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IMPLEMENTATION OF THE TRAVEL AND TRANSPORTATION REFORM ACT OF 1998: WHY HAVEN'T FEDERAL EMPLOYEES BEEN HELD ACCOUNTABLE FOR MILLIONS OF DOLLARS OF FEDERAL TRAVEL EXPENDITURES?

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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IMPLEMENTATION OF THE TRAVEL AND TRANSPORTATION REFORM ACT OF 1998: WHY HAVEN'T FEDERAL EMPLOYEES BEEN HELD ACCOUNTABLE FOR MILLIONS OF DOLLARS OF FEDERAL TRAVEL EXPENDITURES?

TUESDAY, MAY 1, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:59 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Putnam.

Staff present: J. Russell George, staff director and chief counsel; Dianne Guensberg, detailee; Bonnie Heald, director of communications; Earl Pierce, professional staff member; Matthew Ebert, policy advisor; Grant Newman, assistant to the subcommittee; Michelle Ash, minority counsel; Mark Stephenson, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. HORN. The Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations will come to order.

Each year the government spends billions of dollars on employee travel. Accordingly, Congress has long been interested in making the Federal travel process more efficient and less costly. The Travel and Transportation Reform Act of 1998, which I sponsored, was enacted to achieve both goals. One provision of the law requires Federal departments and agencies to issue government travel cards to their employees. These cards, called SmartPay Travel Cards, are to help agencies verify legitimate travel expenses more accurately and efficiently. Today's hearing will focus on the implementation of this program.

The Travel Reform Act was estimated to save the government millions of dollars in travel costs each year. However, the subcommittee has learned that lagging agency oversight and employee misuse of the Travel Card Program is not allowing the government to maximize this potential savings. In some cases employees are using the credit cards for personal expenses rather than government travel as was intended. In other cases employees are default-

ing on their payments, costing the government millions of dollars in potential revenue. Today's testimony will highlight both of these problems.

In March the Bank of America reported to the subcommittee that Department of Defense employees have defaulted on more than $50 million in Federal travel expenditures since the program began in November 1998. Bank of America officials say that each month the bank writes off more than $2 million in delinquent Federal travel expenditures. The Bank of America, which processes all Defense Department travel cards, writes off accounts that are 200 days or more delinquent. Also in March, the General Services Administration reported that government-wide Federal employees were delinquent in paying more than $25 million charged against their travel accounts.

In addition to these individual accounts, which are to be repaid by Federal employees, the subcommittee has learned that some departments and agencies are also in arrears in paying their government-guaranteed travel accounts. In March the General Services Administration reported that agencies were delinquent in repaying more than $12 million in travel expenditures.

Today the subcommittee will examine these problems. We want to learn why agencies are not taking action against employees who are delinquent in paying their travel card bills, and why the agencies themselves have fallen in arrears. We want to learn whether banks are providing agencies with the tools to verify their travel expenditures as they promised, and we finally wonder whether other types of nongovernment clients are of any difference to the government clients. Finally, we want to know what Federal agencies are doing to prevent further delinquency. We welcome our witnesses today and look forward to their testimony.

Let me tell you how we conduct these hearings. This is an investigative committee. We ask all of the witnesses to swear an oath that the truth they're providing us is the truth, and when we call on each of you in the order of the agenda, we will put your own testimony in, it's been read by all of us, and try to summarize if you could in the 5 to 8 minutes. And then we will get through this and get to the questions and answers.

And if you'll stand and raise your right hands. The clerk will note, by the way, who's got the right hand up: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10.

[Witnesses sworn.]

Mr. HORN. The clerk will note that all of those said aye.

We now start with the first panel, and that begins with Alan Boehm, the Assistant General Inspector for Investigations for the Corporation for National and Community Service.

STATEMENT OF ALAN BOEHM, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Mr. BOEHM. Yes, sir. Mr. Chairman, I appreciate the opportunity to testify on behalf of the Office of Inspector General regarding the Corporation for National and Community Service's participation in the GSA SmartPay Travel Card Program. The Corporation has participated in that Travel Card Program since November 29, 1998.

The Corporation has 590 employees, and of these employees, 539 were issued the travel card. This is about 91 percent of the work force. For the past 2½ years, Corporation employees used the travel cards to charge almost $3 million.

On August 1, 2000, Corporation management reported to us that a Corporation employee's travel account was delinquent by $8,603. We investigated and found that in less than 1 year, this employee charged $26,500 to his travel card. After examining the employee's travel documents, we found that only $4,064 of these charges were incurred in support of official travel. The remaining $22,442 were charges for personal expenses, some of which may have been made by the employee's roommate.

We began a review of employee travel card accounts based upon what we saw during this investigation, which indicated to us the potential for widespread misuse of the travel card. Initially we were required to request the paper documents from Corporation management, who, in turn, had to ask for these documents from the vendor. This was a slow process. In August 2000, we were granted access to the Electronic Account Government Ledger System [EAGLS]. EAGLS is a secure Web-based system designed to assist an authorized user in analyzing program activities online. Access to EAGLS allows us to download——

Mr. HORN. We're having difficulty hearing. Move that microphone——

Mr. BOEHM. Oh, sure. Certainly.

Mr. HORN. It's a horrible microphone. It isn't your fault. It's just we need to get it as close as possible.

Mr. BOEHM. Certainly.

Mr. HORN. That's fine.

Mr. BOEHM. Access to EAGLS allows us to download online the individual's account and then import them into Excel templates we designed. This streamlined the process and allowed us to review an employee's account in almost real-time. Initially we concentrated on those accounts that were delinquent. Later we expanded our review to include employees who were utilizing their travel cards in the same general area they were assigned. We felt that the use of the travel card within the immediate vicinity of an employee's duty station was a good indicator of potential misuse, since Federal travel regulations and Corporation policy prohibit this type of use. Then we compared the employee's travel and local reimbursement vouchers to a travel statement to determine what expenses were incurred as a result of the travel. The personal expenses we saw included purchases at local restaurants, local bars, gas stations, travel and personal expenses and ATM withdrawals.

One example, in less than 2 years, one employee made 27 ATM withdrawals of various amounts up to $180 for a total of $4,389 and never officially traveled once. Another employee admitted using the travel card for personal expenses for about 2 years, charging a total of $7,724. He told us he used the card because he had declared bankruptcy, and it was the only credit card he had. A senior employee admitted spending $9,806 for personal expenses and did so because, in her words, it was convenient. Another employee at a Corporation State office was using her travel card to obtain cash at a local bar by signing fraudulent credit slips indicat-

ing she was purchasing food and beverages, when, in fact, she was receiving the amount in cash.

Investigatively, we are treating employee misuse of the travel card as a violation of the Corporation travel policies, the Federal travel regulations and standards of ethical conduct for employees. Thus far, we have investigated 13 employees who have misused their travel cards, of whom 8 admitted misusing their cards. Two of these employees were dismissed. Two are pending dismissal. One resigned. One retired. One received a letter of counseling. One received verbal counseling, and five are pending further action. We have identified additional employees, approximately 9 percent of the work force, who appear to have misused their travel cards and are awaiting receipt of the employees' travel and local reimbursement vouchers. We have also identified other employees who appear to have misused their travel cards, but to a lesser extent, and we have referred these employees to the Corporation management for further consideration.

We believe there's some contributing factors to the misuse of the travel cards. One factor is issuance of the travel cards to Corporation employees who have no need to travel. Another factor was a Corporation travel section not routinely reviewing travel card expenses. After we provided the Corporation with our templates and instructions for use, the travel section now reviews travel card expenses. Within the last 2 weeks, they have referred two matters to us that appeared to involve employees misusing their travel card. We have also found that the Corporation's supervisors who approve travel for their subordinates do not have access to EAGLS necessary for them to review their subordinates' use of the travel card. This effectively eliminates the first level of oversight.

Mr. Chairman, this concludes my prepared testimony. I thank you for your time.

Mr. HORN. Thank you. We thank you.

[The prepared statement of Mr. Boehm follows:]

TESTIMONY OF ALAN F. BOEHM
ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
BEFORE THE SUBCOMMITTEE ON
GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND
INTERGOVERNMENTAL RELATIONS
OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM
MAY 1, 2001

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to testify on behalf of the Office of Inspector General regarding the Corporation for National and Community Service's participation in the GSA Smartpay Travel Card Program.

The Corporation has participated in the GSA Smartpay Travel Card Program since November 29, 1998. The Corporation has 590 employees[1] and of these employees, 539 were issued the travel card[2]. This is about 91 percent of the workforce. For the past two and one-half years, Corporation employees used their travel cards to charge almost $3,000,000[3].

On August 1, 2000, Corporation management reported to us that a Corporation employee's travel account was delinquent by $8,603. We investigated and found that in less than one year, this employee charged about $26,500 to his travel card. After examining the employee's travel documents, we found that only $4,064 of these charges were incurred in support of official travel. The remaining $22,442 were charges for personal expenses, some of which may have been made by the employee's roommate.

We began a review of employee travel card accounts based upon what we saw during this investigation, which indicated to us the potential for widespread misuse of the travel card. Initially, we were required to request the paper documents from Corporation management to review an employee's travel account. Corporation management had to request these documents from the vendor, and this was a slow process. In August 2000, we were granted access to the Electronic Account Government Ledger System or EAGLS. EAGLS is a secure, web-based system designed to assist an authorized user in analyzing program activities online. Access to EAGLS allows us to download the online individual accounts, and then import them into Excel templates we designed that enable us to sort and search this data. This streamlined the process and allowed us to review an employee's account in almost real time.

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[1] This figure reflects the total number of employees on April 24, 2001, as provided by the Corporation's Office of Human Resources.

[2] This figure was obtained through EAGLS. As of April 25, 2001, the Corporation's Office of Administration and Management reported that they have 606 current travel cards.

[3] As of April 24, 2001, as provided by the Corporation's Office of Administration and Management Services.

Initially we concentrated on those accounts that were delinquent, and then later expanded our review to include employees who were utilizing their travel cards in the same general area where they are assigned. We felt that use of the travel card within the immediate vicinity of an employee's duty station was a good indicator of potential misuse, since Federal regulations and Corporation policy prohibit this type of use. We then compared the employees' travel and local reimbursement vouchers to their travel card account to determine which expenses were not incurred as a result of travel.

The personal expenses we saw included purchases at local restaurants, local bars, gas stations, travel on personal business, and ATM withdrawals.

- In less than two years, one employee made 27 ATM withdrawals of various amounts up to $180 for a total of $4,389 and never once officially traveled. This employee admitted she used her travel card to pay for a motel room in another state for family members and to obtain cash that she used for office parties, gifts, food for her family, medicine for her mother, and to help her sister.
- Another employee admitted using his travel card for personal expenses for about two years, charging a total of $7,724. His personal expenses included a family vacation. He told us he used the card because he declared bankruptcy and it was the only credit card he had.
- A senior employee in the Corporation's Office of Accounting and Financial Management Services admitted spending $9,806 for personal expenses and did so because, in her words, "it was convenient."
- One employee at a Corporation state office was using her travel card to obtain cash at a local bar by signing fraudulent credit slips indicating she was purchasing food and beverages, when in fact she was receiving the amount in cash.

Investigatively we are treating employee misuse of their travel card as a violation of Corporation Travel Policies, the Federal Travel Regulation, and the Standards of Ethical Conduct for Employees of the Executive Branch. Thus far[4], we have investigated 13 employees who have misused their travel cards. Eight have admitted misusing their travel cards. Two of these employees were dismissed, two are pending dismissal, one resigned, one retired, one received a letter of counseling, one received verbal counseling, and five are pending administrative action.

We have identified additional employees, approximately nine percent of the workforce, who appear to have misused their travel cards and we are awaiting receipt of the employees' travel and local reimbursement vouchers. We have also identified other employees who appear to have misused their travel cards but to a lesser extent. We have referred these employees to Corporation management for further consideration.

We believe that there are some contributing factors to the misuse of the travel cards. One factor is the issuance of travel cards to Corporation employees who have no need to travel. Another factor was the Corporation travel section not routinely reviewing travel card expenses. After we provided the Corporation with our templates and instructions for

[4] As of April 24, 2001.

use, the travel section now reviews travel card expenses. Within the last two weeks they have referred two matters to us that appear to involve employees misusing their travel card. We also found that Corporation supervisors who approve travel for their subordinates and subsequently approve claims for expenses, do not have the access to EAGLS necessary for them to review their subordinates' use of the travel card. This effectively eliminates the first level of oversight.

Mr. Chairman, this concludes my prepared testimony. Thank you for your time.

Mr. HORN. I'm going to call on the gentleman from Florida, Mr. Putnam.

Mr. PUTNAM. Thank you, Mr. Chairman. I appreciate your indulgence, and I appreciate you holding this hearing. I'm looking forward to hearing the testimony from today's panel and learning more about the issues surrounding the implementation of the Travel and Transportation Reform Act of 1998, specifically about issuing credit cards to government employees for use during official travel. While this program has proven successful in providing some savings to the government, it is clear by the reports of improper card usage, as well as the large number of accounts that are delinquent or written off, that this program is desperately in need of improvement.

I'm very concerned that agency employees and U.S. servicemen and women are charging expenses on government-issued cards while traveling on official government business as representatives of our government and then failing to pay these balances when due. The failure to pay these balances ultimately reflects badly on the Federal Government and the taxpayers it represents.

Equally distressing is the fact that government agencies responsible for issuing these cards and ultimately for overseeing their proper usage are apparently not doing their job. Just as it is incumbent upon the employees to pay the charges they've incurred, individual agencies have a responsibility to see that their employees have fulfilled this obligation. There is no excuse for delinquencies and write-offs of this magnitude to be occurring.

It appears as though the policies and procedures in place within the agencies are not adequate to monitor this program and ensure that it is properly implemented. To the extent that the cause of much of these delinquencies and write-offs are attributable to fraudulent practices by employees, agencies must do a better job of curtailing this misuse. To the extent that these delinquencies and losses are due to distributing these cards to individuals who do not have the propensity or ability to responsibly handle these cards, it is important that basic guidelines be established to make this determination prior to the issuance of the cards.

While I seriously question the logic of a financial institution entering into a contract that obligates them to extend credit to individuals based upon no qualification whatsoever, this deficit and financial paralysis does not relieve government agencies and their employees of the obligation that is thrust upon them.

I hope this hearing provides us valuable insight into these problems, Mr. Chairman, and I look forward to further testimony.

Mr. HORN. I thank the gentleman for his very able statement.

We now go to Mr. Clifford A. Skelton, senior vice president of BACS Government Executive, Bank of America. I'm not sure what the BACS is.

Mr. SKELTON. Bank of America Card Services, sir.

Mr. HORN. OK.

STATEMENT OF CLIFFORD A. SKELTON, SENIOR VICE PRESIDENT, BACS GOVERNMENT EXECUTIVE, BANK OF AMERICA

Mr. SKELTON. Good morning Chairman Horn, Representative Putnam. Thank you for inviting me here today. My name is Cliff

Skelton. I manage Bank of America's Government Card Services Division. I joined the Bank of America team 2 years ago after serving 21 years in the U.S. Navy as a naval aviator. I've had the opportunity to serve our country as the commanding officer of an F–18 squadron with over 200 officers and enlisted men and women. I was also fortunate to serve as a White House fellow in 1997 and 1998, and I spent a year in the Office of the Secretary of the Navy. I mention this because I want the subcommittee to know that I have a deep appreciation for government service, as well as the fine men and women who serve at the Department of Defense and other agencies of the government.

Bank of America provides travel and procurement card services to 42 Federal agencies, with the vast majority of our business unfortunately dedicated to travel, and specifically to DOD travel. Of the 1.8 million cards we issue, 1.4 million are for DOD employees. I say that it's unfortunate that we have mostly travel business because travel-only businesses don't make money. They lose money. Procurement card lines of business are generally profitable. If you look at the distribution of agencies and businesses in the GSA SmartPay Program, you find my friends here at U.S. Bank with a ratio of 51 to 1 procurement volume to travel volume, with only $86 million spent by government employees using their travel card per year; Citibank, with a 5 to 1 procurement-to-travel ratio, with a travel spend of $1 billion; Bank One, with 2 to 1 procurement-to-travel and $263 million in travel spent; while Bank of America has a procurement-to-travel ratio of 0.5 to 1 and $3.3 billion in travel spent, due primarily to the Department of Defense.

What this all means is that Bank of America was awarded three times more unprofitable travel business and one-quarter of the profitable procurement business when compared to the distribution of our nearest competitor, Citibank. And this story is true before ever examining the payment and internal management performance at the Department of Defense.

Now, I would be remiss if I did not acknowledge that Bank of America did have some startup problems in 1999. Those problems have long been resolved, and regardless of these problems, the following statistics cannot be overlooked: 40,000 sailors, soldiers, airmen, marines and civilian DOD employees have defaulted on more than $53 million or 5 times the commercial standard in what is supposed to be official travel. The cost of service for DOD is 26 percent more expensive than we experience in a commercial portfolio. Forty percent of the DOD cards have never been used, in total, while 60 percent do not meet our agreed-upon standard for frequent travelers, thereby increasing bank expense with no offsetting revenue.

DOD members call our call centers 60 percent more often, and it takes a considerably longer period of time to solve issues as compared to commercial standards. Error rates for applications and expedited card demands far exceed industry standards or needs. Cash advances are twice as likely not to be paid back when compared to other card charges, leading one to believe that misuse is routine, if not rampant, not to mention the anecdotal evidence.

Having said all this, I am nonetheless pleased to report that just 3 weeks ago, DOD committed to implementing a number of

changes through a contract modification. This modification is expected to lower credit losses and hopes to bring cost of services more in line with those associated with a commercial product. We believe this is a good start for a partnership; however, it is just that, a start. It never makes sense for a contractor to lose money when providing services to our government. It does not produce winning results, and arrangements such as this tend to end in failure for both parties. Despite these contract changes, our financial picture still indicates we will continue to lose millions of dollars per year for the life of the contract, potentially 7½ more years.

I believe the original intent of the Travel and Transportation Act of 1998 was to create a state-of-the-art program that would streamline travel for employees, increase efficiencies for administrators and achieve significant savings for the taxpayer. We, as your business partner, cannot satisfy these goals under the current contract.

