
May 24, 2004



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Acronyms

CBA	Centrally Billed Account
CTO	Commercial Travel Office
ECIE	Executive Council on Integrity and Efficiency
GAO	General Accounting Office
PCIE	President's Council on Integrity and Efficiency
TCPMO	Travel Card Program Management Office
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer
WHS	Washington Headquarters Services



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May 24, 2004

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER
DIRECTOR, DEFENSE PROCUREMENT AND
ACQUISITION
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: Report on Management of the Centrally Billed Travel Card Program at
Defense Agencies (Report No. D-2004-083)

We are providing this report for information and use. We considered comments from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Director, Washington Headquarters Services, and the President of the National Defense University on a draft of this report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Joseph P. Doyle at (703) 604-9349 (DSN 664-9349) or Ms. Karen L. Jones at (703) 604-9361 (DSN 664-9361). See Appendix B for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in cursive script that reads "David K. Steensma".

David K. Steensma
Assistant Inspector General
Contract Management

Office of the Inspector General of the Department of Defense

Report No. D-2004-083

May 24, 2004

(Project No. D2003CK-0125)

Management of the Centrally Billed Travel Card Program at Defense Agencies

Executive Summary

Who Should Read This Report and Why? Policy makers, senior managers, travel card program managers, approving officials, and cardholders should read this report to help them identify potential problem areas in their centrally billed travel card programs. This report provides information that may identify internal control weaknesses of the travel card program, some of which may be program wide. After reading this report, managers should be able to assess their own centrally billed travel card program and make the adjustments needed to strengthen their program.

Background. The DoD travel card program is part of the SmartPay program, which includes the Government purchase, travel, and fleet charge cards. In March 1998 the Deputy Secretary of Defense designated the Defense Finance and Accounting Service as the program management office for the DoD travel card program. DoD uses two types of travel charge card accounts: centrally billed travel accounts and individual accounts. Centrally billed travel accounts are the responsibility of the Government and individually billed accounts are the responsibility of an individual. Defense agencies establish credit limits for their centrally billed travel accounts at the central account level when the account is established. The General Services Administration reported that in FY 2003 the bank processed 3.8 million transactions valued at \$1.4 billion against DoD centrally billed travel accounts. The General Services Administration also reported that the bank processed 171,138 transactions valued at \$73.8 million on Defense agency centrally billed accounts.

Results. Controls over centrally billed travel accounts were adequate at the Joint Chiefs of Staff, Defense Commissary Agency, Defense Security Cooperation Agency, and the National Defense University based on a review of documentation for the selected transactions. However, improvements were needed at the Travel Card Program Management Office and at Washington Headquarters Services.

The Travel Card Program Management Office did not monitor centrally billed travel accounts. Specifically, 96 of the 286 central accounts and 462 of the 817 transaction accounts at Defense agencies were not used in FY 2003. In addition, credit limits on 178 of the 190 central accounts that were used were higher than needed. As a result, there were more centrally billed travel accounts than necessary, credit limits were about \$457 million higher than needed, and the Department was placed at increased risk for financial loss. The Under Secretary of Defense (Comptroller)/Chief Financial Officer should issue guidance on establishing and monitoring centrally billed travel accounts. The Travel Card Program Management Office should close unused centrally billed travel accounts, reduce credit limits and review the centrally billed travel accounts semi-annually and

close unused accounts and adjust credit limits as necessary. For detailed recommendations, see finding A.

Washington Headquarters Services did not properly establish and appropriately use a centrally billed travel account. Specifically, the Budget and Finance Directorate opened five transaction accounts instead of using purchase cards and did not have adequate supporting documentation for purchases. As a result, non-travel related transactions, totaling about \$11,600, were processed on three of the five Washington Headquarters Services transaction accounts. Additionally, travel related charges of about \$158,400 were made and approved on these accounts without proper documentation. The Director, Washington Headquarters Services, should develop specific guidance on establishing and using centrally billed travel accounts and route all future requests for participation in the charge card program through the appropriate program management office. Additionally, the Director, Washington Headquarters Services, should initiate a review and take appropriate actions against the personnel responsible for inappropriately opening and using centrally billed transaction accounts and for using a travel agent other than the contracted commercial travel office for official travel services. For detailed recommendations, see finding B.

The Director, Budget and Finance, Washington Headquarters Services, did not use the contracted Commercial Travel Office during August and September 2002 to provide required travel services. As a result, the Director, Budget and Finance violated the commercial travel office contract and the Joint Travel Regulation, and incurred excess travel expenses of about \$44,000. For details, see finding C.

Management Comments and Audit Response. The Office of the Under Secretary of Defense (Comptroller) and the Director, Washington Headquarters Services, concurred with the recommendations. The Under Secretary of Defense (Comptroller) agreed to issue guidance, close unused accounts, have credit limits reduced, review accounts semi-annually, and ensure that inappropriate merchant category codes are blocked by the bank. The Director, Washington Headquarters Services agreed to develop specific guidance for obtaining and using centrally billed travel accounts, route all future requests for participation in the charge card program through the appropriate program management office, and to initiate a review and take appropriate action. The corrective actions initiated will improve the controls for the centrally billed travel card program.

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Background

Travel Card Program. The DoD travel card program is part of the SmartPay program, which includes the Government purchase, travel, and fleet charge cards. The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO) is the proponent of the DoD travel card program. In March 1998 the Deputy Secretary of Defense designated the Defense Finance and Accounting Service as the Travel Card Program Management Office (TCPMO). The TCPMO manages the day-to-day operations of the DoD travel card program. Additionally, the Services and Defense agencies perform daily travel card management through Component program managers. The Component program managers have agency program coordinators that execute the DoD travel card program. The General Services Administration reported for FY 2003 that DoD-wide centrally billed travel accounts had 3.8 million transactions, with \$1.4 billion in total charges and 8,998 cardholders. The General Services Administration also reported that the bank processed 171,138 transactions, valued at \$73.8 million, on Defense agency centrally billed travel accounts.

