

Congressional Response Report

**THE SOCIAL SECURITY ADMINISTRATION'S
GOVERNMENT TRAVEL CARD PROGRAM**

A-13-03-23088



August 2003

Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

Inspector General

August 15, 2003

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Shaw:

In response to a congressional inquiry from the Subcommittee on Social Security, we determined whether the Social Security Administration (SSA) was aware a former employee had received a Government Travel Card (GTC). In addition, we gathered and summarized information regarding SSA's management controls and contractor and employee cardholder responsibilities regarding the issuance, use, and termination of the GTC.

In November 2001, we issued a report discussing the Agency's GTC program. Our report, *The Social Security Administration's Smart Pay Program* (A-13-02-22059), provides information about instances of employees who have been investigated and disciplined for misusing their GTC. A copy of this report is attached (see Appendix A).

RESULTS

In April 2003, we were advised that a former SSA employee received a GTC erroneously. We notified SSA of this situation. SSA staff was not aware the former employee was issued the charge card. However, SSA staff stated GTCs are sometimes issued erroneously to former employees. SSA staff stated the Agency is working to correct this problem.

If the former employee had used the erroneously issued travel card, the employee would be liable for the charges. Cardholders are liable for all charges they have incurred. SSA assumes no liability for individually billed travel card accounts. To minimize fraud, waste, and abuse in the GTC program, each party must meet its responsibilities for proper issuance, use, and termination of the GTC.

SSA has various management controls intended to prevent waste, fraud, and mismanagement within its GTC program. Further, Citibank and employee cardholders have specific responsibilities related to the issuance, use, and termination of the GTC.

In Fiscal Year 2002, there were approximately \$26.5 million in GTC charges. As we reported in November 2001, SSA's travel card program has had a low incidence of misuse. We reported the travel card charges do not result in a debt to the Government. We will continue to monitor incidences of potential misuse. However, we did not assess SSA, Citibank, or the employee cardholders' compliance with these controls.

SSA Management Controls

Office of Management and Budget guidance¹ requires that agencies take systematic and proactive measures to develop and implement appropriate cost-effective management controls. Management controls (internal controls) are policies and procedures used to reasonably ensure programs achieve their intended results and resources are protected from waste, fraud, and mismanagement. SSA's policies and procedures regarding its GTC program are intended to prevent waste, fraud, and mismanagement.

The Agency has several policies in place to decrease the risk of potential GTC misuse and monitor charge card account activity. For example, there are maximum dollar amounts that can be charged to the GTC and limitations on the amounts withdrawn using the automated teller machine (ATM).² SSA also uses merchant blocking for certain types of purchases.³

Moreover, SSA program coordinators monitor charge card account activity. When program coordinators identify unauthorized use of the ATM or charge card and/or Citibank reports delinquencies or misuse, program coordinators provide this information to SSA officials for further action.

SSA monitors employees' GTC payments to Citibank. When an employee's travel card account is 60 days in arrears, SSA informs the cardholder by telephone or electronic mail to pay the delinquent account. For accounts 90 days in arrears, the program coordinator notifies the employee and the employee's manager that the account has been suspended and must be paid to prevent cancellation and possible disciplinary action. If the account reaches 120 days overdue, the program coordinator sends written notification that the account has been canceled. Additionally, a copy of the "delinquency letter" is sent to management for further action and placed in the employee's personnel file. Further, SSA can initiate employee salary offset to collect the delinquent debts.

¹ Circular A-123, *Management Accountability and Control*, Section II. *Establishing Management Controls*.

² Charge Account Limit is \$10,000. ATM limits of \$400/day, \$600/week, and \$1,300/billing cycle.

³ Allowable purchases are air/rail transportation, lodging, meals, and parking. Retail purchases are limited to \$100.

SSA's travel card program coordinator may suspend an account under his/her purview depending on the individual situation. The coordinator must document the reason for the suspension. SSA may temporarily deactivate the Citibank VISA because of changes in an employee's position and/or travel requirement. The Agency will notify the employee at least 72 hours before it deactivates or cancels the travel card.

When an employee leaves the Agency, the travel authorizing official notifies the employee during the exit conference that his/her GTC will be canceled. After this meeting, the travel authorizing official must notify the appropriate Agency GTC program coordinator. In turn, the program coordinator, through direct access to Citibank's systems cancels the employee's GTC within a pay period of the date of separation.

