

MEMORANDUM FOR HEADS OF DEPARTMENT COMPONENTS

FROM: GLENN A. FINE
INSPECTOR GENERAL

SUBJECT: Review of Travel Charge Card Delinquencies, I-2001-001

While examining issues related to procurement cards, the Office of the Inspector General (OIG) learned that Department of Justice (Department) employees were accruing significant unpaid travel charge card debts. We subsequently determined that this unpaid debt for Department employees over a two-year period (November 1998 to December 2000) amounted to \$1.2 million.

We conducted a review of Department travel charge card delinquencies using a snapshot of Department cardholders who were 120 to 180 days delinquent as of January 1, 2001. The list of delinquent cardholders provided by the Department's contractor, Bank One, consisted of 150 cardholders owing a total of \$361,087. Within that group, individual debt ranged from \$15 to \$23,139. From the list, we selected a sample of cardholders who owed at least \$5,000 or who were employed in Department offices with three or more delinquent cardholders. Our resulting sample included 64 cardholders, in 25 offices, owing a total of \$236,718 (see attachment).

We then telephonically contacted the designated travel card coordinators for the offices in our sample to assess their procedures for monitoring delinquencies and to obtain detailed information on individual delinquencies. We asked the coordinators to explain what they had done regarding the delinquencies, and, in some cases, we acquired information about an individual delinquency from the delinquent employee's supervisor. We also contacted the overall travel card coordinator for each Department component to discuss how the coordinator administers the travel card program and to obtain written procedures (if they existed), which we assessed. We also discussed procedures with the Bank One official responsible for the Department's account and examined a variety of Bank One reports and data.

This report contains the results of our review of the following Department components: the Bureau of Prisons (BOP), the Drug Enforcement Administration

(DEA), the Federal Bureau of Investigation (FBI), the Immigration and Naturalization Service (INS), the Offices, Boards, and Divisions (OBDs),¹ the Office of Justice Programs (OJP), UNICOR (BOP's Federal Prison Industries), and the U.S. Marshals Service (USMS). Because of the large number of INS delinquencies that appeared in our sample, we will issue a separate report to INS.

Overall, we concluded that Department components, with the exception of INS, have adequate practices for monitoring their travel charge card programs. Nonetheless, we identified weaknesses and inconsistencies in travel card procedures and the implementation of the travel charge card program. This report outlines our suggestions for improving administration of the program and ultimately reducing delinquencies.

Background

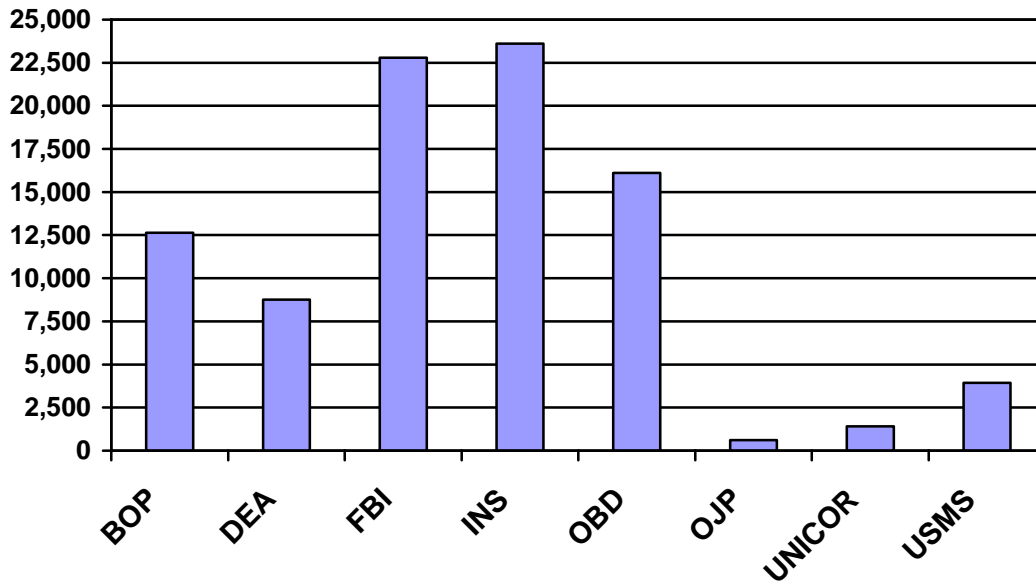
The Government Travel Charge Card Program was created by the General Services Administration (GSA) as a travel and travel transportation payment and expense control system. It includes employee travel charge cards, automated teller machine (ATM) services, and Government Transportation Accounts (GTAs) for use by government employees traveling on official business.² The Federal Travel Regulation (FTR) requires employees to use the government contractor-issued travel charge card for official travel expenses unless an exemption has been granted. Bank One is currently under contract to the GSA and the Department to provide travel charge card services.

