

**FOLLOW-UP AUDIT ON  
DOT GOVERNMENT TRAVEL CARD  
DELINQUENCIES AND CHARGE-OFFS**

*Department of Transportation*

*Report Number: SC-2004-067*

*Date Issued: June 29, 2004*



# Memorandum

**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** Report on Follow-Up Audit of  
DOT Government Travel Card Delinquencies  
and Charge-offs  
Report No. SC-2004-067

Date: June 29, 2004

From: Alexis M. Stefani   
Principal Assistant Inspector General  
for Auditing and Evaluation

Reply to  
Attn. of: JA-60

To: Assistant Secretary for Budget and Programs  
and Chief Financial Officer  
Assistant Secretary for Administration

This report presents the results of our follow-up review of the Department of Transportation's (DOT) Government travel card delinquencies and charge-offs. The objectives of our review were to determine whether DOT has adequate procedures to minimize delinquencies and charge-offs in travel card accounts and whether DOT took appropriate actions against employees whose accounts were charged off. Charged-off accounts are seriously delinquent accounts (over 180 days past due) of employees whose outstanding balances have been written off by the bank that issued the travel card. An account is technically delinquent if the balance is not paid by the bill's due date (which is approximately 1 month after the billing date). However, Citibank, DOT's travel card service provider, does not consider an account delinquent until 31 days after the bill's due date.

This review follows up on our prior audit report.<sup>1</sup> To address delinquencies and charge-offs, our prior audit recommended that DOT's Operating Administrations ensure their travel card coordinators notify supervisors of employees with delinquent accounts, ensure supervisors take appropriate actions against those employees, and use salary offsets and split travel

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<sup>1</sup> OIG Report Number FI-2003-049, "Audit of Use of Government Travel Charge Cards," August 28, 2003. See Exhibit C for prior audit coverage.

reimbursements to the maximum extent possible. DOT concurred with our recommendations and initiated corrective actions.

## RESULTS IN BRIEF

Our review found that DOT revised its policies and procedures in June 2003 to address travel card problems, but it has yet to see the full impact of these changes. DOT is making progress in the number of delinquent and charged-off accounts. However, proper follow-through and implementation of travel card policies is needed, since delinquencies and charge-offs continue to occur. Over 38,000 DOT employees have Government travel cards, using them for about \$154 million in purchases per year. The vast majority of DOT employees use their travel cards appropriately and pay their bills promptly.

We found that DOT is showing improvement because the average number of delinquent and charged-off accounts per month has decreased since our prior report. The average number of delinquencies per month decreased from 1,093 (for the period August 2002 through March 2003) to 702 (for the period August 2003 through March 2004), as shown in Table 1 on page 8. We also found that the average number of charged-off accounts per month has decreased following the implementation of the June 2003 revised travel card policy. The average number of accounts charged off per month has decreased from 20 (for the 9-month period July 2002 to March 2003) to 10 (for the 9-month period July 2003 through March 2004), as shown in Table 2 on page 10.

Since our prior report, senior managers in the Office of the Secretary (OST)<sup>2</sup> and Operating Administrations have taken the following steps to address travel card problems.

- The Operating Administrations have issued their own travel card policy and penalty tables similar to or more severe than the sample table of penalties issued as part of DOT's revised June 2003 travel card policy.
- DOT initiated a quarterly reporting system to monitor the Operating Administrations' progress on travel card delinquencies and disciplinary actions. The first quarterly report responses from the Operating Administrations showed that some Operating Administrations, such as the Federal Highway Administration (FHWA), the Federal Railroad Administration (FRA), and OST,

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<sup>2</sup> The DOT Assistant Secretary for Budget and Programs and Chief Financial Officer, who is responsible for DOT's travel card program, is located in OST.

have taken aggressive disciplinary action against employees whose accounts were charged off. For example, OST took formal disciplinary action against five of the six OST employees whose accounts were charged off and is requiring that these employees repay the charged-off balance to Citibank in full to avoid more severe penalties. The remaining employee's account activity is under review.

- On April 22, 2004, DOT expanded its second quarterly report request to the Operating Administrations to ask for information on actions taken against individuals whose accounts are 31 or more days past due.

In spite of these efforts, DOT continues to have delinquent and charged-off accounts. More accounts were 31 or more days past due in March 2004 than in August 2003, and 72 additional accounts were charged off between August 2003 and March 2004. Exhibit A provides a comparison of the number of charged-off accounts and dollar amounts for August 2003 and March 2004 by Operating Administration. We also found that vigorous implementation of the revised policies and our prior recommendations on this topic has not occurred, as is shown in the following examples.

- Although DOT concurred with our August 2003 report recommendation to use salary offsets and split travel reimbursements to address delinquent and charged-off accounts, these measures have not been implemented. DOT plans to implement a salary-offset policy in July 2004. FAA is in the process of negotiating with the unions regarding their salary-offset policy. FAA does not have an anticipated implementation date at this time. DOT is also implementing an electronic travel system that will include a voluntary split reimbursement feature. DOT officials plan to begin implementing the electronic travel system in selected Operating Administrations in June 2004.
- Disciplinary actions against employees who abuse their travel cards continue to be inconsistent<sup>3</sup> throughout DOT, even though OST

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<sup>3</sup> In this report, we use "inconsistent" to mean inconsistent application and enforcement of disciplinary actions across and within the Operating Administrations. Each Operating Administration's table of penalties provides a range of disciplinary actions that can be applied for each offense. On a case-by-case basis, there may be a level of variation in the disciplinary actions administered depending on other aggravating or mitigating factors (e.g., past work performance, prior disciplinary record, and whether the misconduct is a first offense). However, we identified several cases where no disciplinary action was taken on some employees, while other employees with the same offense (account charged off) were suspended.

issued a revised travel card policy in June 2003 that includes disciplinary guidelines.

- As of December 21, 2003, OST began providing the Operating Administrations with quarterly lists of delinquent and charged-off accounts and asked the Administrations to respond on the resolutions of these accounts. As of March 22, 2004, all Administrations had responded. However, one Administration did not provide complete information and four Operating Administrations did not fully explain why disciplinary action was not taken on some employees with delinquent accounts.

We also found that DOT has not taken aggressive steps to address the charged-off accounts of *former* DOT employees, including accounts of U.S. Coast Guard (USCG) and Transportation Security Administration (TSA) employees who were transferred to the Department of Homeland Security (DHS) in March 2003. We note that DOT took a positive step in November 2003 by sending DHS a list of the transferred employees whose accounts had been charged off. However, DOT should work with DHS to ensure action is taken to resolve these charged-off accounts. As of March 2004, Citibank had charged off the accounts of 2,169 USCG and TSA employees, and the balance due for these accounts was \$2.4 million. In addition to the USCG and TSA employees, another 368 employees have left DOT with outstanding accounts, and the balance due for these accounts was \$961,107.

