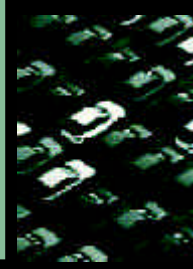




*Common Problems
and Uncommon Solutions:
How OIGs are Helping Improve
Federal Travel Card Programs*



*President's Council on Integrity and Efficiency
Executive Council on Integrity and Efficiency*



Inspection and Evaluation Committee

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UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D. C. 20230

November 2003

**MEMORANDUM FOR MEMBERS OF THE
PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY
EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY**

SUBJECT: *Common Problems and Uncommon Solutions: How OIGs Are Helping Improve Federal Travel Card Programs*

It is with considerable pleasure that I convey this latest publication of the PCIE/ECIE Inspection and Evaluation Committee, one of a growing number of program-specific documents developed by the I&E Committee intended to contribute to the knowledge and skills of members of the OIG community. This publication focuses on opportunities for enhancing OIGs' oversight of federal travel card programs through rigorous audits, inspections, and evaluations.

And this publication is indeed timely. The General Services Administration reported that federal employees and agencies charged \$6.42 billion in travel expenses on government-issued credit cards in fiscal year 2002. Congressional hearings and recent reports by OIGs and the news media concerning federal purchase and travel card use have prompted both the Office of Management and Budget and Congress to consider remedies to address purchase and travel card abuse. Thus our mission to enhance efficiency and effectiveness of program activities and prevent fraud and waste becomes more prominent.

Common Problems and Uncommon Solutions: How OIGs Are Helping Improve Federal Travel Card Programs synthesizes the results of OIG reviews of various federal agencies' travel card programs. But more important, it is offered as a primer that in very brief and simple terms highlights the most common problems identified by some OIGs while concurrently offering some proven solutions and best practices for fixing or avoiding these same problems. In addition, this publication incorporates other useful information about such matters as (1) GSA's Master Contract, Terms and Conditions in relation to travel cards, (2) guidance that should be consulted in assessing a travel card program, (3) GAO's Standards for Internal Control in the Federal Government, and (4) the roles and responsibilities of parties involved in the federal travel card program.

While several OIGs participated in the development of this project, special thanks are due to the Department of Labor's Office of Inspector General for taking the lead in developing this guide and to the Commerce OIG staff who worked to finalize and prepare it for publication. For additional information about the guide, please contact my office at (202) 482-4661, or Gordon Heddell's office at the U.S. Department of Labor, at (202) 693-5100.

Johnnie Frazier

Johnnie Frazier, Chair
Inspection and Evaluation Committee



Executive Summary

The purpose of this guide is to enhance the Offices of Inspector General (OIG) oversight of the Federal Travel Card Program. According to the General Services Administration, Federal employees and agencies charged \$6.42 billion in travel expenses on government credit cards in fiscal year 2002. With recent congressional and OIG reports, hearings, and press stories on Federal purchase and travel card use, both the Office of Management and Budget (OMB) and Congress are contemplating ways to address purchase and travel card abuse.



This guide synthesizes the experiences and results of OIG evaluations and audits of various Federal agencies' travel card programs. Although not all of the agencies contract with the same service provider or organize their travel card programs in the same manner, we identified common weaknesses and best practices among these agencies. In addition, the guide provides information on the pertinent terms and conditions of the GSA Master Contract, guidance that should be consulted in assessing a travel card program, the GAO's *Standards for Internal Control in the Federal Government*, and the roles and responsibilities of the parties involved in the travel card program.

The following is a list of the more common problems related to the use --and sometimes misuse-- of Federal travel cards that were identified by Inspector General offices:

- ❖ Lack of adequate written policies, procedures, and training for the travel card program.
- ❖ Failure to routinely review and/or close a large number of inactive accounts.
- ❖ Outdated employee information.

- ❖ Ineffective blocking of (inappropriate) merchant category codes.
- ❖ Late identification of misuse and delinquency, and failure to provide timely notification of such to a cardholder’s supervisor.
- ❖ Failure to monitor transactions for misuse, as well as delinquencies.
- ❖ No or inadequate written records of referrals to and follow-up with supervisors or employees.
- ❖ Inadequate controls over employee use of automated teller machines to obtain funds for travel.
- ❖ Failure to discipline employees who refuse to pay their bills or knowingly make inappropriate charges.
- ❖ Use of travel advances by employees who have “lost” the use of their cards through delinquency or misuse.

Problems are only part of the story with our guide. We have attempted to discuss the problems in the context of ways to address them by highlighting some of the best practices and other findings by OIGs that should be pursued to promote a more efficient and effective federal travel card program. Hence this guide includes a discussion of a composite of best practices from several agencies that should be useful in assisting agencies reduce the number of travel card delinquencies and improve management of the overall program. We have found just how beneficial it can be when there is:

- ❖ clear management support for the program;
- ❖ timely identification and referral of delinquencies and charge card abuses to the cardholder’s supervisor;
- ❖ timely referral of unresolved delinquencies and serious or frequent misuse to higher levels of management;

- ❖ referral of unresolved delinquencies and serious or frequent misuse to component investigative units;
- ❖ meaningful, consistent disciplinary action against cardholders for early infractions as well as for frequent delinquencies or for serious or frequent misuse of the charge card;
- ❖ strong headquarters oversight of the local travel card program coordinators;
- ❖ prohibition of the use of advances to fund travel for employees who have lost the use of their charge cards through delinquency or misuse;
- ❖ routine provision to the service provider of updated information about cardholders and their duty stations;
- ❖ control and restricted use of ATM access;
- ❖ limited distribution of charge cards to or physical control over the charge cards of employees who rarely travel; and
- ❖ adequate guidance and training for local coordinators and briefings for cardholders on the proper use of the travel charge card.

Note: To access OIG reports that synthesize the results of OIG evaluations and audits of various Federal agencies' travel card programs, please visit the President's Council on Integrity and Efficiency (PCIE)/Executive Council on Integrity and Efficiency (ECIE) Inspection and Evaluation Committee's Directory of Purchase and Travel Card Reports at www.ignet.gov.