DoD uses two types of travel charge card accounts: centrally billed accounts (CBAs) and individually billed accounts. The bank issues CBAs to DoD organizations, and payment of charges is a governmental liability. The CBAs contain a unique prefix that identifies the account as eligible for Government travel rates, city pair rates, and tax exemption. The CBAs consist of two types of accounts: a central account where the billing and payment occurs, and transaction accounts, which are used to process transactions related to official Government travel. Credit limits are established for both central and transaction accounts. The credit limit on the transaction account does not have to match the related central account credit limit. However, the total purchases on all of the transaction accounts under a central account cannot exceed the central account credit limit. Credit limits are refreshed only when the contract bank receives payment against the balance due on the central account.

Congressional Interest. Weaknesses in the DoD charge card program came to the attention of both the Congress and the General Accounting Office (GAO) during 2001 and 2002. The House of Representatives Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, Committee on Government Reform, conducted hearings on July 17, 2002, and October 8, 2002. At these hearings, GAO testified on program abuses within the Navy and Army caused by a lack of management emphasis and oversight, as well as a lack of clear, detailed policies and procedures.

On October 23, 2002, Congress enacted Public Law 107-248, "Department of Defense Appropriations Act, 2003," that required the Secretary of Defense to evaluate the creditworthiness of an individual before issuing a travel card. The Appropriation Act required the Secretary of Defense to establish guidelines and procedures for disciplinary actions to be taken against Department personnel for improper, fraudulent, or abusive use of government travel charge cards. The Appropriation Act also required that the guidelines include appropriate

disciplinary actions for use of charge cards for purposes, and at establishments, that are inconsistent with the official business of the Department or with applicable standards of conduct.

On November 24, 2003, Congress clarified the FY 2003 Appropriations Act by enacting Public Law 108-136, "National Defense Authorization Act for Fiscal Year 2004." The creditworthiness examination should include a review of the individual's credit history that is available in credit records. An individual may not be issued a Defense travel card if the individual is found not to be creditworthy as a result of the evaluation. The Authorization Act also required that the Secretary of Defense prescribe regulations that would provide appropriate adverse personnel actions or other punishment for employees or members of the armed forces that violate such regulations, are negligent, or engage in misuse, abuse, or fraud with respect to a Defense travel card.

Charge Card Task Force. On March 19, 2002, the USD(C)/CFO established a DoD Charge Card Task Force (Task Force) to evaluate the purchase and travel card programs of the Department and to develop recommendations for improvement. On June 27, 2002, the Task Force issued the Department of Defense Charge Card Task Force Final Report. The Task Force focused on management emphasis and organizational culture, compliance, and process and workforce developments. The Task Force developed 25 recommendations to improve the charge card program of the Department. Recommendations included increasing management emphasis and implementing improved management metrics, strengthening internal controls, increasing the tools available to managers for enforcing those controls, and enhancing the capability of the workforce to accomplish assigned charge card responsibilities.

President's Council on Integrity and Efficiency. The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) Inspection and Evaluation Committee issued in the Fall of 2003, the guide "Common Problems and Uncommon Solutions: How OIGs Are Helping Improve Federal Travel Card Programs," which was intended to enhance oversight of the Federal Travel Card Program. This guide contained a list of the more common problems related to the use of travel cards to include a lack of adequate written policies, procedures, and training for the travel card program, and failure to routinely review and close inactive accounts. The guide asserted that written policies and procedures are a critical element of the travel card program of any agency because they provide guidance and ensure that the program is administered consistently. The policies should include cardholder responsibilities, service provider responsibilities, and the oversight responsibilities of agency/organization program coordinators, immediate supervisors, and management.

Objectives

The overall objective was to determine whether Defense agencies¹ properly administered and appropriately used the centrally billed travel accounts including unit cards. Specifically, the audit was to determine whether the systems and controls were adequate to prevent fraudulent and/or improper use of the accounts. We also reviewed the management control program as it related to the overall objective. See Appendix A for a discussion of the audit scope and methodology, our review of the management control program, and prior coverage related to the audit objectives.

¹We included 35 Defense agencies, Defense field activities, and organizations in our review. However, for ease of reading we will use the term “Defense agencies” to refer to all types of organizations.

A. Control of Centrally Billed Accounts

The Travel Card Program Management Office did not monitor centrally billed travel accounts (CBAs). Specifically, 96 of the 286 CBA central accounts and 462 of the 817 CBA transaction accounts at Defense agencies were not used in FY 2003. In addition, credit limits on 178 of the 190 CBA central accounts that were used were higher than needed. This occurred because the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD (C)/CFO) did not issue guidance on opening and monitoring CBAs. Furthermore, the Travel Card Program Management Office did not fully comply with the directions from the USD(C)/CFO to periodically review account status. As a result, there were more CBAs than necessary, credit limits were about \$457 million higher than needed, and the Department was placed at increased risk for financial loss.

Program Guidance

The DoD Charge Card Task Force Final Report, June 27, 2002, contained 25 recommendations designed to significantly improve the charge card programs of the Department. Of those recommendations, 12 focused on the travel card program. One recommendation was to review the list of current travel cardholders and determine whether all cardholders had a valid need for the card. As a result of Task Force recommendations, USD(C)/CFO issued a memorandum July 19, 2002, "Charge Card Task Force Recommendation – Cancellation of Travel Charge Card Accounts." In the memorandum, the USD(C)/CFO directed the DoD travel charge card program manager to semi-annually obtain from the card-issuing bank a list of active travel charge cards that had not been used in the last 12 months. The travel card program manager was to provide this list to the respective Component program managers for review and cancellation, if not needed. Additionally, as a result of congressional interest and the Task Force report, the Office of Management and Budget issued a memorandum on October 15, 2002, "Increased Oversight for Government Purchase and Travel Cards," stating that DoD would review card accounts twice a year to ensure that inactive card accounts are canceled on an ongoing basis.

Centrally Billed Account Oversight

The Travel Card Program Management Office did not monitor CBAs. Specifically, 96 of the 286 CBA central accounts and 462 (56 percent) of the 817 CBA transaction accounts at Defense agencies were not used in FY 2003. In addition, credit limits were about \$457 million higher than needed.

Unused Accounts. 96 (33 percent) of the 286 CBA central accounts and 462 (56 percent) of the 817 CBA transaction accounts at Defense agencies were not used in FY 2003. The 96 CBA central accounts that were not used in FY 2003 had about \$295 million in available credit that was not needed by the Department.