DOT needs to work with the General Services Administration (GSA) and other agencies to identify methods to recoup charged-off amounts from former employees and pursue recoupments, especially for those who are still Federal employees.

We believe that the implementation of DOT's recent policy revisions and the additional actions recommended in this report can be effective in further minimizing the number of delinquencies and charge-offs. However, DOT needs to ensure that the Operating Administrations implement the corrective actions.

## **Recommendations**

To further strengthen the travel card program, we recommend that the Assistant Secretary for Budget and Programs and Chief Financial Officer and the Assistant Secretary for Administration, in coordination with the Operating Administrations:

- Issue the salary-offset policy and promptly implement the electronic travel system with the split travel reimbursement feature to address both delinquent and charged-off accounts of current employees.
- Work with the GSA to identify methods to recoup charged-off amounts from former employees, especially those that are still Federal employees, and pursue recoupments.
- Monitor compliance with departmental policy to discipline employees who are delinquent in paying their bills or whose accounts are charged off.

## **Management Comments and Office of Inspector General Response**

A draft of this report was provided to DOT on June 3, 2004, and DOT provided written comments on June 16, 2004. DOT concurred with all the findings and recommendations. The actions planned and taken are responsive to our recommendations and, when fully implemented, should reduce the number of delinquent and charged-off travel card accounts. The complete text of management's comments is attached as an appendix to the report.

## **BACKGROUND**

Federal Travel Regulations and Public Law 105-264 require Federal employees to obtain and use a contractor-issued travel card to pay for all official travel-related expenses.<sup>4</sup> Each employee who applies for and receives a travel card assumes the responsibility to use the card for official travel purposes only and to pay the charges in a timely manner.

Citibank, a contractor under the GSA SmartPay Travel Card Program, is DOT's service provider for travel cards. Citibank cancels and charges off seriously delinquent accounts, i.e., those over 180 days past due. As stated in the November 2003 report "Common Problems and Uncommon Solutions: How OIGs Are Helping Improve Federal Travel Card Programs" by the President's Council on Integrity and Efficiency, "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...."

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<sup>4</sup> Under a September 2002 amendment to the Federal Travel Regulations, employees who travel less than five times per year are exempt from mandatory use of the travel card.

DOT has initiated several corrective actions to address problems of travel card abuse. In June 2003, OST issued policy revisions requiring the Operating Administrations to monitor for travel card misuse (e.g., review travel card activity reports and identify personal charges), set stringent limits on cash withdrawals, and provide guidance on disciplinary actions for abuses (e.g., tables of penalties).<sup>5</sup> To stress the importance of addressing delinquencies, OST now provides each Operating Administration with quarterly lists of delinquent employees and requires the Operating Administrations to notify OST of the resolutions of these accounts. OST provided the first quarterly lists to the Operating Administrations on December 21, 2003, and all Operating Administrations responded.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of our audit were to determine whether: (1) DOT has adequate procedures to minimize travel card delinquencies and charge-offs, and (2) DOT has taken appropriate action against employees whose accounts have been charged off.

For this review, we evaluated 37 current and former DOT employees' accounts that were delinquent and charged off during the period February 2000 through March 2004.<sup>6</sup> Because the Federal Aviation Administration (FAA) has the largest workforce in DOT and the largest dollar value of charge-offs, we judgmentally selected 15 FAA employees with charge-offs for review. We reviewed all 22 employees in the other Operating Administrations with charge-offs. Although all employees were reported to be current employees, during our review we found that three of the selected employees had left DOT. No current Office of Inspector General (OIG) employees had charged-off accounts and so were not included in the 22 current employees selected for review.

We reviewed DOT's and the Operating Administrations' policies and procedures governing the travel card program. We also reviewed DOT charge-off reports provided by Citibank for the period February 2000 through March 2004 and delinquency reports provided by Citibank for the period August 2002 through March 2004. We compared the March 2004 DOT charge-off report with payroll records as of April 3, 2004, to identify the number of current DOT employees whose accounts were charged off. We also reviewed the report on Operating Administrations' responses to DOT's December 21, 2003 quarterly report on disciplinary actions taken against

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<sup>5</sup> Per the June 2003 policy, the Operating Administrations are not required to follow DOT's suggested table of penalties; they must create their own table of penalties to address travel card abuse.

<sup>6</sup> Our prior audit scope did not include reviewing individual accounts that had been charged off.

employees whose accounts were charged off. We interviewed program coordinators, supervisors, and human resources officials to determine what actions were taken to resolve the charge-offs.

OIG auditors performing this audit were not listed in the DOT charge-off and delinquency reports. However, we noted that three former OIG employees<sup>7</sup> were listed in the DOT charge-off reports, and several OIG employees were listed in the delinquency reports we reviewed. These employees were not involved, at any time, in the performance, conduct, direction, or management of this audit.

We performed the audit from November 2003 through April 2004 in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

## RESULTS

### **DOT Needs To Take Further Action To Address Travel Card Delinquencies and Charge-offs**

In our prior audit, we found that some DOT employees were delinquent in paying their travel card bills. Some were seriously delinquent (over 180 days past due), and Citibank charged off their accounts. This review looked at DOT's delinquencies and charge-offs and found that DOT is showing improvement because the average number of delinquent and charged-off accounts per month has decreased since our prior report. However, travel card delinquencies and charge-offs continue to occur.

More accounts (82) were 31 or more days past due in March 2004 than in August 2003. Further, the cumulative total of accounts charged off by Citibank increased by 72 accounts from 776 accounts valued at \$2.8 million in August 2003 to 848 accounts valued at \$3 million in March 2004.<sup>8</sup> Exhibit A provides a comparison of the number of charged-off accounts and dollar amounts for August 2003 and March 2004 by Operating Administration.

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<sup>7</sup> Of the three OIG employees whose accounts were charged off, OIG terminated one, a second was suspended for 30 days and later resigned, and a third died and his account balance was subsequently paid.