As of December 2000, 89,880 Department employees had travel charge cards. More than half of those cards were assigned to FBI and INS employees. (See Figure 1 on page 3.)

¹ The Offices, Boards, and Divisions that were included in our sample are the Tax Division, the Executive Office for U.S. Attorneys, and one U.S. Attorney's office (USAO).

² A GTA is a centrally billed account used to procure common carrier transportation services.

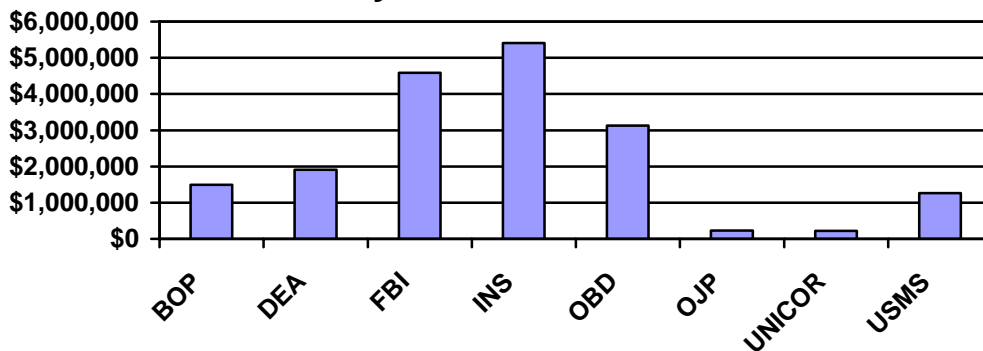
**Figure 1: Number of Cards
as of December 2000**



Source: Bank One

The Department's average monthly travel charge card activity from January 1999 through December 2000 was \$18.3 million. Employees of the FBI and INS were responsible for more than half of the total amount charged. See Figure 2 below.

**Figure 2: Average Monthly Activity
January 1999 - December 2000**



Source: Bank One

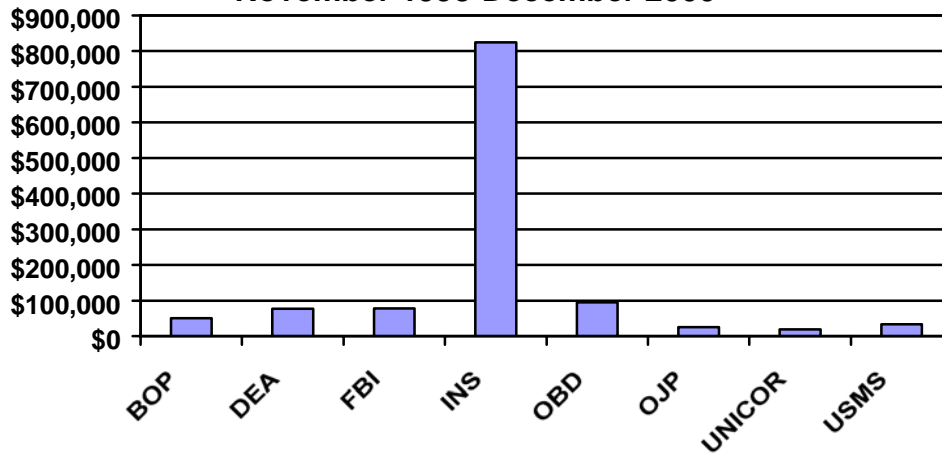
To administer the travel charge card program, the Department has established a network of coordinators throughout the Department. A Department Agency Program Coordinator, located in the Justice Management Division (JMD), functions as the overall coordinator for the Department's travel card program, working with the components to resolve any issues that they have. JMD also serves as the Department's liaison with Bank One.

Each Department component is responsible for its own travel charge card program and has a designated national coordinator. Within a component, each organizational element—office, sector, service center, facility—has a designated local coordinator. Currently the Department has approximately 3,000 coordinators. These coordinators are responsible for the day-to-day management of the travel charge card program. Bank One provides the national and local coordinators with various reports to help them manage the travel charge card program. These reports list such things as current account balances, charges made by cardholders, accounts that are in the process of being suspended or canceled for non-payment, and accounts that actually have been suspended or canceled. When local coordinators reviewing reports from Bank One become aware of possible misuse of travel charge cards or delinquent payments on the part of the cardholder, they are supposed to resolve the situation, generally by notifying the appropriate supervisory or management official.