Foreword

The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) were established by Executive Order 12805, May 11, 1992, to

- ❖ address integrity, economy, and effectiveness issues that transcend individual government agencies, and
- ❖ increase the professionalism and effectiveness of Inspector General personnel throughout the government.

The PCIE is primarily composed of the presidentially appointed IGs. The ECIE is mainly composed of the IGs who are appointed by agency heads. Chairing both councils is the Deputy Director for Management for the Office of Management and Budget. The Chair appoints the Vice Chair for each council to assist in carrying out its functions. Officials from OMB, the Federal Bureau of Investigation, Office of Government Ethics, Office of Special Counsel, and Office of Personnel Management also serve on both councils.



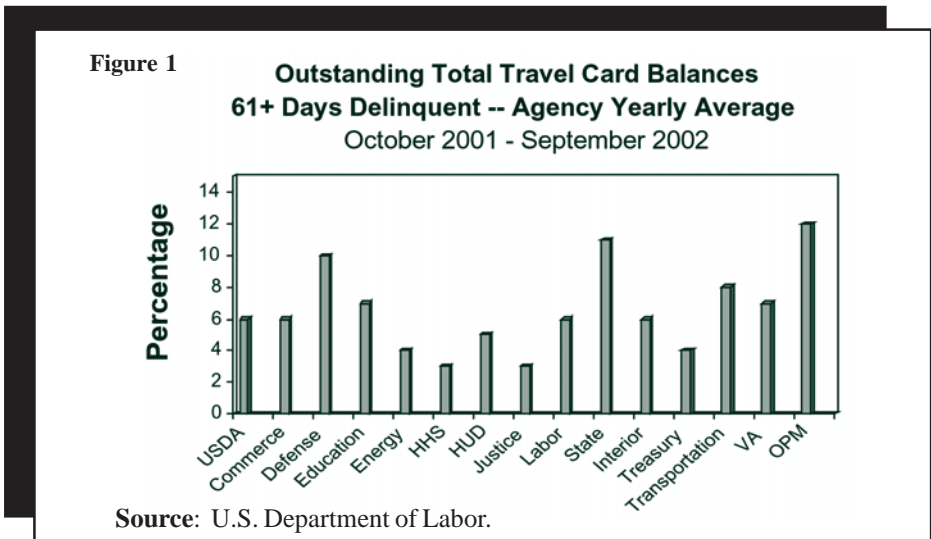
To accomplish their missions, the PCIE and ECIE conduct interagency audit, inspection, evaluation, and investigative projects aimed at promoting economy, efficiency, and effectiveness in Federal programs and operations. To enhance the efficiency of these projects, the councils have also developed policies, standards, and approaches that have helped build a well-trained and highly skilled OIG workforce. Because the PCIE and ECIE are made up of members from many Federal agencies, these projects can effectively address crosscutting or government-wide issues of fraud, waste, and abuse.

INSPECTION AND EVALUATION COMMITTEE

The Inspection and Evaluation Committee of the PCIE/ECIE provides contributions to the Inspector General community as well as the Federal government as a whole by helping to improve (1) the management of Federal programs; (2) the conduct of inspections and evaluations by sharing effective practices and insights; and (3) the analytic and administrative skills of OIG inspectors and evaluators by providing training on a variety of pertinent topics. The Committee is supported by a very active Inspections and Evaluation Roundtable. The Roundtable, created in 1993, is generally comprised of the directors or heads of inspection and evaluation units within the Federal Offices of Inspector General. Its purpose is to promote the professional development of employees in those units, improve the practice of evaluation and analysis, and provide positive contributions to the Inspector General community. These advances in professionalism and service aid the Federal government as a whole in improving the management of programs and operations. The Roundtable also serves as an adjunct to the Inspection and Evaluation Committee of the PCIE/ECIE.

Introduction

Concern over the government's travel card program arose at a May 1, 2001, Congressional hearing before the U.S. House of Representatives Committee on Government Reform, Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations. The General Services Administration (GSA) testified that as of March 2001, Federal employees were delinquent in paying more than \$25 million on their travel card accounts.¹ The following chart shows some fairly recent delinquency rates of 12 Cabinet-level agencies.



The Travel and Transportation Reform Act of 1998 (Public Law 105-264) requires government employees to use the government travel charge card (travel card) on official business. However, according to a 2002 amendment to the Federal Travel Regulation,² employees who travel 5 times or less a year are now exempted from the mandatory use of the travel card although agencies still have the discretion to issue a card to infrequent travelers.

¹“Federal Workers Misuse Travel Charge Cards,” *Government Executive Magazine*, May 2, 2001.

²*Federal Register*, September 13, 2002.

In 1998, GSA awarded a task order contract to four service providers (Citibank, Bank One, NationsBank [now Bank of America] and U.S. Bank) to provide travel card services. The GSA contracts are effective from November 30, 1998, through November 29, 2003, with five one-year options to renew. The contracts set up a point system that allows Federal agencies to receive rebates from the service providers based on travel card use. Each Federal agency chooses one of the four service providers to provide the services.

The individual cardholder, not the agency, is personally responsible for all travel card payments.

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Various government regulations and policies, including the Federal Travel Regulation and ethical standards, require that cardholders pay their travel card bills in a timely manner and that the travel card not be used for personal purposes. Agency employees who have been issued travel charge cards have a responsibility to pay for all charges made with those cards and to use the cards only for official government travel. Cardholder agreements usually state that by using the card or signing the agreement, the holder enters into a contractual agreement with the service provider to pay for the charges incurred and to use the travel card only for official travel and official travel-related expenses. Employees are reimbursed by their agencies for travel expenses and are expected to use the reimbursement to pay their travel card bills.



When a cardholder fails to make payments and continual delinquencies cause the service provider to cancel or suspend a travel card, an agency may be harmed. Employees who are unable to travel because of a loss of a card disrupt agency operations, and employees in positions of responsibility who have accrued considerable debt are vulnerable to failing suitability standards or succumbing to corruptive influences. Moreover, under future contract modifications, an agency could lose hundreds of thousands of dollars in rebates if a high level of written-off delinquencies is expected to continue.

PURPOSE



The primary purpose of this guide is to identify and determine the control practices used by agencies for monitoring the Federal Travel Card Program as well as to provide useful information to organizations that administer the program. At the time of our survey of the IG community, 28 Federal OIGs had performed evaluations or audits on the Federal Travel Card program. (See Appendix B for a listing of the OIG reports.)