Citibank Responsibilities

Citibank establishes a separate account in each GTC holder's name. Each month, the cardholder receives an account statement directly from Citibank if a balance is due or charges have occurred. Under its contract with the General Services Administration, Citibank may not

- conduct initial credit checks on employees designated to receive a travel card;
- release credit information to anyone other than the employing agency officials or the individual cardholder, unless the card is canceled because of delinquency on the cardholder's part and SSA and Citibank have exhausted every effort to attain payment;
- include commercial advertisements or other forms of solicitation with monthly billing statements;
- issue or cancel employee cards without the concurrence of authorized employing agency officials;
- sell or otherwise provide employee names or addresses to other commercial interests; and
- hold employees or their agencies liable for any charges made with lost or stolen cards provided the employee notifies Citibank promptly upon discovering that his/her card has been stolen or lost.

Citibank may suspend or cancel a Federal employee's GTC if it is used for unauthorized purchases; is used for unauthorized ATM withdrawals; and/or has not been paid timely.

An account is considered delinquent if Citibank has not received payment for the undisputed amount 45 days from the closing date of the statement in which the charge appears. If Citibank does not receive payment 55 days from the closing date of the GTC statement, it will notify SSA and the cardholder the suspension process will be initiated. If Citibank has not received payment for the undisputed principal amount 61 calendar days from the closing date, the account will be suspended. If Citibank does not receive payment of the undisputed amount within 120 days, Citibank may cancel the

credit card. Citibank may reinstate canceled accounts upon payment of the undisputed principal amount and late fee.

Cardholder Responsibilities

SSA employees who travel, with limited exceptions, must obtain and use the Citibank VISA for official Government travel expenses and authorized ATM withdrawals. These individuals are expected to be familiar with Federal regulations and SSA policies and procedures pertaining to travel.⁴ SSA assumes no liability for individually billed travel card accounts or late fees that Citibank may charge. Individuals are liable for undisputed amounts appearing on account statements issued from Citibank.

Each month the cardholder has an outstanding balance; the cardholder receives a statement directly from Citibank and is expected to pay the balance within 25 days from the date of the statement. Cardholders are liable for all charges they have incurred regardless of whether they exceed the amount they are entitled for reimbursement. If there is a problem with the account statement, it's the cardholder's responsibility to notify Citibank in writing or by telephone within 60 days of the statement's billing date. Cardholders must contact Citibank if their GTC is lost or stolen or if the card was used without the employee's authorization. Cardholders are not liable for fraudulent charges if the card is lost or stolen and Citibank is promptly notified.

If you have any questions regarding this matter, please call me or have your staff contact H. Douglas Cunningham, Executive Assistant, at (202) 358-6319.

Sincerely,



James G. Huse, Jr.

⁴ *Federal travel regulations*, 41 CFR § 301-1.1 et seq.; *Joint Federal Travel Regulations*, Volume 1, <http://www.dtic.mil/perdiem/>; *Foreign Affairs Manual*, Volume 6, Chapter 100, <http://foia.state.gov/FAMDIR/fam/fam.asp>.

Appendices

Appendix A – The Social Security Administration’s Smart Pay Program
(A-13-02-22059)

Appendix B – Background

Appendix C – Scope and Methodology

Appendix A

The Social Security Administration's Smart Pay Program (A-13-02-22059), issued November 6, 2001

To view the appendices for this report, please visit our web site at www.ssa.gov/oig/ or click on the following link <http://www.ssa.gov/oig/ADOBEPDF/A-13-02-22059.pdf>. If you do not have access to the Internet, you may request a copy of the report by contacting the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375.



SOCIAL SECURITY

Office of the Inspector General

November 6, 2001

The Honorable Charles E. Grassley
Ranking Minority Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

Thank you for your September 24, 2001 inquiry concerning the Social Security Administration's (SSA) SmartPay program. We share your concerns that the Government may be paying for Federal employees' personal purchases made through the unauthorized use of Government charge cards.

