UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

July 29, 2005

**MEMORANDUM**

TO: James Baker
Acting Chief Financial Officer

FROM: Howard Sribnick
Inspector General

SUBJECT: Review of FTC Credit and Travel Card Active Account Lists

Recent reports by the Government Accountability Office and Inspectors General, as well as congressional hearings and press reports, have raised serious concerns regarding the adequacy of internal control systems that monitor the use of the more than 2.5 million Government credit cards in circulation. To date, millions of dollars of fraudulent and unauthorized expenditures have been made using these cards. While the purchase and travel card programs have increased efficiency in the federal acquisition process, they have also created opportunities for fraud and abuse.

The Office of Inspector General (OIG) has reviewed controls in these card programs both as a separate audit effort and as part of its annual financial statement audits with mixed results. For example, the OIG found in its review of *purchase cards* that the assistant CFO for Acquisitions reviews all transactions charged to the card and questions cardholders about suspicious card activity. On the other hand, past reviews of the *travel card* program revealed some personal use of the card by FTC staff.

The objective of this inspection was to assess how well the agency cancels card accounts belonging to employees who leave the agency. Cancellation of the account prevents potential abuse by the cardholder.

## Overview

FTC employees participate in two credit card programs. In both instances the cards are to be used for official government purchases only, and only by authorized staff. The programs differ by the purpose of the card and the number of FTC staff provided with each card.

The purchase card program is administered by the Acquisitions Office within FMO. The purpose of the purchase card program is to simplify the acquisitions process by enabling staff to make small purchases of acceptable goods and services (generally each under $2,500). This reduces the amount of paperwork required to purchase an item and the number of people involved in the purchase, thus saving administrative costs. Monthly invoices are sent to the Acquisitions office where they are coded and approved for payment by the FTC's payment office. As of March 2005, there were 80 staff assigned a purchase card.

The travel card program is managed by the Assistant CFO for Finance. The agency requires employees to use the travel charge card to obtain transportation fares, hotel accommodations, and rental cars, and any other subsistence and miscellaneous travel expense that can be charged. Invoices are sent directly to and are paid by the traveler after the traveler submits the travel voucher for reimbursement. There is no review of charges to determine whether card use is for travel-related purposes only. Travel cards are provided to all Commission staff who have a reasonable expectation of job-related travel.

When employees leave the agency, they are required to follow the agency's check-out process. As part of this process, credit card holders notify program officials in Acquisitions and Finance that they are leaving, or separating from, the agency. These officials then deactivate the card in that person's name. The OIG has noted in past reports that some staff bypass the checkout process, or parts of it. The controls lie in the cancellation of the card, not the collection of the card for the departing employee. Active accounts for separated employees, regardless of whether employees are in possession of cards, are a vulnerability that could allow fraud on the credit program to occur.

## Purchase Card Inspection

The OIG compared the March 2005 Citibank list of active purchase card accounts to recent FTC separation reports.[1] Comparison of the two databases found no separated cardholders with active purchase accounts.

## Travel Card Inspection

The OIG compared the March 2005 Citibank list of active travel card accounts to recent FTC separation reports. The OIG identified 13 former employees who still had active accounts with Citibank. The former employees left the agency between November, 2003 and January, 2005. The OIG determined that none of the accounts had any activity during the period of employee separation. The OIG provided the names to the Assistant CFO for Finance to cancel the accounts. Upon receipt of the names, Finance staff immediately deactivated these accounts.

[1] Separation reports contains the names of staff who have left the agency. The OIG selected separation reports from 10/01/03 – 1/31/05.

## Conclusion

The consequences of a breakdown in controls in the purchase card program are more significant than the travel card program because the agency, not the employee, is responsible for the charges made on the card. Controls to cancel accounts belonging to separating employees for this program appear to be working.

On the other hand, the OIG believes that controls to cancel travel card accounts should be strengthened. As the names of separating employees are known to the program manager, it appears that Citibank was simply not notified timely. Citibank officials told the OIG that it would require no more than a few days to close an account.

## OIG Recommendation

The OIG recommends that the list of active accounts be cross checked against the agency's separation report at least monthly to identify active accounts belonging to former employees. These accounts should then be cancelled.