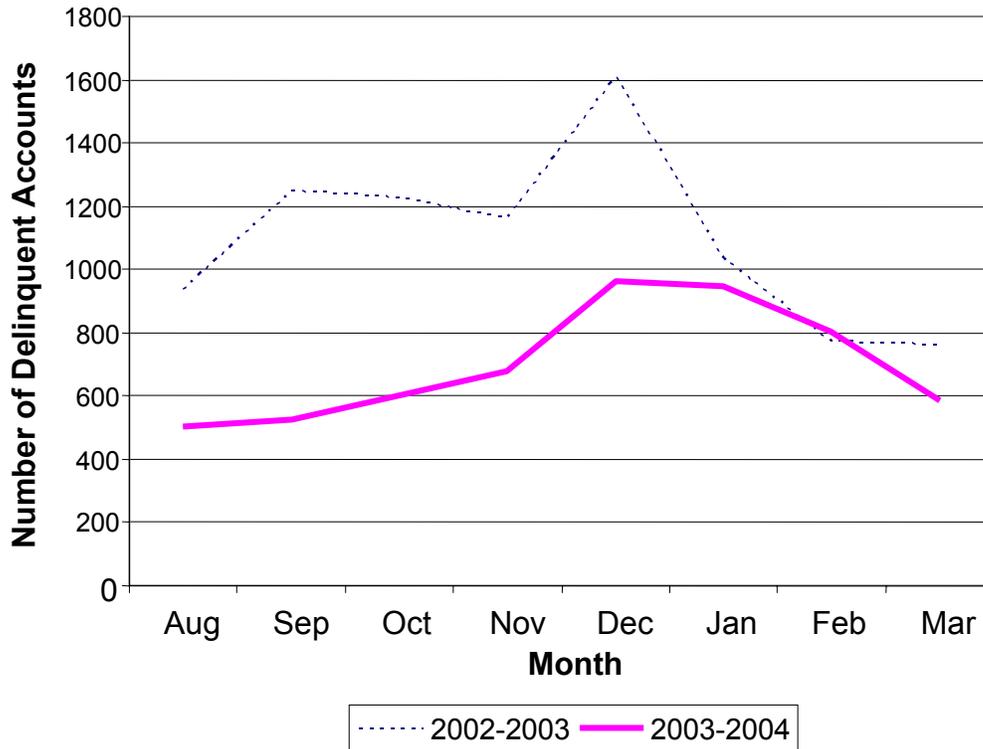
<sup>8</sup> These charge-offs are cumulative from February 2000, which was the beginning of the contract with Citibank, through March 2004. Additionally, both the delinquencies and charge-offs exclude the U.S. Coast Guard and Transportation Security Administration employees. These Agencies moved to the Department of Homeland Security in 2003.

The number of delinquent accounts tends to be cyclical, with higher rates around the December holiday season. Even though the overall delinquency numbers have increased since our prior report, DOT is showing improvement. The average number of delinquencies has decreased per month from 1,093 for August 2002 through March 2003 to 702 for August 2003 through March 2004, as shown in Table 1. DOT also showed an improvement in the number of delinquent accounts in almost every month-to-month comparison, as shown in Figure 1.

**Table 1. Average Number of Delinquent Accounts for August 2002 Through March 2003 and August 2003 Through March 2004**

	<b>August 2002- March 2003</b>	<b>August 2003- March 2004</b>
Number of Months Reviewed	8	8
Number of Delinquent Accounts	8,740	5,614
Average Number of Delinquent Accounts	1,093	702

**Figure 1. Comparison of Delinquent Accounts for August 2002 Through March 2003 and August 2003 Through March 2004**

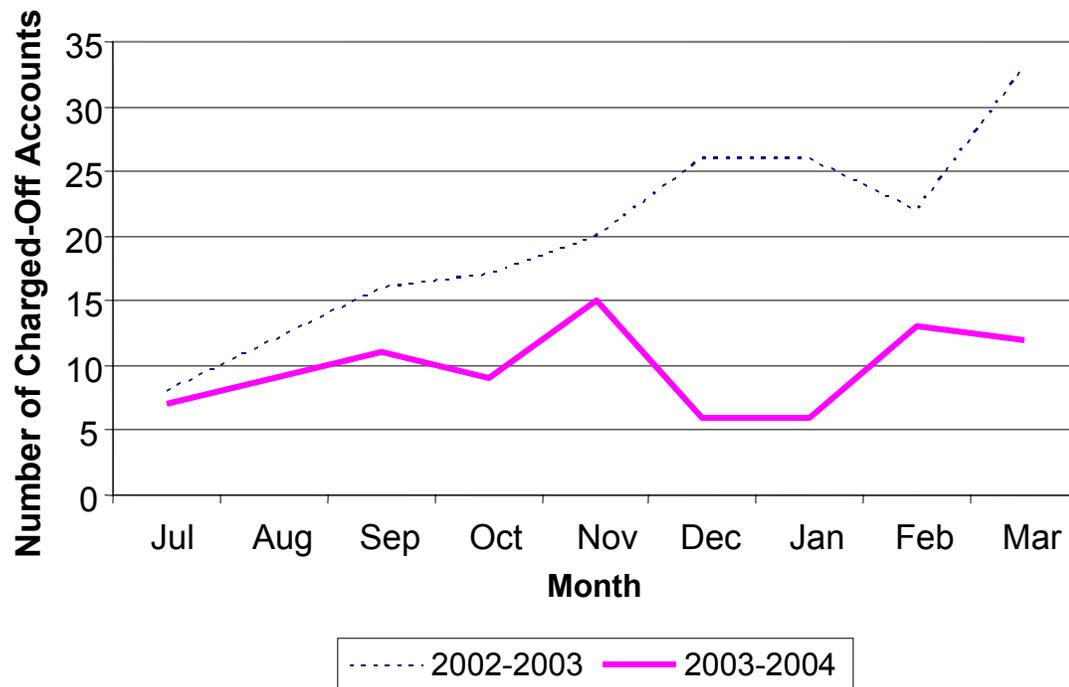


Similarly, even though the cumulative total of charged-off accounts has increased since our last review, DOT is showing improvement because there are fewer charged-off accounts in almost every month-to-month comparison and the average number of charged-off accounts per month has decreased. We compared charged-off accounts between the 9-month periods before and after the June 2003 travel card policy was implemented. As is shown in Table 2, the average number of accounts charged off per month decreased from 20 for July 2002 through March 2003 to 10 for July 2003 through March 2004. Figure 2 provides a month-to-month comparison of charged-off accounts.