As the third vendor in a row to lose money providing travel services to the Department of Defense, it appears that either the contracting vehicle for DOD must change or be offset by more profitable lines of business. I offer that you consider outsourcing government travel card service needs as a pay-for-service or cost reimbursement arrangement so that agencies pay for the service and for the performance.

In conclusion, please understand that while my comments have been somewhat retrospective in tone, the answer lies ahead of us, not behind us. While significant changes will still need to take place if the DOD travel business expects a competitive contractor market, I believe the Department of Defense is now truly interested in a more partnered relationship. The bank looks forward to working with the Department of Defense, the General Services Administration, as well as the 41 other government agencies to make this a viable relationship into the future.

Mr. Chairman, Representative Putnam, thank you for providing me the opportunity to testify before the subcommittee, and I'll be glad to answer any questions that you or other members of the subcommittee may have when it's appropriate.

Mr. HORN. Thank you very much, Mr. Skelton. That's a very helpful statement.

[The prepared statement of Mr. Skelton follows:]

Testimony of

Clifford A. Skelton
Bank of America Corporation

Before the
United States House of Representatives
Government Reform Subcommittee
on Government Efficiency, Financial Management
and Intergovermental Relations

May 1, 2001

Good morning Chairman Horn, Ranking Member Schakowsky and members of the Subcommittee. Thank you for inviting me here today to testify on the implementation of the Travel and Transportation Reform Act of 1998 and the GSA Smart Pay Program.

My name is Cliff Skelton. I manage Bank of America's Government Credit Card Services Division. I joined the Bank of America team 2 years ago after serving 21 years in the United States Navy as a tactical jet aviator. I have had the opportunity to serve our country as the commanding officer of a F-18 squadron with over 200 officers and enlisted men and women. I was also fortunate to serve as a White House Fellow in 1997 and 1998 and I spent a year in the Office of the Secretary of the Navy. I mention this because I want the Subcommittee to know that I have a deep appreciation for government service as well as the fine men and women who serve at the Department of Defense and other agencies of the government.

Bank of America provides travel and procurement card services to 42 federal agencies with the vast majority of our business unfortunately dedicated to travel, and specifically to DOD travel. Of the 1.8 million cards we issue, 1.4 million are for DOD employees.

I say that it's unfortunate that we have mostly Travel business because travel only businesses don't make money—they lose money. Procurement Card lines of business are generally profitable. If you look at the distribution of agencies and business, you find my friends here at US Bank with a ratio of 51 to 1 Procurement Volume to Travel Volume with a travel spend of only $86MM per year; CitiBank with 5 to 1 Procurement to Travel with a travel spend of $1B; Bank One with 2 to 1 Procurement to Travel and $263 MM in travel spend; while Bank of America has a Procurement to travel ratio of .5 to 1 and $3.3 B in travel spend, due primarily to the Department of Defense. What this all means is that Bank of America was awarded 3 times more unprofitable travel business and ¼ the profitable procurement business when compared to our nearest competitor, CitiBank. And this story is true before ever examining the payment and internal management performance at the Department of Defense.

Now that I've described for you our strategic dilemma, let me just describe for you some DOD service and payment data that have been problematic for our company. Please understand that we do maintain dozens of civilian agency travel card programs, and while some come close to DOD in performance, they don't meet the materiality threshold to make them an issue as DOD represents nearly all of our net operating losses. To exemplify, at our best-managed Civilian Agency (perhaps even exceptionally well-managed), we lose approximately $400,000 per year on a combined portfolio due to the travel component. Also, I would be remiss if I did not admit that Bank of America was not without it's share of startup problems. As of at least April 2000, startup difficulties were considered by everyone concerned to be behind us and no longer problematic. We believe, however, that the start up issues we experienced did not cause or exacerbate the fundamental problems inherent in the DOD program.

The following statistics cannot be overlooked:

- Bank of America net losses on the GSA SmartPay program are excessive due, in large part, to the following:
    1. 40,000 sailors, soldiers, airmen, marines, and civilian DOD employees have defaulted on more than $53 MM (or 5 times the commercial standard) in what is supposed to be official travel.
    2. The cost of service for DOD is 26% more expensive than we experience in a commercial portfolio.
    3. 40% of the DOD cards have never been used, in total, while 60% do not meet our agreed upon standard for frequent traveler, thereby increasing Bank expense with no offsetting revenue.
    4. DOD members call our call center 60% more often and it takes a considerably longer period of time to solve issues as compared to commercial standards.
    5. Error rates for applications and expedited card demands far exceed industry standards or needs.
    6. Cash advances are twice as likely not to be paid back when compared to other card charges, leading one to believe that misuse is routine, if not rampant; not to mention the anecdotal evidence.

I do not need to remind the Subcommittee that many banks of lesser size could not meet these unexpectedly high service levels and sustain these kinds of ongoing losses. Please keep in mind that the government travel card is a non-interest bearing, pay-in-full charge card intended for "official" government travel and related expenses. Our main source of revenue is an interchange fee, paid by the merchant, part of which is paid back to government in the form of refunds. I am most appreciative of Congressman Horn's inquiry into this situation.

Having said all this, there is a positive side to my story. I am pleased to report that just 3 weeks ago, DOD committed to implementing a number of productive changes through a contract modification. This modification is expected to lower credit losses and bring cost of services more in line with those associated with a commercial product. At the same time, they will help DOD to continue to receive a top-rated travel card service benefiting the fine young men and women in our Armed Forces.

We believe this is a good start for a partnership that will lead to a successful program. However, it is just that -- a good beginning. It never makes sense for a contractor to lose money when providing services to our government. It does not produce winning results and arrangements such as this tend to end in failure. Despite these contract changes, our financial picture still indicates that we will continue to lose a significant amount of money per year for the life of the contract – potentially 7.5 more years.

We are looking to your leadership to fully assess the problems and craft solutions. First and foremost is the fact that Bank of America is required to issue travel cards to individuals designated by DOD with credit lines determined by DOD even though such individuals may not meet the Bank's credit worthiness requirements. Unfortunately, this mis-alignment has led to a dynamic where the bank assumes all of the financial risk with

little authority to manage that risk while the agency has none of the risk with all of the authority. As a result, agencies have little to no incentive to change the program no matter how much misuse occurs or how much debt goes unpaid.

Secondly, a successful program will also have a fundamentally different payment structure. I believe the original intent for PL 105 was to create a state-of-the-art program that would streamline travel for employees, increase efficiencies for administrators and achieve significant savings for the tax payer. We, as your business partner cannot realize these goals under the current contract. As the third vendor in a row to lose money providing travel services to the Department of Defense, it appears that either the contracting vehicle for DOD must change or be offset by more profitable lines of business.

I offer that you consider outsourcing government travel card service needs as a pay-for-service or cost-plus profit arrangement so that agencies pay for the service and the performance. This will give the program the competitive dynamic it needs to create a "best in class" system. It will also provide each agency the flexibility it needs to most efficiently and cost effectively execute their travel programs.

In conclusion, I thank the Subcommittee for conducting its oversight with respect to the GSA SmartPay Program and welcome its thoughtful analysis of the program. Please understand that while my comments have been somewhat retrospective in tone, the answer lies ahead of us, not behind us. I believe the Department of Defense is truly interested in a more partnered relationship. The Bank looks forward to working with the Department of Defense, the Government Services Administration as well as the 41other government agencies, to make this a viable relationship into the future.

Mr. Chairman and Ranking Member Schakowsky, thank you for providing me the opportunity to testify before the Subcommittee. I will be glad to answer any questions that you or the other members of the Subcommittee may have.

Mr. HORN. And now is Mr. Jerry Hinton. He is Director of Finance, Defense Finance and Accounting Service, Department of Defense. Mr. Hinton.

STATEMENT OF JERRY HINTON, DIRECTOR, FINANCE, DEFENSE FINANCE AND ACCOUNTING SERVICE, DEPARTMENT OF DEFENSE

Mr. HINTON. Good morning, Mr. Chairman and Congressman Putnam. I'm the Director of Finanance at Defense Finance and Accounting Service. The responsibilities for coordinating the policy and procedures for the use of the travel card with the bank and the military services fall under me. It is a pleasure to be here this morning. Since you have my written statement, with your approval I will simply summarize the main points.

Overall the Department has benefited from the Travel Card Program. In fiscal year 2000, we received $5.7 million in volume discount rebates offered by the bank. Both GSA and the Department have established rules for the travel card as required by the Travel and Transportation Act. Those rules allow latitude in establishing exemptions to mandatory card use, which we've used to address the specific needs of the Department.

The DOD Travel Card Program includes both centrally billed accounts [CBAs], held by the unit or office and individually billed accounts [IBAs], issued to individual travelers. Centrally billed accounts are primarily used for airline tickets. These charges are included in the computation of rebates paid to the Department by the bank. Interest and penalties accrue on any invoice paid 31 or more days after the date of the invoice, pursuant to the Prompt Pay Act. We are working with the bank to refine travel invoice reconciliation processes, and with the military services on the delinquencies for these accounts. Recently monthly reports indicate that progress is being made, and we are paying the bills more promptly and thus reducing the interest that we pay.

For individual travelers, the use of the travel card has reduced the need to process travel advances. The volume of charges on individual cards is also factored into the rebates offered by the bank. We recognize there have been challenges associated with implementation of the mandatory use of the travel card, and we are working with the Military Services and the Defense Agencies to take corrective steps.

We also recognize the added expense that the high number of delinquencies pose to the bank. We have worked hard to ensure that travelers receive their reimbursements in a timely manner. So far this year, the Defense Finance and Accounting Service has settled about 99 percent of the claims submitted within 9 days.

We have and continue to work with the bank and the Military Services to refine the information provided to unit commanders so that they may take appropriate administrative actions to counsel and to hold individuals accountable for their payments. Recognizing the bank's concern, we began discussions several months ago on the Travel Card Program. Those discussions led to an agreement we signed just a few weeks ago on April 11th that extend the task order for the travel card program through November 29, 2001. That agreement adds risk mitigation features, including increased

command management attention on individual delinquencies, deactivation or cancellation of cards issued to infrequent travelers, deductions from salaries for accounts that are over 120 days past due, the use of split disbursements allowing a traveler to have portions of their expenses charged paid directly to the bank. The modification also lowers cash and cash limits of individual cards. It allows for higher ATM and late fees—late payment fees.

In conclusion, I can assure you, Mr. Chairman, Mr. Putnam, the leadership in DOD is engaged. We believe that the changes that have been implemented will be successful in resolving the problems with delinquent accounts, and we continue to work with the bank to address areas of concern. The Travel Card Program is important to the Department, and we will work to keep it successful.

That concludes my remarks, and I'll be happy to address any questions that you have.

Mr. HORN. Thank you very much, Mr. Hinton.

[The prepared statement of Mr. Hinton follows:]

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Reform

STATEMENT OF JERRY S. HINTON

DIRECTOR OF FINANCE

DEFENSE FINANCE AND ACCOUNTING SERVICE

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND

INTERNATIONAL RELATIONS

ON

IMPLEMENTATION OF THE TRAVEL AND TRANSPORTATION REFORM ACT OF 1998

MAY 1, 2001

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Reform

Good morning Mr. Chairman, members of the Subcommittee, my name is Jerry Hinton, and I am the Director of Finance at the Defense Finance and Accounting Service (DFAS). DFAS has the charter for the Department of Defense (DoD) Travel Card Program which means we coordinate the policy and procedures for the use of the card with the Bank and the Military Services. I welcome the opportunity to discuss with you the benefits the Department has realized in the use of the Travel Card program and our efforts to address concerns of the Department, the Bank, and the individual card holders.

DFAS is the largest finance and accounting operation in the world. On an annual basis we pay approximately 5.4 million military members, civilians, retirees, and annuitants; issue approximately $288 billion in disbursements; execute some 100 million accounting transactions; pay approximately 14 million invoices and over 5 million travel payments. It is our mission to provide responsive, professional finance and accounting services to the Department of Defense success is defined by how well we support the Commanders, individual soldiers, sailors, airmen, Marines, DoD civilians, retirees, and annuitants.

GENERAL

The DoD has utilized a Travel Card program, under GSA sponsorship, since the1980's. Over the years the Department has increased the number of cards issued to travelers thereby capitalizing on the efficiencies and economies of card usage. We have benefited from rebates offered by the Bank on the card program and, in turn used those funds to reduce the cost of Government operations to the taxpayer. In FY 2000 those rebates totaled $5.7 million.

The "Travel and Transportation Reform Act of 1998" ("TTRA") required that Federal employees use the contractor-issued travel charge card to pay all official travel expenses. The TTRA also required the General Services Administration (GSA) to publish implementation guidance for federal agencies. This guidance was published on July 16, 1999, as the Federal Travel Regulation (FTR) Interim Rule 8. Once this guidance was available, the DoD established a working group, comprised of members from the Military Departments, selected Defense Agencies, and responsible entities within the Office of the Secretary of Defense to incorporate the FTR Interim Rule 8, into policies and procedures that were then incorporated in the DoD Financial Management Regulation ("DoDFMR") in April 2000. The effective date established by the GSA for the final rule implementing the "TTRA" was May 1, 2000.

The DoD policy builds on the Act and the GSA implementation guidance which gave Federal agency heads significant latitude in the identification and establishment of exemptions to the mandatory card use requirement contained in the Act. The Department supplemented the exemption allowances provided by GSA to address it's specific needs. Those additional exemptions include personnel serving in contingency operations, certain foreign travel circumstances, security concerns, temporary employment, infrequent travelers, and other limited categories.

The DoD implementation guidance recognizes that there may be other classes of individuals or expenses, specific individuals or travel events that would require exemption from the mandatory use requirement. Accordingly, the "DoDFMR" contains a provision that, with the approval of the Under Secretary of Defense (Comptroller), authorizes the Heads of DoD

Components to exempt additional types or classes of expenses, or types or classes of personnel from the mandatory use requirements of the TTRA.

DoD OPERATING ENVIRONMENT

By incorporating flexibility into the Department's implementing policy the Department was better able to address what it views as dramatic differences in the make-up of it's personnel needs as compared to other federal agencies. Examples of these differences included but, are not limited to:

1. Large numbers of personnel on either temporary or permanent travel duty worldwide, the result of which negatively impacts the ability of such personnel to receive and validate travel billing statement in a timely manner;

2. The Department's military population is heavily weighted to the junior grades, many of these individuals have never had the responsibility of managing financial obligations or experience using credit cards. This lack of knowledge and experience represents a significant challenge for the Department in terms of providing basic individual financial management training.

DoD EXPERIENCE TO DATE - CENTRALLY BILLED ACCOUNTS (CBAs)

The CBAs have been a major feature of the travel charge card program since the 1980's. These accounts are used by organizations to charge transportation costs (primarily airline tickets) associated with each instance of travel. Rebates are issued based upon a complex formula that includes total monthly spend and payment efficiency each of which have increased on the years.

As with the individual accounts, there are issues with the use of CBAs that we have addressed with the Bank and with the Military Services. Interest penalties accrue on any invoice not paid 31 or more days after the date of the invoice pursuant to the "Prompt Payment Act" ("PPA"). For the CBAs the DoD receives two invoices (1) An electronic invoice is provided to the Commercial Travel Office (CTO) and used to reconcile the charges appearing on the invoice to the CTO records of authorized charges; (2) A paper invoice that is delivered to the designated billing office. The 30-day "PPA" payment period begins at the receipt the later of these two invoices.

DOD SOLUTIONS - CBAs

The Department continues to work with the Bank to refine, where possible, the travel invoice reconciliation processes used by both parties. Also, the continued visibility of the CBA delinquencies at the Command level in the DoD will ensure that these CBA invoices are not allowed to sit idle but will move through the reconciliation process. Our recent monthly reports indicate progress is being made and we are paying the bills more promptly and thus reducing the amount of interest penalties paid.

DoD EXPERIENCE TO DATE - INDIVIDUALLY BILLED ACCOUNTS (IBAs)

There have been some benefits associated with the expansion of the travel charge card program. The card must be used by the traveler instead receiving a travel advance. The GSA SmartPay contract provides for the payment of rebates by the contractor to the agencies based on charge card volumes. The move to mandatory use of the travel charge card has resulted in a$1.4 million increase in the annual rebate.

At the same time, we recognize there have been challenges associated with implementation of mandatory use both for the Department and for the Bank.

1. As the Department requires use of the card and puts more cards in the hands of its travelers the opportunity for improper use of the card increases thereby increasing the delinquency rate for IBAs within the DoD. The Department is working with the Military Services and Defense Agencies to take corrective steps with its card holders.

2. High delinquency rates (and related write off) result in additional expenses for the Banks and lost revenues through rebates for the Department.

3. The charge card relationship is primarily an agreement between the individual cardholder and the Bank. The charge card agreement requires the individual to pay the card balance when the statement is received regardless of whether the individual has received any reimbursement for the expenses charged. The Department is responsible for timely reimbursement to the traveler upon receipt of a proper TDY travel voucher claim (and even owes interest to the traveler if such payment takes more than 30 days). While there are no doubt individual exceptions, the vast majority of TDY travel claims are paid well within the 30-day timeframe. To date during Fiscal Year 2001, DFAS has settled 99.7% of all TDY travel claims within nine days of receipt. We also have implemented program changes to help address delinquency issues that I will outline in a moment.

4. Individuals who are 120 days past due on their bills may have their accounts cancelled, and they can be reported to the various credit reporting organizations by the Bank.

5. We have worked with the Bank and the Military Services to refine the information provided to unit commanders so that they may take the appropriate administrative action to counsel or restrict an individual's use of a card and to hold such individuals accountable

for its payment. The quality of the management information reports continues to improve and provide the necessary information to the unit commanders.

DoD SOLUTIONS - IBAs

As I mentioned before, to address delinquencies and improve the program, DoD has worked with the Bank to implement program changes. On April 11, 2001, the DoD entered into an agreement with the travel charge card contractor, Bank of America, that extended task order performance through November 29, 2001, and added the following risk mitigation features:

-- Increased Command/management attention focusing on individuals who are delinquent;

-- Review the database of cards issued and deactivate/cancel cards of "infrequent" travelers--defined as traveling two or fewer times per year--which are exempt from mandatory use of the card within DoD;

-- Establish procedure to implement deduction from salary for accounts 120 days past due;

-- Unless otherwise directed by the employee, the Bank would receive payment for lodging, rental cars, and transportation directly from DoD as the travel claim is settled. The only exception is in the case of the Marine Corps which is transitioning accounting and disbursing systems and will implement this change when the transition is completed;

-- Lower both cash and credit limits of individual cards:

For standard cards to $2,500 credit line including $250 for ATM cash;

For restricted cards to $1,000 credit line including $125 for ATM cash.