When an account becomes 90 days past due, Bank One suspends the account and blocks all transactions until payment is received. If payment has not yet been received once the account becomes 120 days past due, Bank One cancels the account. To have the card reinstated after cancellation, the employee is required to undergo a credit check (which is initially waived as a courtesy to the government). It is difficult to get the card reinstated. 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 Bank One and is referred to a collection agency or attorney.

Bank One's cumulative net write-offs of Department accounts for the period from November 1998 through December 2000 totaled \$1.2 million. This amount represents charges that Department employees were delinquent in paying and which still had not been paid at the time of our review. As shown in Figure 3 (see page 5), INS employees are responsible for a disproportionately large amount of the total write-offs.

Figure 3: Cumulative Net Write-Offs
November 1998-December 2000



Source: Bank One

The individual cardholder, not the Department, is held personally liable for delinquent payments. Various governmental regulations and policies—including the FTR, ethics standards, and policies of various Department components—mandate that the cardholder make payment of financial obligations and that the charge card not be used for personal purposes. Additionally, by signing the cardholder agreement, the employee has made a contractual agreement with Bank One to pay for charges incurred. There also is an implied agreement between the Department and the employee that the employee will use travel reimbursements to pay for travel charges that were incurred. It is in the Department’s best interest to ensure that employees pay their travel card charges in a timely manner because of the effect delinquencies can have on operations. Loss of a charge card can limit an employee’s ability to travel, and therefore negatively impact the components’ missions. Nonpayment of debt also can affect an employee’s suitability for continued employment with the Department because financial problems can make employees vulnerable to corrupting influences, a situation that the Department needs to monitor because of the sensitive nature of many of its positions.

Although a high delinquency rate does not have a direct effect on the cost of the travel charge card contract, it does have indirect effects. Contracting banks 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. A high delinquency rate also can affect the amount of the rebates that the contracting bank provides to federal agencies based upon the volume of charges and the timeliness of payment. Because high delinquency rates increase the administrative costs to the bank of collecting the delinquent funds, the contracting bank could reduce the amount of rebates to cover these costs.

Under the current contract with Bank One, the Department experiences no direct financial impact when an employee defaults on a bill; however, that will change with an upcoming contract modification being implemented by GSA. Currently the Department receives, from individual travel charge card accounts, a rebate based on the amount of charges made, excluding ATM charges. The GSA contract modification will allow the contracting bank to offset the amount of its credit losses from the travel card program (i.e., the uncollected amounts that are 180 days or more delinquent) from the rebates that the Department has earned.

In fiscal year (FY) 2000, the Department received \$4.6 million in rebates for all of its charge card programs (individual travel, GTA, fleet services, and procurement).³ Approximately \$175,000, or 16 percent, of the approximately \$1,072,200 in rebates provided for the first quarter of FY 2001 pertained to the individual travel charge card program. Using this percentage, which a Bank One official said was representative, we estimate that approximately \$736,000 of the total FY 2000 rebate pertained to the individual travel card program. During that same period, Bank One experienced approximately \$550,000 in individual travel card credit losses from Department employee accounts; if the contract modification had been in place during that time period, the Department's rebate would have been reduced from \$736,000 to \$186,000. If delinquencies in the travel charge card program continue at the current level, under the new contract the Department will experience a substantial decrease in rebates from the individual travel charge card program.

Overall Findings

Although the Department has an overall travel card coordinator, the travel charge card program is decentralized; each component has adapted the program to fit its mission and needs. Consequently, each component has developed its own practices in administering the program, and those practices involve varying degrees of control over travel cards.

Records we obtained from Bank One showed problems with delinquencies, and some Department coordinators told us about cases of employees who had misused their travel charge cards. Overall, however, we observed that most components had established effective systems for monitoring and following up on delinquencies and charge card misuse. The Bank One official responsible for the Department account told us that if INS's performance were not included in the assessment, the Department would rank as one of the better government accounts.