The primary objectives of a travel card review are to assess (1) compliance with laws and regulations, (2) efficiency of operations, and (3) adequacy of internal or management controls to help prevent fraud, waste and abuse by cardholders or others who attempt to manipulate the program. We were able to identify common weaknesses and best practices among the agencies reviewed. The common problems identified can apply to all agencies regardless of whether they contract with the same service provider or organize their travel card programs in the same manner.

In addition to discussing common weaknesses and best practices, this guide provides information on the pertinent terms and conditions of the GSA Master Contract, guidance that should be consulted in assessing a travel card program, the GAO's *Standards for Internal Control*, and the roles and responsibilities of the parties involved in the travel card program.

GSA MASTER CONTRACT

In 1998, GSA awarded contracts to four service providers to provide travel card services. Each Federal agency then issued a task order to one of the four service providers under the Master Contract. The Master Contract has specific terms and conditions which the service providers must adhere to for the suspension and cancellation of the card.

- ❑ **Suspension** – Under the terms of the Master Contract, Section CB.17, the service provider may suspend an account if payment of the undisputed principal amount has not been received 61 calendar days from the closing date on the statement of account in which the charge appeared. Suspended accounts are reinstated by the service provider upon payment of the undisputed principal amount.

- ❑ **Cancellation** – Under the terms of the Master Contract, Section CB.18, the service provider may initiate cancellation of an individually billed charge account if:
 1. It is past due 120 days from the closing date on the statement of account in which the charge appeared, or
 2. The account has been suspended two times during a 12-month period and is past due again, or
 3. The card is used for other than authorized purchases and cancellation is approved by the Agency/Organization Program Coordinator (A/OPC).

Once cancelled, it is difficult to get the travel card reinstated. To have the card reinstated, the employee is required to undergo a credit check (which is initially waived as a courtesy to the government). When an account has an outstanding balance that is 180 days old, by Federal regulation that account is written off as a credit loss to that specific service provider and is referred to a collection agency or attorney. Service providers consider delinquency rates when deciding whether or not to assume a Federal agency's contract. Therefore, a high delinquency rate could diminish the available pool of contractors for an agency.

FEDERAL LAWS AND GUIDANCE

In addition to the GSA Master Contract, agencies can find guidance on travel card programs in the laws, regulations and policies that concern employee travel. In particular, agencies should review the following when assessing their travel card programs:

- ❑ The Travel and Transportation Reform Act of 1998 (Public Law 105-264)
- ❑ Federal Travel Regulation, at 41 Code of Federal Regulations (C.F.R.), Chapter 301
- ❑ Title 5, C. F. R, Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*
- ❑ Agency directives pertaining to travel cards

GAO'S STANDARDS FOR INTERNAL CONTROL

The Federal Manager's Financial Integrity Act of 1982 requires the GAO to issue standards for internal control in government. The GAO standards define the minimum level of quality acceptable for internal control in government and provide the basis upon which internal control is to be evaluated. (*Standards for Internal Control in the Federal Government*. November, 1999, GAO/AIMD-00-21.3.1.)

The GAO lists the following five standards for internal control:

- ❑ **Control Environment** – Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
- ❑ **Risk Assessment** – Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.

- ❑ ***Control Activities*** – Internal control activities help ensure that employees carry out management directives. The control activities should be effective and efficient in accomplishing the agency’s control objectives. Control activities in a government travel card program include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, reviews, and the creation and maintenance of related records that provide evidence of execution of these activities.
- ❑ ***Information and Communication*** – Employees should record and communicate information to management and others within the entity who need it in a form and within a time frame that enables them to carry out their internal control (and other) responsibilities.
- ❑ ***Monitoring*** – Internal control monitoring should assess the quality of performance over time and ensure that audit and other review findings are promptly resolved.

ROLES AND RESPONSIBILITIES

Finally, it is important that everyone involved understand his or her roles and responsibilities in the management of each agency’s travel card program.

- ❑ ***Departmental or Agency Travel Card Program Coordinator (A/OPC)*** – The departmental coordinator is responsible for developing and disseminating department or agency-wide travel card policies and procedures, monitoring card use, disputes and delinquencies, and representing the agency on government-wide travel card program workshops and committees. The agency’s overall travel card program coordinator is usually located in the agency’s Office of the Chief Financial Officer. The departmental coordinator also serves as the liaison between the A/OPCs, the issuing service provider, and GSA.
- ❑ ***Agency/Organization Program Coordinator*** – The A/OPC serves as an intermediary between the cardholder, the service provider, and the agency’s management. Each operating unit or bureau within a Department

or agency usually has an A/OPC. The A/OPC is responsible for (1) educating cardholders on the proper use of travel cards and obtaining each employee's acknowledgment statement certifying that he/she understands the government's travel card policies and procedures; (2) implementing agency policy related to the travel card program; (3) reviewing monthly reports of travel card activity from the service provider; (4) reporting possible card misuse to employees' supervisors and/or other appropriate officials; and (5) following up on delinquent cardholder accounts and travel card misuse. The A/OPC also generally serves as the focal point for answering questions, coordinating applications, and issuing and destroying cards.

- ❑ ***Supervisors*** – Supervisors are responsible for holding employees accountable for paying their travel card bills on time and taking notice when employees are delinquent or misuse their cards. They also should initiate and/or ensure that suitable administrative action is taken against cardholders who have misused the travel card.

- ❑ ***Travel Cardholder*** – The cardholder is responsible for understanding and adhering to his or her agency's internal policies and procedures regarding the use of the card and signing the cardholder agreement. Cardholder responsibilities also include record keeping, reconciliation, paying his or her monthly bill on time and in full, reporting lost/stolen cards, and notifying the service provider within 60 days of a disputed charge.