**Table 2. Average Number of Accounts Charged Off per Month for July 2002 Through March 2003 and July 2003 Through March 2004**

	July 2002- March 2003	July 2003- March 2004
Number of Months Reviewed	9	9
Number of Accounts Charged Off	180	88
Average Number of Accounts Charged Off per Month	20	10

**Figure 2. Comparison of Accounts Charged Off for July 2002 Through March 2003 and July 2003 Through March 2004**



### *Charged-off Accounts of Current DOT Employees Should Be Promptly Addressed*

From February 2000 through March 2004, Citibank charged off the accounts of 477 *current* DOT employees,<sup>9</sup> and their balance due was \$842,488 as of March 2004. These employees' charged-off accounts initially totaled \$1,786,046, but some employees have since made payments totaling \$943,558. Of the 477 current employees, 212 have paid off their travel card balance. Table 3 shows the number of charged-off accounts and dollar amounts charged off for each Operating Administration.

**Table 3. Charged-off Accounts of Current Employees by Operating Administration February 2000 Through March 2004**

<b>Operating Administration<sup>a/</sup></b>	<b>No. of Accounts Charged Off</b>	<b>Amount Charged Off</b>	<b>Amount Due as of March 2004</b>
FAA	427	\$1,617,915	\$776,682
FHWA	13	45,809	25,806
FRA	10	39,406	19,077
OST	10	41,711	9,890
NHTSA	4	6,017	0
MARAD	6	6,465	0
FTA	4	14,110	11,033
FMCSA	3	8,662	0
RSPA	3	5,951	0
<b>Total</b>	<b>480<sup>b/</sup></b>	<b>\$1,786,046</b>	<b>\$842,488</b>

<sup>a/</sup> See Exhibit B for a list of abbreviations.

<sup>b/</sup> Three of the 477 current employees had duplicate accounts, therefore a total of 480 *accounts* were charged off.

As of October 31, 2003, DOT officials compiled their own list of current DOT employees. DOT's list showed 285 current DOT employees whose accounts had been charged off. DOT sent this list to the Operating Administrations with the December 21, 2003 quarterly report, asking them to report on disciplinary

<sup>9</sup> The March 2004 Citibank charge-off report showed a total of 848 current and former DOT employee accounts charged off. (This figure does not include the U.S. Coast Guard and the Transportation Security Administration.) DOT payroll records show that 477 of the 848 employees on the March 2004 DOT charge-off report are still current DOT employees.

actions taken. However, DOT has not reconciled this information with Citibank, so Citibank's information on employees who have been terminated, have retired, or have left DOT is not up to date. DOT officials are working to confirm the actual number of current DOT employees whose accounts were charged off.<sup>10</sup> DOT needs to promptly complete its work on identifying current DOT employees whose accounts were charged off and reconcile its records with Citibank.

The Travel and Transportation Reform Act of 1998 allows Federal agencies to deduct from an employee's pay the amount of delinquent funds (which includes amounts charged off) that the employee owes on his or her travel card. These deductions are called "salary offsets." In previous guidance from OST,<sup>11</sup> the Operating Administrations were given authority to implement salary offsets on a voluntary basis. Our prior audit found that only the USCG used salary offsets to address delinquencies and charge-offs. USCG has since been transferred to DHS.

Our current review disclosed that no DOT Operating Administration is using the salary-offset technique. At the end of our prior audit, DOT officials stated that salary offsets would begin in September 2003. During this review, DOT officials explained that they delayed issuing a salary-offset policy to recover charged-off amounts because they wanted to issue this policy in conjunction with DOT's new payroll system. However, since the implementation of the new payroll system has been delayed, DOT officials now plan to issue a revised travel card policy in July 2004 that will include the salary-offset policy. FAA is in the process of negotiating with the unions regarding their salary-offset policy. FAA does not have an anticipated implementation date at this time.

DOT should aggressively use salary offsets to address the charged-off accounts of current employees. We recognize that some employees are making payments on these accounts. For example, an FAA employee's original charged-off amount was \$11,234. This employee has since paid the balance down to \$3,145. We believe the salary-offset technique is more efficient than voluntary payments, however, because departmental officials do not have to confirm periodically that the employees are indeed making payments.

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<sup>10</sup> In February 2004, DOT provided the January 2004 Citibank charge-off report to the Operating Administrations and asked them to identify employees within their Administrations who were no longer employed by DOT. The report listed all DOT employees whose accounts had been charged off since February 2000, when Citibank first became DOT's travel card service provider. As of April 2004, DOT was still working with the Operating Administrations to determine the actual number of current DOT employees whose accounts had been charged off. DOT plans to forward the completed information to Citibank so that Citibank can update its records.

<sup>11</sup> March 26, 2002 Travel Card Policy.

However, until salary offsets are implemented, Operating Administrations should require current employees to make payments directly to Citibank.<sup>12</sup>

DOT needs to promptly complete its work on identifying the actual number of current DOT employees whose accounts have been charged off and inform the Operating Administrations of any additional names of current employees it identifies. DOT also needs to reconcile its records with Citibank so that current employees can begin making payments and appropriate measures can be taken to address former employees.

### *Charged-off Accounts of Former Employees Are Not Addressed*

OST and the Operating Administrations have not taken aggressive actions to address delinquencies and charge-offs of former DOT employees, including accounts of USCG and TSA employees who were transferred to DHS in March 2003. As of March 2004, Citibank had charged off the accounts of 2,169 USCG and TSA employees, and the balance due for these accounts was \$2.4 million.

We note that DOT took a positive step in November 2003 by sending DHS a list of USCG and TSA employees whose accounts had been charged off. However, DOT should work with DHS to ensure action is taken to resolve these charged-off accounts.

In addition to USCG and TSA employees, another 368 employees have left DOT since February 2000 with outstanding accounts that were charged off in the amount of \$1,256,001. These employees have since paid the balance down to \$961,107. DOT needs to follow up and identify ways to recoup charged-off amounts of former DOT employees. For example, if an employee retired without paying his or her travel card bill, DOT should examine the possibility of deducting the charged-off amount from future retirement payments.

DOT needs to work with the GSA and other agencies to identify methods to recoup charged-off amounts from former employees and pursue recoupments, especially from those who are still Federal employees.

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<sup>12</sup> There are two circumstances under which Citibank cannot accept payments on charged-off accounts: (1) the account was included in a bankruptcy filing, and (2) the account holder entered into a settlement agreement with a collections agency that allowed the individual to pay an amount less than the full amount owed to Citibank. In the second circumstance, if the amount forgiven is greater than \$600, Citibank will issue a Form 1099C, "Cancellation of Debt," to the account holder and then write off the amount as a loss. Once the 1099C is issued, Citibank no longer has collection rights.

### *Split Travel Reimbursements Should Be Implemented for Delinquent Employees*

Currently, no Operating Administration uses the split reimbursement technique to address delinquencies. OST is in the process of implementing a new electronic travel system, and split reimbursements will be a part of this system. DOT began a phased implementation of the system in June 2004.