Mr. HORN. We now move to Mr. Chris Pieroth, the senior vice president, product and marketing for the U.S. Bank.

STATEMENT OF CHRIS PIEROTH, SENIOR VICE PRESIDENT, PRODUCT AND MARKETING, U.S. BANK

Mr. PIEROTH. Thank you, Mr. Chairman, members of the committee.

Travel cards have been marketed as a convenient and cost-effective replacement to cash advances, as well as a means of consolidating spending data for better vendor negotiations. The use of travel cards has been a standard best practice for managing travel expenses for over 15 years.

In order to maximize the benefits offered by travel cards, organizations implementing such programs will normally mandate the use of the card by all travelers. This allows for the complete elimination of costly cash advances and maximizes the capture of spending data. Organizations also do not generally accept liability for travel cards issued to individual employees.

The issuance of travel cards to employees is based on organizational authorization and is not contingent upon individual employees passing credit checks. While basic credit screening is done for the purpose of risk assessment and account monitoring, the results do not prevent the initial issuance of a travel card to an authorized employee.

Issuers of travel cards manage risk in a number of ways. First, the organization itself must undergo a credit check to ensure that the organization is financially stable and is able to properly reimburse employees for travel expenses. Second, upon issuance of a travel card, a basic credit screen is done for the purpose of risk assessment and account monitoring. Accounts that are deemed to present a higher-risk are more closely monitored for delinquency and unusual spending activity; third, delinquency reports provided to organizational program managers to assist in collection activities; and finally, financial incentives are provided to organizations for faster payment and lower-than-anticipated credit losses.

The effectiveness with which a card issuer is able to perform these functions has a significant impact on delinquency and write-off rates. Experience is also very important. Travel card portfolios behave differently than other card portfolios. Additionally, travel card portfolios belonging to different customer channels, such as large market, midmarket, and government customers, also behave differently. A slow and controlled entry into each customer channel to ensure a proper understanding of portfolio behavior and development of proper risk mitigation strategies is also very important. Entering a new customer channel too quickly can result in higher delinquency rates and larger-than-anticipated write-offs.

Mandating the use of travel cards by Federal employees was simply an adoption of a longstanding private sector best practice. While there have been delinquency and write-off issues associated with the GSA SmartPay Program, U.S. Bank does not believe these issues were made worse by mandating the use of travel cards by Federal employees. From U.S. Bank's perspective, the GSA and the agencies participating in the SmartPay Program have consistently demonstrated a willingness to work cooperatively to address the

resolution of delinquency and write-off issues. U.S. Bank believes this will continue to be the best method for handling such issues in the future. And that concludes our testimony.

Mr. HORN. Well, we thank you for that approach.

[The prepared statement of Mr. Pieroth follows:]

May 1, 2001

Congress of the United States
House of Representatives
Committee on Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-6143

Subcommittee on Government Efficiency, Financial
Management, and Intergovernmental Relations

Statement from U.S. Bank

Background

With assets in excess of $160 billion, U.S. Bancorp is the 8th largest financial services holding company in the United States. The company operates 2,242 banking offices and 5,208 ATMs, and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. U.S. Bancorp is the parent company of Firstar Banks and U.S. Bank. U.S. Bancorp has been issuing commercial cards to agencies of the Federal Government for over twelve years and to private sector companies for over ten years.

Statement

To the extent that the Subcommittee is investigating the implementation of the Travel and Transportation Act of 1998 and the impact of the Act on the delinquency and write-off rates for government travel cards issued under the GSA SmartPay Program, U.S. Bank offers the following statement for consideration by the Subcommittee:

Diners Club and American Express first pioneered the introduction of travel cards over 20 years ago. Approximately 10 years ago, various banks, including Citibank, Bank of America, and U.S. Bank began issuing Mastercard and Visa branded travel cards.

These cards were originally marketed as a convenient and cost effective replacement to cash advances as well as a means of consolidating spending data for better vendor negotiations. The use of travel cards has been a standard best practice for managing travel expenses for over 15 years.

In order to maximize the benefits offered by a travel card program, organizations implementing such programs will normally mandate the use of the card by all travelers. This allows for the complete elimination of costly cash advances and maximizes the capture of spending data. Organizations also do not generally accept liability for travel cards issued to individual employees.

The issuance of travel cards to employees is based on organizational authorization and is not contingent upon individual employees passing credit checks. While basic credit screening is done for the purpose of risk assessment and account monitoring, the results do not prevent the initial issuance of a travel card to an authorized employee.

Issuers of travel cards manage risk in a number of ways. First, the organization itself must undergo a credit check to ensure that the organization is financially stable and is able to properly

reimburse employees for travel expenses. Second, upon issuance of a travel card, a basic credit screen is done for the purpose of risk assessment and account monitoring. Accounts that are deemed to present a higher risk are more closely monitored for delinquency and unusual spending activity. Third, delinquency reports are provided to organization program managers to assist in collection activities. And fourth, financial incentives are provided to organizations for faster payment and lower than anticipated credit losses.

The effectiveness in which a card issuer is able to perform the functions outlined in the previous paragraph has a significant impact on delinquency and write-off rates. Experience is also very important. Travel card portfolios behave differently than other credit card portfolios. Additionally, travel card portfolios belonging to different customer channels (e.g. larger market, mid market, and government) also behave differently. A slow and controlled entry into each customer channel, to ensure a proper understanding of portfolio behavior and the development of proper risk mitigation strategies, is very important. Entering a new customer channel too quickly can result in higher delinquency ratés and larger than anticipated write-offs.

Mandating the use of travel cards by federal employees was simply an adoption of a longstanding private sector best practice. While there have been some delinquency and write-off issues associated with the GSA SmartPay Travel Card Program, U.S. Bank does not believe these issues were made any worse by mandating the use of travel cards by federal employees.

From U.S. Bank's perspective, the GSA and the agencies participating in the SmartPay Program have consistently demonstrated a willingness to work cooperatively to address the resolution of delinquency and write-off issues. U.S. Bank believes this will continue to be the best method for handling such issues in the future.

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Mr. HORN. Mr. William Anderson, deputy chief financial officer for the Corporation for National and Community Service. Glad to have you here.

STATEMENT OF WILLIAM ANDERSON, DEPUTY CHIEF FINANCIAL OFFICER, CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Mr. ANDERSON. Good morning, Mr. Chairman, and members of the subcommittee. My name is Bill Anderson, and I am the deputy chief financial officer for the Corporation for National Service. Thank you for inviting me to testify on the Corporation's participation in the GSA SmartPay Travel Card Program. I ask that my full statement be included in the record.

Mr. HORN. Yes. All of them are automatically.

Mr. ANDERSON. The Travel Card Program has significant benefits that allow the Corporation to carry out necessary travel effectively and efficiently. We have issued management policies governing the proper use of the travel card, and that policy has been widely disseminated throughout the organization. We have had some continuing issues relating to travel payments billed to the Corporation's central account and for travel billed to individuals that I will focus on today.

First, I want to note that we have no delinquent balances in our active account. The Corporation does have an unresolved balance of $275,000 related entirely to a centrally billed account that was closed over a year ago. At the time the account was closed, the balance was $1.3 million. When we first implemented the SmartPay Program, our charge card vendor, NationsBank, now Bank of America, did not bill the Corporation properly for travel charged to the Corporation's centrally billed account. When we tried to resolve these charges, the bank was unable to provide us with the information we needed to sort out which subaccounts had unpaid balances. As a result, the central account balance grew. When we closed that central account, it had a balance of $1.3 million.

Working closely with Bank of America to resolve this matter, we have reduced the unresolved balance in the closed centrally billed account to $275,000. To date, we have determined that about $1 million of the $1.3 million had already been paid by the Corporation, but had been misapplied by the bank. We expect to complete our work on the remaining discrepancy within 60 days. We also have a new account structure with Bank of America, and all those accounts are current and working properly.

The second matter I will discuss is the Corporation's actions relating to the delinquency and use of the travel cards billed directly to individuals. About 6 months ago, Corporation travel unit staff began obtaining all outstanding balances for Corporation travel cardholders. The report is reviewed to identify all employees with accounts reported 60 days past due. Each delinquent cardholder is contacted to determine why they have not paid their balance. Letters are sent to the employee and the employees' supervisor, notifying them that the account is delinquent and reminding them of their responsibility to pay all travel card balances in a timely manner. In most cases this action is all that is necessary to get the account current. Our current delinquency rate is less than 4 percent.

It's about $5,000, within the average governmentwide performance in this area.

In addition to reviewing for delinquencies, the Corporation currently reviews a detailed transaction listing from the Electronic Account Government Ledger System [EAGLS], for certain cardholders. Cardholders may be selected for a detailed review either randomly or based on perceived risk, such as a large delinquent balance. The transaction detail is reviewed to determine whether or not the charges were appropriate and related to official travel. If the Corporation determines that the charges were not for authorized purposes, the Corporation will take appropriate disciplinary action, including removing the employee from Federal service. The Corporation has taken such actions in the past.

Mr. Chairman, the Corporation takes the misuse of Federal cards very seriously. We have issued guidance to employees on their obligations with respect to the use of the cards and have plans to take additional steps that will help minimize the likelihood of abuse. These steps include revisiting how the Corporation determines who gets a card and the credit limit on individual cards. In addition, the monthly delinquency report will be provided to the Corporation's chief operating officer for review.

In addition to these actions, we have worked closely with the Corporation's Office of the Inspector General on this issue. That office also obtains information from EAGLS and reviews staff usage of the travel card. When problems are identified, we receive reports from the inspector general and take appropriate action.

Mr. Chairman, the Corporation has been working diligently to resolve the outstanding matters with our delinquent accounts and ensuring proper use of the SmartPay Program by our employees.

Thank you again for inviting me to testify on behalf of the Corporation. I would be happy to answer any of your questions.

Mr. HORN. Thank you very much, Mr. Anderson.

[The prepared statement of Mr. Anderson follows:]

Testimony of William Anderson
Deputy Chief Financial Officer of the
Corporation for National Service
Before the House Committee on Government Reform
Subcommittee on Government Efficiency, Financial
Management, and Intergovernmental Relations
May 1, 2001

Good morning, Mr. Chairman, Congresswoman Schakowsky, and members of the Subcommittee, my name is Bill Anderson and I am the Deputy Chief Financial Officer of the Corporation for National Service. Thank you for inviting me to testify on the Corporation's participation in the GSA SmartPay Travel Card Program. In general, the SmartPay program provides significant benefits to the Corporation in carrying out necessary travel effectively and efficiently. My testimony today discusses the Corporation's experience with two aspects of the SmartPay Travel Card Program of interest to the Subcommittee – delinquencies in paying travel centrally billed to the Corporation and travel billed directly to individuals.

The Corporation issued its current travel management policy in June 2000. The policy is available to all employees on the Corporation's Intranet and provides staff with guidance on the Federal travel regulations and use of the government contractor-issued travel charge card. The Corporation's travel policy and procedures were designed to provide assurance that travel is conducted in an expeditious and responsible manner; reimburse travelers promptly, within limits prescribed by the Federal Travel Regulation; and hold persons traveling at Corporation expense or on Corporation business responsible for adhering to these policies. Additionally, new employees receive training on the proper use of the government charge card and all Federal government resources.

Regarding the Corporation's performance in paying centrally billed accounts, our unpaid balance relates entirely to one central account that was closed over a year ago. The unpaid balance is a result of a failure between the charge card provider and ourselves to resolve information requirements in order to permit us to make prompt and accurate payments. All of our active accounts are current, and we continue to work with Bank of America to resolve the reported delinquency in the expired account. As of this date, that balance is $275,000, and we expect to resolve it within 60 days.

I would like to summarize the history of this matter. In August 1998, the Corporation selected NationsBank as our charge card provider. One central travel account was established with many supplemental lower level accounts. The supplemental accounts applied to our state offices. Once a bill was reviewed and approved by a state office, the travel bill was sent to a regional service center for payment. Under this system, NationsBank was to track charges, payments and balances at the sub account level and to provide the detail to the Corporation so that we could make prompt and accurate payments. The detail information was also to be

accessible on line through the Electronic Account Government Ledger System (EAGLS), reporting system.

In April 1999, the Corporation noticed that its central account balance was growing disproportionately while the monthly billing statements sent to the state offices reflected zero balances for their sub accounts. Consequently, the Corporation requested balances by sublevel accounts to support the central account balance. We also requested delinquency reports by account to identify the problem areas. As we were working to resolve the problem, Bank of America and NationsBank merged.

In July 1999, the Corporation met with Bank of America's Vice-President for government card services. We continued to lack sufficient information necessary for us to reconcile these accounts. We mutually agreed that the current structure did not work for our organization, and decided to close the existing accounts and open a new set of accounts with a separate central account for every sub account. (It is a bank requirement to have a charging/transaction sub account and a second account for carrying the balance for every central account.) The problem account was closed on January 16, 2000, with a balance of $1,352,464.

We now had a new central account for each sub account, instead of the single central account with multiple sub accounts. However, under this new system, payments for charges made prior to January 16, 2000, on the old account were being applied to the new central account. This created credit balances (i.e., as if there was an overpayment) on the new central account, and resulted in a highly labor-intensive reconciliation. To remedy this problem, in July 2000, Bank of America closed all accounts and issued a completely new set of accounts. This current account structure is now functioning smoothly and we have zero delinquencies over 60 days.

Resolution of the closed account balances has been a priority of the Corporation and we have expended considerable effort to resolve it. The limitations of the previous system have required considerable time-consuming reviews by our respective organizations.

For the past several months, the Corporation and Bank of America staffs have worked closely to resolve the remaining difference. As of today, we have made significant progress by reducing the unresolved balance on this centrally billed account from $1.3 million to $275,000. About $1 million of this amount had already been paid by the Corporation but had been misapplied by the bank.

The bank is currently updating sub account balances from January 2000 to the current date. This action will detail the $275,000 central balance by sub account. I expect this remaining balance to be resolved within two months and I do not anticipate any future delinquencies on the centrally billed travel account.

The second matter I will discuss is the Corporation's actions related to delinquency and use of the travel cards billed directly to individuals. When the

SmartPay Travel Card program was first implemented, the Corporation received sporadic reports on cardholder accounts 30 or more days past due. Travel office staff reviewed the reports and directed the cardholder to resolve the bill. We found that frequently those employees reported as being 30 days delinquent had actually paid their travel bills. The discrepancy was a result of timing differences between the bank's billing and payment cycle and the Corporation's. We therefore changed our review cycle to accounts that were 60 or more days past due.

About six months ago, Corporation travel unit staff began using EAGLS to obtain all outstanding balances for Corporation travel cardholders. The report is reviewed to identify all employees with accounts reported 60 days past due. Each delinquent cardholder is contacted to determine why they had not paid their balance. Letters are sent to the employee and the employees' supervisor notifying them that the account is delinquent and reminding them of their responsibility to pay all travel card balances in a timely manner. In most cases, this action is all that is necessary to make the account current. Our current delinquency rate is less than 4%, which is within the average government-wide performance in this area.

In addition to reviewing for delinquencies, the Corporation currently reviews a detailed transaction listing from EAGLS for certain cardholders. Cardholders may be selected for a detailed review either randomly or based on perceived risk (e.g., large delinquent balance). The transaction detail is reviewed to determine whether or not the charges were appropriate and related to official travel. If the Corporation determines that the charges were not for authorized purposes the Corporation will take appropriate disciplinary action, including removing the employee from Federal service. The Corporation has taken such actions in the past.

Mr. Chairman, the Corporation takes the misuse of Federal charge cards very seriously. We have issued guidance to employees on their obligations with respect to the use of the cards, and have plans to take additional steps that will help to minimize the likelihood of abuse. These steps include revisiting how the Corporation determines who gets a card and the credit limit on individual cards. The monthly delinquency report will also be provided to the Corporation's Chief Operating Officer for review.

In addition to these actions, we have worked closely with the Corporation's Office of the Inspector General on this issue. That office also obtains information from EAGLS and reviews staff usage of the travel card. When problems are identified, we receive reports from the Inspector General and take appropriate action.

In closing, please note that we are working hard to resolve the outstanding issues described above. We are committed to the effective implementation of the SmartPay Travel Card program. I am happy to answer any questions that you might have.

Mr. HORN. And we now move to Ms. Patricia English, Acting Chief Financial Officer for the Federal Emergency Management Agency.

STATEMENT OF PATRICIA ENGLISH, ACTING CHIEF FINANCIAL OFFICER, FEDERAL EMERGENCY MANAGEMENT AGENCY, ACCOMPANIED BY JAMES LUCAS, CHIEF, FINANCIAL POLICY AND STANDARDS BRANCH; LORRAINE NORMAN, AGENCY PROGRAM COORDINATOR, TRAVEL CARD PROGRAM; AND PAULA LYONS, AGENCY PROGRAM COORDINATOR, PURCHASE CARD PROGRAM

Ms. ENGLISH. Good morning, Mr. Chairman and members of the——

Mr. HORN. You're going to need to get the mic right up to you.

Ms. ENGLISH. Good morning, Mr. Chairman, and members of the subcommittee.

Mr. HORN. Let's see. Is there a switch on there?

Ms. ENGLISH. It's green.

Mr. HORN. You got it? Just take the other one. Thank you.

Ms. ENGLISH. I'll try again.

Good morning, Mr. Chairman, and members of the subcommittee. I am Pat English, Acting Chief Financial Officer for the Federal Emergency Management Agency. I am pleased to appear before you today to discuss FEMA's participation in the GSA SmartPay Travel Card Program. I would also like to introduce Mr. James Lucas, who is the Chief, Financial Policy and Standards Branch; Ms. Lorraine Norman, who is the Agency Program Coordinator for the Travel Card Program; and Ms. Paula Lyons, who is the Agency Program Coordinator for the Purchase Card Program.

Mr. Lucas is responsible for managing the development of FEMA's policies and procedures for implementing the Travel and Transportation Act of 1998 and the GSA SmartPay Travel Card Program. Ms. Norman and Ms. Lyons are responsible for managing the day-to-day operations of the GSA SmartPay card for travel and purchase programs respectively. We welcome the opportunity to come before this subcommittee to discuss FEMA's efforts to implement the act and the actions taken to improve the operational effectiveness and efficiency of the contractor-issued charge card.