Based on our discussions with Department national and local travel card coordinators, supervisors of delinquent cardholders, and the responsible Bank One official, we identified basic elements of an effective travel card program which, if implemented, would help components further reduce delinquencies. These

³ Fleet services charge cards are used for fuel and minor maintenance relating to government vehicles. Procurement charge cards are used for the acquisition of expendable office supplies.

elements, which are a composite of best practices from several Department components, are:

- management support for the program;
- timely identification and referral of delinquencies and charge card abuses to the cardholder's supervisor;
- written feedback from the supervisor or the cardholder to the local coordinator regarding the reasons for the delinquency and action taken to resolve the delinquency;
- 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 unresolved or frequent delinquencies or for serious or frequent misuse of the charge card;
- headquarters oversight of the local 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 Bank One of updated information about cardholder duty stations;
- elimination or substantial limitation of ATM access;
- limited distribution of charge cards or physical control over the charge cards of employees who rarely travel; and
- adequate training for local coordinators and briefings for cardholders on the proper use of the travel charge card.

Management Support

The hallmark of an effective program is management support. Considering this, Department managers should communicate and enforce a zero tolerance policy for travel card delinquencies and abuses. During our review, we found that in offices where management strictly enforced program compliance, fewer instances of delinquencies and misuse occurred. The FBI, which accounts for a quarter of the total Department cardholders and whose employees were responsible for only 6.5 percent of the net write-offs, has demonstrated its zero tolerance policy by negotiating with Bank One to implement policies that are stricter than those followed by other components. For example, the FBI has eliminated ATM use and requires that cardholders' bills be mailed to their duty stations. The DEA Chief Financial Officer communicated his concern over travel charge card delinquencies in a bulletin to DEA officials published in August 1999. While most of the components' management supported the travel card program, one legal division travel coordinator complained that managers in his division routinely failed to sanction employees who were delinquent in paying their travel card bills but who performed their duties well. We found that in offices where supervisors and managers hold employees

accountable for paying their travel card charges and take notice when they are delinquent, delinquencies are resolved quickly and fewer delinquencies occur.

Timely Identification and Referral to Cardholder's Supervisor

When an employee's account becomes delinquent or when an employee misuses the card, early identification and resolution of the problem is important. Local coordinators should notify cardholders' supervisors in a timely manner so they can determine the reasons for the delinquency and encourage the cardholder to pay the debt. Some causes of delinquencies, such as failure of the employee to submit a travel voucher timely or a delay in receiving a reimbursement check, could be easily resolved by the supervisors. Other causes, such as fiscal irresponsibility on the part of the cardholder, could result in a referral to the Employee Assistance Program for counseling. We observed that when the cardholder's supervisor is not notified in a timely manner, the delinquent amount can become so great that the employee cannot readily pay it. For example, one DEA employee included in our sample continued to accrue charges over a period of at least four months, ending up with a still unresolved delinquency of \$23,139. A more timely referral to the supervisor could have resolved the matter and reduced the amount owed.

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 90 days. If a delinquency is not resolved by 120 days, Bank One will cancel the account, and the employee will most likely lose the travel card permanently. When an employee's job requires travel, suspension or cancellation of the employee's travel card makes employee travel more complicated for the component.

All Department components require the local coordinator to refer delinquencies or misuse of travel cards to the cardholder's supervisor at various points in the process. However, we generally found that, although the local coordinators report misuse of travel cards as soon they detect it, many of them wait until accounts are at least 90 days past due to refer delinquencies to the cardholder's supervisor. We believe the 90-day point is too late in the process. Delinquencies should be referred to the cardholder's supervisor at the 60-day point, well before possible suspension of the card and before additional costs can be incurred by the cardholder. Adoption of this practice by the components could reduce the amount of delinquent charges and could result in fewer suspended or canceled cards.

Written Feedback to Coordinators

Once a delinquent account or charge card misuse is referred to the cardholder's supervisor, most Department components require that the supervisor or the cardholder must provide a written explanation of the reasons for the delinquency or misuse and an accounting of how the situation will be resolved. In some

components, the written explanation goes to the local coordinator. Other components, such as DEA and USMS, require supervisors to provide written explanations to the national coordinators. We believe that requiring supervisors or employees to provide written explanations is a good practice that should be adopted by all the components. A written explanation serves not only to document the circumstances of the delinquency should disciplinary action against the cardholder be warranted, it also provides a check on the supervisors to ensure that they are following up on the situation.

Referral to Higher Levels of Management

Most instances of delinquency or misuse can be resolved at the first-line supervisory level. However, upper management should be made aware of instances of unresolved delinquencies or of serious or frequent misuse when the first-line supervisor has not resolved the problems. This not only helps hold the supervisor accountable for taking action, it also helps alert management to systemic or serious problems. Most of the components we contacted have a hierarchical reporting process. For example, at the BOP facility included in our sample, unresolved delinquencies are first referred to the assistant warden at the employee's facility, then to the warden. At one DEA division field office, the local coordinator stated that he first refers unresolved delinquencies to the Assistant Special Agent in Charge and then to the Special Agent in Charge. If the delinquency is not resolved at this level, the national coordinator refers the case to the DEA Deputy Assistant Administrator in the Office of Finance.

