

AUDIT REPORT
TRAVEL CARD PROGRAM

Number A-01-10

June 28, 2002

SUMMARY

The Office of the Inspector General audited controls over the Smithsonian Institution's Travel Card Program to determine if employees were paying their travel card obligations timely and were using the travel cards only for official travel. The Smithsonian participates in the Government Travel Card Program. This program was established to support official travel, simplify financial processes, and improve operations and accountability. We assessed the adequacy of procedures and systems used to manage the Smithsonian's program in part by reviewing the General Services Administration's best practices for managing travel card programs. We evaluated financial records and performed limited testing of fiscal year 2001 transactions, authorizations, and vouchers. We also reviewed delinquent cardholder reports for fiscal years 2001 and 2002 to January 11.

According to the July 2001 to January 2002 delinquency reports, Institution employees did not always pay their travel card obligations timely. Also, according to the October 2000 to June 2001 activity reports, employees did not always use their travel cards for official travel. Management is currently revising the travel card procedures and processes to strengthen controls and accountability.

During the period reviewed, the Institution's delinquency rates ranged from 8 to 17 percent. These rates were higher than the average delinquency rates for civilian agencies during the same period. During the period examined, about 3 percent of charges did not appear to be for official travel. We have referred selected instances to our investigative staff for further review.

According to established best practices for travel card programs, agencies should monitor account activity for personal use and actively manage delinquencies. The Smithsonian's travel card program needs improvement in the following areas: training, usage, delinquencies, oversight, and disciplinary action. We therefore recommended that the Director, Office of Contracting:

- Develop ad hoc reports to detect excessive withdrawals and personal use,
- Provide training to employees on the use of ad hoc reports,
- Monitor delinquent accounts at an earlier stage,
- Send reports directly to senior administrators,
- Develop a penalty guide for misuse of travel cards, and
- Periodically remind cardholders of proper travel card usage.

We recommended that the Comptroller revise Smithsonian Directive 312, *Travel Handbook*, to include the additional travel card procedures in the revision.

The Chief Financial Officer concurred with our recommendations and provided implementation plans. We believe that the Chief Financial Officer's actions and plans are responsive to our recommendations.

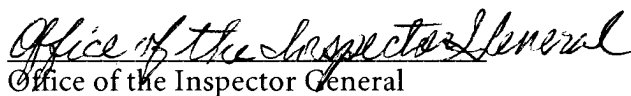

Office of the Inspector General

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ABBREVIATIONS AND ACRONYMS

A/OPC	Agency/Organization Program Coordinator
ATM	automated teller machine
CFO	Chief Financial Officer
GSA	General Services Administration
OC	Office of the Comptroller
OCon	Office of Contracting
SD	Smithsonian Directive

INTRODUCTION

A. Purpose

An audit of the travel card program was included in our fiscal year 2001 plan because the Institution implemented a new travel card program in fiscal year 1999. The purpose of the audit was to determine whether internal controls over travel cards are adequate to ensure that travel card bills are paid timely and that travel cards are being used only for official travel.

B. Scope and Methodology

The scope of our audit included fiscal years 2001 and 2002 through May 22, 2002. To determine if the travel card program had adequate internal controls over timely payment and authorized use, we reviewed travel card policies and procedures. We reviewed internal directives, announcements, and memorandums. We interviewed supervisors and senior administrators at the units, and management officials in the Office of Contracting (OCon). We identified and reviewed best practices for managing delinquent accounts and improper use.

To determine if controls prevented delinquent payment of travel card bills, we reviewed Citibank delinquency and write-off reports for individually billed accounts as of July 12, 2001, October 12, 2001, and January 11, 2002. Generally, the Institution's billing cycle ends on the 12th of each month. We compared the Institution's delinquency rates to the average delinquency rates of all Chief Financial Officer (CFO) civilian agencies compiled by the General Services Administration (GSA) to determine if the Institution's delinquency rates were in line with other agencies. We reviewed travel vouchers to determine whether delays occurred because of late submission of travel vouchers by travelers or because of late reimbursement of travel expenses by the Office of the Comptroller (OC).