Common Problems & Best Practices

The Offices of Inspector General have identified the following list of the common problems involving the travel card program along with several best practice suggestions:

LACK OF ADEQUATE WRITTEN POLICIES AND PROCEDURES AND TRAINING

Educating cardholders, coordinators, and management about their responsibilities under the government travel card program is important. The OIGs found a great variation among their agencies with regard to written policies, procedures, and training provided to their employees. Each service provider includes a cardholder agreement when it mails the travel card to the employee. Many agencies require that employees, as a condition for program participation, certify that they have read, understand, and agree to abide by the regulations. However, employees need additional guidance to ensure they are aware of their responsibilities under the program, the prohibition against personal use of the travel card, and the disciplinary actions that may be taken for inappropriate use of the card.



Written policies and procedures are a critical element in any agency's travel card program. They are needed to provide guidance and ensure that the program is administered consistently. Without written policies and procedures, there is an increased risk for inconsistencies, abuse or misuse of the travel card, and higher delinquency rates. The policies and procedures should be clear, up-to-date, and distributed or made available to all employees who participate in the program.

In addition to specific guidance for program participants, the policies and procedures should also include guidance for A/OPCs. This guidance should outline the coordinators' roles and responsibilities and offer red flags when they review monthly reports from the service provider or card-issuing company. Labor OIG

found that the lack of guidance provided to A/OPCs resulted in employees being treated differently depending on which A/OPC monitored their account. In response to the OIG's report, Labor issued specific instructions for A/OPCs managing delinquencies and misuse. The instructions included a list of transactions that may indicate misuse and when and how an employee and/or supervisor should be notified of misuse and delinquencies. (See Figure 2 for the list of transactions or patterns of transactions that could indicate possible misuse. Please note that this is not an exhaustive list and A/OPCs should be familiar with the general travel rules and regulations in order to detect inappropriate transactions).

“Written policies and procedures are a critical element in any agency’s travel card program.”

Furthermore, several OIGs reported that their respective agencies did not provide formal training for new cardholders or refresher training for current cardholders. As such, cardholders rarely receive guidance unless they become delinquent or misuse their cards. The General Services Administration has on-line training available for the travel card program.³

Figure 2

Examples of Transactions That Could Indicate Misuse or Abuse

1. ATM transactions, usually at establishments near a person's home or office, without travel-related charges. For example, ATM charges are posted to the account absent an accompanying airline or hotel charge.
2. Restaurant charges or other transactions in out-of-town location with no related hotel charges.
3. More than one airline charge, and for the same amount and transaction date (e.g. the employee may have purchased an airline ticket on the travel card for a spouse, friend).
4. Excessive cash withdrawals.
5. Credit card charges that are not incidental to government-related travel. (Please refer to the *GSA SmartPay A/OPC Survival Guide*, Merchant Category Codes, and agency policies for further guidance.)

³www.fss.gsa.gov/webtrainingdocs/traveltraining/index.cfm

But I didn't know...

The course can be accessed by any Internet user, requires about an hour to complete and concludes with a quiz. Participants may print a certificate to demonstrate they have successfully completed the course. Agencies could use this course, or develop their own course, to ensure travel cardholders are informed of the requirements of the travel card program. Training could be mandatory for all new cardholders and refresher training could be provided to existing cardholders on a periodic basis. Travel card issues could also be included in the agency's orientation programs or ethics training.



... Now you do!

In addition to your agency's travel policy, you should comply with the following guidelines:

- DO** use your Government Travel Card to pay for official travel expenses.
- DO** obtain travel advances for official travel through an ATM if authorized by your agency.
- DO** track your expenses while on travel so you have accurate information for filing your travel claim.
- DO** file your travel claim within 5 days after you complete your trip or every 30 days if you are on continuous travel.
- DO** submit payment in full for each monthly bill.
- DO** follow your bank's dispute process for charges which are incorrect.
- DO** contact your bank's customer service number if you have questions about your monthly bill.
- DO** be aware that misuse of the card could result in disciplinary actions by your agency.

Reminders...



- Don't** use your Government Travel Card for personal use not related to official government travel.
- Don't** obtain travel advances through the ATM which exceed your expected expenditures for a trip.
- Don't** obtain travel advances through the ATM unless you are on travel or will be on travel shortly.
- Don't** allow your monthly bill to become overdue.
- Don't** wait for receipt of your monthly bill to file your travel claim.
- Don't** forget that the card is issued in your name and payment is your responsibility.
- Don't** make late payments because this could result in suspension or cancellation of your card.

Agencies may also want to develop materials such as a “Do’s and Don’ts” list or “Frequently Asked Questions” to place on their websites or give to employees to use as a reference source. In addition to employees knowing their responsibilities, they should be aware that their transactions are being reviewed, and what actions will be taken if they misuse their cards or are delinquent in paying their bills.

Finally, to implement effective discipline for charge card delinquents and/or employees who misuse their travel cards, each agency needs to develop and disseminate a written policy that outlines specific disciplinary actions, ranging from oral reprimand to dismissal.

Best Practices Summary

- ✓ Develop written policies and procedures that include individual cardholder responsibilities, service provider responsibilities and the oversight responsibilities of A/OPCs, immediate supervisors and management. The procedures should also cover what to do in cases of suspected fraud, cancellation procedures for terminated employees, employee penalties for abuse or misuse of the travel card, and charge card privilege reinstatement.
- ✓ Require employees to take an on-line training course on the travel card program. Current cardholders, as well as new cardholders, should complete the course. Training should be recurring; e.g., annually and upon reinstatement of a suspended or terminated card. It should also provide information tailored for supervisors and A/OPCs.
- ✓ Provide information on the travel card program during employee orientation programs and ethics classes.
- ✓ Develop and distribute informative materials on the travel card program to all employees to use as a reference, such as a “Do’s and Don’ts” list and “Frequently Asked Questions.” The information should be current and highlight any program changes.

A LARGE NUMBER OF INACTIVE, BUT OPEN ACCOUNTS

Depending on an agency's criteria, employees who travel infrequently may still be issued travel cards. For instance, Commerce's current policy is to issue a card to all employees who are expected to travel at least 2 times a year. Employees who are exempt are expected to use a personal credit card to pay their travel expenses.