In responding to your questions, we relied on information from a prior audit, investigations of employees who committed unauthorized use of Government charge cards, and information we obtained from SSA representatives responsible for monitoring SSA's SmartPay program. The enclosed report contains information related to

- ◆ instances of employees who have been investigated and disciplined for misusing the charge cards;
- ◆ details of audits and investigations my Office has conducted regarding the use of the charge cards;
- ◆ details of any planned or ongoing Office of the Inspector General audits and investigations of charge card misuse; and
- ◆ recommendations to correct any program weaknesses.

We appreciate your interest in SSA's SmartPay program. We will continue to keep you apprised of SSA's and our efforts to ensure instances of charge card misuse are minimized.

Page 2 - The Honorable Charles E. Grassley

If you have any questions concerning this matter, please call me or have your staff contact Richard A. Rohde, Special Agent-in-Charge for External Affairs, at 410-966-1722.

Sincerely,

/s/

James G. Huse, Jr.
Inspector General of Social Security

Enclosure

CONGRESSIONAL RESPONSE REPORT

The Social Security Administration's SmartPay Program

A-13-02-22059



NOVEMBER 2001

Background

In 1998, the General Services Administration (GSA) awarded five contracts that provide Federal agencies a new way to pay for commercial goods and services as well as travel and fleet-related expenses. The GSA SmartPay program is intended to allow Federal employees to do their jobs more efficiently. The GSA SmartPay contracts are effective from November 30, 1998 through November 29, 2003, with five 1-year options to renew. Awards were made to five service providers: Citibank VISA, Bank One, Mellon Bank, Bank of America, and U.S. Bank. The Social Security Administration (SSA) has elected to use Citibank VISA as its vendor for the SmartPay program. The SmartPay program is administered in two categories: travel and Government purchases.

Travel Card Program

Under the Travel Card Program, Federal employees who travel are issued travel charge cards to use for official travel, as required under the Federal Travel Regulation.¹ The contractual relationship is between the employee and Citibank. SSA reimburses the employee for travel expenses, and it is the employee's responsibility to pay Citibank. In Fiscal Year (FY) 2000, there were about 29,300 cardholders with total charges of \$25,003,959. In FY 2001 there were approximately 28,700 cardholders with total charges of \$36,929,554.

SSA provides training for new employees on the appropriate use of the travel card. Also, SSA has several controls to monitor the program's effectiveness and to identify potential misuse of the travel card. For example, SSA has established with Citibank a \$10,000 charge limit and a \$1,300 limit on automated teller machine (ATM) withdrawals. SSA also uses merchant blocking, which permits only certain types of purchases, such as air/rail transportation, lodging, meals, and parking. Also, Citibank suspends cards of individuals who have not paid for charges after 66 days, cancels cards that are 120 days past due, and cancels cards that have unauthorized use.

SSA also monitors the employee's payments to Citibank. When an employee's travel card account becomes delinquent,² SSA sends notification to the cardholder to pay the delinquent account. In addition, the appropriate Deputy Commissioner and the travel authorizing official are informed of the delinquency. The delinquency letter is placed in the employee's personnel file for 1 year. According to SSA, these letters have been effective in getting employees to repay their delinquent accounts.

¹ 41 CFR part 301-51, et al.

² An account is considered delinquent when it is not paid within 60 days.

Purchase Card Program

Under the Government Purchases Program, some employees have acquisition authority to make small purchases for SSA. The contractual relationship is between SSA and Citibank. In FY 2000, there were about 3,700 cardholders with total actual payment purchases of \$50,008,521, and, in FY 2001, there were approximately 3,800 cardholders with total purchases of \$50,765,086.

SSA provides training for new cardholders and approving officials. SSA is providing refresher training for current cardholders that must be completed by November 30, 2001. SSA has controls to monitor the program's effectiveness and to identify potential misuse of Government purchase cards. Some of these improvements were the result of an audit report we issued in June 2000. For example, SSA requires the approving official to monitor purchase card activity by reviewing each cardholder's monthly activity statement and to question purchases that appear inappropriate. Other controls include limiting purchases to \$2,500³ per transaction per day, monthly exception routines to identify split orders to stay within the \$2,500, merchant blocking, and word searches for certain descriptions of purchases that appear inappropriate. Finally, SSA's Office of Acquisition and Grants performs periodic internal quality reviews to assess compliance with procedures.

³ According to SSA, there are about 100 cardholders with purchase authority over \$2,500.