To determine if internal controls effectively prevented improper use of travel cards, we selected two judgmental samples. One sample consisted of purchases and automated teller machines (ATM) withdrawals between October 1, 2000, and June 30, 2001. The other sample was made up of seriously delinquent cardholders who also appeared to have improperly used their cards.

We selected our first sample by reviewing all the travel card activity in our audit period for transactions that did not appear to be for official travel. During the period, October 1, 2000, through June 30, 2001, 1,934 Smithsonian cardholders had 25,254 transactions for a total of \$5,328,979. We searched for purchases from vendors unrelated to travel such as retail stores. We analyzed patterns of excessive ATM withdrawals. We identified purchases and ATM withdrawals that were not in close proximity by date to airline ticket or car rental charges. We focused on the more serious cases by selecting two groups to review in detail. First, we selected the 20 cardholders with the highest total dollar amount of transactions. Second, we selected the 20 cardholders with the highest dollar amount of ATM withdrawals. Together our first sample totaled 40 cardholders.

We selected our second sample by identifying seriously delinquent cardholders as of July 12, 2001. We selected all delinquent cardholders with balances past due 90 days (18

cardholders) and all delinquent cardholders past due 60 days with balances greater than \$1,000 (13 cardholders) or a total of 31 cardholders. Within this group of 31 delinquent cardholders, we looked for patterns of improper use.

The 68 cardholders (40 improper uses plus 31 delinquent cardholders minus 3 cardholders in both groups) had 1,836 transactions totaling \$401,004. We examined the 1,836 transactions to determine if the charges were related to authorized travel. We compared the travel card transactions to travel authorizations for the same period to determine whether there was a corresponding travel authorization on file. In those instances where charges did not appear to be related to authorized travel, we interviewed selected supervisors and senior administrators at the units to determine whether they were aware of the improper use.

The audit was conducted from September 4, 2001, through May 22, 2002, in accordance with generally accepted government auditing standards.

C. Background

The Smithsonian Institution seeks to achieve the same objectives as the Government Travel Card Program: to increase efficiency by providing commercial charge cards and associated services in support of official travel, to simplify financial processes, and to improve operations and accountability. Public Law 105-264, ***Travel and Transportation Reform Act of 1998***, dated October 19, 1998, requires that Federal employees use the travel charge card for all expenses of official Government travel. GSA awarded contracts to four banks to provide travel card services for the period November 30, 1998, to November 29, 2003. Each agency then issued a task order to one of the banks. The Institution issued a task order to Citibank Corporation for travel card services effective November 30, 1998. All travel related expenses, including airlines, rental cars, and hotels are to be charged to the cardholder's individual Citibank Visa card. Travelers obtain cash for travel through ATMs. As of June 30, 2001, Institution cardholders had 3,098 open travel card accounts.

The Travel Services Office, Office of Contracting, is responsible for managing the travel card program. The Manager, Travel Services Office, serves as the Agency/Organization Program Coordinator (A/OPC). The A/OPC is an individual designated by the agency to manage the travel card program and act as liaison between the agency, Citibank, and the GSA Contracting Officer. Written policies and procedures on the travel card program are included in Smithsonian Directive (SD) 312, ***Travel Handbook***, dated October 19, 1992. OC has primary responsibility for SD 312.

Procedures for suspending and canceling accounts due to delinquency or misuse are outlined in the GSA SmartPay Master Contract and in the Citibank cardholder agreement. An account is considered past due if payment has not been received 45 calendar days from the closing date on the statement of account in which the charge appeared. If payment has not been received within 61 days from the closing date on the statement of account, Citibank may suspend the account, unless otherwise directed by the A/OPC. Citibank may initiate cancellation of a card if: 1) the account has been suspended two times during a 12-month period and is again past due; 2) the account is 120 days past due; and 3) the card has been used for other than authorized purchases, and cancellation is approved by the A/OPC. If payment has not been received 126 calendar days from the closing date on the statement of account, Citibank may cancel the account, unless otherwise directed by the A/OPC. Citibank writes off balances older than 180 days

as losses. The bank will try to make recoveries against these losses after they have been written off.