In a split travel reimbursement, an employee with a delinquent account agrees to have part of his or her travel voucher reimbursement sent directly to Citibank to pay the travel card charges included in that voucher. Under this method, the employee retains use of the travel card but does not go further into debt with Citibank. Our prior audit found that USCG was the only Operating Administration using this technique.

Tables 4 and 5 provide comparisons by Operating Administration of the number of delinquencies and dollar amounts of delinquencies for accounts that are 31 or more days and 61 or more days past due. The average number of delinquencies per month has decreased since August 2003, but these tables show that delinquencies continued to occur. We provide both the 31 or more and 61 or more days past due numbers to emphasize the need to continuously monitor travel card delinquencies. Accounts that reach 61 or more days past due should be promptly addressed to prevent the delinquencies from reaching 180 days past due and, consequently, being charged off by Citibank.

**Table 4. Number of Delinquent Accounts by Operating Administration, August 2003 and March 2004**

Operating Administration <i>a/,b/</i>	August 2003		March 2004	
	31+ Days Past Due <sup>c/</sup>	61+ Days Past Due <sup>d/</sup>	31+ Days Past Due <sup>c/</sup>	61+ Days Past Due <sup>d/</sup>
FAA	434	110	521	118
FHWA	30	9	18	3
RSPA	11	1	10	0
MARAD	9	0	7	2
OST	3	0	10	3
NHTSA	4	1	2	2
BTS	0	0	1	1
FRA	4	1	11	1
FMCSA	6	3	2	0
OIG	1	0	2	1
FTA	1	0	1	0
<b>Total</b>	<b>503</b>	<b>125</b>	<b>585</b>	<b>131</b>

<sup>a/</sup> See Exhibit B for a list of abbreviations.

<sup>b/</sup> These delinquencies exclude the U.S. Coast Guard and Transportation Security Administration employees. These agencies moved to the Department of Homeland Security in 2003.

<sup>c/</sup> In this report, "31 or more days past due" means that the employee has not paid the bill 31 days after the bill's due date, which is approximately 1 month after the employee receives the credit card bill for payment.

<sup>d/</sup> All accounts shown in this column are also included in the 31+ days past due column.

**Table 5. Dollar Amount Delinquent by Operating Administration, August 2003 and March 2004**

Operating Administration <sup>a/</sup>	August 2003		March 2004	
	31+ Days Past Due	61+ Days Past Due <sup>b/</sup>	31+ Days Past Due	61+ Days Past Due <sup>b/</sup>
FAA	\$510,780	\$199,705	\$477,014	\$171,891
FHWA	34,877	14,461	15,214	4,420
RSPA	17,155	2,199	6,738	0
MARAD	6,009	0	7,800	2,806
OST	4,164	0	7,596	3,553
NHTSA	2,157	580	242	176
BTS	0	0	1,463	1,463
FRA	3,992	111	2,462	19
FMCSA	7,593	2,791	149	0
OIG	20	0	559	550
FTA	162	0	64	0
<b>Total</b>	<b>\$586,909</b>	<b>\$219,847</b>	<b>\$519,301</b>	<b>\$184,878</b>

<sup>a/</sup> See Exhibit B for a list of abbreviations.

<sup>b/</sup> All amounts shown in this column are also included in the 31+ days past due column.

At the conclusion of our prior audit, OST officials stated that they were automating the travel voucher process, which would facilitate use of split travel reimbursements, and that they planned to start using split travel reimbursements by December 2003. DOT officials explained that DOT is in the process of implementing a new electronic travel system, and voluntary split reimbursements will be a feature of this system. DOT began implementation of the electronic travel system implementation in June 2004. DOT plans to start implementation with FAA and two other Operating Administrations.

DOT should aggressively address delinquencies by using split travel reimbursements. Given the history of these employees, such actions are appropriate and provide an added measure of protection by limiting the amount of future debt accrued and later charged off.

### *Disciplinary Actions Are Still Inconsistent*

We reviewed the Operating Administrations' actions against employees with accounts that were charged off. We found that some Operating Administrations had not taken any disciplinary actions, and when they did, the actions were inconsistent across and within the Operating Administrations.

Of the 37 current employees we reviewed with charged-off accounts, disciplinary actions were taken against only 21. Table 6 shows the disciplinary actions taken, which ranged from oral reprimand to termination.

**Table 6. Disciplinary Actions Against 21 Employees Whose Accounts Were Charged Off**

<b>Disciplinary Action</b>	<b>Number of Employees</b>	<b>Amount Charged Off</b>
Oral Reprimand	8	\$31,760
Suspension (3 to 14 days)	9	62,735
Downgrade	2	26,362
Termination	2	8,485
<b>Total</b>	<b>21</b>	<b>\$129,342</b>

The Operating Administrations provided various reasons why no disciplinary actions were taken against the remaining 16 employees. Table 7 shows the reasons given.

**Table 7. Reasons Why No Disciplinary Actions Were Taken Against 16 Employees Whose Accounts Were Charged Off**

<b>Reason Why No Disciplinary Action Taken</b>	<b>Number of Employees</b>	<b>Amount Charged Off</b>
Prior Policy <sup>a/</sup>	8	\$60,313
Activity Under Review <sup>b/</sup>	5	58,794
Employee Subsequently Left DOT	3	19,681
<b>Total</b>	<b>16</b>	<b>\$138,788</b>

<sup>a/</sup> The charge-offs occurred under a prior DOT policy (September 1998) that placed responsibility on the cardholder and Citibank to resolve travel card problems. The policy discouraged DOT from monitoring employees' travel card activity.

<sup>b/</sup> Officials were reviewing the employees' travel card accounts before determining what type of disciplinary action would be taken.

The Operating Administrations were inconsistent in their treatment of charge-offs that occurred under the prior DOT policy. For example, four FAA employees were not disciplined because their charge-offs occurred under a

prior policy.<sup>13</sup> The accounts were charged off for a total of \$55,008, and no payments have been made on the accounts. In contrast, other Operating Administrations, such as the FHWA, FRA, and OST, have taken disciplinary action against employees whose accounts were charged off as early as April 2000, when the prior policy was in effect. For example, FRA suspended an employee in November 2002 for a \$3,328 charge-off that occurred in April 2000. This employee has since paid off the balance.