These credit limits ranged from \$20,000 to \$16 million. Personnel from the TCPMO stated they were not responsible for monitoring CBAs. However, the USD(C)/CFO and Office of Management and Budget both issued memorandums stating that DoD would be reviewing accounts twice a year to ensure unused accounts were canceled. If the TCPMO had followed USD(C)/CFO and Office of Management and Budget guidance, the unused accounts would have been closed the first half of FY 2003 and the risk to the Department would have been reduced.

Credit Limits. CBA central account credit limits were higher than needed. Of the 190 CBA central accounts used, 178 (about 93 percent) had established credit limits that ranged from one to 5,772 times the maximum monthly purchase amounts for FY 2003. Credit limits on the 190 CBA central accounts used ranged from \$1,500 to \$16 million totaling more than \$180 million. The credit limits varied significantly and some agencies had credit limits that greatly exceeded their maximum monthly purchases in FY 2003. One agency had a credit limit of \$16 million, but had only \$10,908 in maximum monthly purchases. Another agency had a \$250,000 credit limit with maximum monthly purchases of \$612. The TCPMO personnel stated that they allowed each of the agencies to determine what the credit limits should be. The Bank of America guidance, “CBA Reference Guide,” issued in 2001, recommends setting the credit limit at two times the monthly allocation amount.

Using the bank guidance, we determined that 178 of the 190 CBA central accounts that were used had credit limits of \$162 million in excess of the maximum amounts spent on the accounts per cycle. Thus, the credit limits on the 286 CBA central accounts were about \$457 million higher than needed. Credit limits should be reasonable and based on mission needs to minimize the financial risk to the Department.

Need for Guidance

The USD(C)/CFO did not issue guidance on establishing and monitoring CBAs, and the TCPMO did not fully comply with the directions from the USD(C)/CFO to periodically review account status.

Guidance. Policies and procedures were not developed for establishing and monitoring CBAs. Written policies and procedures are a critical element for the travel card program to ensure that the program is administered consistently while keeping the risk of abuse at a minimum. GAO reported that individuals with histories of prior credit problems tended to be those who committed travel card fraud and abuse, and the FY 2003 DoD Appropriations Act required that credit worthiness be determined prior to the issuance of any travel charge card.

The credit limits for Defense agencies varied significantly and some agencies had credit limits that greatly exceeded their maximum monthly purchases. Guidance requiring credit limits be established that are reasonable and based on mission need would have limited the financial risk of the Department. The USD(C)/CFO should develop policies and procedures for opening CBAs to include:

determining the credit worthiness of accountholders, establishing credit limits that are reasonable and based on mission need, and requiring the TCPMO to periodically review and monitor accounts.

Compliance. USD(C)/CFO guidance in July 2002 and Office of Management and Budget guidance in October 2002 directed the TCPMO to review accounts for inactivity and cancel them on an ongoing basis as needed. However, the TCPMO did not fully comply with the directions from the USD(C)/CFO to review and close unused accounts on a semi-annual basis. The TCPMO primarily focused on individually billed accounts for which the individual is responsible for payment. The TCPMO maintained that the CBAs were well managed and did not pose a problem for DoD. The TCPMO did not request the Defense agencies to review a listing of their respective CBAs until October 2003. The request tasked Defense agencies to review their respective CBAs that did not have activity during the previous 18 months and then respond with a checklist of accounts that could be closed. Contrary to the USD(C)/CFO memorandum that stated accounts should be reviewed for no activity in the previous 12 months, the TCPMO requested the accounts be reviewed for the previous 18 months. This request resulted in agencies being able to maintain accounts that did not have activity during the previous 12 months, which is not in compliance with the USD(C)/CFO memorandum. For example, if an account was used during months 1 through 6 and did not have activity during months 7 through 18, the account would not have been reviewed for closure, even though the account did not have activity during the previous 12 months. In fact, 44 of the CBA transaction accounts remaining open were not used in FY 2003 and remained open after the TCPMO review of unused accounts. The PCIE/ECIE Inspection and Evaluation Committee's guide considered that a failure to routinely review inactive accounts was among the more common problems related to the use of Federal travel cards.

The TCPMO should close CBAs that did not have activity during the previous 12-month period and reduce credit limits to reasonable amounts that are based on mission need and review accounts semi-annually to close unused accounts and adjust credit limits as necessary. The USD(C)/CFO should include a requirement for periodic review and monitoring of all accounts by the TCPMO in policies and procedures.

Increased Risk

Defense agencies had more CBA central and transaction accounts than necessary, CBA central account credit limits were at least \$457 million higher than needed, and the Department was placed at increased risk for financial loss. However, despite directions from the USD(C)/CFO and recommendations from the DoD Task Force, the TCPMO did not monitor CBAs.

The DoD Charge Card Task Force recommended that travel cards should be issued only to those who have a legitimate need for them. Furthermore, the Task Force stated that excess cards are an unnecessary administrative burden and expose the card-issuing bank to unnecessary risk of potential abuse and misuse of the cards. Additionally, the PCIE/ECIE Inspection and Evaluation Committee

reported in its guide that although there is no cost to Federal agencies to maintain open, inactive accounts, the risk for loss or misuse exists. The Inspection and Evaluation Committee recommended that inactive accounts be reviewed to determine whether some could be closed and establish a regular schedule to review accounts.

Management Actions Taken

The USD(C)/CFO, in coordination with the TCPMO and the Military Services, is currently drafting proposed changes to the DoD Regulation 7000.14, "DoD Financial Management Regulation," volume 9, "Travel Policy and Procedures," chapter 3, "DoD Government Travel Charge Card," regarding responsibilities for management of the CBAs.

In October 2003 TCPMO requested Defense agencies review a listing of their respective CBAs that did not have activity during the previous 18 months and respond with a checklist of accounts that could be closed. As of November 2003, 287 accounts that were not used have been closed. In November 2003 TCPMO requested Defense agencies to review account credit limits for reasonableness and reduce the limits, if possible.