RESULTS OF AUDIT

A. Delinquent Travel Card Activity

Institution employees did not always pay their travel card obligations timely. The Institution's delinquency rates ranged from 8 to 17 percent and were higher than the average delinquency rates of other civilian agencies as of July 2001, October 2001, and January 2002. Because travel card procedures had not been updated to reflect current best practices, the procedures did not include strong controls to monitor travel card delinquencies, communicate delinquent travel card activity to unit management for follow up, or provide clear guidance on available disciplinary action. Outdated procedures increased the risk that delinquencies would occur and not be adequately detected or corrected. Employee failure to pay obligations promptly is a violation of the Institution's standards of conduct. These violations, particularly if not caught in the early phases of the delinquency, could impede the units from accomplishing their goals if employees are prevented from traveling due to disciplinary actions.

Background

The scope of our review included an evaluation of the policies and procedures in place in fiscal years 2001 and 2002 to January 12. We interviewed management and staff at OCon and the units to determine how effectively the policies and procedures were at preventing and detecting delinquent and improper travel card use. We used Citibank reports to conduct our analytical reviews.

Every cardholder receives a Citibank cardholder agreement. The agreement states that payment must be received by the bank no later than 25 calendar days after the statement closing date. The account is considered past due if payment has not been received 45 calendar days from the closing date.

Smithsonian policy requires the timely payment of obligations. SD 312, *Travel Handbook*, dated October 19, 1992, also states that the travel card balance is payable within 25 days of the statement billing date. SD 103, *Standards of Conduct*, Section 14, revised March 3, 1993, states that an employee shall pay each just financial obligation in a proper and timely manner. For the purpose of this section, a "just financial obligation" means one acknowledged by the employee or reduced to judgment by a court.

Results of Review

Institution employees did not always pay their travel card obligations timely. The Institution's delinquency rates as of July 12, 2001, October 12, 2001, and January 11, 2002 were higher than the average rate of other civilian agencies and have resulted in accounts being written off by Citibank.

As of July, accounts past due 60 or more days totaled more than \$57,000 out of a total outstanding balance of over \$728,000, or a delinquency rate of almost 8 percent. The delinquency rate increased to more than 16 percent as of January. As of January, accounts past due 60 days or more totaled over \$69,000. An aging of delinquencies for these three quarters follows:

Table 1 – Delinquent Activity

As of	Total Outstanding Balance	Past Due			
		60 days	90 days	120+ days	Total 60+ days past due
July 12, 2001	\$728,112	\$39,030	\$6,166	\$12,116	\$57,312
	100%	5.36%	.85%	1.66%	7.87%
Oct. 12, 2001	\$653,780	\$40,228	\$11,272	\$13,650	\$65,150
	100%	6.15%	1.72%	2.09%	9.96%
Jan. 11, 2002	\$419,044	\$48,027	\$11,488	\$9,641	\$69,156
	100%	11.46%	2.74%	2.30%	16.50%

The Institution’s delinquency rate was above the average delinquency rate of other civilian agencies. The table below compares the Institution’s delinquency rates with the average delinquency rates of all CFO agencies and all CFO civilian agencies according to GSA. Our review of GSA delinquency reports for CFO agencies for calendar years 2000 and 2001 and discussions with GSA officials indicate that for the past 2 years delinquency rates government-wide were cyclical with delinquencies peaking in January.