We found that some components do not have a hierarchical reporting system in place. A local coordinator in one such component expressed frustration at the failure of supervisors to take action when employees are delinquent or misuse their travel cards. Creating a reporting system for the use of travel card coordinators in components that do not have such a system in place would provide a mechanism to ensure supervisors take action when employees under their supervision have unresolved delinquencies or misuse their travel cards.

Referral to Component Investigative Units

Referring unresolved delinquencies and serious or frequent misuse of travel cards to component internal affairs units helps demonstrate to employees that a zero tolerance policy is being enforced. There are various reasons to implement a mandatory referral policy. First, referral ensures that payment and misuse problems are reviewed by an objective third party. Currently, some cardholders' supervisors are reluctant to take necessary action. Second, an investigation of an employee who fails to pay bills may uncover evidence of deeper problems or a vulnerability to corrupting influences.

Many of the components require referrals of travel card delinquencies to either their Office of Internal Affairs (OIA) or their Office of Professional

Responsibility (OPR) at various stages of delinquency. In turn, some of these cases are referred to the OIG. For example, BOP's policy is to refer all delinquencies to its OIA regardless of amount. Our review disclosed that this was occurring in BOP. The BOP delinquency in our sample had been referred for investigation. In addition, during the past calendar year, BOP had referred 172 other cases of misuse of a credit card to the OIG. Similarly, the FBI and USMS coordinators stated that their policies require automatic referrals to their internal affairs units. Although DEA also stated that all unresolved cases were referred to its OPR, of the two delinquencies included in our sample, only one had been referred. In addition, we determined that the non-referred delinquent's supervisor was himself more than 120 days delinquent and also had not been referred for investigation. We were told by DEA that these cases had somehow been overlooked. The OBDs require automatic referral to the OIG of intentional misuse of the travel card but do not require referrals for delinquencies. The OBDs also should be referring unresolved delinquency cases to the OIG in accordance with OIG guidelines. We believe that implementation of a policy requiring automatic referrals not only for misuse but also for serious unresolved delinquencies would greatly improve the components' ability to control travel card delinquency.

Application of Consistent, Meaningful Disciplinary Action

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 who use travel reimbursements for purposes other than paying their travel card bill are misusing Department money. Employees who make inappropriate charges also are misusing their travel card privileges for personal gain. For delinquency or misuse, the employee should be subject to disciplinary action. To be effective, the disciplinary action should be appropriate to the situation and should be consistently applied.

Most of the components we reviewed took disciplinary action against employees who were seriously or frequently delinquent or who misused their travel cards. However, the action taken varied among the components. Within BOP, for example, cases referred to OIA are investigated and the appropriate prison warden determines what disciplinary action will be taken. The OIA at the USMS investigates cases, and the cardholder's supervisor or a disciplinary panel proposes the disciplinary action.

Even within a component or within a division of a component, we were told that disciplinary action is not consistent. One USAO coordinator was concerned about the lack of Department-wide standards, stating that USAOs in different parts of the country handle the process differently. A Department legal division coordinator commented that cardholders in his division who were good litigators were not always disciplined for their delinquencies.

One of the few components that has a written guide for the travel charge card program, JMD, outlines specific disciplinary action to be taken against OBD employees who misuse the travel card. The policy states that when a first offense occurs, the supervisor *may* issue a written reprimand, and when a second offense occurs, the supervisor 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. In regard to delinquencies, JMD's program guide is more vague, stating that a consistently delinquent payment history "may be cause for reconsideration or possible revocation of employee security clearances, and that sanctions ranging from reprimand to removal may be considered...."

To implement effective discipline for charge card delinquents and employees who misuse their travel cards, we believe each component needs to develop and disseminate a written policy that outlines specific disciplinary actions, ranging from oral reprimand to dismissal, as well as guidance on mitigating circumstances that would preclude disciplinary action. Although supervisors need to consider individual circumstances when assessing penalties, it is good practice to require firm penalties while allowing supervisors or managers to make exceptions for mitigating circumstances. Such exceptions should be justified in writing and should conform to the component's written policy.

Headquarters Oversight

Although local coordinators are responsible for following up on specific delinquencies and individuals who misuse their travel cards, national coordinators should ensure that this follow-up is conducted. We found that oversight by national coordinators was generally sufficient. The local coordinators receive monthly bank reports pertaining only to their specific regions and the national coordinators receive the same information for the entire component. Most of the national coordinators we contacted review all the reports and contact local coordinators when they notice unresolved delinquencies or blatant misuse of travel cards.