Conclusion

Written policies and procedures are a critical element for the travel card program to ensure that the program is administered consistently. The guidance for establishing and monitoring CBAs is needed to keep the risk of abuse and misuse to a minimum. Guidance needs to state policy and procedures on determining the credit worthiness of accountholders, establishing credit limits that are reasonable and based on mission need, and requiring periodic reviews and monitoring of accounts.

Recommendations and Management Comments

A.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer issue guidance on opening and monitoring centrally billed accounts to include:

a. Determining credit worthiness of all centrally billed accountholders.

Principal Deputy and Deputy Under Secretary of Defense for Management Reform Comments. The Principal Deputy and Deputy Under Secretary of Defense for Management and Reform concurred and stated that a creditworthiness process should be in place for military personnel by September 30, 2004, but that a process for civilian personnel requires labor union bargaining

which could take over 2 years to implement. The Principal Deputy also stated that the Department currently has no means available to readily determine the creditworthiness of CBA custodians, and that neither the DoD Task Order nor the General Services Administration SmartPay master contract provide for credit checks on CBAs as it does for individually billed accounts.

- b. Establishing reasonable credit limits based on mission needs.**
- c. Requiring annual reviews of centrally billed account credit limits to assess reasonableness.**

Principal Deputy and Deputy Under Secretary of Defense for Management Reform Comments. The Principal Deputy and Deputy Under Secretary of Defense for Management and Reform concurred and stated that guidance will be issued by May 31, 2004, that will include a requirement for Component Program Managers to establish reasonable credit limits based on mission needs and a requirement to perform annual reviews of CBA credit limits to evaluate reasonableness.

A.2. We recommend that the Travel Card Program Management Office:

- a. Close unused centrally billed accounts that did not have activity during the previous 12 months.**
- b. Reduce credit limits on centrally billed accounts to no more than two times the average monthly spent amounts, or to meet mission needs.**
- c. Review centrally billed travel accounts semi-annually and close unused accounts and adjust credit limits as necessary.**

Principal Deputy and Deputy Under Secretary of Defense for Management Reform Comments. The Principal Deputy and Deputy Under Secretary of Defense for Management and Reform concurred and stated that pursuant to USD(C)/CFO guidance, the Program Manager, the TCPMO, in conjunction with the Components, will close unused centrally billed accounts that did not have activity during the previous 12 months; reduce credit limits on centrally billed accounts to no more than two times the average monthly spent amounts, or to meet mission needs; and review unused accounts semiannually. The estimated completion date is August 31, 2004.

B. Use of Travel Cards at Washington Headquarters Services

Washington Headquarters Services did not properly establish and appropriately use a CBA. Specifically, the Budget and Finance Directorate obtained five CBA transaction accounts instead of using purchase cards and did not have adequate supporting documentation for purchases. These conditions occurred because:

- The Budget and Finance Directorate did not have specific guidance for obtaining and using CBAs.
- The Budget and Finance Directorate obtained the CBA transaction accounts by meeting with bank personnel instead of coordinating with the appropriate program management office.
- The Budget and Finance Directorate did not implement an appropriate travel card management structure.

As a result, purchases unrelated to travel, were made with three of the five Washington Headquarters Services CBA transaction accounts totaling about \$11,600. Travel related charges totaling about \$158,400 were made and approved without proper documentation.

Travel Card Controls

Management Controls. Office of Management and Budget Circular No. A-123, “Management Accountability and Control,” revised June 21, 1995, states that management controls are the organization, policies, and procedures used to reasonably ensure that programs and resources are protected from fraud, waste, and mismanagement. The agency head must establish controls, and managers and employees must have personal integrity. Specific management controls include separation of duties and supervision. Key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

DoD Travel Card Policy. DoD Financial Management Regulation, DoD 7000.14-R, volume 9, chapter 3, “Department of Defense Government Travel Charge Card,” September 2000 and revised August 2003, prohibits the use of the travel card for items other than those incident to official travel. It also provides an outline of responsibilities for key organizational travel card program personnel, such as the Component program manager and the agency program coordinator. The Component program manager is responsible for establishing and maintaining the organizational structure and establishing and managing the DoD travel card program in compliance with the DoD Financial Management Regulation. Additionally, the regulation states the agency program coordinator is responsible

for reconciling charges that appear on the monthly statement, and reporting the day-to-day operations and program execution and management to their respective Component program manager.

Card Establishment

WHS did not properly obtain and appropriately use a CBA. Specifically, WHS obtained CBA transaction accounts instead of using existing purchase cards. The WHS Director, Budget and Finance, obtained CBA transaction accounts, including one for himself, to be used as purchase cards. According to the electronic access system of the bank, WHS obtained five CBA transaction accounts, however, only three of the five were activated and used. The WHS Director, Budget and Finance, stated that the CBA transaction account cards were meant to be purchase cards that could be used for expenditures such as hosting official events and extending official courtesies to civilian or military officials of foreign governments and other distinguished and prominent citizens. The CBA transaction account cards were used for these types of purchases instead of only travel related expenses even though the cards for the CBA transaction accounts are clearly marked “For Official Government Travel Only” on the front and display a picture of an airplane.

Supporting Documentation

WHS did not have adequate supporting documentation for purchases. Purchases made with the Director’s CBA transaction account from May 2002 through June 2003 were not adequately supported. The cardholders charged \$11,636 for non-travel related items and the Director charged \$158,400 for travel related items without proper documentation of the purchases. For example, the Director rented a forklift and charged it to his CBA transaction account. Although the forklift rental should not have been charged on a travel account, the cardholder also did not have documentation to justify or authorize the charge.

The Director also made travel related charges with his CBA transaction account that were not supported with adequate documentation. These travel related expenses included transportation for the attendees of the September 2002 Pentagon memorial service and lodging for individuals providing support for the attendees. Based on mass burial regulations, the Director decided to pay for the transportation of up to three relatives of each victim. However, the Director did not have supporting documentation to match specific travelers with Pentagon victims. Additionally, lodging charges for the individuals providing support for the memorial service were not properly authorized, but were made and approved solely by the cardholder.