As you are aware, the act requires that all travelers use the travel card to pay for travel expenses. FEMA recognizes the significant benefits that the Travel Card Program provides to the government and to the traveler, and we have taken steps to fully realize these benefits. As a matter of fact, in 1993, FEMA issued a travel directive maximizing the use of the contractor-issued travel card for official authorized travel. Employees who are frequent travelers were issued a travel card. We eliminated the use of the imprest funds and began using ATMs for travel cash advances. We replaced the government travel request [GTR] to purchase common carrier transportation with the individually or centrally billed travel card.

Implementation of an aggressive travel card program has had its challenges. Prior to the implementation of the current GSA SmartCard Program, FEMA had one of the highest delinquency rates, approximately 20 percent, for individually billed travel card accounts in the Federal Government. We recognized the need to

improve the management of delinquencies; however, making progress is very difficult. In selecting our current card traveler vendor, Citibank, we saw this as an opportunity to create a new partnership. We turned our attention to improving the overall management of the program. After overcoming initial startup problems, we started to see once again the delinquency problem developing.

Prior to it getting out of hand, I met with Citibank officials to discuss our delinquency rate, and they were able to raise my level of awareness of the tools available to address our delinquencies. I met with my staff. An action plan was developed which identified tasks, accountable organizations and/or individuals with milestones for completion.

The plan raised the level of awareness throughout FEMA. Today, about 12 months later, FEMA has one of the lowest delinquency rates for these accounts in the Federal Government. I attribute our success to the support given to me by other FEMA senior managers and my staff. My staff developed a written policy for the SmartPay Card Program. We consulted with management and labor representatives when developing our policy and discussed the reason for the changes. We conducted an extensive education campaign to communicate the policy to all FEMA cardholders. Office program coordinators were trained to manage the program in their respective organizations. Sufficient resources were committed to manage the program so that we can maintain an OPC-to-cardholder ratio of 1 to 100 to ensure proper oversight of the program. Progressive disciplinary guidelines ranging from reprimand to dismissal are applied when the card is used for unauthorized travel expenses. Managers and cardholders are held accountable for their performance in the program. Working as a team, we continue to communicate our message to assure that everyone clearly understands the policies and procedures governing the use of the program.

A strong partnership has been formed with Citibank to improve the management of the program. We meet regularly with the Citibank staff to review the performance and identify opportunities for improvement. We decreased spending limits and have expanded the use of merchant category code restrictions. FEMA actively participates in GSA/Citibank-sponsored workshops and training seminars. GSA's best practice guide reflects many of FEMA's policies.

Citibank has invested time to learn about FEMA's program and understand our charge card needs. Citibank client account specialists provide invaluable assistance to our OPCs in managing the day-to-day operation of the program. Citibank—excuse me, CitiDirect, the Citibank Internet-based management information system, is used to review cardholder account activity online.

I am proud of FEMA's efforts to improve the management of the SmartCard Program. We make sure that our employees are reimbursed for their travel expenses on time. Cardholders are paid within 3 to 5 working days after submission of travel vouchers; therefore, timely reimbursement of the employee for travel expenses is not an issue.

This summer we will begin to deduct from cardholder salaries past-due amounts owed to Citibank. We plan to develop and implement a split payment system in the near future to pay Citibank directly for transportation, lodging and rental car expenses charged

to the cardholders' accounts. FEMA's delinquency rate for March 2001 for accounts past due 61 days plus is 2 percent for individually billed cards, zero percent for centrally billed cards, zero percent for purchase account cards, compared to governmentwide averages of 7, 5 and 3 percent respectively.

Mr. Chairman, this concludes my prepared remarks for this morning. I will be happy to now answer any questions that you or members of the subcommittee may have. Thank you very much.

Mr. HORN. Well, thank you, Ms. English.

[The prepared statement of Ms. English follows:]

TESTIMONY

Of

Patricia A. English

Acting Chief Financial Officer

Office of Financial Management

Federal Emergency Management Agency

Before the

House Committee On Government Reform

Subcommittee on Government Efficiency,

Financial Management, and Intergovernmental Relations

May 1, 2001

Good morning, Mr. Chairman and members of the Subcommittee. I am Pat English, Acting Chief Financial Officer for the Federal Emergency Management Agency (FEMA). I am pleased to appear before you to discuss FEMA's participation in the GSA Smartpay Travel Card Program. I would also like to introduce Mr. James Lucas, Chief, Financial Policy and Standards Branch, Ms. Lorraine Norman, Agency Program Coordinator, Travel Card Program, and Ms. Paula Lyons, Agency Program Coordinator, Purchase Card Program. Mr. Lucas is responsible for managing the development of FEMA's policies and procedures for implementing the Travel and Transportation Reform Act of 1998 and GSA's Smartpay Travel Card Program. Ms. Norman and Ms. Lyons are responsible for managing the day-to-day operations of the GSA Smartpay Card for the travel and purchase card programs respectively.

We welcome the opportunity to come before this subcommittee to discuss FEMA's efforts to implement the Act and the actions taken to improve the operational effectiveness and efficiency of the contractor-issued charge card program.

As you are aware, the Act requires that all travelers use the travel charge card to pay for travel expenses. FEMA recognizes the significant benefits that the travel charge card program provides to the Government and the Government traveler and has taken steps to fully realize these benefits. As a matter of fact, in 1993, my office issued a FEMA travel directive to maximize the use of the contractor-issued travel charge card for official authorized travel expenses. Employees, who are frequent travelers, were issued a travel charge card. We eliminated the use of imprest funds and began using the ATM for travel cash advances . We replaced the Government Travel Request (GTR) to purchase common carrier transportation with the individually or centrally billed travel card.

Implementation of an aggressive travel charge card program has had its challenges. Prior to implementation of the current GSA Smartpay Card Program, FEMA had one of the highest delinquency rates (approximately 20%) for individually billed travel card accounts in the federal Government. We recognized the need to improve the management of delinquencies, however, making progress was difficult. In selecting our current travel card vendor, Citibank VISA, we saw this as an opportunity to create a new partnership. We turned our attention to improving the overall management of the Program. After overcoming initial start-up problems, we started to see the problem developing again.

Before it got out of hand, I met with Citibank officials to discuss our delinquency rate and they were able to raise my level of awareness of the tools available to address our delinquencies. I met with my staff. An Action Plan was developed, identifying tasks, accountable organizations/individuals, with milestones to manage. The Plan raised the level of awareness throughout FEMA. Today, about twelve months later, FEMA has one of the lowest delinquency rates for these accounts in the federal Government. I attribute our success to the support given to me by other FEMA senior managers and my staff. My staff developed a written policy for the Smartpay Card Program. We consulted with management and labor representatives when developing our policy and discussed the reasons for change. We conducted an extensive education campaign to communicate the policy to all FEMA cardholders. Office Program Coordinators (OPC) were trained to manage the Program in their respective organizations. Sufficient resources are committed to manage the Program so that we maintain an OPC to cardholder ratio of 1:100's to ensure proper oversight. Progressive disciplinary guidelines, ranging from a reprimand to dismissal, are applied when the card is used for unauthorized travel expenses. Managers and cardholders are held accountable for their performance in the Program. Working as a team, we continue to communicate our message to ensure that everyone clearly understands the policies and regulations governing the use of the card.

A strong partnership has been formed with Citibank to improve management of the Program. We meet regularly with Citibank staff to review performance of the Program and to identify opportunities for improvement. We decreased spending limits and

expanded the use of merchant category code restrictions. FEMA actively participates in GSA/Citibank sponsored workgroups and training seminars. GSA's "Best Practices Guide" reflects many FEMA policies. Citibank has invested time to learn about FEMA's programs and understand our charge card needs. Citibank Client Account Specialists provide invaluable assistance to our OPCs in managing the day-to-day operations of the Smartpay Card Program. CitiDirect, the Citibank Internet-based management information system, is used to review cardholder account activity on-line.

I am proud of FEMA's effort to improve our management of the Smartpay Card Program. We make sure that we reimburse our employees for their travel expenses on time. Cardholders are paid within 3 to 5 workdays for their travel expenses. Timely reimbursement of employees for travel expenses is not an issue. This summer we will begin deducting, from cardholders' salary, past due amounts owed to Citibank. We plan to develop and implement a split-payment system in the near future to pay Citibank directly for transportation, lodging and rental car expenses charged to the cardholders account. FEMA's delinquency rate for March, 2001, for accounts past due 61+ days is 2% for individually billed travel accounts, 0% for centrally billed travel accounts, and 0% for purchase card accounts compared to the governmentwide averages of 7%, 5% and 3% respectively.

Mr. Chairman, this concludes my prepared remarks for this morning. I would be happy to now answer any questions that you or other members of the Subcommittee may have. Thank you!

Mr. HORN. Now we have Mr. G. Martin Wagner, Associate Administrator, Office of Governmentwide Policy for the General Services Administration.

STATEMENT OF G. MARTIN WAGNER, ASSOCIATE ADMINISTRATOR, OFFICE OF GOVERNMENTWIDE POLICY, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY CAROLYN ALSTON, ASSISTANT COMMISSIONER, OFFICE OF ACQUISITION, FEDERAL SUPPLY SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. WAGNER. Good morning, Mr. Chairman. I would also like to introduce—I have with me Carolyn Alston, Assistant Commissioner of the Office of Acquisition within GSA's Federal Supply Service. Ms. Alston's office developed and manages the GSA SmartPay contract.

But before I actually get into the prepared remarks, I'd like to mention to the subcommittee that at this very moment, the Third Annual Miles Romney Award in Personal Property Management is being presented. Miles was a tremendous asset to the Hill, worked for many years for the subcommittee, and we really appreciated his help, as is illustrated by the fact that we named one of our awards after him. I'm afraid it has nothing to do with this hearing, but I thought I would mention it.

Mr. HORN. Well, I thank you for mentioning it, though. Miles Romney was a legend around here for decades. He helped both the minority and the majority, Democrats and Republicans, and he was a very skilled, fine public servant.

Mr. WAGNER. We really appreciated the chance to work with him.

But to return to the question at hand, I am pleased to appear before the subcommittee to discuss the Travel and Transportation Reform Act of 1998. The act capitalizes on card technology as a mechanism that could be merged with other technology advances to make a more efficient and better-run government. In particular, the act recognized that appropriate use of commercial card solutions for ordering and paying for travel services would be more efficient and effective than a government-developed solution, and that a common approach using cards for an agency as a whole would work better than a multiple approach based on individuals using their own cards.

We believe that the use of charge cards offers an opportunity for government to better leverage industry best practices. The ability to eliminate or greatly reduce travel advances, to gather essential management data and to capitalize on industry trends all involve the use of charge cards. This subcommittee recognized that and gave us both the structure and the flexibility in the act to take advantage of current technology and position ourselves to be ready for future changes. For that we thank the subcommittee.

Now let me discuss the Travel Card Program. The final implementing regulation for the program was issued March 30, 2000, and effective already for travel on or after May 1, 2000.

With expenditures of $4.7 billion in fiscal year 2000, the GSA SmartPay contract is the single largest corporate travel card program in the world. The program provides a charge card that is uni-

versally accepted, improves government cash management and significantly reduces the need to provide travel advances. It also provides the opportunity to reduce our administrative costs for making travel payments and to obtain data on travel spending to negotiate better discounts.

Finally, the program provides agencies the opportunity to earn refunds on their travel payments if they reimburse the card companies on a timely basis. Refund payments are influenced by two factors, volume of expenditures and payment performance. Several agencies have taken advantage of this opportunity, and overall GSA's SmartPay refunds for travel purchase and fleet increased from $55 million in fiscal year 1999 to $65 million in fiscal year 2000. I need to emphasize that is all charge card contracts—or charge card vehicles under the contract.

Our partners have also expressed concerns with cardholder delinquency, inactive accounts and write-offs on individually billed accounts. GSA is working closely with our customers and our card providers to develop a host of delinquency controls. We believe that agency efforts are working, as we have seen a decline in delinquency rates. For example, delinquency rates for March 2001 were 7 percent for the individual billed accounts and 5 percent for the centrally billed accounts, a 50 percent decline for March 2000. Good progress, but not enough. In addition, GSA has recently made some contract modifications to encourage agencies to reduce the write-offs to a more acceptable level.

While program performance continues to improve, the government needs to do better. The card providers and the agencies can work together and are working together to make this an even better program.

Mr. Chairman, that concludes my oral statement.

Mr. HORN. Thank you. Well, thank you very much.

[The prepared statement of Mr. Wagner follows:]

TESTIMONY
Of
G. Martin Wagner
Associate Administrator
Office of Governmentwide Policy
General Services Administration
Before the
House Committee
Subcommittee on Government Efficiency,
Financial Management, and Intergovernmental Relations

May 1, 2001

Good morning, Mr. Chairman and members of the Subcommittee. I am Marty Wagner, Associate Administrator for the General Services Administration's Office of Governmentwide Policy. I am pleased to appear before you to discuss the implementation of the Travel and Transportation Reform Act of 1998 (the Act). I would also like to introduce Carolyn Alston, Assistant Commissioner of the Office of Acquisition within GSA's Federal Supply Service. Ms. Alston's office developed and is currently administering the GSA SmartPay® contract for the Governmentwide charge card services related to travel, purchases, and fleet.

We welcome the opportunity to come before this subcommittee and discuss the implementation of the Act. The Act capitalizes on card technology as a mechanism for ensuring better and more efficient Government in the transportation and travel arenas. In particular the Act recognized that appropriate use of commercial charge card solutions for ordering and paying for travel services would be more efficient and effective than a government develop solution.

We at GSA want to be in the forefront of that type of change. We believe that use of charge cards offers an opportunity for Government to better leverage industry best practices. The ability to eliminate or greatly reduce travel advances, to gather essential management data, and to capitalize on industry trends all involve use of charge cards. This Subcommittee recognized that and gave us both the structure and the flexibility in the Act to take advantage of current technology and position ourselves to be ready for future changes. For that, we thank the subcommittee.

While I understand that the main interest of the Subcommittee at this hearing is the implementation of the mandatory use of the travel charge card, I'd like to take a few minutes to bring you up to date on the implementation of other provisions of the Act. Then I will go into detail on the travel charge card aspect of the Act.

A significant initiative of the Act required the Government to move to prepayment audit of transportation bills. This was to replace the traditional method of the Government paying first, auditing the bill afterwards and recovering any overpayments. With the advances in electronic data interfaces and the increased use of automated payment systems, it has become easier to create a prepayment audit structure. The advantage of this approach is that potential overpayments are caught before they are made. The implementing regulation for the prepayment audit was issued in May 2000 with an effective date of October 2001. I am pleased to report that almost all-major agencies have prepayment audit plans in place. It is too early to tell what the actual results of moving to a prepayment audit is, but I am comfortable reporting that Federal agencies are

moving to implement the law and that the expected results of more accurate payments and streamlined administrative processes will be achieved.

Another initiative of the Act was to allow Federal agencies to test various ways to improve travel and relocation payments. To date, the Administrator of GSA has approved two tests with notification forwarded to Congress. One involves a streamlining of the method to handle meritorious claims that has resulted in a significant decrease in the length of time that a claim is acted upon. The second test was a proposal by the Department of State to reimburse their travelers more quickly. While the second test has been approved, some details are being worked out between State and the Internal Revenue Service concerning tax implications of the payments.

Congress recognized that there was a need to reimburse employees for tax penalties and interest that they incurred because of a rule change by the Internal Revenue Service in 1993 regarding travel exceeding one year. Several travelers incurred substantial tax liability because appropriate amounts were not withheld by the employing agencies. The Act specifically allows reimbursement to travelers that were adversely affected by this change in 1993 and 1994 and further provides for reimbursement for taxes incurred for temporary duty assignments that exceed one year. That provision of the law has been implemented and individuals have been reimbursed for those costs.

We appreciate the forward thinking of the Subcommittee to initiate the above actions and anticipate more positive results as the actions are more widely implemented. Now let me

We appreciate the forward thinking of the Subcommittee to initiate the above actions and anticipate more positive results as the actions are more widely implemented. Now let me discuss the travel charge card program. I would like to do that as two separate topics – (1) the implementation of the mandatory use provision of the Act, and (2) the actual logistics of the travel card program as it exists now.

As you are aware, the Act required Governmentwide use of the travel charge card by travelers to pay travel expenses. Exceptions were to be granted only by the Administrator of GSA and individual agency heads specific to his/her agency.

The Administrator established a basic list of exceptions that applied across the board to all agencies. For the sake of time for this testimony, I have provided the Subcommittee a written record of those exceptions (Attachment A). I have also provided the Subcommittee a list of the agency head granted exceptions that have been sent to GSA (Attachment B). As you will note from the combined exceptions, we have tried to be realistic about the use of the travel charge card and have not mandated the use of the card in certain circumstances.

The implementing regulation for the mandatory use was issued as a proposed rule in July of 1999. We received comments from a number of Federal agencies, unions, individual travelers, and one bank. Many of the comments focused on the following issues: individuals were concerned over the Government "forcing" use of a specific card in lieu of allowing the individual to use their personal charge card if they wished; both

individuals and agencies were concerned about the requirement that agencies reimburse travelers within 30 days of submission of a proper voucher; individuals were concerned about disclosure of certain information to the charge card provider and the possible impact on their credit ratings if payments were not made on time: and the bank was concerned about procedures for the collection of undisputed individual delinquent accounts. Despite its concerns, however, the bank supported the Government's effort to realize the efficiencies of the travel charge card program. These issues, along with basic statistical data on the cards in use and dollar volumes, were highlighted in the May 20, 2000 report sent to you from GSA.

The final implementing regulation was issued March 30, 2000, and effective for travel on or after May 1, 2000. Let me talk some about the logistics of what has happened since and then offer some closing comments.

With expenditures of $4.7B in FY00, the GSA SmartPay® is the single largest corporate travel card program in the world. Our contractors provide a high level of service to every government organization and allow Federal employees to accomplish their missions in all parts of the world. In order to maintain the leading edge, GSA and our customers have developed a long-term relationship with our industry partners, which facilitates innovation and communication.