The FBI national coordinator, for example, is provided with reports of accounts that are 100 days past due and personally pursues any delinquencies that appear on these reports. The coordinator stated that this oversight is valuable because it keeps him aware of what is going on in the field and it puts both the local coordinators and supervisors on notice that their actions are being scrutinized. The DEA national coordinator also personally looks into unresolved delinquencies. The USMS national coordinator not only follows up with the local coordinator but also requires the cardholder's supervisor to provide the national coordinator with written feedback. The BOP national coordinator directly refers any delinquencies in excess of 120 days and any instances of inappropriate charges to its OIA. In contrast, the OJP coordinator functions primarily as a liaison with Bank One and generally only follows up on delinquencies and misuse when Bank One calls attention to specific

problems; the coordinator relies on OJP's local coordinators to monitor the travel charge card accounts.

We believe headquarters oversight provides an extra step to resolve delinquencies before travel cards get canceled and helps identify local coordinators who are not adequately performing their duties. As shown by several of the components, oversight can help reduce delinquencies.

Elimination of the Use of Advances by Delinquent Cardholders

The FTR requires federal employees to use the government contractor-issued travel charge card for official travel expenses unless an exemption has been granted. The ATM feature of the card allows the traveler to obtain cash to pay for official expenses that cannot be charged using the card. The FTR also requires federal agencies to minimize the use of cash travel advances.

Some Department employees whose travel cards have been canceled due to non-payment or misuse are still required to travel as a part of their job responsibilities. Department Bulletin 99-08, issued December 8, 1998, states: "Employees who can not use their travel charge cards for ATM withdrawals because of delinquency, should not be issued travel advances. When they travel, it is their responsibility to pay travel expenses with cash or personal credit cards." JMD's travel card policy requires employees whose travel cards have been canceled to pay all lodging and incidental expenses out-of-pocket and to then file for reimbursement. Other components, such as DEA and BOP, have similar policies.

However, the practice of denying travel advances to employees whose travel cards have been canceled is not uniform throughout the Department. For example, EOUSA allows each USAO to set its own policy, but, in general, does not require employees without travel cards to pay out-of-pocket. Instead, employees whose cards have been canceled are given travel advances.

Travel advances should not be used to fund the travel of individuals whose travel cards have been canceled due to delinquency or misuse. This practice not only counteracts the benefits derived by the Department from having the travel charge card program in place, but it also fails to penalize employees for irresponsible actions. It also reduces the incentive for employees to avoid having their travel cards canceled.

Maintaining Updated Information

Bank One identifies employees' work stations by hierarchy (location) codes provided by the components. Each hierarchy code is associated with a specific local coordinator. Bank One uses these codes to sort and distribute monthly monitoring reports. When an employee transfers to a different office within a component, the employee maintains the same travel card and the local coordinator notifies Bank

One of the change in hierarchy code. (Employees who transfer to a different Department component relinquish their old travel cards and are provided with new ones.) Transfers can result in a gap in monitoring coverage, particularly when there is a delay in reporting changes in hierarchy codes. When delays occur, the employee's new local coordinator will not be aware of any delinquency or misuse problems that are occurring because Bank One's reports will still be going to the employee's former local coordinator. The lack of monitoring and follow up by the employee's current local coordinator increases the likelihood that the employee's delinquency will continue to the point where the card is canceled.

With the exception of the FBI, components rely on the coordinators to notify Bank One of changes in hierarchy codes. The FBI has greatly improved the notification process through automation. The FBI national coordinator said that in the past delinquencies often occurred because work station information was not kept current. Local coordinators would continue to see names on their lists of cardholders who had transferred to other offices, and the coordinators would have to expend time and effort to track down the employees and get their accounts transferred to the appropriate coordinator. To eliminate such problems, the FBI made special arrangements to send Bank One a monthly update of name and address changes obtained from its personnel system, which Bank One uses to update its records.

Sending Bank One monthly updates of personnel changes has proven valuable to the FBI, and we believe that other Department components should assess whether it is feasible for them to adopt such a practice. Updating name and address changes monthly would improve the accuracy of travel card reports, ensuring that local coordinators would receive timely information about cardholders' accounts, thus reducing delinquencies. Automatic updates also would save local coordinators the effort of monitoring or tracking down employees who no longer work in their divisions.