We also found inconsistencies within an Operating Administration in its application of disciplinary actions for charge-offs. We reviewed FAA's response to DOT's December 21, 2003 quarterly report and found that FAA did not discipline 12 employees whose accounts were charged off in the amount of \$51,734 between February 2000 and February 2001. FAA's response stated that the accounts were charged off prior to its being instructed to monitor Citibank's accounts, so no action would be taken against these employees. The current balance of these employees' accounts is \$10,874. However, FAA did take disciplinary action against 15 other employees whose charge-offs occurred during the same period. Inconsistencies remained even after OST issued a more comprehensive DOT travel card policy in June 2003 requiring the Operating Administrations to monitor delinquencies. Since the June 2003 guidance, another 16 FAA employees have had their accounts charged off. FAA's response to DOT's December 21, 2003 quarterly report showed that FAA has disciplined only 4 of these 16 employees.

The Operating Administrations have issued their own policy and penalty tables that are similar to or more severe than the sample table of penalties included in DOT's revised June 2003 travel card policy. However, while these policies provide disciplinary actions for delinquencies (most of the policies state that an employee is subject to disciplinary action if an outstanding travel charge card balance is 60 days or more past due), the policies do not provide specific disciplinary actions for charge-offs. The prior March 2002 DOT travel card policy also did not provide for specific disciplinary actions for charged-off accounts. DOT and the Operating Administrations should ensure their policies address disciplinary actions for charged-off accounts.

Although all Operating Administrations have penalties for delinquencies, we found that the Operating Administrations are not fully enforcing the penalties.

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<sup>13</sup> DOT's September 1998 policy placed responsibility on the cardholder and Citibank to resolve travel card problems. This policy also discouraged DOT from monitoring employees' travel-card activity. However, this policy did not prohibit Operating Administrations from taking disciplinary action based on travel card-related misconduct once the misconduct became known, nor did the policy imply that it was acceptable for employees not to pay their bills. In March 2002, DOT issued another policy that stated that Operating Administrations were responsible for monitoring Citibank's monthly delinquency reports and notifying managers of appropriate problems. The 2002 policy was superseded by a more comprehensive policy in 2003.

As noted above, we found that some Operating Administrations were considering any charge-offs that occurred under the prior policy (pre-March 2002) as “old,” so they did not apply disciplinary action even if an account balance still remained. In contrast, other Operating Administrations were applying disciplinary action no matter when the charge-off occurred or what the current balance. We note that DOT’s June 2003 travel card policy and all of the Operating Administrations’ travel card policies do not prohibit disciplinary action if a charge-off occurred under a prior policy. In fact, DOT’s June 2003 policy states that any violation of the Cardholder Agreement, including delinquency (60 days or more past due), will subject the card holder to disciplinary action.

In our opinion, disciplinary action is warranted whenever an employee’s account has been charged off, no matter when the charge-off occurred and especially if there is still an outstanding account balance. In addition, all current DOT employees with outstanding charge-off balances should be required to pay the balance either through payments directly to Citibank or by salary offset, unless the balance was included in a bankruptcy or a settlement agreement with a collection agency.

### *Actions Taken by DOT*

In its August 11, 2003 response to our prior audit report, DOT stated that it had initiated action to ensure Operating Administrations comply with DOT policy regarding delinquencies and that the Operating Administrations would submit quarterly reports for review by OST. However, OST did not request the quarterly reports until December 21, 2003. With the request, OST provided each of the Operating Administrations: (1) a list of employees whose accounts were 61 or more days past due, and (2) a list of 285 employees (264 FAA and 21 from the other Operating Administrations) whose accounts had been charged off as of October 31, 2003. OST asked the Operating Administrations to indicate the disciplinary actions taken against these employees. As of March 22, 2004, all Operating Administrations had responded. However, FAA did not provide complete information, and four of the Operating Administrations did not fully explain why no disciplinary action was taken against some employees with delinquent accounts.

We reviewed the Operating Administrations’ responses to DOT’s December 21, 2003 quarterly report for the 285 employees with charged-off accounts. The responses showed that Operating Administration officials took disciplinary actions against only 65 (23 percent) of the 285 employees whose accounts were charged off. The responses showed that no disciplinary action

was taken against 104 employees (the Operating Administrations provided reasons for not taking disciplinary actions for 93 of these employees). The Operating Administrations did not provide any information on the disposition of the remaining 116 employees.<sup>14</sup> Table 8 summarizes the Operating Administration responses to the December 21, 2003 quarterly report and shows dollar amounts charged off.

**Table 8. Summary of Responses to DOT's December 2003 Report Regarding 285 DOT Employees Whose Accounts Were Charged Off**

<b>Operating Administration Responses</b>	<b>Number of Employees</b>	<b>Amount Charged Off</b>	<b>Amount Due as of March 2004</b>
Disciplinary Action Taken	65	\$276,850	\$163,733
No Disciplinary Action Taken—Reasons Provided	93	375,285	181,744
No Disciplinary Action Taken—No Reasons Provided	11	75,279	38,886
No Information Provided	116	464,042	261,084
<b>Total</b>	<b>285</b>	<b>\$1,191,456</b>	<b>\$645,447</b>

Table 9 shows the disciplinary actions taken for the 65 employees, which ranged from counseling to termination.

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<sup>14</sup> There is at least one travel card coordinator in each Operating Administration who monitors travel card activity for that Administration. For the employees where no response was provided, the travel card coordinator either did not provide any information on the disposition of the employee, indicated that the employee and/or the employee's supervisor had not responded to the request, or reported that the employee was not in his or her assigned area but did not provide any information on where the employee was currently located.

**Table 9. Summary of Responses to DOT's December 2003 Report Regarding Disciplinary Actions Taken Against 65 DOT Employees Whose Accounts Were Charged Off**

<b>Disciplinary Action</b>	<b>Number of Employees</b>	<b>Amount Charged Off</b>	<b>Amount Due as of March 2004</b>
Employee Counseling	36	\$118,324	\$63,526
Letter of Reprimand	13	46,044	16,356
Suspension	12	78,143	62,857
Downgrade	2	26,362	20,994
Termination	1	4,873	0
No Specific Action Given	1	3,104	0
<b>Total</b>	<b>65</b>	<b>\$276,850</b>	<b>\$163,733</b>

Table 10 shows the reasons given why disciplinary actions were not taken for 93 employees whose accounts were charged off.