GSA believes that the travel card program provides a significant benefit to the Government and the traveler. The program provides a charge card that is universally

accepted, improves Government cash management and significantly reduces the need to provide travel advances. The program also provides the opportunity to reduce the administrative costs of making travel payments and to obtain data on travel spending to negotiate better discounts. Finally, the program provides agencies the opportunity to earn refund on their travel payments based on volumes and repayment of outstanding amounts on a timely basis.

With the implementation of mandatory use, an increase in expenditures with the travel charge card was expected. As expenditures increased, it was anticipated that refunds paid to the agencies would also increase. We have seen a 15% increase in travel card expenditures this fiscal year compared to the same period last year. We have currently awaiting data from our card providers as to the change in the travel refund level. We will provide that for the record as soon as it is received.

Refund payments are influenced by two factors: volume of expenditures and payment performance. The refund structure provided under the GSA SmartPay® contracts provides an incentive for agencies to improve their payment performance by tying refunds to that performance. The opportunity exists for agencies to maximize refunds through increased expenditures and/or faster payments. Several agencies have taken advantage of this opportunity and overall GSA SmartPay® refunds for travel, purchase, and fleet increased from $55M in fiscal year 1999 to $65M in fiscal year 2000.

some of this growth resulted from cards being issued to non-travelers, or infrequent travelers, it created a problem for the contractors. There is a fixed cost for a contractor to maintain an account and if the card is not used, the contractor has no opportunity to recoup this cost. Remedies for this problem are available and have been pursued. Agencies with a significant number of unused cards may close these accounts if they are not needed by the cardholder to perform their mission. A number of agencies have appropriately included an exemption to mandatory use for infrequent travelers thereby issuing cards only to those with a need to travel.

Our partners have also expressed concerns with cardholder delinquency and write-offs on individually billed accounts. GSA recognizes that management of delinquency is an important program issue and works closely with our customers and our card providers to develop valuable management and training tools. The program is structured to allow agencies to select from a host of delinquency controls. In fact, several agencies have already instituted deduction from salary, direct reimbursement to the bank, credit checks, and other controls to decrease delinquency rates. High-level management involvement and oversight has proven to be an effective tool in controlling delinquency rates and write-offs. We believe that agency efforts are working as we have seen a recent decline in delinquency rates. For example, delinquency rates for March 2001 were 7% for the individually billed accounts and 5% for the centrally billed accounts, a 50% decline from March 2000. This improvement is the result of a concerted effort by GSA, the Federal agencies, and the card providers.

March 2000. This improvement is the result of a concerted effort by GSA, the Federal agencies, and the card providers.

A concern to our contractors is the amount of debt, which must be written off, on their financial statements. In accordance with federal banking regulations, accounts must be written-off when payment has not been made 180 days past the due date. GSA has recently made some contract modifications to encourage agencies to reduce these write-offs to a more acceptable level. Additionally, salary deduction is now available for implementation at the agency level and is expected to mitigate, but not eliminate, these risks.

While program performance continues to improve, our card providers are looking for additional enhancements so that the Government can be consistent with current industry standards. Several agencies have demonstrated that enhancements to the process can be successful in meeting this goal. GSA believes that the card providers and the agencies can continue to work together to make this an even better program.

Mr. Chairman, that concludes my prepared remarks for this morning. I would be happy to now answer any questions that you or other members of the Subcommittee may have. Thank you.

TAB A

Governmentwide Exemptions From Mandatory Use of Travel Charge Card 41 CFR § 301-51.2	
Personnel	**Class of Expenses**
Employee who has an application pending	Locations where charge card is not accepted
	Parking
Individual traveling on invitational travel authorization	Laundry/dry cleaning
	Local transportation systems
New appointees	Taxi
	Tips
	Meals when not practicable (e.g., group meals, card not accepted
	Relocation (except en-route travel and househunting trip expenses)

TAB B

Examples of Agency Exemptions From Mandatory Use of Travel Charge Card		
Agency	**Exemption-Personnel**	**Exemption-Class of Expenses**
General Services Administration (GSA)	Governmentwide – Employees who have pending applications, individuals under invitational travel orders, new appointees	Governmentwide – Where card is not accepted, laundry/dry cleaning, parking, local transportation expenses, tips, meals where card is not accepted, telephone calls when Government calling card is available
Department of Defense (DoD)	Members of the ROTC, individuals who have been denied cards, hospital patients, prisoners, national security reasons, and foreign nationals. Heads of DoD components may add exemptions	All expenses covered by M&IE portion of per diem allowance, all local and long distance telephone calls. Head of DoD components may add exemptions
U. S. Agency for International Development (USAID)	Foreign nationals, U. S. Personnel Service contractors, individuals on entitlement travel, when use is not practical	
Federal Election Commission (FEC)	Commissioner Scott E. Thomas granted himself an exemption as being in the best interest of the agency.	
Securities and Exchange Commission (SEC)	Summer interns, cardholders who have their privileges suspended or cancelled	
Department of Health and Human Services (HHS)	Infrequent travelers (less than twice a year), members of Advisory Councils & committees, temporary employees, special Government employees	Telephone calls when Government calling card is not available, purchases costing less than $10.

	(scientists and researchers from private industry ,en-route travel and househunting trips for various components	
Defense Intelligence Agency (DIA)		All military and civilian personnel assigned to Defense Attaché System (including Attaché designates) and DIA personnel assigned OCONUS who support DoS
General Accounting Office (GAO)	Infrequent travelers, personnel traveling OCONUS where charge cards cannot be used, employees who have their card cancelled due to improper use or non-payment.	
Federal Mine Safety & Health Review Commission	All commission travelers under specific trip authorizations	
The American Battle Monuments Commission	Overseas employees and foreign nationals	
Peace Corps	Employees traveling to remote areas where cards are not accepted, employees ordered to travel on an emergency basis, infrequent travelers (once per year)	
Executive Office of the President (EOP)	Not implemented due to the mix of official travel with political travel.	
Occupational Safety and Health Review Commission (OSHRC)	Infrequent travelers (one or two trips per year)	
U. S. Department of Agriculture (USDA)	Employees who have their cards cancelled for cause, intermittent/seasonal employees, those not expected	Cash transaction, including meals and incidental expenses

	to travel more than twice a year, employees with credit problems	
Department of State (DoS)	Does not meet needs of international travel program-mandatory use waived and adjusted when necessary	
Government Printing Office (GPO)	One time travelers or occasional travelers	
Pension Benefit Guaranty Corporation (PBGC)	Infrequent travelers (less than 4 times a year), travelers who have privileges revoked, emergency situations	
Nuclear Regulatory Commission (NRC)	Infrequent travelers (once a year). When expense is less that $75	
U. S. Secret Service (USSS)	Security reason for Secret Service	
United States International Trade Commission (USITC)	Chairman granted exemption for agency General Counsel after determining that the exemption was necessary and in the interest of the agency	

Mr. HORN. Now, Carolyn Alston is the Assistant Commissioner for the Office of Acquisitions for the General Services Administration, and Mr. Wagner noted that she was accompanying you.

Is there anything you would like to add to the testimony from the General Services Administration?

Ms. ALSTON. No. There's nothing I'd like to add. I will assist Mr. Wagner in answering questions.

Mr. HORN. All right. We then move to the last presenter, and then we'll get down to questions.

Mr. Michael N. Griffin is the Chief of the Division of Planning and Internal Control, Office of the Chief Financial Officer, U.S. Department of Labor.

STATEMENT OF MICHAEL N. GRIFFIN, CHIEF, DIVISION OF PLANNING AND INTERNAL CONTROL, OFFICE OF THE CHIEF FINANCIAL OFFICER, U.S. DEPARTMENT OF LABOR

Mr. GRIFFIN. Yes. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you today to brief you on the Department of Labor's implementation of the Travel and Transportation Reform Act of 1998 and our participation in the GSA SmartPay Travel Card Program.

The Department, under the auspices of the General Services Administration's SmartPay Program, entered into a contract with Citibank for its government-sponsored travel card on November 30, 1998. The travel in the Department is an important part of our mission, and the Travel Card Program has served us well by giving us a number of benefits, including streamlined administrative processes, elimination of costly paperwork, and improved cash management through the reduction of travel cash advances.

The Department currently has approximately 13,000 individually billed travel accounts and 140 centrally billed accounts, with an employment base of about 16,000. This number of cards is fairly representative of the number of employees traveling on behalf of the government and reflects our response to the requirements for mandatory use of the card.

My office, the Office of the Chief Financial Officer, has primary responsibility for overseeing and coordinating the Travel Card Program throughout the Department. Since the inception of this program years ago, we've established travel card coordinators in each Department of Labor agency and each region to ensure program execution and monitoring of employees' cards.

My office acts as a liaison with GSA, the bank, and the travel card coordinators to communicate policies, procedures, and ensure that proper financial business practices are followed. This infrastructure has generally worked well for us in the past.

We consistently monitor the Department's travel card payment performance. When problems are detected, we work with the travel card coordinators to administer corrective actions and to minimize delinquent debts on individually and centrally billed accounts. Our performance has generally been pretty good, but requires a lot of hard work in terms of monitoring performance.

Recently, we had a problem that resulted in increased late payments over the past 12 months in our centrally billed accounts. The problem resulted from a misunderstanding with the charge card

bank on our centrally billed accounts. A number of payments were misapplied and required some intercession with the bank to get the payments properly applied to the Department of Labor.

We've recently discussed with Citibank and reached agreement on implementation of a salary offset program on disputed delinquent individually billed travel card accounts. We've lowered card spending limits and have conducted more training jointly with the bank and our travel card coordinators to ensure that the card program operations are clearly understood. We work closely with regions and with our coordinators to resolve problems. Every 6 months we issue reminders to our employees from the Chief Financial Officer on cardholder's conduct and responsibilities. We inform the employees of the bank card suspension, cancellation and reinstatement policies and procedures' and, in monitoring the program, do occasionally have to cancel cards.

Payment performance on our centrally billed accounts has generally been pretty good. This is not reflected in the recent spike in our delinquencies, but we've addressed that problem and are confident that the problem will be eliminated.

Mr. Chairman, the SmartPay Travel Card Program has worked well for us. We are building a better partnership with Citibank. It's taken us quite some time to get management reporting, but an online system that is now available will help us better monitor the program.

I thank you for giving me the opportunity to share our program experiences with you, and will be happy to answer any questions.

Mr. HORN. Well, thank you very much, Mr. Griffin.

We'll now go to questions and answers, and before I yield to Mr. Putnam, I have two questions.

Mr. Hinton, a lot of the problems have come in the Department of the Army, I believe, and my question is very simple. Is the idea of defaulting on a loan—is that in anywhere, in either the civilian side, military side, that would be a debt to the individual? And I'm talking now in terms of the morality of it all, and people, it seems to me, in responsible positions and responsibility should be held to an accountable standard. What do you think? And why wasn't the Department of Defense—why didn't it just say, hey, we've got a problem here, and let's get a tough master sergeant to see what he can do with the troops?

Mr. HINTON. Yes, sir. What I'd like to say, first of all, in the article that was published in the Army Times on April 2nd, recognized that you mentioned the Army. It was the Army Times talking about the Army. They started off saying that they had problems, and they know they needed to do better. The Army has moved their delinquency down from a high of—I think it was 18 percent or so, and they are about half of that, and they——

Mr. HORN. You're saying 9 percent default?

Mr. HINTON. It was about 9 percent.

Mr. HORN. Well, you said 18 percent, and then you've moved down.

Mr. HINTON. Yes.

Mr. HORN. And I take it that's 9 percent then.

Mr. HINTON. Yes, sir.

Mr. HORN. OK.

Mr. HINTON. But the Army, as well as the Department, feel that the modification that we've just worked out with the bank, part of that is working through all the processes. We have a number of cards, as the bank just mentioned, that are not being used. We want to take those cards away, and we started several months ago to reduce those. We also—with our new folks that are coming in, mostly junior folks, as well as the civilians, we are giving them additional training and financial training on the card. We also are holding folks accountable. We give them opportunities to pay their card and work with the bank, and we have taken some disciplinary actions as well. Senior leadership in the Department is very serious about this.

Going back to that same article, it talks about the Secretary of the Army issuing guidance to his four-star Commanders, and even today, General Keane has issued that as a part of the reporting that comes to him in the morning, that he holds his officers accountable, as well as the civilians. And I think that started over the fall, and we are seeing results as we speak now.

Overall for the Department, for IBAs, we had a percentage in January of 18 percent—I think 18.55 or something close to that, and we are down to, for the Department, 8.85. We have a target, as soon as possible, to get down to 4. We're going to continue to work with the bank to reduce that even more.

Mr. HORN. Well, you're saying that they are taking it seriously in terms of personnel records; is that correct?

Mr. HINTON. Yes, sir.

Mr. HORN. So on their personnel jacket or whatever you want to call it, does it note so and so defaulted on loan, or are they afraid to do that?

Mr. HINTON. It's not across—I can't say across the board, and I don't have all the stats, but I know in some cases some of those things have happened, but I can't say if it's across the board. I can provide additional information on that one.

Mr. HORN. Now, Mr. Griffin, how about the Department of Labor? If there's defaults, does that go into the personnel jacket?

Mr. GRIFFIN. I would have to check for you, Mr. Chairman.

Mr. HORN. Would you?

Mr. GRIFFIN. Yes.

[The information referred to follows:]

The Department of Labor (DOL) does not routinely place a statement in an employee's personnel file to indicate that the employee defaulted on his or her travel card account or used the card for unauthorized purchases. However, if a payment default or other misuse results in disciplinary action against the employee, e.g. a letter of reprimand or adverse action, DOL does document the disciplinary action in the employee's Office Personnel File (OPF). Letters of reprimand are placed in the OPFs for finite periods of time, usually for one to three years, and then removed. Adverse actions, such as suspension or removal for cause, are documented in the OPF and become a permanent part of employee's record. DOL's personnel action tracking system reflects several cases where disciplinary action was taken based on cardholder impropriety.

Mr. HORN. At this point, without objection, it will be in the record.

Ms. English, the same for FEMA, Federal Emergency Management Agency, does a default go into the personnel file, so if some-

body is up for a promotion sometime, that could make them a little, perhaps, more conscious earlier in their career——

Ms. ENGLISH. I'll have to check——

Mr. HORN [continuing]. So they don't default?

Ms. ENGLISH. I'll have to check on that and get back to you.

Mr. HORN. OK. And at this point we'll put in a statement from the Federal Emergency Management Agency.

[The information referred to follows:]

Question for the Record

Does FEMA have a policy for wage garnishment for delinquent charge cardholders?

FEMA, Office of Financial Management has developed a deduction from pay policy that is currently being reviewed in the Agency. The policy document will be finalized after the comment period. Implementation of the deduction from pay policy will be implemented in the summer of 2001.

Clarification for the Record

Consequences for Violation of FEMA's Charge Card Program

FEMA has implemented policies and procedures to address employee misconduct associated with the Government sponsored charge card program, to include misuse, abuse and delinquency of charge card accounts. Specifically, if an employee violates rules of the program, they will be subject to appropriate progressive disciplinary action, ranging from a warning, suspension and up to removal from Federal service. Employees are also referred to the Employee Assistance Program (EAP) Counselor for financial counseling or other assistance as determined appropriate to help employees correct their behavior. The disciplinary penalties imposed are not intended to be punitive, but to help employees correct the problem and to deter future violations. If an employee is reprimanded, suspended or removed, the action is reflected in their Official Personnel Folder (OPF). However, referrals to the EAP Counselor or a warning are not included in the OPF.

Regarding the impact of misconduct on promotions, misconduct and performance problems are handled separately. In some cases, misconduct may impact performance and vice versa, but not in every case. Therefore, if an employee is up for a promotion and there is evidence of a violation of the charge card program, that evidence must be reviewed very closely to determine what impact, if any, it has on the employee's ability to perform the duties and responsibilities of the job and his/her ability to be effective in the position at the next higher grade. A violation of the charge card program is considered, but is not the determining factor with respect to promotions. Federal regulations and OPM guidelines do not specifically prohibit employees, who have engaged in misconduct, from being promoted. However, the grade and responsibility level of the employee (whether supervisory or non-supervisory), as well as whether the employee has any fiduciary job responsibilities, would also be factors for consideration.

Mr. HORN. And let me ask Mr. Skelton, on the records that reflect the Army's improvement, does the Bank of America see changes in the Army's improvement?

Mr. SKELTON. Mr. Chairman, we do see some pretty significant changes. I will tell you that you have to be careful how you analyze progress. I do believe there has been significant progress, but we have to be careful that they're still in the millions per month being charged off by OCC regulation at 180 days past due, 210 past billing, we must write off those accounts. So while we do see significant improvement, we do see performance well beyond what we would ever imagine in any other commercial relationship. But I must admit there is very good performance in terms of improvement.

Mr. HORN. Let me just ask one more agency that's before us, and that's the Corporation for the National Community Service. Have we got anything that ties down the records, Mr. Boehm? And we also had Mr. Anderson. What's happening in that agency?

Mr. ANDERSON. In respect to defaults?

Mr. HORN. Right. Defaults. And is it in the personnel record?

Mr. ANDERSON. I can't say specifically if somebody defaults on their charge card debt, if it goes into their personnel file at this time. In the past 2½ years under the SmartPay Program, I believe we have had seven instances where somebody's debt has been charged off by the bank. The total amount of that debt is approximately $15,600. Of these seven individuals, six are no longer with the Corporation. The other individual has disciplinary action pending against him.

Mr. HORN. Without objection, we'll preserve a space in the record for what's the status of personnel use for people that default, and are they doing it; not just a big song and dance about, well, we'll think about it, just are they doing it, because we're going to come back to this a few months from now just to see how this thing is going.

[The information referred to follows:]

CORPORATION
FOR NATIONAL
SERVICE

May 29, 2001

The Honorable Stephen Horn
Chairman, Subcommittee on Government Efficiency, Financial
Management, and Intergovernmental Relations
House Committee on Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

At the May 1, 2001, Subcommittee hearing on the SmartPay Travel Card Program, you requested that the Corporation provide information for the record as to whether employee travel card misuse (e.g., default, delinquency, unauthorized use) is documented in an employee's official personnel file.

When appropriate, travel card misuse is documented in an employee's personnel file. Specifically, at the conclusion of statutory due process procedures, if a disciplinary action is affected for travel card misuse or delinquency, a Standard Form 50, "Notification of Personnel Action," documents the exact nature of the disciplinary action and is placed permanently in the employee's Official Personnel File (OPF).