Table 2 – Delinquency Rates Government-Wide

	Government – wide CFO Agencies	Civilian CFO Agencies	Smithsonian Institution
July 2001	7%	5%	7.87%
October 2001	10%	6%	9.96%
January 2002	13%	9%	16.50%

As of July 12, 2001, Citibank had written off about \$106,000 in delinquent Institution travel card balances since the inception of the program. (Citibank writes off balances older than 180 days as losses.) Of the \$106,000, Citibank recovered about \$41,000. Table 3 shows cumulative write-offs, recoveries, and number of accounts written off as of the end of the three quarters reviewed.

Table 3 – Cumulative Write-Offs

As of	Total Cumulative Write-Offs	Total Cumulative Recoveries	Cumulative Number of Accounts Written Off
July 12, 2001	\$105,904	\$41,006	43
October 12, 2001	\$116,520	\$44,351	46
January 11, 2002	\$131,638	\$48,715	51

Additional actions can be taken to further reduce delinquencies. Policies and procedures on travel cards were outdated and did not contain adequate controls over travel cards for management to monitor delinquencies, oversee usage, take disciplinary action, and provide training based on current best practices. We found that the Institution’s Travel Handbook had not been updated since October 1992. The Travel Handbook needs to be updated to reflect the new laws, especially Public Law 105-264, *Travel and Transportation Reform Act of 1998*, and the new travel card provider (Citibank). Although OC and OCon drafted a revised Travel Handbook dated August 31, 2000, it was never issued in final.

During recent years, government agencies have increased their efforts to reduce delinquencies. Based on best practices, we identified the following procedures that need to be strengthened:

- Monitoring of Delinquent Accounts – OCon’s policy is to send an electronic mail message to employees whose accounts are 61 days past due and have been suspended. These accounts are listed on a Suspension/Cancellation Report that Citibank sends to the A/OPC. Citibank also sends the A/OPC a Pre-Suspension/Pre-Cancellation Report that identifies accounts that are in a pre-suspension status (45 days). Best practices suggest that agencies pursue delinquent accounts by notifying employees whose accounts are listed on the Pre-Suspension/Pre-Cancellation Report. OCon management told us that they chose to follow up on accounts over 60 days due to the limited resources available to follow up on the more numerous 45-day accounts.
- Unit Management Involvement in the Oversight Process – Oversight was centralized in the Travel Services Division with minimal involvement by senior administrators at the units. If an account was 61 days past due, the Travel Services Office sent an electronic mail message to the employee with a copy to the supervisor. The senior administrators at the units did not receive any Citibank delinquency reports or exception reports and were not actively involved in controlling delinquencies. The Institution had not created a hierarchy (agency, division, approving official, cardholder) for each cardholder account that would allow reports to be sent directly to unit management or any level of the hierarchy. Best practices suggest that management be involved in the oversight process.

- Lack of Written Policies on Disciplinary Action - The Institution did not have a written policy that addressed specific disciplinary actions for delinquent travel cards. Best practices suggest that agencies develop a penalty guide that outlines appropriate disciplinary action for delinquencies and improper use of the travel card.

We found delays by travelers in the submission of travel vouchers that may have contributed to the delinquency problem. Of the 68 travel card users in our sample, there were 31 employees (with a total of 91 vouchers) who had delinquent accounts as of June 30, 2001. We found that 66 of the 91 vouchers (or 73 percent) were not submitted within 5 working days of the completion of travel. The average time for submission of vouchers was 15 days.

We found that OC paid travel vouchers in a timely manner. Of the 91 vouchers in our sample, OC paid 98 percent within 10 days. The average time for payment of the vouchers was 6 days.

Employee failure to pay travel card obligations in a timely manner is a violation of the Institution's standards of conduct. Units could also find it more difficult to accomplish their missions and employee morale could decline as a result of these violations. For example, if management does not address delinquencies at an earlier stage, employees could develop an overall impression that office discipline is lax. In addition, when travel cards are suspended or canceled because of delinquencies, office operations are disrupted. The supervisors must submit a special request for the employee to use the central travel card for airfare. This increases the use of the central travel card and creates additional reconciliation work for the Office of the Comptroller. Also, if delinquencies and write-offs continue to be a problem, this could affect our relationship and future contracts with Citibank.