Card Guidance and Procedures

WHS did not have specific guidance for obtaining and using CBAs. WHS obtained the CBA central account and transaction accounts by meeting with bank personnel instead of coordinating with the appropriate program management office. WHS did not implement an appropriate travel card management structure.

Guidance. WHS did not have specific guidance for obtaining and using CBAs. According to the person identified by the TCPMO as the CBA Component program manager, WHS did not issue guidance, policy, or procedures to obtain or use CBA central or transaction accounts. Although guidance is available from several sources, the individual did not have any guidance regarding CBAs. WHS should develop specific guidance for obtaining and using CBAs to include roles and responsibilities for everyone involved in the program.

Obtaining Cards. WHS obtained the CBA central account and transaction accounts by meeting with bank personnel instead of coordinating with the appropriate program management office. According to the WHS Director, Budget and Finance, he personally met with bank personnel to have the CBA transaction accounts created to be used as purchase cards for expenditures such as social events and official gifts. However, the cards for these accounts were obtained from the travel card-issuing bank, not the purchase card-issuing bank. The proper way for the Director to obtain a purchase card would have been for him to request one from the WHS purchase card agency program coordinator. If WHS wanted to participate in the travel card program they should have informed the TCPMO, not just met with bank representatives. WHS should obtain approval to participate in the various charge card programs through the appropriate channels.

Management Structure. WHS did not implement an appropriate CBA management structure. The Internal Control Office under the Budget and Finance Directorate administers the Government travel card program for the Office of the Secretary of Defense and supported activities. However, the Internal Control Office only administered the individually billed travel card program, not the CBA program. The Director, Budget and Finance, established the CBA program by opening a CBA with five transaction accounts to process transactions. Although none of the CBA officials were appointed in writing until January 2004, the TCPMO had the Representation Fund Manager listed as the Component program manager. However, the individual told us she was the acting agency program coordinator for all five accounts. According to the DoD Financial Management Regulation, the agency program coordinator is responsible for reconciling cardholder charges on the monthly statement.

Based on the organizational chart, the Representation Fund Manager reports directly to the Director, Budget and Finance, and does not work in the Internal Control Office. Because the Director was a CBA transaction account holder, the coordinator was put in the position of reviewing and approving an immediate supervisor's charges. This situation contributed to inappropriate charges going unchallenged. The coordinator reconciled charges for the other travel transaction account holders, but did not perform reconciliations of her supervisor's charges.

The coordinator did not require documentation from her supervisor to support his purchases, but rather just processed the payment. For example, for the \$4,358 in lodging charges, only a receipt for the lodging charge was provided, not a document authorizing the charge and a receipt to support the actual amount. The WHS should initiate a review and take appropriate administrative action for inappropriately obtaining and using CBA travel cards.

According to the Comptroller General Decision, May 4, 2000, in order for individuals to be held pecuniary liable for negligent acts they must be appointed in writing and acknowledge the appointment. Because the individuals were not appointed in writing they cannot be held pecuniary liable for inaccurate payments. However, they can be held responsible for failure to adequately perform their duties and responsibilities.

Impact of Purchases

WHS made non-travel related purchases of about \$11,600 and travel related charges of about \$158,400 that were approved without proper documentation.

Non-Travel Expenses. WHS made purchases of about \$11,600 with CBA transaction account cards that were not related to travel. CBA transaction accounts were used to charge 24 transactions valued at \$11,636 that were unrelated to official travel. As shown in the following table, these transactions included purchases for art supplies, flowers, pen gift sets, receptions and meals, and a forklift rental. Transactions occurred on three of the five travel transaction accounts between May 2002 and June 2003.

Non-Travel Related Purchases		
Transaction Type	Number of Transactions	Amount of Transactions
Art Supplies*	7	\$ 167
Flowers*	1	110
Pen Gift Sets	3	158
Receptions and Meals*	12	10,484
Forklift Rental*	1	717
Total	24	\$11,636
* Includes transaction(s) with blocked Merchant Category Code(s)		

From May 2002 through June 2003, WHS had 295 transactions that included the 24 non-travel transactions. Two of the three pen sets were purchased from a jewelry store that had a merchant category code of 7399, indicating it was "Business Services – Not Elsewhere Classified." However, in April 2001, the same jewelry store had a merchant category code of 5944, indicating it was "Jewelry, Watches, Clocks, and Silverware Stores." Merchant category codes are a contractor-assigned categorization of the type of business the merchant is engaged in and the kinds of goods and services provided. Additionally, of the 295 transactions, eight were made at merchants with merchant category codes the TCPMO identified as "blocked." DoD blocks some codes as a measure to control

inappropriate card use. According to the list of blocked merchants provided by the TCPMO, eight transactions on the WHS transaction accounts were made at DoD “blocked” merchants and should have been declined at the point of sale. However, according to the electronic access system of the bank, none of the eight transactions were declined. The TCPMO should ensure the card issuing bank blocks the merchant category codes as requested.

Travel Expenses. WHS made travel related charges of about \$158,400 that were approved without proper documentation. Lodging and travel expenses for the Pentagon one-year memorial service held in September 2002 were charged on the Budget and Finance Director’s CBA transaction account. These charges included lodging costs of \$4,358 for casualty assistant officers and bus drivers, transportation charges of \$142,012 for Pentagon memorial attendees, and corresponding travel agent fees of \$12,002. The WHS Director, Budget and Finance, decided to provide lodging for the bus drivers because the commercial bus company had offered their services at no charge. The WHS Director, Budget and Finance, provided the room receipts as documentation but failed to provide any further supporting documentation to indicate the charges were appropriately authorized. Although travel for the memorial service was a valid expense, according to the WHS Director, Budget and Finance, the charges were never appropriately authorized.

Management Actions Taken

On August 14, 2003, we contacted the WHS Director, Budget and Finance, and the Component program manager to inform them that use of the CBA transaction accounts for other than official travel is prohibited. We recommended that the CBA transaction accounts be closed immediately. The WHS Director, Budget and Finance, and the Component program manager agreed. Using the electronic access system of the bank, we verified that all five of the CBA transaction accounts were closed by August 27, 2003.

Recommendations and Management Comments

B.1. We recommend the Director, Washington Headquarters Services:

a. Develop specific guidance for obtaining and using centrally billed account travel cards to include Component Program Manager, Agency Program Coordinator, and cardholder roles and responsibilities.