To date, eleven employees have been investigated for misusing the SmartPay Travel Card. Four of these employees were dismissed, one is pending dismissal, one resigned, one retired, one received a letter of counseling, one received verbal counseling, and two cases are under review.

In addition, according to Bank of America records, since the Corporation implemented the SmartPay Travel card in November 1998, there have been seven instances of employees "defaulting" (e.g. the debt was written off by the bank) on travel card debt totaling $15,600 as of the end of April, 2001. Six of these employees are no longer with the Corporation. Of these six employees, one has since paid off the debt and another has paid 80% of the debt and is expected to complete final payment in May 2001.

The seventh employee is still working for the Corporation and has satisfied the debt, nonetheless, the Corporation has initiated appropriate disciplinary action that will be documented in the employee's OPF. Moreover, the Corporation is prepared to take any appropriate action regarding delinquent accounts, including salary offset as provided in the travel card legislation.

As indicated by the actions described above regarding travel card misuse, the Corporation takes this matter very seriously and is prepared to take any appropriate action regarding delinquent accounts including salary offset as provided in the travel card legislation.

Sincerely,

William Anderson

William Anderson
Deputy Chief Financial Officer

1201 New York Avenue, N.W. • Washington, D.C. 20525
telephone: 202-606-5000 • website: www.nationalservice.or

Mr. HORN. So my last question before Mr. Putnam is to the General Services Administration, Mr. Wagner. Can you walk us through the monthly performance report for March 2001?

Mr. WAGNER. I think I'll have Ms. Alston walk us through that one here. Thanks.

Ms. ALSTON. OK. The——

Mr. HORN. It's a little hard to see that, but——

Ms. ALSTON. It's harder for me to see this. OK. The monthly report is information concerning the agencies that are on the CFO Council, the Chief Financial Officer's Council, and the report shows at the bottom the total delinquencies for the government for both individually billed accounts and for centrally billed accounts. And if you can see——

Mr. HORN. Now, I take it that category is headed overall 60 plus days; is that correct? It says 2 months default——

Ms. ALSTON. This is 61 plus days of total outstanding IBA, and at the bottom you can see that the government's rate for March was 7.23 percent. OK, if you continue over——

Mr. HORN. Well, it is an average at the bottom, or is it a——

Ms. ALSTON. Yes, that's the average for these agencies shown.

Mr. HORN. Right.

Ms. ALSTON. But there——

Mr. HORN. So you've got the Corporation for National Service at 38 percent defaults. So that certainly would run it up a little, and we have—the Department of Education is 18 percent. Is that generally student loans? It seems to me we aren't giving them these. So it's the staff that's getting them, and it's 18 percent, which is pretty sad, because we're asking testing for students, and we need testing for bureaucrats.

Ms. ALSTON. Mr. Chairman, I think we may be looking at different reports. Do you have the report that's March 2001?

Mr. HORN. That's what I got, 60-plus-day delinquencies, and you say it's 4.8 percent, which—yeah. Let's just go down the line at the top here. Travel individually billed accounts, balance due, and you can see there in the case of the Department of Defense, we're talking about $17.1 million.

Ms. ALSTON. Yes.

Mr. HORN. We get to Justice, $1.8 million. We get to Transportation, $1.7 or $1.8 million, and then the total of that is simply travel, individually billed accounts, that are over 2 months or 60 days, however you count it——

Ms. ALSTON. That's correct.

Mr. HORN [continuing]. At $25 million. Then we've got the outstanding ones to the tune of $347 million.

And, again, Defense has $195 million involved. And then we've got a whole series of things here, but in a nutshell, it boils down that there is, say, a few big defaults and there's some that are in the 1 or 2 percent. But the big ones are, of course, as I said earlier, Corporation for National Service, 38 percent, and then the Department of Defense, 18 percent. And that's a big number any way you look at it.

So is that unusual or is that—is there a trend line here is what I'm after? Is this the worst or the best? Are we improving in March or not improving?

Ms. ALSTON. Actually we have improved considerably. This number, the overall percentage for the government is down from last month. It was 11 percent and now it's down to 7.23. And if you look at the very bottom of the chart, it will show you the numbers in the far right corner, it shows you March 2000, and individually billed debt over 60 days was at 14 percent. Now it's down to 7. So we see that the trend is for the delinquency rates to come down.

Mr. HORN. I now yield to Mr. Putnam for the purpose of questioning.

Mr. PUTNAM. Thank you, Mr. Chairman. First of all, for Mr. Hinton, I am most concerned about a department whose culture is defined by discipline, by the chain of command, by authority, responsibility and 40,000 soldiers and sailors and employees in the Department of Defense have accumulated $50 billion in defaults.

Now, are some branches in worse shape than others by nature of the deployment? Are there trends within the Department of Defense? Are civilian rates higher than non civilian rates? Could you give us some insight into that and elaborate on that a little bit for us.

Mr. HINTON. Yes, sir, be glad to. As I mentioned earlier, we have been working with the bank over the last several months very, very hard. And we signed an agreement on April 11th to a number of things to help better manage this problem. One of the things that are coming—and I'll get back to in a little bit—but I just wanted to lay out that we are implementing, for instance, deductions from salaries, meaning that after 120 days, the bank will be able to come to us, after due process, and we will take money out of the particular member's salary.

Mr. PUTNAM. When will that be implemented?

Mr. HINTON. It will be implemented by October 11th, 6 months from now. It's not only the current debt, but they can demand the part that has been written off as well. So we are retrospectively going back to try to eliminate or to reduce the burden to the bank. And that was signed, again, on April 11th.

As far as the particular military department or civilian in the military, we see a trend kind of in the junior ranks, but junior ranks in civilian as well as military. What we are trying to do is we are giving more training. We are counseling the folks. We are trying to be proactive. We don't want to solve the problem at the end, we want to, you know, help work with them before things get out of hand.

For instance, the stats that I can recall, I think the Army has—the chairman has mentioned, and in the article that I mentioned, the Army talked about some of those issues in the article on April 2nd from the Army Times some of the leadership in the Army—about the cards being issued to some of the junior folk, civilian and military. They are addressing that.

Mr. PUTNAM. But you don't know if there is a bigger problem in the Army or the Navy, or if the nature of the deployment of the Marines makes their situation worse or better than the Coast Guard, meaning——

Mr. HINTON. In the article in the Army—April 2nd Army Times, the Army did mention that it was—the deployments of the soldiers,

it was talked about. So I would say I think it's probably the Army, based on that article and my understanding of it.

Mr. PUTNAM. Now, the other agencies, FEMA and National Service and Labor, you indicated that you did not know whether notes were made in the personnel file. What action is taken when these situations occur? What disciplinary action does take place?

Mr. ANDERSON. If I may go first, Congressman. Can I first clarify something regarding Congressman Horn's, the 38 percent related to the Corporation's rate? I just wanted to point out that 38 percent is not for our individually billed travel accounts. We have $4,700 in those delinquencies. Almost the entire amount of delinquencies reported for the Corporation for National Service relates to a closed, centrally billed account.

In my view, probably none of that is really delinquent. We had some difficulties with Nations Bank, and now Bank of America is getting the exact amount of billing and payments that we've made to the bank addressed. Almost the entire amount is things where we've actually made the payment, it's just showing up in a different account. Most recently we determined that of the $424,000 that is there, approximately $165,000 of that was for payments we had made on our travel card that they had inadvertently applied to our purchase card.

As far as what happens with people when they become delinquent on their debt or if they default, the Corporation does review and take seriously any instances of misuse with the card. We've had 13 instances over the last 2½ years where people have been identified as having some sort of abuse with the card. That abuse ranges from an innocent inappropriate charge on a card that the employee caught themselves, had reversed off of the card and applied to their own personal credit card when they were on the travel status, and then they were identified in a followup review because the charge is on their card, to the more egregious abuses identified in the Inspector General's report.

Our penalties and/or our disciplinary action related to those activities range anywhere from in the first instance to a reprimand to the person, or basically telling them you got to be more careful with the card. It was an innocent use, but you still need to be careful, to the most egregious actions where we terminated the employee.

Mr. HORN. Just, if I might followup, since you opened it, I notice in the GSA report under the Corporation for National Service, which is 38 percent overall, and it says "asterisk, data under review." Does that mean you got some phony numbers from the people at the Corporation?

Mr. ANDERSON. No. The data is under review because we had difficulties when we first implemented the SmartPay program, the bank was to provide us with certain information so that payments to our centrally billed accounts could be applied properly, where the funds are controlled, and where the money is obligated. The bank was unable to provide us with that information. When we began—we were making payments on our bills, but the bills were not showing up as being paid.

The problem continually grew until approximately a year ago, in cooperation and coordination with Bank of America, we basically

closed all the old accounts and set up new accounts. The new accounts are working properly. The old accounts still have open balances related to them in some instances.

It was $1.3 million. We have it down to $275,000 as of today. Of that $1.3 million, over $1 million had been paid to the bank by the Corporation, only it hadn't shown up as being applied to our accounts. So it was not that we were delinquent on the debt, it was just that the particular account was showing that it had not been paid, when in fact it had been paid.

Mr. PUTNAM. Does your agency garnish wages?

Mr. ANDERSON. To date, we have not garnished anybody's wages.

Mr. PUTNAM. Thank you. Ms. English, does your agency garnish wages in these situations?

Ms. ENGLISH. No, not to date we haven't.

Mr. PUTNAM. Mr. Wagner.

Mr. WAGNER. Yes, GSA does.

Mr. PUTNAM. Mr. Hinton.

Mr. HINTON. No, sir.

Mr. PUTNAM. You said that you were going to begin.

Mr. HINTON. Deduction from salary, yes, sir.

Mr. PUTNAM. So of all the agencies in government, how many are actually taking advantage of the law which allows them to garnish wages? Does anybody know the answer to that?

Ms. ALSTON. Well, we know of only three that are actually doing it now. And there are three other agencies that we believe are implementing it.

Mr. PUTNAM. Who are the three that are currently doing that.

Ms. ALSTON. GSA, Department of Interior, and the Social Security Administration.

Mr. PUTNAM. Of all agencies in the government, only three are taking advantage of the law which would presumably prevent the types of defaults that Mr. Skelton's industry faces. And that's on the individual side.

Now, the part that concerns me probably more than the individual side, even though it's a smaller number is, is the central billing problem, which there conceivably should be no excuse for.

Now, if 4 percent of $1½ billion in outstanding balance are 60 days old or more. Could someone please share with me what circumstances would allow that type of situation to occur in these agencies that have internal accounting departments, that have finance departments? Why can't the government pay its bills on time?

Mr. Wagner, we'll let you take a crack at that one.

Mr. WAGNER. OK. I'm operating on a theoretical basis here, but I am aware in general that when you work with the folks doing financial systems, and I'm not a financial person, that one of the very difficult problems is reconciliation. And so we have many legacy systems that make it quite difficult to match up exactly which disbursement goes in the right bucket. And I think that we just heard a discussion of that where you're trying to reconcile between a bank system and an internal system and work that out.

And I only know from theoretical knowledge that is what a lot of the financial community has been working hard to make better. And many of our financial systems need a lot more work or im-

provement. And what you're seeing here is evidence of the difficulties people are having in the centrally billed accounts. But I must confess I'm operating on theoretical rather than empirical knowledge here. Others may know this problem more closely than me.

Mr. PUTNAM. Mr. Skelton, have you been given any reasons why the government is incapable of paying their bills in less than 2 months?

Mr. SKELTON. Yes, sir. Typically what we see is an agency requirement where reconciliation is required internally prior to submitting payment or posting payment. Some agencies interpret that rule or perceived regulation differently. At Department of Interior, for example, we're paid, and then reconciliation takes place afterwards and reimbursements are placed if any payments were in error.

And let me say, with respect to Mr. Anderson's comment, that there are errors from time to time. The errors are well shared, both within Bank of America and within the agencies. Often we get payments with the wrong account number on them, with no account number at all, etc. But those are on the margins. Frankly, the problem is the reconciliation requirement and the interpretation of that preceived requirement. In agencies where they don't perceive that requirement to reconcile before paying we have absolutely no issue on timeliness of payments.

Mr. PUTNAM. Mr. Pieroth would you take a crack at this one?

Mr. PIEROTH. Certainly Congressman. Our experience has been that the majority of agencies at the time an employee goes on travel and has elected to charge their transportation to a centrally billed account, those agencies issue a travel authorization number. And that authorization number is critical to getting back to the original appropriation to actually pay for that travel when the bill comes in.

Due to limitations within the airline industry, even though the travel agency that books the travel is able to capture that travel authorization number, there is currently no mechanism in the infrastructure to pass that travel authorization number on to the banks. And as a result, in many cases, there's a requirement for the bank to deliver a reconciliation file to the travel agency, who in turn must then append the data with his travel authorization number and then pass on either a written report or a data file to the agency for payment. And our experience has been that process is difficult and has been fraught with problems.

Mr. PUTNAM. Thank you. To all of our Federal witnesses, we have heard testimony that only three of the agencies actually take advantage of the opportunity that the law allows to garnish wages. Should the "may garnish wages" in the law be changed to a "must" in your opinion?

Mr. Wagner.

Mr. WAGNER. I guess I would have to say I'm a "don't know" on that. I think that one of the issues that people get into with garnishing wages is often the situation is there's nothing left to garnish, the people who get into these problems already have other financial problems. So the garnishment tool is less strong than it might be. And we would also want to look at the managing of how these cards are issued in the first place. It certainly appears, based

on the first year's experience, that we need to put more attention on who we issue those cards to so we never even get into the situation of garnishing.

Mr. PUTNAM. Thank you. Yes, ma'am.

Ms. ALSTON. May I add that there are other tools that agencies have to manage delinquencies that are also set forth in the contract. So salary offset or garnishment is just one of those tools. Agencies can also do things, like set credit limits for their travelers. They can block merchant categories. What we've tried to do is give agencies a package of alternatives that they can use in helping to bring down the delinquencies.

Mr. PUTNAM. Mr. Wagner.

Mr. WAGNER. As I think about it a little more, our position on a lot of the way we look across the government as a whole is not so much to tell people how, but to tell people what. And that we would view this—well, we do view this as a management issue in that the problem is for the agencies that have this problem to deal with it as a management problem and work with it in whatever internal context they might have, the type of employee, the union, etc. So I would be hesitant to mandate any specific way of doing it, but more, focus on what are the results we want which is certainly a lot fewer and a lot lower balances in the central billed accounts. Thank you.

Mr. PUTNAM. Thank you. And ordinarily I would agree with you, but only you and two other agencies are planning to take control of this problem. It would appear that the Congress, in developing the law attempted to do just that, to build some discretion in, to build some management opportunities in there and look where it got us.

Let me ask what I think is what, to me, is the core of the issue. Can anyone answer how much we have saved by moving to this new system? How much government agencies have earned or accrued in these rebate programs, and how much these agencies have had to pay out additionally or have lost as a result of the consequence of the payment loss? So what's the net gain or loss to the taxpayer as a result of this legislation? Staff tells me, Mr. Wagner, that's your department, too.

Mr. WAGNER. I'm actually looking for the piece of paper that pulls out the travel refunds specifically. And I think it probably would be better for Ms. Alston to explain that. I also would caution you on these figures we keep—we will answer the question, but I think if we also submitted some more specific background.

Mr. PUTNAM. Please.

Mr. WAGNER. Because you end up with different contracts, different basis points and it would be—but Carolyn, if you have the refunds.

Ms. ALSTON. Can I say that if you look at the agencies, your issue of what agencies are actually managing, even though you know we've said there are only three agencies that I know of that have implemented salary offset, that and three others that are implementing agencies using other tools to bring down their delinquencies. If you look at the March report, you'll see that there are a number of agencies that are at zero delinquencies on their debt that is over 60 days for centrally billed, and on the IBA, the indi-

vidually billed accounts, there are a number of agencies that are at 1 and 2 percent, which I think would compare very favorably to similar commercial accounts.

The answer on the savings is that really it's too early to tell. We really have, for comparison data, only two quarters of this year that we can compare to the period prior to the mandatory use of the credit card.

For those two quarters, we're showing—and this is just raw data so there has been no analysis—for the same period last year, the refund was $4.7 million and for this year it's been $4.8. I think that part of the reasons why the refund didn't go up more is the volume was up, but the payment performance was not where we wanted to see it. I think that the act gives the potential for greater savings, but we're going to have to see some of the initiatives that bring down the delinquencies actually have an impact. And also we're going to have to look at our next quarter, which is generally our higher spend period.

Mr. PUTNAM. Thank you. And I stand corrected, I appreciate you clarifying the point about the different agencies and I look forward to seeing the more detailed data. I yield back to the Chair.

Mr. HORN. Thank the gentleman. And as I look at this chart, the Office of Personnel Management, which is supposed to, throughout the executive branch, have sensible personnel policies, and they're in 11 percent in the individual accounts over 60 days. Now, the other administrative agency that is not in the executive office of the President is the General Services Administration. So sort of tell me who you have to consult with when you're putting out a policy on a program like this? Do you have to consult to the Office of Personnel Management? And did you? Or are they just out of existence and have a title?

Mr. WAGNER. Generally when we do any policy in GSA, we consult with as many people as possible. We found that a collaborative policy development model is the way to go. So we would certainly, and I'm certain, did consult with Office of Personnel Management, Office of Management and Budget, the banks as well, and anyone we could work with in developing the policy. So yes, OPM would have been a player.

Mr. HORN. How about the Office of Management and Budget? Were they a player?

Mr. WAGNER. Very definitely.

Mr. HORN. What part of the Office was involved in this policy?

Mr. WAGNER. Well, I think as a technical matter, it goes through the Office of Information and Regulatory Affairs. But we actually have a very close working relationship with essentially all parts of OMB that work management issues so that it would cut across in other areas. For example, the financial management side of OMB we talk to them, which is why I have theoretical but not empirical knowledge of the reconciliation issues. So sort of all parts of OMB involved in management issues would be the folks we deal with.

Mr. HORN. When this policy went out, was the Deputy Director for Management at OMB, or was that a vacancy?

Mr. WAGNER. I think we definitely had Deputy Directors for Management at OMB, at least on an acting basis. Whether any of the individuals were personally involved, I don't think so.

Mr. HORN. So up to 1998 was Koskinen and then DeSeve and so forth.