Conclusion

Improvements are needed in internal controls over travel cards in order to ensure that travel card bills are paid timely. Because failure to pay travel card obligations in a timely manner is a violation of the Institution's standards of conduct, we believe that there should be minimal travel card delinquencies. The Institution should make additional effort to reduce the delinquency rate. GSA issued a guide, developed by a government-wide working group, for agency program coordinators that provides best practices for managing delinquencies. The Director, OCon, should establish the following additional travel card procedures, which are based on best practices:

- Begin monitoring delinquent accounts when the accounts reach the pre-suspension stage (45 days past due).

- Increase oversight by senior administrators (e.g., Assistant Directors for Administration) at the units by sending delinquency reports directly to them. Create a hierarchy that will facilitate greater unit involvement in the oversight process and allow reports to be sent directly to the units or any level of the hierarchy.
- Periodically remind cardholders through electronic mail that the travel card bills should be paid timely.
- In consultation with the Chief, Labor and Employee Relations, Office of Human Resources, develop a penalty guide that specifically addresses delinquent travel card use. This guide should list possible disciplinary actions for first offenses and subsequent offenses.

Recommendations

We recommend that the Director, OCon, establish additional travel card procedures to monitor delinquent travel cards, oversee usage, and take disciplinary action.

We recommend that the Comptroller revise SD 312, *Travel Handbook*, and include the additional travel card procedures in the revision.

Management Comments

Agreed. The Travel Services Office Manager, OCon has begun to establish additional travel card procedures for monitoring travel card usage and delinquencies, oversight buy unit management, disciplinary action, and training. They plan to complete the procedures by July 30, 2002.

Agreed. The Chief Financial Officer plans to incorporate travel card program procedures in an appendix to a revised SD 312 to be issued in January 31, 2003.

Office of Inspector General Response

The Chief Financial Officer's plan of action is responsive to our recommendation. We will follow up in August 2002 to verify that the travel card procedures have been implemented.

The Chief Financial Officer's plan of action is responsive to our recommendation. We will follow up in February 2003 on the status of the recommendation.

B. Improper Use of Travel Card

Institution employees did not always use travel cards for authorized purposes. During our test period, 41 employees charged about \$173,000 out of total travel card charges over \$5 million, or about 3 percent, that did not appear to be for authorized official travel. Because travel card procedures were not updated to reflect current best practices, the procedures did not include strong controls to monitor improper use of travel cards, communicate improper use to unit management, or provide clear guidance on available disciplinary action. Weaknesses in internal controls increased the risk that delinquencies and misuse would not be detected or corrected. Improper use of the travel card is a violation of the Institution's standards of conduct. These violations could impede the units from accomplishing their goals if employees are prevented from traveling due to disciplinary actions.

Background

The scope of our review included an evaluation of the policies and procedures in place in fiscal years 2001 and 2002 to May 22. We interviewed management and staff at OCon and the units to determine how effectively the policies and procedures were operating to prevent and detect improper travel card use. We used downloads of Citibank information to conduct our analytical reviews.

Every cardholder receives a Citibank cardholder agreement that states:

I agree to use the Card only for official travel and official travel related expenses away from my official station/duty station in accordance with my Agency/Organization policy. I agree not to use the card for personal, family or household use.

By activating, signing, or using the card, the cardholder agrees to these terms.

SD 312, *Travel Handbook*, dated October 19, 1992, states that all official travel requires an approved travel authorization. With regard to ATM withdrawals, SD 312 states that withdrawals must be supported by a properly signed travel authorization and should be obtained no earlier than 5 days before departure and no later than the last day of official travel. SD 312 also states that the card should not be used for personal expenses, or for "any other purpose unrelated to authorized official Smithsonian business travel."