While there is no cost to Federal agencies for maintaining open accounts, the risk for loss or misuse of the travel card exists. Education OIG reported that many employees had travel cards, but they did not frequently travel. It also identified six cardholders from its sample of employees who did not conduct any official travel but made personal purchases and ATM withdrawals—totaling \$32,648 over a two-year period—with their travel card. Justice OIG also found that some of the delinquencies contained in its sample were made by cardholders who traveled infrequently and were unable to resist using the available credit to make ATM withdrawals or inappropriate purchases. According to the OIG, one Justice employee whose delinquency was in excess of \$8,000, including personal charges and ATM withdrawals, told her A/OPC that she voluntarily called the service provider and canceled her travel card because of her inability to control her spending.

Restricting distribution of travel charge cards is one way to reduce delinquencies and curtail misuse. As mentioned previously, a recently published amendment to the Federal Travel Regulation⁴ exempts employees who travel 5 times or less a year from the mandatory use of the travel card. While agencies still have the discretion to issue a card to infrequent travelers, they might want to assess the travel requirements of their employees and consider not issuing cards to employees who rarely travel or, in some cases, consider having administrative staff maintain custody of travel cards when employees are not in travel status. Another option is

⁴*Federal Register*, September 13, 2002 Amendment 108.

to place minimal limits on cards of infrequent travelers to be increased only when travel is authorized. Commerce OIG noted that one of its departmental bureaus gives its infrequent travelers a \$1 balance on their cards until travel is authorized.

In addition to the large number of inactive accounts due to infrequent travelers, several OIGs reported that travel card accounts are not being cancelled in a timely manner when staff separate from the agency. For instance, OPM's OIG found that 46 terminated employees still had active cards at the time of its evaluation. Two of those 46 employees used the cards after their termination dates. Defense OIG also found 1,276 open accounts for personnel no longer assigned to an Air Force base and 15 of the accounts

“Updating employee information on a regular basis improves the accuracy of travel card reports, which is important to effective monitoring of travel card accounts.”

had delinquent balances totaling \$9,268. A Defense OIG review of cardholder listings and personnel records at another Air Force base indicated that 19 of 30 cardholders were no longer assigned to the base. One of these cardholders had purchased seven airline tickets and made local gas station charges after separating from the Air Force. In addition, Education OIG reported that an employee who left the agency in 1994 incurred charges totaling \$7,075 from January 1999 through May 2000. Charges totaling \$3,665 had not been paid at the time the card was canceled.

Updating employee information on a regular basis improves the accuracy of travel card reports, which is important to effective monitoring of travel card accounts. A Justice OIG report highlighted the FBI's practice of sending the service provider a monthly update of employee name and address changes from its personnel records, which the service provider uses to update its records. This saves the A/OPCs from monitoring or tracking down employees who no longer work in their divisions. In 2001, Defense OIG reported that its travel card company provided a list of inactive accounts to its A/OPCs to review for potential travel account cancellation or deactivation. This resulted in the cancellation of over 115,000 travel cards and the deactivation of an additional 112,000 travel cards.

In addition, when an employee transfers to a different office within a division/component, the employee normally maintains the same travel card. Transfers can result in a gap in monitoring coverage. Without updates of personnel changes, the lack of monitoring and follow-up by the employee's A/OPC increases the likelihood that the employee's delinquency will continue to the point where the card is canceled. Updating name and address changes monthly would improve the accuracy of travel card reports, thus reducing delinquencies.

Best Practices Summary

- ✓ Review inactive accounts and determine if some should be closed.
- ✓ Assess travel requirements and consider not issuing cards to employees who travel infrequently.
- ✓ Consider having administrative staff maintain custody of travel cards when employees are not in travel status.
- ✓ Consider placing a minimal dollar limit on travel cards of infrequent travelers when they are not in travel status.
- ✓ Establish a regular schedule to send a list of all open travel accounts to supervisors to review and to notify the A/OPCs of accounts to be closed.
- ✓ Send the service provider a monthly update of names and address changes from the personnel system.

- √ Establish a procedure to receive timely notice of all staff separated from the agency so accounts can be canceled upon separation.
- √ Ensure that employees turn in their travel cards as part of their checkout procedures when leaving an agency, and make sure that each employee's travel card bill is paid before settling any outstanding payments due the employee.
- √ When an employee transfers within an organization, ensure that A/OPC oversight authority is transferred if appropriate. If there are known problems with that employee's use of the travel card, the new A/OPC should be notified of the need for extra vigilance.

INEFFECTIVE BLOCKING OF MERCHANT CATEGORY CODES

Service providers can block certain Merchant Category Codes (MCC) on travel card accounts thereby preventing employees from using the travel cards at inappropriate vendors. However, not all agencies have implemented this feature.

With the use of MCC blocks, a significant improvement in preventive controls over travel card charges can occur. FDIC initiated automated blocking/prohibition of vendor codes during 2001 to prevent non-travel related purchases with the card. According

to FDIC's OIG, the control eliminated much of the earlier years' inappropriate travel card activity that resulted from employees mistaking the travel card for another personal charge card and using the card unintentionally. In addition, Education's OIG found that in FY 2001, 618 charges totaling \$93,642 were made to MCCs that were subsequently blocked.



Commerce's OIG also found numerous instances where employees used their travel card at retail establishments not normally associated with official travel expenses, including department stores and grocery stores. It also found one employee who charged dog kennel fees to the travel card. As a result, agencies might want to consider such controls over travel card charges.

Best Practices Summary

- √ Work with the service provider to place appropriate and effective MCC blocks on employee travel cards.

LATE IDENTIFICATION OF CARD MISUSE AND DELINQUENCY, AND FAILURE TO PROVIDE TIMELY NOTIFICATION TO SUPERVISORS

When an employee's account becomes delinquent or when an employee misuses the card, early identification and resolution of the problem are important. A/OPCs should notify supervisors in a timely manner so that supervisors can determine the reasons for the misuse or delinquency, and encourage the cardholder to pay the debt. Timely notification is especially important in cases of delinquency. When the cardholder's supervisor is not notified in a timely manner, the delinquent amount may become so great that the cardholder cannot readily pay it. For example, Justice OIG reported that one of its employees continued to accrue charges over a period of at least four months, resulting in an unresolved delinquency of \$23,139. A more timely referral to the supervisor might have resolved the matter and reduced the amount owed.



In addition, Labor OIG reported that an employee spent \$1,144 at automatic fuel dispensers and service stations near his duty station. He did not incur any other travel-related expenses. The A/OPC did not notify the employee or the agency

until the employee spent \$179 at a car dealership. By this time, the employee was already \$770 past due on his government travel card.