Controls over ATM Access

The ATM cash advance feature of the travel card program allows travelers to use their travel cards to obtain cash advances to pay for official expenses that cannot be charged using the card. ATM withdrawals are allowed only when authorized for official travel and are limited to the estimated amount of the traveler's meals and incidental expense allowance; miscellaneous transportation expenses, such as taxis; and other authorized miscellaneous expenses that cannot be charged. Employees are prohibited from withdrawing cash from an ATM without having an approved travel authorization and from withdrawing more than the authorized amount. Expenditures for ATM withdrawals are not included in the rebate program, and, because Bank One charges \$2.00 per ATM transaction, actually increase the Department's costs for the travel card program. The Department incurs additional costs when the ATM transactions include a bank surcharge for which the traveler also requests reimbursement.

Because allowable advance amounts vary from trip to trip, it is not feasible to place physical controls over ATM withdrawals to ensure that cardholders are only withdrawing 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 open to abuse. And 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.

Some Department employees have incurred a substantial amount of debt by making unauthorized ATM withdrawals. We analyzed Bank One records of individual transactions made from August 14, 2000, to February 2, 2001, by Department employees who were at least 120 days delinquent to identify inappropriate ATM withdrawals (e.g., transactions when there were no accompanying travel-related charges, such as hotels or airfare). Our analysis found 17 employees who appeared to have inappropriately obtained a total of \$31,831 in cash from ATMs, ranging from \$267 to \$8,074. The highest total represented an employee who had made 33 ATM withdrawals over a nearly four-month period. Other examples include an employee who withdrew a total of \$3,321 in eight withdrawals over a five-week period and another who withdrew a total of \$2,933 in 28 withdrawals over a six-week period.

National and local coordinators told us that they regularly review monthly lists of charges to identify inappropriate ATM withdrawals. Because many travel card coordinators work in administrative or financial units, they can readily verify whether an employee has an approved travel authorization on file and thus determine whether the employee is authorized to make ATM withdrawals. For cardholders with a current valid travel authorization, the coordinators could verify that the amounts of ATM withdrawals were appropriate, but that would be very labor-intensive, particularly in units where the coordinators are responsible for large numbers of travelers. Consequently, the amounts of ATM withdrawals are rarely monitored.

While identifying unauthorized ATM withdrawals is relatively easy, preventing them is more difficult. In the past, the FBI has had concerns about ATM abuse by its employees. The FBI analyzed its delinquent travel card accounts and found that the majority of the written-off amounts were for nonpayment of ATM withdrawals that should not have been made in the first place. When Bank One became the Department's travel card contractor, the FBI met with bank officials to have additional controls built into the FBI's program. To control delinquencies and misuse, the FBI eliminated ATM access from its program. The FBI's rationale was that credit cards are widely accepted and that any cash outlays needed would not cause a true hardship to the employee. Any hardship situations would be addressed on a case-by-case basis. According to the FBI national coordinator, the FBI has not experienced any problems since it eliminated ATM access and there has been a decrease in travel card delinquencies.

The FBI's efforts to decrease delinquencies are laudable. We believe that other components should analyze their employees' patterns of delinquencies and inappropriate ATM use and should assess whether their travel card programs would benefit from the elimination of ATM access. In conducting their assessments, components should determine whether the benefits (access to ATMs) outweigh the costs (delinquencies stemming from inappropriate ATM use, as well as ATM fees and surcharges associated with all ATM withdrawals, both authorized and unauthorized).

Limited Distribution of the Travel Charge Card

Different components use different standards when determining who should be issued a travel charge card. For example, DEA limits the issuance of a travel charge card to employees expected to travel a certain number of times per year. In contrast, OBD guidelines state that an individual travel card is to be issued to any employee who expects to travel. Some of the delinquencies in our sample were incurred by cardholders who traveled infrequently and were unable to resist using their available credit card to make ATM withdrawals or inappropriate purchases. For example, one OJP employee whose delinquency totaled in excess of \$8,000, including personal charges and inappropriate ATM withdrawals, told her local coordinator that she had voluntarily called Bank One 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. Components should 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.

Educating Local Coordinators and Cardholders

We found a great variation among components in the amount of training provided to its local coordinators. The FBI's local coordinators receive semiannual training. The DEA and EOUSA send all their local coordinators to Bank One training in Chicago, in addition to providing internal training. The USMS does not provide training for its local coordinators because of the cost. The BOP prefers to send only its national coordinator to training and have her pass on the information to the local coordinators.