Mr. WAGNER. We've talked to John Koskinen and DeSeve and Sally Katzen on a regular basis. I am not sure I remember—I know John Koskinen was very involved in earlier travel reform issues. I think by the time this came about, John was working on the—maybe he was still doing that.

Mr. HORN. Well, he was retired as of, I think January—it would be around 1998 or so. And then he came out of retirement.

Mr. WAGNER. To do Y2K.

Mr. HORN. Mr. Putnam is correct here, we ought to get people's attention that we just aren't going to let this go unraveled. And what we knew—need to do is talk about delinquencies and does it affect people, why should we promote anybody that doesn't pay their bills? I realize it's tough for a lot of families. But a lot of these people are not families on food stamps, which we often hear about. Some people I suspect are at least over GS–5s or 7s. It would be fascinating to know what's happening there, if you want to put that in one of your columns, that might be very revealing.

And I guess I would ask the banks present what are the demographics of the Federal employee most likely to default on their travel card account?

Mr. Skelton.

Mr. SKELTON. Mr. Chairman, I can speak specifically for DOD. And what we find, just to answer that, as well as one of Representative Putnam's questions, is that Army is the worst, Air Force is the best in this IBA payment situation. And what we find is 70 percent of what we charge off or write off the books in the way of individually billed payments are from the E–1 through E–6 junior enlisted category, and that category actually recommends about 25 percent of the spend or the amount of charges. So we find a significantly bigger issue in the junior enlisted personnel area. And that is germane.

And then finally, quickly, he had asked about rebates, we paid $8 million to the Department of Defense in the way of rebates, $5 million more could have been achieved.

Mr. HORN. Do the corporate travel cards produce revenue for the banks?

Mr. SKELTON. In this particular—travel-only corporate travel card relationships not offset by procurement business do not achieve industry-wide profit for the banks, specifically egregious in our case with the Department of Defense.

Mr. HORN. Now, Mr. Pieroth of the U.S. Bank, what would your answer be to the question that was posed to Mr. Skelton?

Mr. PIEROTH. I would also have a similar response that the demographics of employees that will tend to have delinquency problems are those that are of a lower grade level, receive less compensation, and as a result, are more likely to find themselves in a financial difficulty.

If I may, I would also like to point out one area that I do not believe we have touched on yet, but at least from the perspective of U.S. Bank we believe was critical to this issue. If you take a look at delinquency, there are really two major contributors: The first is personal use of the card for non-travel expenses. That tends to

be the smaller of the two. And generally can be managed by associating appropriate credit limits based on anticipated travel, putting appropriate limits on cash access and also blocking the use of the card at establishments that would not normally be related to travel. And I believe that those tools can be effectively deployed to bring that risk down to an acceptable level.

The second and by far largest contributor to delinquency is cases in which the employee has been reimbursed for business or government travel, and then elects not to pay the card issuer. And while we can talk about how we might be able to garnish or punish the employee, we firmly believe that the most proactive solution is to ensure that the employee is never put in that position. And one of the commercial best practices that is deployed by a majority of our commercial customers is the institution makes payment directly to the card issuer for those charges that were actually put on the card. And in some cases, agencies have deployed these split disbursement systems. We have also heard that some agencies believe there are various reasons why they could not implement such a system. But we believe that it, in and of itself, would be the biggest improvement that could take place in terms of managing delinquency.

Mr. HORN. Any other comments the banks want to make that they feel might be helpful to solving this problem?

Mr. SKELTON. Mr. Chairman, I would agree with Mr. Pieroth on his comments with regards to what is usually classified as split disbursement or direct payment to the bank. If possible, I would argue that you could take that a step further, and for those that actually still don't manage or it still doesn't manage to work properly, it's my belief that for official government travel, the government should assume responsibility, like corporations do in nearly every other corporate relationship we have for delinquencies that go beyond a certain point. We have, by and large, no other relationships in a commercial card whereby the corporation is not liable for those charges. And in this case, it doesn't exist that way.

Mr. HORN. Any other thoughts on that, Mr. Pieroth, besides this?

Mr. PIEROTH. No, Mr. Chairman.

Mr. HORN. Any comments from the Federal executives as to what you see as a better way to go about this? We'd like to hear it. Any thoughts on that we haven't already gotten into? Anything else from the Federal group?

Section 2, the first major provision of the Travel Reform Act, provides agencies with authority to exempt personnel from the law. Why wasn't this provision used to a better end by your agencies? Defense?

Mr. Hinton.

Mr. HINTON. Mr. Chairman, we followed, we believe, the intent of the law. We have added some additional exemptions from personnel. We have, after signing the agreement that I always come back to from April 11th, we are going back there to take a look at the people that we have issued cards, I think, I believe the bank said about 40 percent. I cannot agree with that, but I know there are cards out there that we need to pull back. And before we issue cards, we will proactively look at accounts and the other information related to issuing a card.

Mr. HORN. And I gather, see if there is true from either U.S. Bank or Bank of America, how does the delinquency rate on a government credit card compare with the delinquency rate on commercial credit card?

Mr. SKELTON. Profoundly higher on the government card.

Mr. HORN. Is there something you're doing with your commercial accounts that you don't do with the government accounts?

Mr. SKELTON. First and foremost, Mr. Chairman, what I would say is what I said previously, and that in a commercial relationship the corporation is typically accountable, almost always accountable for those charges. And the policy, for example, in our corporation, is we are as well accountable if the employee is fired when it gets to a point of significant delinquency. So the bottom line is we need accountability from within the government for charges for official travel. And that's the main differential that I see, as well as who we have to issue the cards to. We would not issue many of the cards we issue today to the Department of Defense if we were allowed to follow the standards we use in our commercial practice.

Mr. HORN. Mr. Pieroth, U.S. Bank.

Mr. PIEROTH. Our experience has been that our delinquency rates on government accounts are approximately three times higher than those that we see on commercial accounts. Although we do not have an expectation that the government will be able to match commercial delinquency rates, we do think the current rate can probably be improved.

From a commercial perspective, we do issue accounts with individual liability. As a matter of fact, the majority of our accounts are issued in that manner. The primary differences between our commercial customers and our government customers is one, our commercial customers are able to implement more stringent policies, including termination in the event of misuse of the card.

The majority of them, as I had mentioned earlier, also deploy the split disbursement systems to ensure that payment is made directly to us rather than to the employee for charges that have occurred on a card and are legitimate travel expenses. And then, third, our financial incentives are based on the overall profitability of the relationships. So to the extent that the delinquency and credit losses make the account unprofitable, we do not pay any financial incentives to our commercial customers until that condition is rectified.

Mr. HORN. Well, those make sense to me. Mr. Wagner, should the agencies assume liability for these accounts, and wouldn't that result in an immediate improvement?

Mr. WAGNER. I guess I don't know. I hate to admit that, but the problem we would get into is if you set up—it's a very different scheme than we have developed over many years. I think we actually have some flexibility under the laws, opportunities for experimental situations, and we could explore that using, if some agency wished to, look at how that traded off. I do agree that tools like split disbursement and more effective management of our employees have a lot of value.

Ms. ALSTON. We have found that there are some differences—variations in the commercial models among the banks. We've engaged in an independent contractor to document what the commer-

cial model is, what their costs are, and what their revenue streams are, and to help us design a model that we can use to assess whether our model is financially viable from the bank's standpoint. We hope to use the information that we gather from that to assess whether we need to make further improvements on the model that we're using today.

Mr. HORN. OK. Anybody have a last word on this before I get a last word? You can even have the last word off that.

Mr. SKELTON. Sir, if I might, I just wanted to point out that within the Department of Defense, one of the issues, policy issues we have is the use of cash, is significant by requirement, and I don't question the fact that DOD interprets it that way, the cash and fixed rate per diem by city is necessary. But what we find in performance is that 21 percent of the charges on the card in the DOD portfolio are for cash, and what we find in our other agencies is that about 12 percent is used for cash. And we also find that cash is twice as likely to go through the delinquency process to charge off. So we either think that there is a misuse issue, but we also believe that the policy surrounding the need for cash are a significant part of the problem here.

Mr. HORN. Any other thoughts?

Mr. Hinton.

Mr. HINTON. Not really, sir. But I will mention that we are looking at, again, the number of cards that are out there and again, the bank has mentioned 40,000. I think if we start by controlling those cards, I think it's going to help with that percentage. Thanks.

Mr. HORN. Any other thoughts on this?

OK. Let me thank the staff that prepared this hearing, and then I have a closing statement. My left, your right is the staff director and chief counsel of the subcommittee, J. Russell George; detailee from the General Accounting Office, Diane Guensberg. Bonnie Heald is the director of communications and professional staff; and the very able clerk, Grant Newman, assistant to the committee, and Earl Pierce is the professional staff member. Matthew Ebert is the policy advisor, lead staff member on this, and I must say congratulations to Mrs. Ebert, it's an 8-pound baby boy on Sunday. We are human and we still work on these things.

The minority staff, Michelle Ash, professional staff;, Jean Gosa over there in the corner, and the ranking member, the gentlewoman from Illinois, wants a statement entered into the record, and without objection, that will be put into the record after Mr. Putnam's remarks. The court reporters, Michelle Bulkley and Julie Thomas, we thank you also.

I would like to thank each of our witnesses for their insightful testimony. This is a very difficult situation. I must note, however, that although deputies and agencies have made headway over the last few weeks in improving their delinquency rates, much more must be done. Whether this hearing inspired such action or not, this improvement demonstrates what agencies request accomplish, if given the proper incentive. Mr. Wagner, we would like to request that GSA continue providing the subcommittee with monthly statistics on the travel card program. In addition, we'd like you to submit any legislative remedies that would help resolve this difficult problem. So I don't expect that just from the Federal officials. If

those of you that are on the commercial side of banking, we'd welcome your ideas on how to solve some of this and make it a little more effective than it seems to be. So if you have any point on this, we would welcome them.

Mr. Skelton, any thoughts on this?

Mr. SKELTON. I think we need to continue to examine this, Mr. Chairman, and I do believe that any sort of ongoing continued oversight that you can provide will help us to keep our finger on that one, and continue to operate in cooperation to bring some best practice advice back to the government. We intend to try and do that.

Mr. HORN. Good.

Mr. Pieroth.

Mr. PIEROTH. No, Mr. Chairman we don't have any other points other than those we've already made.

Mr. HORN. OK. Any thoughts? Well, we thank you all for coming. And we appreciate your testimony. With that, we're adjourned.

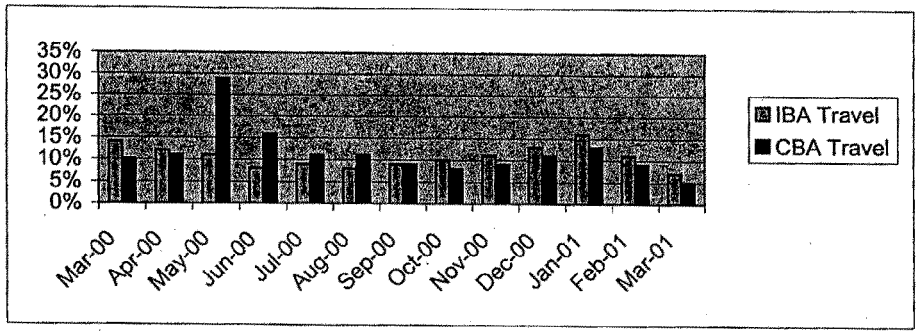
[Whereupon, at 11:42 a.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

GSA SmartPay - Monthly Performance Report for March 2001

AGENCY	Travel (IBA) Write-Offs	Cumulative Travel (IBA) Write-Offs	Travel (IBA) Recoveries	Cumulative Travel (IBA) Recoveries
Agency for International Development	*	$857	$145	$583
Corporation for National Service	*	$45,973	$711	$19,852
Department of Agriculture	$50,585	$1,322,848	$29,857	$408,602
Department of Commerce	$76,926	$1,063,761	$12,659	$222,389
Department of Defense	$1,961,208	$50,981,094	$1,235,400	$14,464,067
Department of Education	$11,888	$112,082	$2,200	$50,963
Department of Energy	$8,375	$349,661	$2,783	$100,006
Department of Health & Human Services	$48,955	$1,131,180	*	*
Department of Housing & Urban Development	$16,031	$125,374	$3,161	$391,981
Department of Justice	$92,669	$2,036,803	$45,023	$800,802
Department of Labor	$11,504	$368,625	$7,085	$100,020
Department of State	$7,026	$551,731	$14,593	$217,853
Department of the Interior	$37,548	$1,102,108	$32,184	$417,414
Department of the Treasury	$47,477	$654,238	$8,121	$178,357
Department of Transportation	$92,894	$2,311,137	$75,756	$701,193
Department of Veterans Affairs	$13,343	$786,063	$11,076	$259,073
Environmental Protection Agency	$265	$215,637	$2,393	$57,663
Federal Emergency Management Agency	$4,180	$663,220	$4,078	$59,795
General Services Administration	$1,962	$182,358	$9,035	$83,024
National Aeronautics & Space Administration	$10,540	$123,964	$275	$29,669
National Science Foundation	$5,397	$36,398	$1,558	$20,140
Nuclear Regulatory Commission	*	$19,301	*	$9,129
Office of Personnel Management	$0	$89,958	$100	$21,825
Small Business Administration	$4,311	$225,187	$1,397	$55,239
Social Security Administration	$18,856	$643,606	$6,578	$71,717
TOTAL	**$2,521,939**	**$65,143,164**	**$1,506,166**	**$18,741,356**

*** no data provided**



	IBA Travel	CBA Travel
Mar-00	14%	10%
Apr-00	12%	11%
May-00	11%	29%
Jun-00	8%	16%
Jul-00	9%	11%
Aug-00	8%	11%
Sep-00	9%	9%
Oct-00	10%	8%
Nov-00	11%	9%
Dec-00	13%	11%
Jan-01	16%	13%
Feb-01	11%	9%
1-Mar	7%	5%

GSA SmartPay - Monthly Performance Report for March 2001
60+ Day Delinquencies

AGENCY	TRAVEL - INDIVIDUALLY BILLED ACCOUNTS (IBA) 60+ DAY $ BALANCE DUE	TOTAL OUTSTANDING IBA	60+ DAY % OF TOTAL OUTSTANDING IBA	TRAVEL - CENTRALLY BILLED ACCOUNTS (CBA) 60+ DAY $ BALANCE DUE	TOTAL OUTSTANDING CBA	60+ DAY % OF TOTAL OUTSTANDING CBA	PURCHASE 60+ DAY $ BALANCE DUE	TOTAL OUTSTANDING PURCHASE	60+ DAY % OF TOTAL OUTSTANDING PURCHASE	OVERALL 60+ DAY $ BALANCE DUE	TOTAL OUTSTANDING OVERALL	OVERALL 60+ DAY %
Agency for International Development	$45,975	$613,035	7%	$82,366	$1,111,965	7%	$21,243	$370,845	6%	$149,585	$2,095,865	7%
Corporation for National Service*	$4,754	$132,316	4%	$424,258	$944,969	45%	$0	($39,501)	0%	$389,512	$1,037,784	38%
Department of Agriculture	$770,846	$17,753,022	4%	$1,711	$832,896	0%	$0	$35,618,316	0%	$772,557	$54,204,234	1%
Department of Commerce	$326,562	$3,950,331	8%	$125,138	$3,650,046	3%	$151,237	$18,540,457	1%	$802,937	$26,140,834	2%
Department of Defense	$17,135,870	$195,976,799	9%	$11,244,924	$180,375,922	6%	$23,257,199	$715,389,201	3%	$51,637,993	$1,091,741,912	5%
Department of Education	$83,224	$1,079,291	8%	$31,925	$202,098	16%	$362,272	$1,444,486	25%	$477,421	$2,725,876	18%
Department of Energy	$102,733	$4,157,438	2%	$13,919	$191,123	7%	$272,527	$22,039,839	1%	$389,179	$26,388,400	1%
Department of Health & Human Services	$312,637	$6,605,167	5%	$6,608	$4,884,977	0%	($5,795)	$27,224,105	0%	$313,450	$38,714,249	1%
Department of Housing & Urban Development	$163,744	$1,242,336	13%	$0	$1,109,149	0%	$0	$398,163	0%	$163,744	$3,288,648	5%
Department of Justice	$1,815,215	$35,214,508	5%	$17,005	$8,222,335	0%	$70,273	$51,218,880	0%	$1,902,493	$94,655,723	2%
Department of Labor	$228,146	$4,060,009	6%	$178,910	$2,308,536	8%	$4,098	$1,900,522	0%	$411,154	$8,269,067	5%
Department of State	$291,659	$2,773,122	11%	$281,723	$13,709,767	2%	$69,193	$4,292,581	2%	$642,575	$20,775,470	3%
Department of the Interior**	$147,075	$7,836,645	2%	$0			N/A		N/A	$147,075	$7,836,645	2%
Department of the Treasury	$863,693	$17,637,214	5%	$1,700	$2,479,734	0%	$113,354	$19,097,402	1%	$978,747	$39,214,350	2%
Department of Transportation	$1,796,790	$24,215,056	7%	$5,930	$4,354,706	0%	$22	$6,005,000	0%	$1,804,742	$34,574,763	5%
Department of Veterans Affairs**	$328,227	$5,232,996	6%	$0	$107,690	0%	$0	$14,441,806	0%	$328,227	$19,801,000	2%
Environmental Protection Agency	$103,650	$4,226,683	2%	$3,997	$198,467	2%	$0	$1,873,850	0%	$107,647	$6,299,120	2%
Federal Emergency Management Agency	$94,463	$3,821,646	2%	$0	$49,101	0%	$0	$1,491,380	0%	$94,463	$5,362,126	2%
General Services Administration**	$112,119	$1,784,750	6%	$0	$2,080,834	0%	$0	$786,129	0%	$112,119	$4,623,713	2%
National Aeronautics & Space Administration	$33,311	$4,137,142	1%	$26,128	$841,946	3%	$23,699	$13,415,618	0%	$83,138	$18,394,706	0%
National Science Foundation	$12,130	$199,554	6%	$0	$603,581	0%	$0	$438,417	0%	$12,130	$1,241,552	1%
Nuclear Regulatory Commission	$9,040	$576,108	2%	$0	$333,569	0%	$32,426	$486,826	7%	$41,466	$1,396,523	3%
Office of Personnel Management	$25,951	$237,254	11%	$0	$30,311	0%	$0	$423,261	0%	$25,951	$690,826	4%
Small Business Administration	$16,195	$861,376	2%	$9,752	$194,030	5%	$0	$571,497	0%	$25,947	$1,656,903	2%
Social Security Administration	$334,390	$3,493,381	10%	$189	$46,661	0%	$0	$503,813	0%	$334,579	$4,043,855	8%
TOTAL	$25,160,399	$347,867,169	7.23%	$12,456,183	$228,842,884	5.44%	$24,371,748	$938,474,794	2.60%	$61,988,330	$1,515,184,847	4.09%