When delinquencies occur, a supervisor's early intervention may reduce the risk of the employee's card privileges being suspended, which can occur when the employee fails to make a payment within 61 days from the closing date on the statement of account in which the charge appeared, or canceled, which can occur at 120 days from the closing date on the statement of the account in which the charge appeared.

Commerce OIG found several cases where supervisors were not notified of delinquencies and/or bounced checks before employee cards were canceled by the service provider and accounts sent to a collection agency. When an employee's job requires travel, suspension or cancellation of the employee's travel card makes employee travel more complicated for the component.

The Justice OIG reported that delinquencies should be referred to the cardholder's supervisor well before possible suspension of the card and before additional costs can be incurred by the cardholder. Unfortunately, many of the A/OPCs wait until accounts are at least 90 days past due to refer delinquencies to the cardholder's supervisor. Early notification to supervisors can also result in quicker action by the employee to pay his travel card bills and thus preclude or reduce the need to take disciplinary action against the employee for more serious payment problems.

Best Practices Summary

- √ Both program coordinators and supervisors review monthly travel card activity reports for their office to identify questionable or inappropriate charges.
- √ A/OPC suspends or refers misuse or questionable charges or practices to supervisors as soon as they are detected.

- √ A/OPC puts on hold further card use and notifies the cardholder's supervisor at the 60-day point, well before possible service provider suspension of the card and before additional costs can be incurred by the cardholder.
- √ Supervisors discuss misuse or questionable charges with the cardholder as soon as they are identified and ensure immediate follow-up by the cardholder to pay the bill.

FAILURE TO MONITOR TRANSACTIONS FOR MISUSE AS WELL AS DELINQUENCIES

Several OIGs found that A/OPCs in their agencies were only monitoring travel card use for delinquencies, not misuse. Because the service providers send out periodic reports listing delinquent cardholders, it is much easier for A/OPCs to identify delinquencies than misuse. However, if an A/OPC only monitors delinquencies, employees who misuse their card for personal or other inappropriate purposes, will not be detected unless they became delinquent.

Labor OIG found that while A/OPCs did monitor for misuse, they varied greatly in how they identified it. For example, one A/OPC looked for improper store names, such as department stores, and notified the employee and the employee's supervisor if the charge was over \$100. Another A/OPC, in addition to looking for improper store names, looked for use in and around the employee's duty station and notified the agency regardless of the amount.

Given that supervisors are the most knowledgeable about employees official travel status, Commerce OIG reported that departmental officials have been working with the service provider to ensure that travel card statements are sent directly to office directors and/or supervisors in addition to the A/OPCs.

Best Practices Summary

- ✓ Give the supervisors access to service provider reports so that they can monitor accounts for misuse.
- ✓ Ensure that supervisors or persons who approve travel vouchers are also reviewing the related travel card charges.
- ✓ A/OPCs can flag misuse from the various reports available from the service providers and perform periodic reviews of travel card use to identify misuse.
- ✓ Create an objective standard, such as a checklist, for A/OPCs to use when identifying misuse to ensure that all employees are treated equally. The checklist should contain the types of transactions or patterns of transactions that warrant contacting an employee or an employee's supervisor, or checking an employee's travel voucher to ensure that the expenses were incurred during official travel.

NOT KEEPING WRITTEN RECORDS OF REFERRALS AND SUPERVISORY FOLLOW-UP

A/OPCs should maintain records of which employees were referred to their supervisors for travel card delinquency and misuse, and require written feedback from the supervisor or employee. Specifically, the supervisor or the cardholder should provide a written explanation of the reason(s) for the delinquency or misuse and an accounting of how the situation will be resolved. Commerce OIG reported that some of its A/OPCs and bureau heads were unable to provide the OIG with information on which employees had been referred to supervisors for delinquency or possible misuse and what actions the supervisors had taken in response to the referral.

Records of referrals and written feedback not only provide a check on the supervisors to ensure that they are following up on the situation, they also provide a method for determining how well A/OPCs are monitoring transactions. Written records also are important if the situation warrants disciplinary action against a cardholder or canceling a travel card due to repeated misuse.

The Social Security Administration's OIG reported that when an employee's travel card becomes delinquent, the agency sends a notification to the cardholder to pay the delinquent account. In addition, the appropriate Deputy Commissioner and travel-authorizing official are informed. The delinquency notification is then placed in the employee's file for one year. According to the Social Security Administration OIG, these letters are effective in getting employees to pay their delinquent accounts.

Best Practices Summary

- ✓ Keep written records of the employees who were referred to supervisors for actual or questionable travel card misuse and delinquency, and the circumstances surrounding the referral.
- ✓ Require written follow-up from either the supervisor or the cardholder explaining how and why the card was used inappropriately and how the situation has been handled.
- ✓ Require the A/OPC to prepare a monthly report on the results of his/her review of monthly activity to the A/OPC's supervisor to help determine how well the A/OPC is monitoring card usage and following up on problems.

INAPPROPRIATE ATM USE

The Automated Teller Machine (ATM) cash advance feature of the travel card program allows travelers to obtain cash advances to pay for official expenses that cannot be charged to the card. In addition, the Federal Travel Regulation requires Federal agencies to minimize the use of cash travel advances. ATM withdrawals are allowed only when authorized for official travel and are limited to the estimated amount of the traveler's meals and incidental expenses, such as taxis, and other miscellaneous expenses that cannot be charged. However, some OIGs found that employees used their travel card for ATM cash advances when not on official travel while others obtained excessive cash advances for official travel.



Justice OIG identified an employee who had made 33 inappropriate ATM withdrawals over a nearly four-month period. Another Justice employee inappropriately withdrew a total of \$3,321 in eight withdrawals over a five-week period. Commerce OIG also identified several cardholders who had withdrawn cash advances when not on official travel or obtained excessive cash advances for official travel. Two of these employees withdrew significant amounts: one cardholder obtained advances totaling \$20,600 and acknowledged that he routinely took advances as “insurance against potential delays in receiving reimbursement” for his travel vouchers. Another employee had withdrawn \$14,300 in cash advances not related to official travel. In addition, Transportation OIG reported that 48 of 95 employees from its sample withdrew cash 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. One employee withdrew about \$50,000 in cash over a 12-month period but was not on official travel.