SD 103, *Standards of Conduct*, revised March 3, 1993, states that employees shall maintain high standards of honesty and integrity.

Results of Review

Institution employees did not always use travel cards for authorized travel purposes. We found instances in which travelers made purchases or ATM withdrawals that did not appear to be for authorized official travel. For the purpose of this analysis, we defined improper use as charges that lacked a corresponding travel authorization. Forty-one

cardholders incurred charges of about \$173,000, out of more than \$5 million, or about 3 percent, that did not appear to be for authorized official travel during our test period October 1, 2000, through June 30, 2001. These 41 cardholders represented approximately 2 percent of the 1,934 active cardholders. During this period, 1,040 (or 4 percent) of the 25,254 transactions appeared to be improper charges. These unauthorized charges were made up of about \$124,000 in ATM withdrawals, about \$40,000 that appeared to be for personal purchases, and about \$9,000 that appeared to be for business purchases that were not official travel. (Employees who charged business purchases to the travel card should have procured the goods or services using other procurement methods, such as purchase orders or purchase cards.)

Additional actions can be taken to strengthen internal controls and further reduce the improper use of travel cards. Policies and procedures on travel cards were outdated and did not contain adequate internal controls for management to monitor travel card usage, take disciplinary action, and provide training based on current best practices. We found that the Institution's Travel Handbook had not been updated since October 1992. The Travel Handbook had not been updated to reflect the new laws, especially Public Law 105-264, *Travel and Transportation Reform Act of 1998*, and the new travel card provider (Citibank). Although OC and OCon drafted a revised Travel Handbook dated August 31, 2000, it was never issued in final.

During recent years, government agencies have increased their efforts to reduce improper use of travel cards. Based on best practices, we identified the following procedures that need to be strengthened:

- Monitoring for Improper Use - OCon's policy is to review accounts for improper use when the accounts are delinquent (61 days past due). In our detailed review of 68 cardholders, we found 41 cardholders who appeared to improperly use the card. We found that the Travel Services Office had contacted 20 of the 41 cardholders or 49 percent. Best practices suggest that agencies use exception reports and ad hoc reports to conduct regular, systematic reviews for improper use on all accounts whether they are delinquent or not.
- Training - We found that the employees in the Travel Services Office needed additional training on the use of ad hoc reports in the Citibank electronic access and reporting system (CitiDirect) that could be used to identify improper card use. CitiDirect ad hoc reports can provide administrators with transaction information to detect unusual patterns in spending and misuse of the card. For example, an ad hoc report could be created that lists certain merchant codes or that lists all ATM withdrawals in the District of Columbia area.
- Unit Management Involvement in the Oversight Process – Generally, senior administrators at the units were not actively involved in the review process for improper use of travel cards. Best practices suggest that management be involved in the oversight process.
- Lack of Written Policies on Disciplinary Action - The Institution did not have a written policy that addressed specific disciplinary actions for improper use of

travel cards. Best practices suggest that agencies develop a penalty guide that outlines appropriate disciplinary action for delinquencies and improper use of the travel card.

Improper use of the travel card is a violation of the Institution's standards of conduct. Such a violation could affect the ability of the office to accomplish its mission where disciplinary action has to be taken against employees and there is a resulting disruption of operations. If the employee's travel card is suspended or canceled, the supervisor must submit a special request for the employee to use the central travel card for airfare. This increases the use of the central travel card and creates additional reconciliation work for OC.