* Data under review
** agency makes payments at daily, weekly or semimonthly intervals

AVERAGE 60+ DAY % OF TOTAL OUTSTANDING (weighted by total outstanding balance)

	Mar-01	
Total 60+ Day IBA Balance	$25,160,399	7%
Total 60+ Day CBA Balance	$12,456,183	5%
Total 60+ Day Purchase Balance	$24,371,748	3%

	Feb-01		Jan-01		Dec-00		Nov-00		Feb-00	
Total 60+ Day IBA Balance	$35,117,567	11%	$46,022,533	16%	$47,202,678	13%	$42,933,327	11%	$53,001,728	18%
Total 60+ Day CBA Balance	$18,051,718	9%	$24,294,464	13%	$24,282,781	11%	$20,669,055	9%	$5,854,831	16%
Total 60+ Day Purchase Balance	$39,263,216	4%	$48,387,435	5%	$60,669,208	6%	$52,038,548	5%	$21,077,180	4%

Prompt Payment Interest charges may accrue on delinquent Centrally Billed Travel and Purchase accounts;
detailed information is available at http://www.fms.treas.gov/prompt/index.html

As of the March 2001 Monthly Cycle

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	CONTRACTOR	AGENCY	BUSINESS LINE	TOTAL $ AMOUNT BILLED	Outstanding Balance	Current Balance	30 Days Past Due	60 Days Past Due	90 Days Past Due	Over 120 Days Past Due	Write-Offs	Recoveries	Cumulative Recoveries	Cumlative Write-Offs	60+
2	Bank of America	Corporation for National	Purchase	$80,257	-$39,501	-$39,501	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	Bank of America	Corporation for National	Travel (CBA)	$196,616	$944,969	$211,895	$308,816	$1,706	$0	$422,552	$0	$0	$0	$0	$424,258
4	Bank of America	Corporation for National	Travel (IBA)	$95,159	$132,316	$99,772	$27,790	$3,240	$300	$1,214	$0	$711	$19,852	$45,973	$4,754
5	Bank of America	Department of Agricultur	Purchase	$34,607,122	$35,618,316	$35,371,871	$246,444	$0	$0	$0	$0	$0	$0	$0	$0
6	Bank of America	Department of Agricultur	Travel (CBA)	$779,723	$832,896	$491,467	$339,718	$0	$987	$724	$0	$0	$0	$0	$1,711
7	Bank of America	Department of Agricultur	Travel (IBA)	$13,375,116	$17,753,022	$13,287,098	$3,695,078	$338,980	$179,390	$252,476	$50,585	$29,857	$408,602	$1,322,848	$770,846
8	Bank of America	Department of Education	Purchase	$504,142	$1,444,488	$520,827	$561,390	$362,272	$0	$0	$0	$0	$0	$0	$362,272
9	Bank of America	Department of Education	Travel (CBA)	$81,330	$202,099	$85,330	$84,845	$2,161	$13,662	$16,102	$0	$0	$0	$0	$31,925
10	Bank of America	Department of Education	Travel (IBA)	$783,188	$1,079,291	$786,605	$209,462	$37,995	$28,044	$17,185	$11,888	$2,200	$50,963	$112,082	$83,224
11	Bank of America	Department of Energy	Purchase	$14,583,265	$22,039,839	$14,745,587	$7,021,725	$188,058	$11,061	$73,408	$0	$0	$0	$0	$272,527
12	Bank of America	Department of Energy	Travel (CBA)	$128,525	$191,123	$121,625	$55,580	$657	$340	$12,922	$0	$0	$0	$0	$13,919
13	Bank of America	Department of Energy	Travel (IBA)	$3,180,439	$4,157,438	$3,216,551	$838,154	$54,902	$19,892	$27,939	$8,378	$2,783	$100,006	$349,661	$102,733
14	Bank of America	Department of the Air Fo	Travel (CBA)	$15,357,041	$31,179,946	$16,842,637	$13,407,806	$762,936	$142,019	$24,548	$0	$0	$0	$0	$929,503
15	Bank of America	Department of the Air Fo	Travel (IBA)	$65,874,294	$73,521,527	$56,170,341	$12,733,578	$2,326,484	$856,134	$1,434,990	$359,535	$245,581	$3,102,409	$10,045,537	$4,817,608
16	Bank of America	Department of the Army	Travel (CBA)	$45,331,482	$88,122,414	$46,880,947	$34,390,365	$1,972,459	$914,161	$3,964,483	$0	$0	$0	$0	$6,851,102
17	Bank of America	Department of the Army	Travel (IBA)	$47,991,337	$64,570,257	$42,895,101	$13,469,965	$2,947,859	$1,966,903	$3,290,429	$983,290	$648,166	$7,328,893	$28,750,431	$8,205,191
18	Bank of America	Department of the Interio	Integrated	$38,881,021	$8,872,084	$8,872,084	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	Bank of America	Department of the Interio	Purchase		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$0
20	Bank of America	Department of the Interio	Travel (CBA)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$0
21	Bank of America	Department of the Interio	Travel (IBA)	$5,395,327	$7,836,645	$5,857,864	$1,831,706	$13,032	$45,081	$88,992	$37,548	$32,184	$417,414	$1,102,108	$147,075
22	Bank of America	Department of the Navy	Travel (CBA)	$27,090,514	$31,952,031	$28,504,675	$20,474,584	$1,361,298	$844,287	$767,187	$0	$0	$0	$0	$2,972,772
23	Bank of America	Department of the Navy	Travel (IBA)	$32,929,573	$40,880,799	$27,454,386	$9,825,806	$1,404,228	$717,577	$1,478,793	$494,008	$305,798	$3,629,319	$11,845,989	$3,600,598
24	Bank of America	Department of Transport	Purchase	$24,720,659	$6,005,000	$5,343,962	$661,016	$0	$22	$0	$0	$0	$0	$0	$22
25	Bank of America	Environmental Protectior	Purchase	$3,045,282	$1,873,950	$1,873,950	$0	$0	$0	$0	$0	$0	$0	$0	$0
26	Bank of America	Environmental Protectior	Travel (CBA)	$139,598	$198,487	$137,984	$56,507	$3,997	$0	$0	$0	$0	$0	$0	$3,997
27	Bank of America	Environmental Protectior	Travel (IBA)	$3,136,437	$4,226,683	$3,180,541	$942,492	$75,500	$19,920	$8,230	$265	$2,393	$57,663	$215,637	$103,650
28	Bank of America	National Aeronautics & S	Purchase	$6,996,592	$13,415,618	$7,205,916	$6,186,002	$23,699	$0	$0	$0	$0	$0	$0	$23,699
29	Bank of America	National Aeronautics & S	Travel (CBA)	$500,162	$841,946	$553,749	$282,069	$5,108	$5,204	$17,816	$0	$0	$0	$0	$28,128
30	Bank of America	National Aeronautics & S	Travel (IBA)	$3,299,960	$4,137,142	$3,305,224	$798,607	$3,940	$16,913	$12,458	$10,540	$275	$29,669	$123,964	$33,311
31	Bank of America	National Science Founda	Purchase	$173,106	$428,417	$190,869	$247,548	$0	$0	$0	$0	$0	$0	$0	$0
32	Bank of America	National Science Founda	Travel (CBA)	$602,414	$603,581	$603,581	$0	$0	$0	$0	$0	$0	$0	$0	$0
33	Bank of America	National Science Founda	Travel (IBA)	$157,838	$199,554	$158,592	$28,832	$6,292	$1,056	$4,812	$5,397	$1,538	$20,140	$36,398	$12,130
34	Bank of America	Office of Personnel Mana	Purchase	$1,532,100	$423,261	$423,261	$0	$0	$0	$0	$0	$0	$0	$0	$0
35	Bank of America	Office of Personnel Mana	Travel (CBA)	$138,371	$30,311	$30,311	$0	$0	$0	$0	$0	$0	$0	$0	$0
36	Bank of America	Office of Personnel Mana	Travel (IBA)	$172,527	$237,254	$148,477	$62,626	$11,418	$3,744	$10,789	$0	$100	$21,825	$89,958	$25,951
37	Bank of America	Other DoD	Travel (CBA)	$5,263,629	$9,121,531	$5,703,048	$2,926,936	$199,247	$27,568	$264,731	$0	$0	$0	$0	$491,547
38	Bank of America	Other DoD	Travel (IBA)	$14,672,322	$17,004,215	$13,218,345	$3,073,397	$336,105	$119,106	$237,262	$124,373	$35,853	$203,446	$339,137	$712,473
39	Bank of America	Small Business Administ	Purchase	$673,504	$571,497	$571,497	$0	$0	$0	$0	$0	$0	$0	$0	$0
40	Bank of America	Small Business Administ	Travel (CBA)	$170,824	$194,030	$177,448	$6,829	$5,391	$4,361	$0	$0	$0	$29,876	$216,743	$9,752
41	Bank of America	Small Business Administ	Travel (IBA)	$862,676	$891,178	$778,512	$96,669	$3,939	$231	$12,025	$4,311	$1,397	$55,239	$325,187	$16,195
42	Bank One	Department of Housing a	Purchase	$640,819	$938,163	$938,163	$0	$0	$0	$0					$0
43	Bank One	Department of Housing a	Travel (CBA)	$295,729	$1,108,149	$766,966	$339,183	$0	$0	$0					$0
44	Bank One	Department of Housing a	Travel (IBA)	$585,855	$1,242,338	$997,879	$80,713	$74,171	$36,713	$52,660	$16,031	$3,161	$381,981	$125,374	$163,744
45	Bank One	Department of Justice	Purchase	$37,386,015	$51,216,880	$49,984,281	$1,164,326	$70,273	$0	$0					$70,273
46	Bank One	Department of Justice	Travel (CBA)	$3,897,752	$8,292,335	$7,992,911	$222,419	$14,964	$646	$1,395					$17,005
47	Bank One	Department of Justice	Travel (IBA)	$16,605,153	$35,214,508	$30,766,556	$2,632,737	$1,321,038	$214,460	$279,719	$92,669	$45,023	$ 800,802	$2,036,803	$1,815,215
48	Citibank	Agency for International Development	Purchase	$202,454	$370,645	$207,712	$141,690	$16,560	$2,898	$1,785	$0	$0			$21,243
49	Citibank	Agency for International Development	Travel (CBA)	$600,676	$1,111,985	$837,329	$392,290	$41,588	$17,523	$23,256	$0	$0			$82,366
50	Citibank	Agency for International Development	Travel (IBA)	$371,162	$613,035	$369,612	$197,448	$31,510	$11,228	$3,237	$0	$145	$583	$857	$45,975

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	CONTRACTOR	AGENCY	BUSINESS LINE	TOTAL $ AMOUNT BILLED	Outstanding Balance	Current Balance	30 Days Past Due	60 Days Past Due	90 Days Past Due	Over 120 Days Past Due	Write-Offs	Recoveries	Cumulative Recoveries	Cumlative Write-Offs	60+
51	Citibank	Department of Commerce	Purchase	$9,692,778	$18,540,457	$9,878,295	$8,510,925	$151,237	$0	$0					$151,237
52	Citibank	Department of Commerce	Travel (CBA)	$2,178,020	$3,650,046	$2,239,582	$1,285,326	$97,362	$27,641	$114	$0	$0			$125,138
53	Citibank	Department of Commerce	Travel (IBA)	$2,987,810	$3,950,331	$2,634,996	$988,773	$106,689	$41,856	$178,015	$76,920	$12,699	$222,389	$1,063,761	$326,562
54	Citibank	Department of Labor	Purchase	$869,468	$1,990,522	$1,306,369	$590,034	$4,071	$27	$0					$4,098
55	Citibank	Department of Labor	Travel (CBA)	$1,535,952	$2,308,536	$1,273,767	$855,859	$178,910	$0	$0					$178,910
56	Citibank	Department of Labor	Travel (IBA)	$2,894,756	$4,060,009	$2,898,748	$933,116	$99,666	$44,793	$83,887	$11,504	$7,085	$100,020	$368,625	$228,146
57	Citibank	Department of State	Purchase	$3,332,342	$4,292,581	$3,310,692	$912,896	$56,519	$9,760	$2,914					$69,193
58	Citibank	Department of State	Travel (CBA)	$7,624,414	$13,709,767	$8,330,051	$5,097,992	$199,613	$54,515	$27,595					$281,723
59	Citibank	Department of State	Travel (IBA)	$1,603,642	$2,773,122	$1,756,951	$724,512	$109,789	$56,535	$35,236	$7,026	$14,593	$217,853	$561,731	$201,650
60	Citibank	Department of the Navy	Purchase	$139,834,713	$235,224,599	$138,758,198	$79,991,045	$12,475,548	$3,430,326	$589,573					$16,475,446
61	Citibank	Department of the Treasury	Purchase	11,530,122	$19,097,402	$11,600,294	$7,180,753	$99,183	14,040	$131					$113,354
62	Citibank	Department of the Treasury	Travel (CBA)	$1,220,949	$2,479,734	$1,289,762	$1,188,273	$606	$697	$397					$1,700
63	Citibank	Department of the Treasury	Travel (IBA)	$13,081,440	$17,637,214	$12,623,112	$4,150,409	$475,103	144,859	$242,732	$47,477	$8,121	$178,357	$654,238	$863,693
64	Citibank	Department of Transportation	Travel (CBA)	$2,264,225	$4,354,708	$2,354,471	$1,994,307	$5,160	$769	$0					$5,930
65	Citibank	Department of Transportation	Travel (IBA)	$15,786,667	$24,215,056	$15,949,181	$8,467,088	$835,626	$317,590	$645,474	$92,694	$75,756	$701,193	$2,311,137	$1,798,790
66	Citibank	Department of Veterans Affairs (Incds Prime Vendor)	Purchase	$326,122,128	$14,441,806	$14,441,806	$0	$0	$0	$0					$0
67	Citibank	Department of Veterans Affairs	Travel (CBA)	$1,704,942	$107,099	$107,099	$0	$0	$0	$0					$0
68	Citibank	Department of Veterans Affairs	Travel (IBA)	$3,718,971	$5,252,866	$3,754,327	$1,170,442	$153,518	$52,000	$122,709	$13,343	$11,076	$259,073	$786,063	$328,227
69	Citibank	Federal Emergency Management Agency	Purchase	$1,411,212	$1,491,380	$1,394,958	$96,421	$0	$0	$0					$0
70	Citibank	Federal Emergency Management Agency	Travel (CBA)	$24,977	$49,101	$31,196	$17,905	$0	$0	$0					$0
71	Citibank	Federal Emergency Management Agency	Travel (IBA)	$3,276,605	$3,821,646	$3,242,827	$484,355	$34,451	$7,370	$52,642	$4,180	$4,078	$59,795	$663,220	$94,463
72	Citibank	General Services Administration	Purchase	$13,569,874	$768,129	$768,129	$0	$0	$0	$0					$0
73	Citibank	General Services Administration	Travel (CBA)	$1,085,901	$2,050,834	$2,050,834	$0	$0	$0	$0					$0
74		General Services Administration	Integrated	$176,469	$56,647	$49,918	$5,357	$1,261	$110	$0					$1,371
75	Citibank	General Services Administration	Travel (IBA)	$1,388,771	$1,784,750	$1,355,764	$316,867	$39,480	$19,334	$53,305	$1,962	$9,035	$33,024	$182,358	$112,119
76	Citibank	Nuclear Regulatory Commission	Purchase	$192,318	$486,826	$197,274	$257,126	$32,426	$0	$0					$32,426
77	Citibank	Nuclear Regulatory Commission	Travel (CBA)	$320,706	$333,889	$324,740	$8,649	$0	$0	$0					$0
78	Citibank	Nuclear Regulatory Commission	Travel (IBA)	$458,477	$576,108	$454,472	$112,596	$6,206	$2,834	$0	$0	$0	$9,129	$19,301	$9,040
79	Citibank	Social Security Administration	Purchase	$3,618,574	$503,813	$503,813	$0	$0	$0	$0					$0

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1	CONTRACTOR	AGENCY	BUSINESS LINE	TOTAL $ AMOUNT BILLED	Outstanding Balance	Current Balance	30 Days Past Due	60 Days Past Due	90 Days Past Due	Over 120 Days Past Due	Write-Offs	Recoveries	Cumulative Recoveries	Cumlative Write-Offs	60+
80	Citibank	Social Security Administration	Travel (CBA)	$46,348	$46,661	$46,177	$295	$189	$0	$0					$189
81	Citibank	Social Security Administration	Travel (IBA)	$2,539,814	$3,493,381	$2,432,474	$726,516	$157,849	$53,656	$122,886	$18,856	$6,578	$71,717	$643,606	$334,390
82	US Bank	Department of Health & Human Services	Purchase	$25,001,736	$27,224,105	$27,261,872	-$31,772	-$354	$0	-$5,441	$0	$0			($5,795)
83	US Bank	Department of Health &	Travel (CBA)	$7,673,356	$4,864,977	$4,856,273	$22,095	$3,861	$2,747	$0	$0	$0			$6,608
84	US Bank	Department of Health &	Travel (IBA)		$6,605,167	$6,121,111	$247,235	$149,718	$87,103	$75,816	$48,955	$0		$1,131,180	$312,637
85	US Bank	Department of the Air Force	Purchase	$109,624,791	$113,204,294	$109,624,791	$3,314,994	$219,920	$22,703	$21,886	-$18			-$18	$264,508
86	US Bank	Department of the Army	Purchase	$245,744,098	$297,534,683	$245,744,098	$47,243,916	$3,040,839	$936,626	$575,202	-$22	$0		-$22	$4,546,667
87	US Bank	Other DoD	Purchase	$38,543,200	$69,425,626	$38,543,200	$28,911,848	$1,561,809	$280,913	$127,855	$14	$0		$14	$1,970,577
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