Director, Washington Headquarters Services Comments. The Director, Washington Headquarters Services concurred and stated that specific guidance for obtaining and using centrally billed travel accounts will be developed as recommended by September 30, 2004.

b. Route all future requests for participation in the charge card programs through the appropriate program management office.

Director, Washington Headquarters Services Comments. The Director, Washington Headquarters Services concurred effective immediately.

c. Initiate a review and take appropriate administrative action against the personnel responsible for inappropriately obtaining and using centrally billed travel accounts, and use of a travel agent other than the contracted commercial travel office for official travel services. (See finding C for details.)

Director, Washington Headquarters Services Comments. The Director, Washington Headquarters Services concurred and stated that a review will be initiated and appropriate action will be taken. Estimated completion date is September 30, 2004.

B.2. We recommend the Travel Card Program Management Office ensure the card-issuing bank blocked the merchant category codes as requested.

Principal Deputy and Deputy Under Secretary of Defense for Management Reform Comments. The Principal Deputy and Deputy Under Secretary of Defense for Management and Reform concurred and stated that the Program Manager, TCPMO is currently working with the Bank to ensure that merchant category codes which are blocked for individually billed accounts with DoD are also blocked for CBAs within the Department. However, it should be recognized that charges may be posted from a merchant with a blocked merchant category code. There are several circumstances in which this can happen legitimately, such as, an override where it is evident that the merchant is improperly assigned. To monitor the process, TCPMO obtains and distributes a list of charges against blocked merchant codes for further review by the Military Services. The TCPMO is also working with the Bank to analyze the circumstances under which charges against blocked codes occur. The estimated completion date is May 31, 2004.

C. Use of Commercial Travel Office by Washington Headquarters Services

The Director, Budget and Finance, Washington Headquarters Services, did not use the contracted Commercial Travel Office during August and September 2002 to provide required travel services because of dissatisfaction with the prior service of the Commercial Travel Office. As a result, the Director, Budget and Finance, violated the commercial travel office contract and the Joint Travel Regulation, and incurred excess travel expenses of about \$44,000.

Joint Travel Regulation

The Joint Travel Regulation, volume 2, "DoD Civilian Personnel," effective January 1, 2002, states that it is Government policy to use an available commercial travel office to arrange official travel. In addition, Change 442, effective August 1, 2002, Section C2207, "Arranging Official Travel," states that it is DoD mandatory policy that employees use available Commercial Travel Offices (CTO) to arrange official travel, including transportation and rental cars. Additionally, commands are expected to take disciplinary action when employees or authorizing officials fail to follow the regulations concerning CTO use.

DoD Instruction 4500.42, "DoD Passenger Transportation Reservation and Ticketing Services," January 5, 1987, states that it is DoD policy to use a CTO to arrange official travel. In addition, DoD personnel are authorized to use DoD CTOs under contract to their respective organization.

Commercial Travel Office

In December 1999, the Military Travel Management Command contracted with a commercial travel office to provide confirmed reservations for all commercial modes of transportation. Based on the contract, the contractor would provide the lowest available fares and rates meeting the needs of the customer and use the General Services Administration city pair contract fares. For this service, the contractor was to receive \$7.74 for each transaction.

WHS did not use the contracted CTO to provide required travel services. The Director, Budget and Finance, charged travel related expenses on his centrally billed transaction account for attendees at the Pentagon memorial through a private travel agency. The Director, Budget and Finance, stated he decided not to use the contracted CTO because he was unsatisfied with airfare prices and prior service when the CTO was used in October 2001 for the one-month Pentagon memorial service. The Director stated he could get better prices and friendlier service by using a private travel agency. However, he did not seek relief from using the CTO or file a complaint expressing his concerns with the CTO.

Additionally, because the tickets were purchased with a Government travel card for the individuals to attend an official Government-sponsored event, the tickets should have been purchased at the Government contract airfare prices.

For the one-month memorial service the CTO was used to make necessary travel arrangements for individuals attending the ceremony. As a method of supporting tickets charged to CBA travel accounts, the CTO requires travel orders indicating the individual traveling, the point the travel originates from and the destination. The Director, Budget and Finance, provided the necessary travel orders for the one-month memorial, but did not provide travel orders for the one-year memorial. However, the private travel agency did not require orders. Therefore, adequate documentation did not exist to ensure travelers were actual relatives of the victims. The use of the CTO would have required the director to have adequate supporting documentation for the ticket purchases.

Impact of Purchases

The actions of the WHS, Director, Budget and Finance, were not in accordance with the Joint Travel Regulations and the central travel office contract. He incurred excess travel expenses of about \$44,000 because he used a private travel agent instead of the contracted CTO for the transportation of attendees to the Pentagon one-year memorial service. In August and September 2002, the Director, Budget and Finance, charged nonrefundable airline and rail tickets totaling \$142,012 for the travelers tickets and incurred \$12,002 in travel agent fees. Had the Director, Budget and Finance used the contracted CTO as required, the fees would only have been about \$1,772.

We determined Government airfare rates by obtaining the eligible City Pair Program scheduled rates published on the General Services Administration web site for each ticket. For tickets purchased for travel from originations not covered under the City Pair Program we used the actual price paid for the tickets. Based on this method, the total cost of these tickets would have been \$111,698 instead of \$142,012. Had the contracted CTO been used, the Department would have saved \$30,317 in airfare costs. In addition, the Department would only have been charged \$1,772 not \$12,002 in travel agent fees. Although the contracted CTO has not requested this fee, they could be entitled to it. Thus, by the Director, Budget and Finance, using a private travel agent, excess expenses of about \$44,088 were incurred.

The Joint Travel Regulation states that it is mandatory that CTOs be used to arrange official travel, and that disciplinary action is to be taken against those who fail to follow the regulations concerning CTO use. In addition, the CTO contract states that no competing travel agency is permitted to provide official commercial travel services at any sites that are covered in the contract. WHS is a covered site. Therefore, the Director, Washington Headquarters Services, should initiate a review and take appropriate actions against the personnel that did not follow the regulations concerning CTO use.

