



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

The Inspector General

Office of Inspector General  
Washington, D.C. 20590

The Honorable Charles E. Grassley  
Ranking Republican Member, Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Senator Grassley:

Thank you for your letter of September 24, concerning the SmartPay program. As requested, we are forwarding information regarding our evaluative experience with this program in the Department of Transportation (DOT). We discussed this matter with a member of your staff, Jill Gerber, on October 25, 2001.

Since 1997 we have undertaken a number of audits and investigations concerning Government credit cards. In February 2001, we launched a department-wide audit of purchase cards and found three instances of fraud using DOT credit cards and weak internal controls for managing the program. In a recent criminal investigation a former DOT employee was sentenced to 10 months' confinement by a U.S. District Court Judge in Anchorage, AK, for illegally making more than \$58,000 in unauthorized charges on his government credit card, including purchases from a custom auto body shop. During the course of the investigation, the employee resigned from DOT. In June 2001, the employee was ordered to pay \$58,338 in restitution.

You asked that we provide the following:

- (1) Any information regarding instances of employees who have been investigated and disciplined for misusing their Government purchase and travel cards.

A full description of selected OIG-identified instances of misuse at DOT and the resultant disciplinary action is included as Enclosure (1) to this letter.

- (2) Details of audits and investigations we have conducted regarding the use of SmartPay accounts.

We have enclosed two audits reports, completed since fiscal year 1997, on the use of Government purchase and travel cards.

On November 4, 1997, we issued an audit report on the Government Credit Card Program Department-wide. We reviewed 734 DOT credit card statements totaling \$3,767,634, and 3,933 individual transactions on these statements, totaling \$1,790,248. We found that overall, the DOT Operating Administrations complied with established criteria for using Government credit cards. However, we identified 150 purchases of restricted or prohibited items and 24 instances of purchases split to avoid exceeding credit card limits. (OIG Report Number: MA-1998-004)

On September 24, 2001, we issued an audit report on the use of Government credit cards. We reviewed 785 DOT credit card and convenience check transactions totaling about \$1.2 million. We found that purchases made using DOT credit cards and convenience checks were, in general, reasonable, valid, and received. However, we found that internal controls were weak for verifying purchases, for identifying purchases that were split to avoid credit card limits, and for performing reviews of card use within the Federal Aviation Administration (FAA). (OIG Report Number: FI-2001-095)

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

We have included a future audit of travel credit cards in our Strategic Plan.

- (4) Any recommendations we have for correcting program weaknesses.

Our report of September 24, 2001 (Enclosure (3)) contains two specific recommendations to the Assistant Secretary for Administration and the FAA Administrator, concerning purchase credit cards:

1. Issue memoranda to cardholders, approving officials, and reviewing officials that reiterate and emphasize credit card policy regarding cardholder and approving official responsibilities, split-purchase prohibition, and the performance of periodic follow-up reviews of purchases.

2. Develop and communicate guidance concerning disciplinary and other corrective actions, which may be taken when policy violations occur. To clearly establish accountability, the guidance should require cardholders and approving officials to acknowledge that they have read, understand, and will comply with DOT and FAA policies on use of Government credit cards.

DOT and FAA agreed with our findings and recommendations. As of November 29, 2001, DOT implemented the first recommendation and is currently drafting the second recommendation; FAA has implemented both recommendations. The key to success in reducing the Government's vulnerability in this sensitive area is compliance with existing regulations and disciplinary actions for violations.

If I can answer any questions or be of further assistance, please feel free to contact me at (202) 366-1959, or my Deputy, Todd J. Zinser, at (202) 366-6767.

Sincerely,



Kenneth Mead  
Inspector General

Enclosures (4)

- (1) Summary Report of OIG Identified Instances of Misuse and Resultant Agency Action.
- (2) Office of Inspector General, Audit Report, Government Credit Card Program Department-wide, Report Number: MA-1998-004, dated issued November 4, 1997.
- (3) Office of Inspector General, Audit Report, Use of Government Credit Cards, Report Number: FI-2001-095, dated issued September 24, 2001.
- (4) Member's Correspondence

## Enclosure 1

## Summary Report of OIG Identified Instances of Misuse and Resultant Agency Action

Incident #1                      October 1999

An anonymous source alleged waste and abuse of federal funds by a U.S. Coast Guard officer. It was alleged that the officer used a government credit card to purchase a refrigerator, and all of the repairs needed at a lodge for a Coast Guard Foundation celebration. The case was investigated by special agents and was substantiated. The officer was found to have misused \$2,794.16 in government funds to purchase property for a private organization. Upon completion of the investigation, the officer received a written admonishment. No further action was taken.

Incident #2                      February 2000

A former employee was sentenced for credit card fraud in U.S. District Court in Washington, D.C. The former employee pleaded guilty to defrauding the DOT through misuse of a government credit card. The employee sentencing included a restitution payment of \$5,180, 5 years' probation, and 50 hours of community service. The employee resigned from DOT when the credit card abuse was discovered.

Incident #3                      November 2000

A confidential source alleged that an employee made unauthorized, unofficial purchases on a government credit card, totaling approximately \$50,000. A review of the employee's credit card statements from December 1999, through November 2000, indicated that food establishments accounted for a large number of the charges. The remaining balance due was \$12,098.46 as of November 2000 and the credit card agency referred the matter to a collection agency for recovery. In February 2001, the employee resigned prior to any administrative action. The operating administration did not attempt to recover the funds at the time of the employee's resignation, because in accordance with DOT's travel charge card policies, the credit card company is responsible for recovering the funds.

Incident #4                      January 2001

A former contract employee at a DOT research facility in McLean, VA pleaded guilty in U.S. District Court in Alexandria, VA, to theft of Government property and embezzlement totaling \$8,000. The employee stole a Government test vehicle and auto parts from the McLean, Va., laboratory and used a Government credit card for personal fuel purchases, As a result of OIG's investigation, the employee was removed from the contract and terminated by the contractor.

Incident #5                      June 2001

A former employee was sentenced to 10 months' confinement by a U.S. District Court Judge in Anchorage, AK for illegally making more than \$58,000 in unauthorized charges on there government credit card, including purchases from a custom auto body shop. The employee was ordered to pay \$58,338 in restitution. During the course of the investigation, the employee resigned from DOT.