Unauthorized ATM withdrawals often lead to delinquencies because employees do not receive reimbursement for those transactions and may not have personal funds available to pay the bills. However, because allowable advances vary from

trip to trip, it is not usually feasible to place physical controls over ATM withdrawals to ensure that employees are only withdrawing the correct amounts. It is also difficult to initiate controls to ensure that withdrawals are made only when a cardholder is in travel status. Therefore, ATM withdrawals are subject to abuse.

Commerce OIG reported that the established ATM limit in one bureau exceeded the needs of most of the cardholders. The FDIC OIG noted its agency employees, through FDIC's contract with its service provider, are limited to ATM withdrawals of \$500 total per week. FDIC also monitors travelers making more than 10 ATM withdrawals in any month to assess whether cash withdrawals are reasonable under the employee's travel-related assignments. Transportation has now revised its policy concerning cash withdrawals setting a limit of \$400 per month. Exceptions to the cash limit can easily be obtained in those cases where the limit is not sufficient to cover travelers' reasonable cash needs.

Best Practices Summary

- ✓ Analyze employee's patterns of delinquencies and inappropriate ATM access to determine whether the benefits of ATM use outweigh the costs (delinquencies stemming from ATM use, as well as ATM fees and surcharges associated with ATM withdrawals, both authorized and unauthorized). If the costs outweigh the benefits, agencies should eliminate ATM access.

- ✓ Place ATM dollar limits on travelers' cards.

INSUFFICIENT OR INCONSISTENT DISCIPLINE FOR EMPLOYEES WHO DO NOT PAY THEIR BILLS ON TIME OR KNOWINGLY MAKE INAPPROPRIATE CHARGES

Managers need to communicate and enforce a zero tolerance policy for travel card delinquencies and abuses. USAID OIG reported that at the time of its 2000 audit, no disciplinary action had been taken against a USAID employee for misuse of a travel card despite numerous incidences of abuse. In addition, Labor



OIG reported that its A/OPCs sometimes cancel travel cards because of repeated misuse. However, card cancellation alone may not be viewed as a deterrent. To clearly demonstrate management's intent to control delinquencies and misuse, disciplinary action against employees who refuse to pay their bills or knowingly make inappropriate charges may be necessary. Employees that make inappropriate charges are misusing their travel card privileges for personal gain. In addition, employees who do not pay their travel card bills in a timely manner are not meeting their employee obligations and violating the terms of the participation agreement.

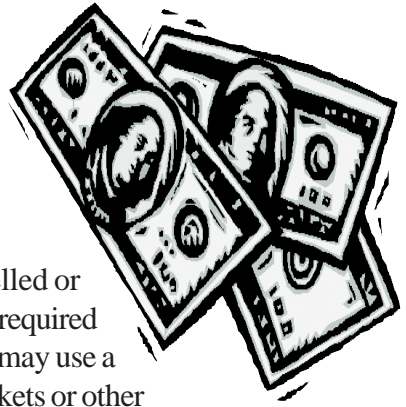
To implement effective discipline for charge card delinquencies and employees who misuse their travel cards, agencies should develop guidelines for managers on how to apply the *Standards of Ethical Conduct for Employees of the Executive Branch* to unauthorized use of travel cards and/or delinquency. Agencies might also want to develop and disseminate a written policy or table of penalties that outlines specific disciplinary actions ranging from oral reprimand to dismissal, as well as guidance on mitigating factors that would be considered in determining specific disciplinary action for an individual. To be effective, the disciplinary action needs to be appropriate to the situation and should be consistently applied. Justice OIG reported that one of its components incorporates specific disciplinary action in its travel card guide. For example, when a first offense occurs, the supervisor may issue a written reprimand, and when a second offense occurs, the supervisory should consider suspending the employee from duty without pay for one to three days. Only when the third offense occurs is the supervisor *required* to take action, by suspending the employee for five days.

Agencies should also develop a policy requiring automatic investigative referrals to OIGs or internal affairs units for travel card misuse as well as serious unresolved delinquencies. There are various reasons to implement a mandatory referral policy. First, this action may help demonstrate to employees that a zero tolerance policy is being enforced. In addition, this policy would help hold first-line supervisors accountable for taking action and alert management to systemic or serious problems. Finally, an investigation of an employee who fails to pay bills may uncover evidence of deeper problems or a vulnerability to corruptive influences.

Best Practices Summary

- ✓ Apply appropriate and consistent discipline for employees who are delinquent or misuse their travel cards.
- ✓ Develop and disseminate a written policy that outlines specific penalties or disciplinary actions as well as mitigating factors that supervisors are to consult in determining what action should be taken against an employee who does not abide by the rules for the travel card program.
- ✓ Alert upper management in instances where the first-line supervisor has not resolved delinquencies or serious or frequent misuse.
- ✓ Develop agency guidelines for managers on how to apply the *Standards of Ethical Conduct for Employees of the Executive Branch*.
- ✓ Implement a mandatory referral policy that covers when employees' delinquency or misuse must be referred to the OIG and/or the agency's internal affairs unit.

USING CASH ADVANCES TO FUND THE TRAVEL OF EMPLOYEES WHO HAVE LOST THE USE OF THEIR CARDS THROUGH DELINQUENCY OR MISUSE



Some employees whose cards have been cancelled or suspended due to non-payment or misuse are still required to travel as part of their job. While an employee may use a Government Travel Request to pay for airline tickets or other types of transportation, employees who have lost their travel card privileges should not be given cash advances for lodging and incidental expenses. However, the practice of denying travel advances to employees whose travel cards have been canceled is not uniform. For example, Justice OIG reported that while its agency's policy calls for employees who are unable to use their travel cards because of delinquency to pay their travel expenses with personal cash or credit cards, it found that not all of the agency's components followed this policy. Providing cash advances not only counteracts the benefits derived by the agency from having a travel charge card program in place, but it also fails to penalize employees for irresponsible actions and it reduces the incentive for employees to avoid having their cards canceled.

Best Practices Summary

- ✓ Require employees who cannot use their travel cards due to delinquency or misuse to pay their lodging and incidental expenses with cash or personal credit cards.