**Table 10. Reasons Why No Disciplinary Actions Were Taken Against 93 DOT Employees Whose Accounts Were Charged Off**

<b>Reason Why No Disciplinary Action Taken (as reported by Operating Administration)</b>	<b>Number of Employees</b>	<b>Amount Charged-Off</b>	<b>Amount Due as of March 2004</b>
Activity Under Review <sup>a/</sup>	18	\$120,168	\$95,409
Employee Left DOT	15	50,119	29,375
Prior Policy <sup>b/</sup>	16	66,342	20,769
Plan To Discuss with or Counsel Employee	17	74,549	28,964
Other <sup>c/</sup>	27	64,106	7,227
<b>Total</b>	<b>93</b>	<b>\$375,284</b>	<b>\$181,744</b>

<sup>a/</sup> This includes management investigating the charges or discussing the specific disciplinary action to take.

<sup>b/</sup> The account was charged off prior to the Operating Administrations being instructed to monitor employees' travel card activity so no disciplinary action was taken.

<sup>c/</sup> These reasons included the employee had a zero balance, was on a payment plan with Citibank, had paid a collection agency, or had a family emergency.

DOT sent out its second request to the Operating Administrations for quarterly reports on April 22, 2004. This request asked for information about employees whose accounts were 31 or more days past due. DOT should review the quarterly responses from the Operating Administrations to ensure that delinquent and charged-off accounts are resolved and that appropriate disciplinary actions, according to the tables of penalties, are being taken against employees with these accounts. The key to correcting travel card problems is to follow through and ensure that the Operating Administrations take corrective actions.

Citibank has recently taken action to control delinquencies and limit charge-offs. On April 7, 2004, Citibank implemented an automated program that will cancel an account that has been suspended twice within a 12-month period and then becomes past due again. While Citibank has been able to cancel accounts for this reason in the past, this program will be able to readily identify accounts that meet this criterion and promptly cancel them before further debt is incurred.

## **RECOMMENDATIONS**

1. The Assistant Secretary for Budget and Programs and Chief Financial Officer and the Assistant Secretary for Administration, in coordination with the Operating Administrations, should continue actions to promptly implement:
  - a. Salary offsets to address and resolve charged-off accounts for all current DOT employees. Until salary offsets are implemented, employees should be required to pay charged-off balances directly to Citibank.
  - b. Split travel reimbursements to address delinquent accounts.
2. The Assistant Secretary for Budget and Programs and Chief Financial Officer and the Assistant Secretary for Administration, in coordination with the Operating Administrations, should:
  - a. Complete the work started on identifying current DOT employees whose accounts were charged off, notify the Operating Administrations of any additional current employees identified, and reconcile the records with Citibank.
  - b. Work with the GSA to identify methods to recoup charged-off amounts from former employees and pursue recoupments, especially from those who are still Federal employees.

- c. Follow up with the Operating Administrations to ensure they comply with departmental policy to discipline employees who are delinquent in paying their bills or whose accounts are charged off.

## **MANAGEMENT COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

A draft of this report was provided to the Assistant Secretary for Budget and Programs and Chief Financial Officer on June 3, 2004. The Assistant Secretary for Budget and Programs and Chief Financial Officer responded on June 16, 2004, concurring with all our findings and recommendations. (See the appendix to this report for the complete text of the Assistant Secretary for Budget and Programs and Chief Financial Officer's comments.) The actions planned are responsive to our recommendations.

**Recommendation 1a. Concur.** DOT plans to issue a Departmental policy on salary offsets this fiscal year which will apply to all DOT organizations. In addition, with a sizable proportion of DOT's charge-offs occurring at FAA, DOT will continue to work closely with FAA to accomplish the steps necessary to implement salary offsets. Since initiating a salary-offset action requires the card-issuing bank to request such action, DOT has completed initial discussion with Citibank. DOT plans to enter into and complete final negotiations with Citibank before the end of the calendar year regarding the administrative and legal actions necessary to initiate salary offsets.

**Recommendation 1b. Concur.** DOT will select an electronic travel vendor in June 2004 and intends to move out aggressively on implementing split travel disbursements as part of the integrated electronic travel service. DOT intends to begin implementation before the end of fiscal year 2004.

**Recommendation 2a. Concur.** DOT will continue to actively monitor monthly charge-off reports and will disseminate the list of names to the Operating Administrations. Corresponding disciplinary actions will also be required and tracked.

**Recommendation 2b. Concur.** DOT agrees that Federal agencies should work together in a more coordinated fashion to track individuals who have had their accounts charged off. DOT intends to initiate action on this matter by sending a memorandum by July 15 to the GSA requesting that a plan for collaboration be developed.

**Recommendation 2c. Concur.** DOT will continue to work closely with the Operating Administrations and the human resources community to monitor compliance with the requirement to take appropriate corrective action against employees who abuse their travel charge cards. DOT will continue to pursue monthly feedback from the Operating Administrations and will require that disciplinary action be reported on a quarterly basis.

## **ACTION REQUIRED**

The actions taken and planned by DOT are reasonable. Therefore, we consider Recommendation 2c closed and the remaining recommendations resolved, subject to follow-up requirements in DOT Order 8000.1C.

We appreciate the courtesies and cooperation of Department of Transportation representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1992 or Robin K. Hunt, Deputy Assistant Inspector General for Hazardous Materials, Security and Special Programs, at (415) 744-0420.

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## EXHIBIT A. CHARGED-OFF ACCOUNTS—AUGUST 2003 AND MARCH 2004

### *Charged-Off Accounts as of August 2003*

<b>Operating Administration<sup>a/</sup></b>	<b>No. of Accounts Charged Off</b>	<b>Amount Charged Off</b>	<b>Amount Due as of August 2003</b>
FAA	620	\$2,247,142	\$1,354,508
FHWA	32	150,950	133,201
OST	27	112,401	80,025
FRA	33	112,515	89,670
FMCSA	25	48,218	38,727
NHTSA	8	38,802	22,831
FTA	8	33,697	21,240
OIG	3	25,949	21,785
MARAD	11	28,793	18,545
RSPA	8	14,480	6,277
STB	1	2,039	0
<b>Total</b>	<b>776</b>	<b>\$2,814,986</b>	<b>\$1,786,809</b>

<sup>a/</sup> See Exhibit B for list of abbreviations.

### *Charged-Off Accounts as of March 2004*

<b>Operating Administration<sup>a/</sup></b>	<b>No. of Accounts Charged Off</b>	<b>Amount Charged Off</b>	<b>Amount Due as of March 2004</b>
FAA	679	\$2,450,418	\$1,394,981
FHWA	39	160,360	130,211
OST	27	112,401	65,797
FRA	34	112,713	84,005
FMCSA	28	51,197	33,404
NHTSA	8	38,802	22,709
FTA	8	33,697	17,328
OIG	3	25,949	21,785
MARAD	12	31,547	18,545
RSPA	9	22,926	14,829
STB	1	2,039	0
<b>Total</b>	<b>848</b>	<b>\$3,042,049</b>	<b>\$1,803,594</b>

<sup>a/</sup> See Exhibit B for list of abbreviations.