The components depend on local coordinators to identify and properly follow up on travel charge card delinquencies and misuse. Although most components provide headquarters oversight over their local coordinators, less follow up is needed if the local coordinator does a comprehensive job. Therefore, local coordinators should be adequately trained to follow proper procedures and to know how to identify red flags when they review monthly reports from Bank One. Regular

training would help standardize administration of the travel charge card program and improve the efforts of the local coordinators.

Educating cardholders about their responsibilities is also important. However, employees rarely receive any guidance unless they become delinquent or misuse their cards. Components generally provide their employees with the cardholder agreement and assume that they will read it. A greater effort to educate cardholders may be necessary to reduce misuse and delinquencies in the travel charge card program. One INS district office we contacted has initiated a procedure to do this. That office provides formal briefings, initially to new employees and then annually to all employees, regarding their responsibilities as cardholders. Employees must sign a form attesting to their attendance at the briefing. This practice serves to educate employees and eliminates the excuse of ignorance when the employee becomes delinquent or misuses the card and faces disciplinary procedures. We suggest that all components consider initiating similar efforts to educate their cardholders.

Conclusion

Department 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, the Department is harmed. Employees who are unable to travel because of a loss of a card disrupt Department operations, and employees in positions of responsibility who have accrued considerable debt are vulnerable to failing suitability standards or succumbing to corrupt influences. Moreover, under future contract modifications, the Department will lose hundreds of thousands of dollars in rebates if the current level of written-off delinquencies continues.

To ensure that employees are complying with policies governing the travel charge card program, the Department's components need proper controls in place. We found that, with the exception of INS, the components have adequate practices for monitoring their travel charge card programs. This is reflected in the relatively low number of employee accounts that have been written off by Bank One. Still, improvements could be made in these components that would further reduce the incidences of delinquencies and misuse. In the INS, significant improvements are needed in all categories.

Our review focused primarily on those components with the greatest number of delinquencies appearing on Bank One's 120-day delinquency list and we identified weaknesses in travel card procedures and the implementation of the travel card program. We are not making formal recommendations but we have offered observations and suggestions for management in all Department components to consider. We believe that implementation of these suggestions would benefit the Department by strengthening procedures for administering the travel card program,

thus reducing misuse of travel cards and delinquent payment of travel card charges. These suggestions include:

- active involvement of supervisors and upper level managers in resolving delinquencies;
- referral of unresolved delinquencies and serious misuse to component investigative units;
- appropriate, consistent disciplinary action for offending cardholders;
- headquarters oversight of local travel coordinators;
- prohibition of travel advances for employees who lost the use of their charge cards because of delinquency or misuse;
- routine provision to Bank One of updated cardholder information;
- elimination or substantial limitation of ATM access;
- limited distribution of charge cards; and
- adequate training for local coordinators and cardholders.

We suggest that all Department components review their travel card programs and consider incorporating the elements of a successful travel card program that are identified in this report.

Thank you for the cooperation provided to us during this review. We hope that our suggestions will assist the Department in managing its travel charge card program more effectively.

If you have any questions, please call me at (202) 514-3435 or Mary Demory, Assistant Inspector General for Inspections, at (202) 616-4620.

Attachment

cc: Michael W. Garrett
Liaison
Bureau of Prisons

Margie Snyder
Liaison
Drug Enforcement Administration

Kevin Perkins
Liaison
Federal Bureau of Investigation

MaryAnne Cantwell
Liaison
Federal Prison Industries

Kathleen Stanley
Liaison
Immigration and Naturalization Service

Isabel Howell
Liaison
U.S. Marshals Service

Katherine Crump-Wiesner
Liaison
Antitrust Division

Kenneth Zwick
Liaison
Civil Division

Rendell Jones
Liaison
Civil Rights Division

Deborah Frary
Liaison
Criminal Division

Robert L. Bruffy
Liaison
Environment and Natural Resources Division

Terri Wood
Liaison
Tax Division

Francis Fragos Townsend
Liaison
Office of Intelligence Policy and Review

Denise Christodoulopoulos
Liaison
Office of Justice Programs

Judith Wish
Liaison
Office of Professional Responsibility

Johnathan Chase
Liaison
Community Relations Service

Charles Adkins-Blanch
Liaison
Executive Office for Immigration Review

David Downs
Liaison
Executive Office for United States Attorneys

Sandra J. Forbes
Liaison
Executive Office for United States Trustees

Carol Paterick
Liaison
U.S. National Central Bureau, INTERPOL

William P. Ketchpaw
Liaison
U.S. Parole Commission

Vickie L. Sloan
Director
Departmental Audit Liaison Office