Conclusion

Our discussion and presentation of common problems and best practices involving the use of government travel cards addresses crosscutting or government-wide issues of fraud, waste and abuse. While this discussion may not be exhaustive, it is an excellent place for other OIGs and program managers to start when evaluating their own agency's travel card program. We believe that by adopting these best practices, Federal agencies can strengthen their travel card programs and reduce travel card misuse and delinquency.

A good internal control environment requires that the agency understand the likely vulnerabilities and risks so that it can clearly define key areas of authority and responsibility and establish appropriate lines of reporting. Written policies and procedures are critical elements of a well-defined control environment. Without written policies and procedures, there is an increased risk for inconsistencies in the administration and oversight of the travel card program; increased risk for abuse or misuse of the travel card; and increased risk for higher delinquency rates.

Federal employees who have been issued travel charge cards have a responsibility to pay for all charges made with those cards and to use the cards only for official government travel. When cardholders fail to make payments and when continual delinquencies cause travel cards to be suspended or canceled, a Federal agency is harmed. Employees who are unable to travel because of a loss of a card disrupt an agency's operations, and employees in positions of responsibility who have accrued considerable debt are vulnerable to failing suitability standards or succumbing to corruptive influences.

Although the guide specifically addresses Federal programs, some agencies may want to examine their contractors' travel card programs to determine whether there is any potential impact on the Government, e.g. charge-back of bad debts, and if so, include them in review programs.

Acronyms

A/OPC	Agency/Organization Program Coordinator
ATM	Automated Teller Machine
ECIE	Executive Council on Integrity and Efficiency
Education	Department of Education
GAO	General Accounting Office
GSA	General Services Administration
MCC	Merchant Category Code
OIG	Office of Inspector General
OPM	Office of Personnel Management
PCIE	President's Council on Integrity and Efficiency

Appendix

To access the following reports and others, please visit the President's Council on Integrity and Efficiency (PCIE)/Executive Council on Integrity and Efficiency (ECIE) Inspection and Evaluation Committee's Directory of Purchase and Travel Card Reports at www.ignet.gov.

I. Offices of Inspector General Reports

Appalachian Regional Commission

Memorandum Survey Report – Review of Credit Card and Travel Charge Card Use, Report No. 02-18(H), March 11, 2002.

Consumer Product Safety Commission

Travel Charge Card Program, November 27, 2001.

Corporation for National and Community Service

Implementation of the Travel and Transportation Reform Act of 1998: “Why Haven't Federal Employees Been Held Accountable for Millions of Dollars of Federal Travel Expenditures?” May 1, 2001.

Department of Commerce

Departmental Travel Expenses Need Better Control and Oversight, Report No. EAD-7129-5-0001, September 1995.

Internal Controls for Travel Cards at OAR's Environmental Technology Laboratory Can Be Strengthened, Report No. BTD-14908-2-0001, September 30, 2002.

Travel Card Program at National Weather Service Headquarters Needs Additional Management Controls, Report No. BTD-14972-3-0001, March 18, 2003.

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Summary of DoD Travel Card Program Audit Coverage, Report No. D-2002-065, March 18, 2002.

Department of Education

Audit of Controls Over Government Travel Cards, Report No. ED-OIG/ACN-A19B0010, March 27, 2002.

Department of Interior

Advisory Report on the Department of the Interior Travel Charge Card, Report No. 2002-I-0048, September 30, 2002.

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Review of Travel Charge Card Delinquencies, Report No. I-2001-001, March 30, 2001.

Travel Card Delinquencies, Report No. I-2001-008, August 2, 2001.

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Audit of Use of Government Travel Charge Cards, Report No. FI-2003-049, August 28, 2003.

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Evaluation of the Risks and Costs Related to the Purchase and Control of Airline Tickets, Report No. 082905, April 1, 1998.

Former Employees Had Access to Internal Revenue Service Credit Cards and Computers, Report No. 2000-10-051, April 17, 2000.

The Travel Charge Card Program's Controls Could be Enhanced, Report No. 2002-10-183, September 23, 2002.

Federal Communications Commission

Report on Special Review of Employee Use of FCC Travel Cards, Report No. 01-AUD-10-41, March 8, 2002.

Federal Deposit Insurance Corporation

FDIC Travel Card Program, Report No. 02-030, August 30, 2002.

Federal Election Commission

Review of Commission Travel FY 1995, Report No. OIG-96-02, March 1, 1996.

Federal Housing Finance Board

Audit of the Federal Housing Finance Board Government Travel Card Program, Report No. 02-A-02-ORM, January 27, 2002.

Federal Reserve Board

Report on the Audit of the Federal Reserve Board's Government Travel Card Program, Report No. A0011, January 28, 2002.

International Trade Commission

Evaluation of the Commission's Travel Program, Report No. OIG-AR-03-02, September 30, 2002.

National Credit Union Administration

Travel Card Review, Report No. OIG-02-10, September 16, 2002.

National Endowment for the Arts

Review of NEA's Internal Controls for Purchase and Travel Card Expenditures, Special Review Report No. R-02-02, May 20, 2002.

National Labor Relations Board

Audit of Travel and Purchase Cards, Report No. OIG-AMR-36-02-02, September 13, 2002.

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Audit of NSF's Travel Charge Card Program, Report No. 02-2-013, September 25, 2002.

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Congressional Response Report, The Social Security Administration's SmartPay Program, Report No. A-13-02-22059, November 6, 2001.

Allegations of Inappropriate Pay and Travel Practices at the Philadelphia Regional Office, Report No. A-13-02-22097, October 8, 2002.

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Audit of USAID's Internal Controls over its Government-Sponsored Travel Card Program, Report No. 9-000-00-004-P, September 27, 2000.

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Travel Cards: Control Weaknesses Leave Navy Vulnerable to Fraud and Abuse, Report No. 03-148T, October 8, 2002.

Travel Cards: Control Weaknesses Leave Army Vulnerable to Potential Fraud and Abuse, Report No. 03-169, October 11, 2002.

Travel Cards: Air Force Management Focus has Reduced Delinquencies but Improvements in Controls Are Needed, Report No. 03-298, December 20, 2002.

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