Results of Review

On September 24, 2001, Senator Charles E. Grassley, Ranking Minority Member, Senate Finance Committee, sent a letter to the Inspector General of SSA requesting that the Office of the Inspector General (OIG) communicate its evaluative experience with the SmartPay program at SSA. Senator Grassley made this request in light of recent reports that the Government is paying for Federal employees' personal purchases made through the unauthorized use of Government charge cards. Senator Grassley specifically requested information in the following areas.

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

According to SSA, there were 112 instances of Government charge card misuse in FYs 2000 and 2001. The disciplinary action ranged from a reprimand to the employee's termination. Appendix A contains a full description of each case.

| Purchase Card Misuse | Travel Card Misuse | Disciplinary Action |
|-----------------------------|---------------------------|--------------------------------------|
| 2 cases | | ➤ Removal ➤ 30 day suspension |
| | 110 cases | Reprimand to termination of employee |

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

In June 2000, we issued an audit report, *Review of the Social Security Administration's Internal Controls over International Merchant Purchase Authorization Card Payments* (A-13-97-91018). In this audit, we identified the following internal control weaknesses in the Government purchase card process:

- incidences in which required purchase logs were not always maintained;
- purchase documentation was insufficient;
- management approval missing;
- separation of duties not enforced;
- unauthorized individuals given purchase card access;
- split purchases made;

- purchase descriptions inaccurate; and
- budget approval not obtained.

We believe these internal control weaknesses increase the potential for fraud, waste and abuse in connection with Government charge card purchases as well as hindering SSA's ability to detect such actions. To strengthen Government charge card purchase internal controls, we made 10 recommendations to SSA. SSA generally agreed with our recommendations. Appendix B contains a copy of the audit report.

Our Office of Investigations investigated four cases of Government charge card misuse in FYs 2000 and 2001. The disciplinary action ranged from a 7-day suspension to incarceration. Appendix C contains a full description of each investigation.

| Purchase Card Misuse | Travel Card Misuse | Disciplinary Action |
|-----------------------------|---------------------------|---|
| 2 cases | | <ul style="list-style-type: none"> ➤ 30 day suspension; ➤ 6 days' incarceration; probation and restitution of \$8,096 |
| | 2 cases | <ul style="list-style-type: none"> ➤ 7 day suspension; employee resignation |

3. Details of audits and investigations you plan to conduct regarding the use of SmartPay accounts.

We will continue to track SSA's progress in implementing our prior recommendations to improve the controls over Government purchases. We have no planned audits of SSA's travel card program because of the low incidence of misuse (55 cases/year for approximately 29,000 cardholders). In addition, individual cardholders are obligated to pay Citibank for travel card expenses and are therefore not a debt to the Government.

We have one open investigation; however, the results are not available. We will continue to monitor the SmartPay program by quickly responding to all allegations of fraud and misuse.

4. Any recommendations you have for correcting program weaknesses.

We have no new recommendations at this time for correcting program weaknesses.

Conclusion

The SmartPay program is intended to allow Federal employees to do their job more efficiently. However, there are risks associated with the use of Government charge cards. Our prior audit of SSA's Government purchase card program has shown there are internal control weaknesses that increase the potential for fraud, waste, and abuse. We are encouraged that SSA generally agreed with our findings and recommendations. SSA's corrective actions, if properly implemented, should significantly improve SSA's internal controls over the use of Government purchase cards. SSA's travel card program has a low incidence of misuse, and travel card charges do not result in a debt to the Government. Although we have no planned audits of SSA's travel card program, we will continue to monitor incidences of potential misuse.

Background

Under the Government Travel Card (GTC) program, as required by Federal travel regulations,¹ Federal employees are issued charge cards for official travel. As of May 2003, Citibank was the GTC contractor². The GTC is accepted in more than 14 million establishments worldwide, providing convenience to Government travelers.

Under the GTC program, Social Security Administration employees must use the charge cards when travel is appropriately authorized. Government employees use the cards to pay for major expenses³ connected with official travel. Employees may also use the GTC to make cash withdrawals from automated teller machines or obtain a cash advance from a banking facility for other travel expenses.⁴ Although the Social Security Administration reimburses its employees for expenses incurred when traveling for official business, it is the employees' responsibility to pay Citibank.