Appendix A. Scope and Methodology

We reviewed the CBA travel card program and interviewed key program personnel at the Travel Card Program Management Office and the following five Defense agencies: Joint Chiefs of Staff, Defense Commissary Agency, Defense Security Cooperation Agency, Washington Headquarters Services, and the National Defense University. These agencies were selected for review because data mining identified some transactions that were indicative of known potential fraud indicators. We also interviewed representatives from Bank of America.

We reviewed monthly travel activity reports that contained transactions for 35 Defense agencies, field activities, and organizations for the months of November and December 2002, and April 2003 totaling 36,886 transactions valued at about \$15 million. We selected five agencies from the initial review of the 35 Defense agencies, field activities, and organizations, and reviewed monthly centrally billed travel activity reports from November 2002 through May 2003. Based on identifying suspect transactions, we expanded this review for Washington Headquarters Services and reviewed transaction reports for May 2002 through June 2003. We obtained available supporting documentation for the suspect transactions.

We also obtained specific documentation from the Travel Card Program Management Office on Defense agencies credit limits and inactive accounts. In addition, we obtained documentation from Bank of America representatives on the status of all Defense agencies open and closed CBAs for FY 2003.

We did not identify any significant control issues at the Joint Chiefs of Staff, Defense Commissary Agency, the Defense Security Cooperation Agency, or the National Defense University.

We performed this audit from May 2003 through March 2004 in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. To achieve the travel card audit objective, we relied on computer-processed data provided directly from Bank of America that was extracted from their Electronic Account Government Ledger System. We also relied on computer-processed data provided from the Travel Card Program Management Office to determine spending and credit limits on the CBA travel accounts. We did not perform a formal reliability assessment of the computer-processed data. We did not find errors between the computer-processed data and cardholder supporting documentation that would preclude use of the computer-processed data to meet the audit objective or that would change the conclusions in this report.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage to improve processes and controls to reduce contract risk.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of management controls over centrally billed travel accounts. Specifically, we reviewed controls over opening and using CBAs at the Joint Chiefs of Staff, the Defense Commissary Agency, the Defense Security Corporation Agency, the Washington Headquarters Services, and the National Defense University. Additionally, we reviewed Travel Card Program Management Office controls over opening and monitoring centrally billed travel accounts.

Adequacy of Management Controls. We did not identify material management control weaknesses over the CBAs at the Joint Chiefs of Staff, the Defense Commissary Agency, the Defense Security Corporation Agency, or the National Defense University. However, we did identify material management control weaknesses for the Travel Card Program Management Office and the Washington Headquarters Services, as defined by DoD Instruction 5010.40. Travel Card Program Management Office controls for obtaining and monitoring CBA travel cards were not adequate to ensure that unused CBAs were closed and that credit limits were reasonable. Recommendation A.1., if implemented, will improve controls over the travel card program and could ensure unused accounts are closed and credit limits are reasonable. Washington Headquarters Services management controls were not adequate to ensure that a proper management structure existed or that CBAs were properly monitored or appropriately used. Recommendations B.1., and B.2., if implemented, could ensure that CBA travel cards are properly obtained and used, and that a proper management structure is established. A copy of the report will be provided to the senior official responsible for management controls at the Defense Finance and Accounting Service and the Office of the Secretary of Defense.

Adequacy of Management's Self-Evaluation. The Joint Chiefs of Staff, the Defense Commissary Agency, and the Defense Security Corporation Agency had performed adequate self-evaluations.

The National Defense University had not performed a self-evaluation. The President of the National Defense University provided comments to the draft report that stated, "Once identified as a requirement, the National Defense University established a program for self-evaluation. The University has identified and OSD has trained key Management Control Coordinators. These key individuals assist in the management control evaluation of their respective organizations and report findings. The results will be the basis for the Commander's Assurance Statement due later this fall." Additionally, we did not identify a material management control weakness based on our review of the travel card centrally billed accounts.

Washington Headquarters Services officials relied on prior audit reports instead of performing a self-assessment. Additionally, they did not identify the travel card program as an assessable unit, and therefore did not identify or report the material management control weaknesses identified in the audit.

The Travel Card Program Management Office had not performed a self-evaluation of management controls. In addition, it did not contribute input to the Defense Finance and Accounting Service statement of assurance. Consequently, the Travel Card Program Management Office did not identify or report the material management control weaknesses identified in the audit.

Prior Coverage

Between 1999 and 2004, over 30 audit reports identified a wide range of implementation problems in the DoD Travel Card Program. However, only three of those reports specifically discussed centrally billed account travel cards. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

GAO

GAO Report No. GAO-04-88, "Travel Cards: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel," October 24, 2003.

Air Force

AFAA Report No. F2003-0003-FB1000, "Centrally Billed Accounts for Travel," April 24, 2003.

AFAA Report No. F2002-0001-B05400, "Duplicate Airfare Payments," December 28, 2001.

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Defense Procurement and Acquisition
Director, Washington Headquarters Services

Joint Staff

Director, Joint Chiefs of Staff

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Combatant Command

Inspector General, U.S. Joint Forces Command

Other Defense Organizations

Director, Defense Commissary Agency
Director, Defense Finance and Accounting Service
Director, Defense Security Cooperation Agency
President, National Defense University

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Governmental Affairs

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Reform

House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform

House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform



Under Secretary of Defense (Comptroller)/ Chief Financial Officer Comments



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

APR 13 2004

MEMORANDUM FOR DIRECTOR, CONTRACT MANAGEMENT DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Office of the Inspector General of the Department of Defense (IG, DoD) Draft Report, "Management of the Centrally Billed Travel Card Program at the Defense Agencies," Project No. D2003CK-0125, dated March 12, 2004

This memorandum forwards the Office of the Under Secretary of Defense (Comptroller) response to recommendations A.1, A.2, and B.2. I concur with the three recommendations and my staff is already taking action to correct the noted deficiencies.

The Department appreciates the opportunity to comment on the subject report. My staff point of contact on this matter is Ms. Jacqueline E. Jenkins. She may be contacted by e-mail: jacqueline.jenkins@osd.mil or by telephone at (703) 697-8282.

