



OFFICE OF
INSPECTOR GENERAL

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

October 25, 2001

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510-6200

Dear Senator Grassley:

This letter responds to your September 24, 2001 request for information on how the Federal Trade Commission (FTC) has managed its SmartPay program. Specifically, you requested that the Office of Inspector General (OIG) provide you with information regarding staff abuse of government-issued purchase cards and details of any audits and/or investigations performed as a result of such abuses.

When the credit card program first started at the FTC some 12 years ago, the agency had total monthly purchases of about \$6,000 made by 25 cardholders. As of October 10, 2001, the number of cardholders have nearly tripled to 70, while purchases have grown to approximately \$125,000 a month. Consequently, our response to your four inquiries covers the aforementioned program scope and time period.

(1) Provide any information regarding instances of employees who have been investigated and disciplined for misusing their government purchase and travel cards. Please include a full description of each instance of misuse/abuse and the resulting disciplinary action.

Management informed the OIG that it has not disciplined any employee for credit card abuse stemming from the SmartPay program. However, management has, on occasion, revoked card privileges for staff who did not follow agency record-keeping requirements (e.g., not forwarding supporting documentation in a timely manner). In addition, the OIG has not received any complaints of alleged abuse of the SmartPay program by agency employees.

(2) Provide details of audits and investigations you have conducted regarding the use of SmartPay accounts, along with copies of any reports you have written as a result of such activities.

The OIG has not conducted a review of the SmartPay program at the FTC separate from our testing of general program controls as part of our annual financial statement audit. However, in response to your request, the OIG has performed some additional tests to insure that sufficient controls are in place to allow management to identify card abuse should it occur.

During these inquiries the OIG learned that supervisory approval and cardholder training are prerequisites to staff receiving a credit card. Staff initially receiving the card are given a \$500 single purchase limit and a \$1,000 card limit. These amounts can be increased upon request to a maximum of \$2,500 and \$5,000, respectively. Individual monthly activity statements are sent by CitiBank directly to cardholders for review. The cardholder certifies that the statement is accurate and forwards it to the Assistant CFO for Acquisitions. The OIG noted that, as an additional control, these statements were usually co-signed by the cardholder's supervisor or by his/her administrative officer prior to forwarding. The Assistant CFO for Acquisitions determines if purchases conformed to program guidelines. The statements are then forwarded to the finance office for payment. Finance staff reconcile individual statements against a master invoice containing all card activity for the period to identify unauthorized users.

The Assistant CFO for Acquisitions cancels credit card accounts when cardholders leave the agency or when their authority to purchase is revoked by management. The OIG found no instances of former employees with active credit card accounts.

Regarding travel, the OIG performed an audit of the government-issued American Express (AmEx) travel card program at the FTC (*Review of FTC Compliance with the Government-Issued American Express Charge Card Program, AR 96-033*). Unlike our review of the SmartPay program, the OIG found that some agency employees violated their agreements with AmEx by occasionally using their card for personal use, while a small number of employees habitually made personal purchases on the card. Unlike purchase charge cards, travel card invoices are paid by the cardholder, with reimbursement by the government for work-related travel expenses. We found no instances where the government was asked to reimburse a personal-use expense. We also noted that a relationship exists between personal use of the card and late payment of invoices. Finally, we found that card cancellation procedures for separating employees were lax, resulting in charge card accounts remaining open for several months after the employee left the agency. A copy of this report containing OIG recommendations is attached.

The Honorable Charles E. Grassley

Page 3

(3) Provide details of audits and investigations that you plan to conduct regarding the use of SmartPay accounts.


The OIG will continue to monitor the SmartPay program as part of our annual financial statement audit. As in the past, audit steps will be performed to ensure that only authorized staff maintain active accounts and that only authorized purchases are charged to the government.

(4) Provide any recommendations you have for correcting program weaknesses.

The OIG believes that, based on discussions with program staff and the review of program documentation, adequate internal controls are in place to guard against employee abuse of the SmartPay program. Consequently, the OIG has no recommendations for improving the operations of this credit card program.

I hope this responds to your questions regarding the agency's SmartPay program. If I can be of further assistance, please contact me on (202) 326-2800.

Sincerely,


Frederick J. Zirkel
Inspector General

Attachment