In Fiscal Year (FY) 2000, there were approximately 29,300 cardholders under the GTC program with total charges of about \$30.2 million.⁵ In FY 2001, there were approximately 28,700 cardholders with total charges of \$36.9 million. In FY 2002, there were approximately 29,700 cardholders with total charges of \$26.5 million (see Chart 1 below).

¹ 41 CFR § 301-1.1 *et seq.*

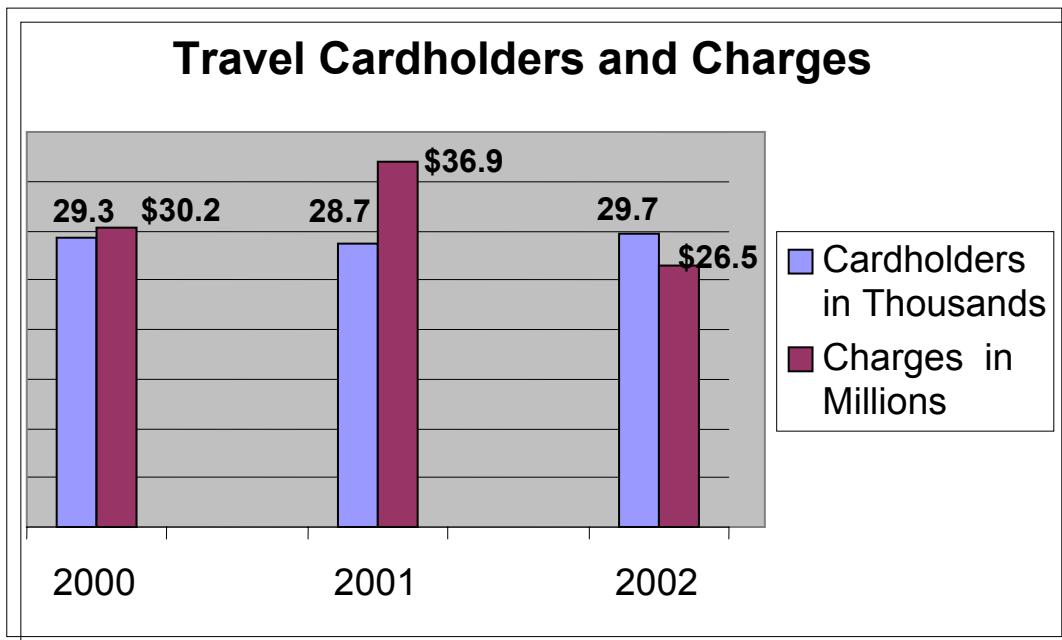
² General Services Administration's Contract Number GS-23F-98006, effective November 30, 1998. The contract is for 5 years with five additional 1-year options.

³ Major expenses include transportation tickets, lodging, and car rentals.

⁴ Other travel expenses may include tips, taxi, laundry, dry-cleaning, and parking.

⁵ Total charges include individual card charges and automated teller machine withdrawals and fees. These charges do not include centrally billed account charges.

Chart 1: FY 2000 – 2002 Government Travel Cardholders and Charges



Source: SSA's Office of Financial Policy and Operations

Appendix C

Scope and Methodology

We obtained and reviewed Federal regulations, SSA's policies,¹ Memorandums of Understanding,² and GTC cardholder agreements related to the GTC program. We reviewed these documents to identify SSA management controls as well as Citibank and employee cardholder responsibilities related to the GTC program. Additionally, we interviewed SSA staff responsible for administering the GTC program. However, we did not determine whether SSA complied with its management controls or Citibank and employee cardholders complied with their responsibilities.

The entity reviewed was the Office of Financial Policy and Operations within the Office of Finance, Assessment and Management. We performed our audit in May 2003 in Baltimore, Maryland. We performed our work in accordance with the President's Council on Integrity and Efficiency Quality Standards for Inspections.

¹ SSA's Administrative Instructions Manual System and Federal travel regulations – 41 CFR § 301-1.1 et seq.

² Memorandum of Understanding between the American Federation of Government Employees/National Treasury Employees Union Chapter 224 and SSA.

DISTRIBUTION SCHEDULE

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Social Security Advisory Board

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

Office of Executive Operations

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.