A handwritten signature in cursive script that reads "Lawrence J. Lanzillotta".

Lawrence J. Lanzillotta
Principal Deputy and Deputy Under Secretary
of Defense for Management Reform

Attachment:
As stated

**OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT OF
DEFENSE (IG, DoD), PROJECT NO. D2003CK-0125
MANAGEMENT OF THE CENTRALLY BILLED TRAVEL CARD
PROGRAM AT DEFENSE AGENCIES**

**UNDER SECRETARY OF DEFENSE (COMPTROLLER) (USD(C)) COMMENTS
TO IG, DoD RECOMMENDATIONS**

RECOMMENDATION A.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Office issue guidance on opening and monitoring centrally billed accounts to include:

- a. Determining credit worthiness of all centrally billed accountholders.
- b. Establishing reasonable credit limits based on mission needs.
- c. Requiring annual reviews of centrally billed account credit limits to assess reasonableness.

RESPONSE: Concur.

Recommendation A.1.a. Concur. A creditworthiness process should be in place for military personnel by September 30, 2004. A process for civilian personnel requires labor union bargaining which could take over 2 years to implement. The Travel Card Program Management Office (TCPMO) has been working for the last year to develop a self-certification form that can be used for the determination of creditworthiness. This form is in coordination for approval, but is not yet available for use. Once it is published, the USD(C) will issue guidance directing use of the form for creditworthiness determination of individuals associated with centrally billed accounts (CBAs). The Department currently has no means available to readily determine the creditworthiness of CBA custodians. Neither the DoD Task Order nor the General Services Administration Smartpay master contract provide for credit checks on CBAs as it does for individually billed accounts. The Department does not have the infrastructure in place to purchase and process credit reports on individuals for the travel card separate from the Bank.

Recommendation A.1.b & c. Concur. The USD(C) will issue guidance that will include a requirement for Component Program Managers to establish reasonable credit limits based on mission needs and a requirement to perform annual reviews of CBA credit limits to evaluate reasonableness. The estimated completion date is May 31, 2004.

Attachment

RECOMMENDATION A.2: We recommend that the Program Manager, Travel Card Program Management Office:

- a. Close unused centrally billed accounts that did not have activity during the previous 12 months.
- b. Reduce credit limits on centrally billed accounts to no more than two times the average monthly spent amounts, or to meet mission needs.
- c. Review centrally billed accounts semi-annually and close unused accounts and adjust credit limits as necessary.

RESPONSE: Concur. Pursuant to USD(C) guidance, the Program Manager, TCPMO, in conjunction with the Components, will close unused centrally billed accounts that did not have activity during the previous 12 months; reduce credit limits on centrally billed accounts to no more than two times the average monthly spent amounts, or to meet mission needs; and review unused accounts semiannually. The estimated completion date is August 31, 2004.

RECOMMENDATION B.2: We recommend the Program Manager, Travel Card Program Management Office (TCPMO) ensure the card issuing bank block the merchant category codes as requested.

RESPONSE: Concur. The Program Manager, TCPMO is currently working with the Bank to ensure that merchant category codes which are blocked for individually billed accounts within DoD are also blocked for CBAs within the Department. However, it should be recognized that charges may be posted from a merchant with a blocked merchant code. There are several circumstances in which this can happen legitimately, such as, an override where it is evident that the merchant is improperly assigned. To monitor the process, TCPMO obtains and distributes a list of charges against blocked merchant codes for further review by the Military Services. The TCPMO is also working with the Bank to analyze the circumstances under which charges against blocked codes occur. The estimated completion date is May 31, 2004.

Attachment

Washington Headquarters Services Comments



DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155



APR 19 2004

MEMORANDUM FOR INSPECTOR GENERAL (DIRECTOR, CONTRACT
MANAGEMENT DIRECTORATE)

SUBJECT: Report on "Management of the Centrally Billed Travel Card
Program at Defense Agencies" (Project No. D2003CK-0125)

Thank you for the opportunity to comment on the cited draft report. Our comments regarding the recommendations in the report pertaining to Washington Headquarters Services, are as follows.

B.1. We recommend the Director, Washington Headquarters Services:

- a. *Develop specific guidance for obtaining and using centrally billed account travel cards to include Component Program Manager, Agency Program Coordinator, and cardholder roles and responsibilities.*

Concur. Specific guidance for obtaining and using centrally billed account travel cards will be developed as recommended. Estimated completion date is September 30, 2004.

- b. *Route all future requests for participation in the charge card programs through the appropriate program management office.*

Concur. Effective immediately.

- c. *Initiate a review and take appropriate administrative action for personnel responsible for inappropriately obtaining and using centrally billed account travel accounts, and use of a travel agent other than the contracted commercial travel office for official travel services.*

Concur. Director, WHS, will initiate a review and appropriate action will be taken. Estimated completion date is September 30, 2004.


Howard G. Becker
Director



National Defense University Comments

Final Report
Reference



REPLY TO
ATTENTION OF:

Office of the President

DEPARTMENT OF DEFENSE
NATIONAL DEFENSE UNIVERSITY
WASHINGTON, D.C. 20319-5066

MEMORANDUM FOR Director, Contract Management Directorate, Department of Defense,
The Inspector General, 400 Army Navy Drive, Room 301,
Arlington, VA 22202.

SUBJECT: National Defense University's Recommended Change to the Draft Report on
Management of Centrally Billed Travel Card Program at Defense Agencies
(Project No. D2003CK-0125)

1. The National Defense University recommends the following comment change to the subject draft report:

Under the heading, **Adequacy of Management's Self Evaluation**, page 18, second paragraph, after the first sentence, **add**: "Once identified as a requirement, the National Defense University established a program for self-evaluation. The University has identified and OSD has trained key Management Control Coordinators. These key individuals assist in the management control evaluation of their respective organizations and report findings. The results will be the basis for the Commander's Assurance Statement due later this fall."

2. Questions should be directed to Mr. Wendell Croucher, NDU-RMD, at (202) 685-3905.

FOR  *, COO*
MICHAEL M. BUNN
Lieutenant General, U.S. Air Force
President

Comments
added.
See
page 18.

Team Members

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Contract Management Directorate prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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