## EXHIBIT B. LIST OF DOT ABBREVIATIONS

BTS	Bureau of Transportation Statistics
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
MARAD	Maritime Administration
NHTSA	National Highway Traffic Safety Administration
OIG	Office of Inspector General
OST	Office of the Secretary of Transportation
RSPA	Research and Special Programs Administration
STB	Surface Transportation Board
TSA	Transportation Security Administration (moved to the Department of Homeland Security in March 2003)
USCG	United States Coast Guard (moved to the Department of Homeland Security in March 2003)

## **EXHIBIT C. PRIOR AUDIT COVERAGE**

### **OIG Audit Report Number FI-2003-049, “Audit of Use of Government Travel Charge Cards,” August 28, 2003**

While most DOT employees do not abuse their travel card privileges, we identified 96 employees who did abuse these privileges by charging personal purchases (\$407,000), withdrawing cash in excess of travel needs (\$361,000), or not paying their bills on time (22 employees). In response to our audit, DOT revised its travel card policy and initiated other corrective actions to address travel card abuses. To build on these initiatives and strengthen controls, we recommended that DOT use data-mining tools to identify abuses, block additional merchant categories from travel card use, implement salary offsets and split travel reimbursements for employees who are delinquent in paying their travel bills, and take appropriate actions with the employees who abused their travel cards. DOT agreed with our recommendations and initiated corrective actions, including issuing the June 2003 policy requiring the Operating Administrations to monitor for travel card misuse, blocking specific categories of inappropriate merchants, and initiating the quarterly report system that provides each Operating Administration quarterly lists of their delinquent employees and requires the Operating Administrations to notify OST of the resolutions of these accounts.

## EXHIBIT D. MAJOR CONTRIBUTORS TO THIS REPORT

### THE FOLLOWING INDIVIDUALS CONTRIBUTED TO THIS REPORT.

<u>Name</u>	<u>Title</u>
Glenn Griser	Program Director
Leroy Davis	Project Manager
Stephen Jones	Senior Auditor
Kari Beitel	Senior Analyst
Kathleen Huycke	Editor
Petra Swartzlander	Senior Statistician

# APPENDIX. MANAGEMENT COMMENTS

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**U.S. Department of  
Transportation**

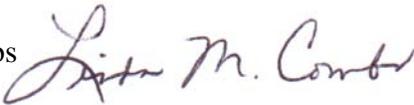
Office of the Secretary  
of Transportation

Assistant Secretary  
for Budget and Programs  
and Chief Financial Officer

400 Seventh St., S.W.  
Washington, D.C. 20590

June 16, 2004

MEMORANDUM TO: Alexis Stefani  
Principal Assistant Inspector General  
for Auditing and Evaluation

FROM: Linda M. Combs 

SUBJECT: Report on "Follow-Up Audit of DOT Government Travel  
Card Delinquencies and Charge-offs"

This is in response to the draft report entitled, "Follow-up Audit on DOT Government Travel Card Delinquencies and Charge-offs". As noted in your report, the Department has taken a number of aggressive strides over the past year which resulted in what can truly be considered a cultural change across the Department. With delinquency rates in recent years approaching highs of nearly 13 percent, our travel card program has evolved into what the Office of Management and Budget (OMB) and the General Services Administration (GSA) now refer to as a "model program," with delinquency rates averaging 3 percent.

Despite our headway, we remain mindful of the fact that this is an issue that requires continuous diligence and oversight. We appreciate your insights and recommendations and look forward to working with your staff to further strengthen our management of this program in the months ahead.

We reviewed the report's recommendations and offer the following comments:

**Recommendation 1a:** Continue actions to promptly implement salary offsets to address and resolve charged-off accounts for all current DOT employees. Until salary offsets are implemented, employees should be required to pay their charged-off balance directly to Citibank.

**Response: Concur:** A Departmental policy on salary offset will be issued this fiscal year which will apply to all DOT organizations. In addition, with a sizable proportion of the Department's charge-offs occurring at FAA, we will continue to work closely with FAA to accomplish the steps necessary to implement salary offsets. This will include the need for FAA to issue a corresponding agency policy for salary offsets, and reach agreement with its labor unions for using salary offsets to address travel card charge offs. Since initiating a salary offset action requires the card issuing bank to request such

action, we have completed initial discussion with Citibank regarding the administrative and legal actions necessary to achieve this objective. We plan to enter into and complete final negotiations with the Bank before the end of the calendar year. Finally, we will continue to follow-up on other departmental policies aimed at encouraging employees to repay charged off balances, including monthly reporting and follow-up on delinquency/disciplinary actions taken by modal administrations, and working with them to ensure appropriate actions are taken.

**Recommendation 1b:** Continue actions to promptly implement split travel reimbursements to address delinquent accounts.

**Response:** *Concur:* An e-travel vendor will be selected by the DOT in June of 2004 and we intend to move out aggressively on implementing split disbursement as part of the integrated e-travel service. Significant preliminary work is already underway with both travel card providers and our Delphi interface managers in Oklahoma City so that split disbursement is deployed simultaneously with e-travel. It is our intent to begin implementation before the end of FY 04.

**Recommendation 2a:** Complete the work started on identifying current DOT employees whose accounts were charged off, notify the operating administrations of any additional current employees identified, and reconcile the records with Citibank.

**Response:** *Concur:* We will continue to actively monitor monthly charge-off reports and will disseminate list of names to our Operating Administrations. Corresponding disciplinary actions will also be required and tracked.

**Recommendation 2b:** Work with the General Services Administration to identify methods to recoup charged-off amounts from former employees and pursue recoupments, especially for those who are still Federal employees.

**Response:** *Concur:* We agree that federal agencies should work together in a more coordinated fashion to track individuals who have had their accounts charged-off. I intend to initiate action on this matter by sending a memorandum by July 15 to the General Services Administration requesting that a plan for collaboration be undertaken. DOT would welcome the opportunity to participate in such a government-wide activity.

**Recommendation 2c:** Follow up with the operating administrations to ensure they comply with Departmental policy to discipline employees who are delinquent in paying their bills or whose accounts are charged off.

**Response:** *Concur:* We will continue working closely with the Operating Administrations and the Human Resources community to monitor compliance with the requirement to take appropriate corrective action against employees who abuse their travel charge cards. We will continue to pursue monthly feedback from OAs and will require that disciplinary action be reported on a quarterly basis.