Conclusion

Improvements are needed in internal controls over travel cards to ensure that the cards are used only for official travel. Because improper use of the travel card is a violation of the Institution's standards of conduct, we believe that no improper use of the travel card should be tolerated. GSA issued a guide for agency program coordinators that provides best practices for identifying improper use of individually billed travel cards. The Director, OCon, should establish the following additional travel card procedures, which are based on best practices:

- Develop ad hoc reports using the Citibank electronic access, reporting system, or other means to detect excessive ATM withdrawals and personal use. Review these reports on a periodic (at least quarterly) basis.
- Provide Travel Services Office employees either training on the use of ad hoc reports in the Citibank electronic access and reporting system (CitiDirect) or other technical assistance needed to develop ad hoc reports.
- Send ad hoc reports of potential improper use directly to senior administrators (e.g., Assistant Directors for Administration) at the unit level. This will provide them with better information to minimize improper travel card usage at the unit level. Create a hierarchy that will facilitate greater unit involvement in the oversight process and allow reports to be sent directly to the units or any level of the hierarchy.
- Send electronic mail messages to the cardholders to periodically remind them that the travel card should only be used for official travel.
- Develop a penalty guide that specifically addresses misuse of travel cards. The guide should list possible disciplinary actions for first offenses and subsequent offenses. OCon should coordinate development of the guide with the Chief, Labor and Employee Relations, Office of Human Resources.

Recommendations

We recommend that the Director, OCon, establish additional travel card procedures for monitoring travel card usage and delinquencies, oversight by unit management, disciplinary action, and training.

We recommend that the Comptroller revise SD 312, *Travel Handbook*, and include the additional travel card procedures in the revision.

Management Comments

Agreed. The Travel Services Office Manager, OCon has begun to establish additional travel card procedures for monitoring travel card usage and delinquencies, oversight by unit management, disciplinary action, and training. They plan to complete the penalty guide by July 30, 2002.

Agreed. The Chief Financial Officer plans to incorporate travel card program procedures in an appendix to a revised SD 312 to be issued in January 2003.

Office of Inspector General Response

The Chief Financial Officer's plan of action is responsive to our recommendation. Because a target date was not provided for completion of all procedures, we will follow up to obtain additional target dates. We will follow up in January 2003 to verify that SD 312 has been issued.

WRITTEN COMMENTS BY THE CHIEF FINANCIAL OFFICER

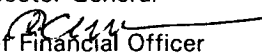
Smithsonian Institution

Memo

Chief Financial Officer

Date June 27, 2002

To Thomas D. Blair, Inspector General

From Alice C. Maroni, Chief Financial Officer 

Subject CFO Response to the Draft Report, Office of the Inspector General Audit A-01-10, Travel Card Program

Thank you for providing us a copy of the draft report on audit A-01-10, Travel Card Program. My staff and I have reviewed the report and our comments below address each of the recommendations and suggested actions. We appreciate the opportunity to comment prior to a final report being issued by your office.

References to the Travel Services Division in the report should be changed to Travel Services Office (TSO).

Issue 1 Smithsonian Travel Card Account Delinquencies: (1) The Director, Office of Contracting (OCon), should establish additional travel card procedures to monitor delinquent travel cards, oversee usage, and take disciplinary action; and (2) the Comptroller should revise Smithsonian Directive (SD) 312, *Travel Handbook*, and include the additional travel card procedures in the revision.

- The TSO staff should begin monitoring delinquent accounts when they reach the pre-suspension stage (45 days past due).

Comment: Concur. The Smithsonian TSO Manager, OCon, is the Agency Program Coordinator (A/OPC) for the Smithsonian Travel Card Program and will notify cardholders, supervisors, and unit senior administrators who have requested to be informed of travel card activity, when a cardholder is listed on Citibank's pre-suspension stage reports in the future.

- Increase oversight by senior administrators at the units by sending delinquency reports directly to them.

Comment: Concur. When accounts appear on the 61 days and longer delinquency lists, the appropriate Under Secretary or Director shall be notified by memo from the Chief Financial Officer (CFO). The notification will recommend disciplinary action, card restriction, and/or cancellation of the employee's travel card.

- Periodically remind cardholders through electronic mail that travel card bills should be paid timely.

