merchant category codes. The Department of Education, for instance, has pre-emptively blocked transactions with roughly 300 types of businesses to prevent the use of government-issued cards for casino visits, limousine rentals, veterinary services, and other questionable goods and services.
- Automated data mining. Computer-driven techniques to identify suspect transactions are being applied at DoD and the Department of Education.
- Periodic reviews of accounts for cancellation. DoD, for example, will be reviewing cards twice a year to ensure that inactive card accounts are canceled on an ongoing basis.

-- memo follows --

October 15, 2002

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr.  
Director

SUBJECT: Increased Oversight for Government Purchase and Travel Cards

Nearly six months ago, Office of Management and Budget (OMB) Memorandum 02-05 requested agencies to effectively combat the increasing fraud and abuse related to the use of government-issued purchase and travel cards. Since then, agency plans to provide increased oversight have been submitted and revised. Although there is a long way to go, a few agencies have made some progress. Specifically:

- Cards have been canceled. By the end of this month, the Department of Defense (DoD) will have canceled approximately 400,000 travel cards, or nearly 20 percent of the total issued by the government. The Department of Energy has canceled 8 percent of purchase cards and over 5 percent of travel cards.
- Wages have been garnished from employees with long overdue bills at DoD and the Department of Interior.
- Delinquent accounts are down, in some cases, significantly. For example, the number of delinquent bills charged by Department of Housing and Urban Development employees dropped 96 percent in the past year. Government-wide delinquency rates have fallen from double-digit figures to 7 percent, according to the latest data.

Despite these gains, progress is uneven and isolated. All agencies should be implementing these types of remedial actions.

Under OMB leadership, an interagency task force has been working to ensure that charge card abuses are effectively addressed. Among the best practices found, thus far, are:

- Blocking of merchant category codes. The Department of Education, for instance, has pre-emptively blocked transactions with roughly 300 types of businesses to prevent the use of government-issued cards for casino visits, limousine rentals, veterinary services, and other questionable goods and services.
- Automated data mining. Computer-driven techniques to identify suspect transactions are being applied at DoD and the Department of Education.
- Periodic reviews of accounts for cancellation. DoD, for example, will be reviewing cards twice a year to ensure that inactive card accounts are canceled on an ongoing basis.

The task force will make recommendations and ensure the implementation of best practices to prevent fraud and abuse. In the meantime, agencies need to move forward expeditiously to implement their own remedial action plans. Agencies should continue to take

disciplinary actions and make appropriate civil and criminal referrals for employees who violate the public trust. We will monitor agencies' progress as the 2004 Budget is constructed.

You are requested to provide a quarterly report addressing your agency's purchase and travel card programs to Mr. Robert Burton, Office of Federal Procurement Policy (OFPP). The reports may be submitted by electronic mail ([rburton@omb.eop.gov](mailto:rburton@omb.eop.gov)) or by facsimile (202-395-5105). The first quarterly report should be submitted to OFPP no later than January 15, 2003, and cover agency activities occurring between October 1, 2002 and December 31, 2002.