Comment: Concur. This action has been implemented and will occur bi-annually. On June 5, 2002, the Director, OCon, issued a Smithsonian-

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WRITTEN COMMENTS BY THE CHIEF FINANCIAL OFFICER

Page 2 – Thomas D. Blair, Inspector General

June 27, 2002

Issue 1 Continued

wide e-mail message regarding "Proper Use of the Citibank Government Travel Card." Employees and cardholders were reminded that the Smithsonian Standards of Conduct require employees to pay each of their financial obligations in a proper and timely manner. The next notice will be transmitted Smithsonian-wide during October 2002.

- Develop a penalty guide that addresses delinquent travel card use.

Comment: Concur. Staff from the Office of the Comptroller (OC) have collaborated with Labor and Employee Relations staff from the Office of Human Resources (OHR) to develop a schedule of penalties and disciplinary actions that may be taken when employees allow their travel card accounts to become delinquent. OCon staff will coordinate completion of a final schedule of penalties and disciplinary actions with OC and OHR staff and include it in a Smithsonian Announcement to be issued in July 2002.

- Revise SD 312

Comment: Concur. Travel card program procedures and the schedule of penalties and disciplinary actions will be incorporated into an appendix to a revised SD 312 that is projected to be issued in January 2003.

Issue 2 Improper Use of the Smithsonian Travel Card: (1) The Director, OCon, should establish additional travel card procedures for monitoring travel card use and delinquencies, oversight by unit management, disciplinary action, and training; and (2) the Comptroller should revise SD 312, *Travel Handbook*, and include the additional travel card procedures in the revision.

- Develop ad hoc reports to detect excessive ATM withdrawals and personal use of travel cards and obtain training for TSO staff on how to use the ad hoc reports.

Comment: Concur. The TSO Manager, OCon, shall review Citibank reports to simultaneously identify delinquent accounts and detect possible improper use of Smithsonian travel cards and excessive ATM withdrawals by cardholders. The TSO Manager will contact Citibank to find out what types of ad hoc reports are available to assist in this enhanced program oversight effort, and obtain the appropriate training for TSO staff regarding the best utilization of the information that available reports contain.

- Send ad hoc reports on potential improper use of the travel card to senior unit administrators.

Comment: Concur. When improper use of the travel card is identified the appropriate Under Secretary or Director will be notified by memo from the CFO. Improper use of the travel card is contrary to Smithsonian policies and procedures and my office will vigorously oversee the travel card program at the Smithsonian. Cases of suspected fraudulent use of a Smithsonian travel card will be reported to the Office of the Inspector General.

WRITTEN COMMENTS BY THE CHIEF FINANCIAL OFFICER

Page 3 – Thomas D. Blair, Inspector General

June 27, 2002

Issue 2 Continued

- Periodically remind cardholders through electronic mail that travel cards should only be used for expenses related to official Smithsonian travel.

Comment: Concur. This action has been implemented and will occur bi-annually. The Smithsonian-wide e-mail message issued by the Director, OCon, on June 5, 2002, included information on what is proper and improper use of the travel card. Employees and cardholders were reminded that the travel card may not be used for: expenses not authorized on an approved Smithsonian travel authorization form; expenses incurred by other Smithsonian travelers; personal charges; or for cash advances from automated teller machines which are not related to official travel approved on a Smithsonian travel authorization form. The next notice will be transmitted Smithsonian-wide during October 2002.

- Develop a penalty guide that addresses misuse of the Smithsonian travel card and disciplinary actions to be taken for first and subsequent offenses by cardholders.

Comment: Concur. As mentioned above, a Smithsonian Announcement will be issued in July 2002 and will include information regarding the proper use of the Smithsonian travel card and what disciplinary action may be taken when cardholders improperly use their cards. The information will be incorporated into an appendix to the revised SD 312 projected to be issued in January 2003.

Please direct any questions you may have regarding the above information to Curtis B. Sanchez, OCon, at 202.275.1174 or by e-mail to SanchezC@si.edu.