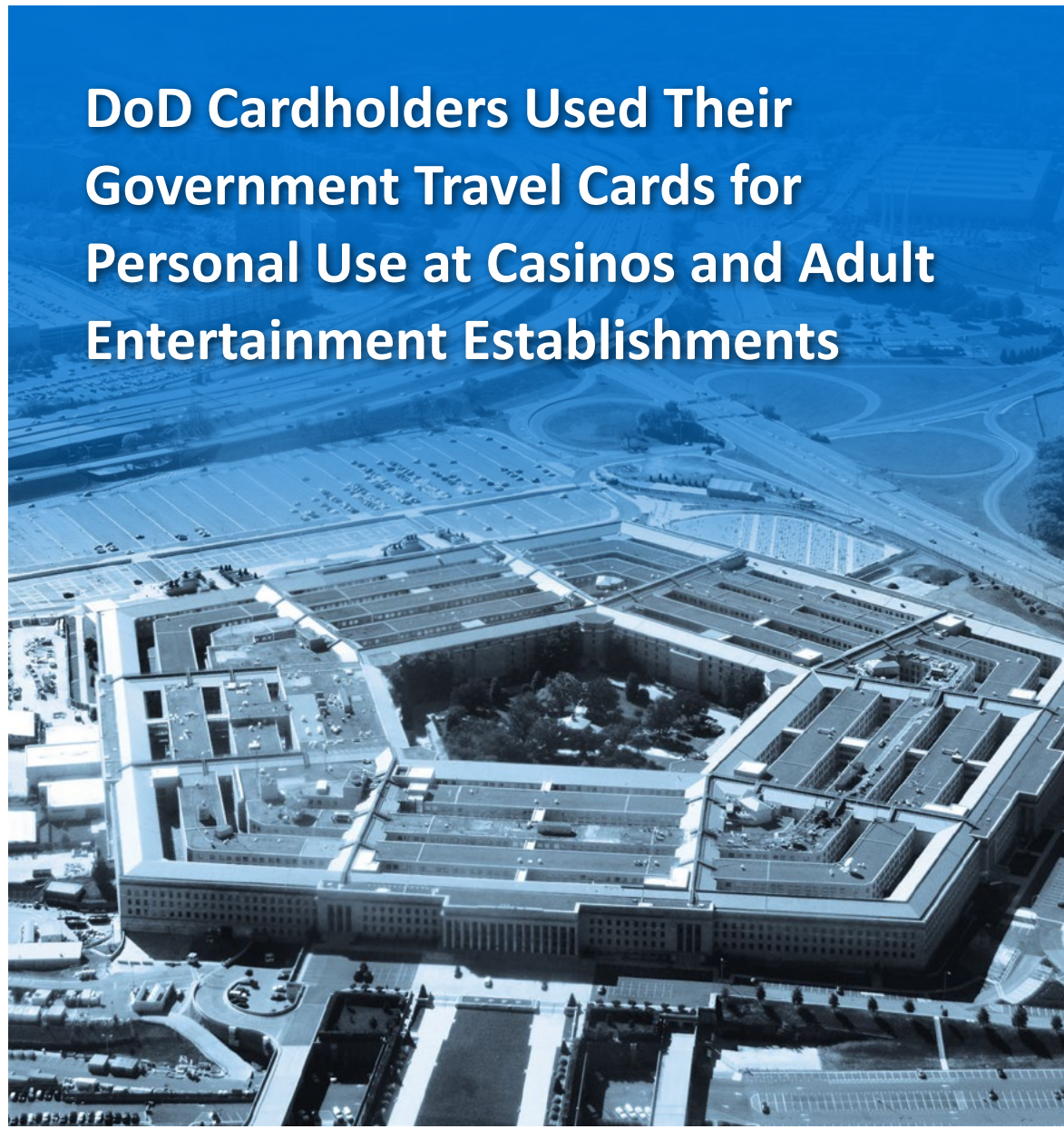




INSPECTOR GENERAL

U.S. Department of Defense

MAY 19, 2015



DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments

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Results in Brief

DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments

May 19, 2015

Objective

Our objective was to determine whether DoD Government travel charge card holders used their card for personal use at casinos or adult entertainment establishments. Public Law 112-194, "Government Charge Card Abuse Prevention Act of 2012," requires the Inspector General of each executive agency with more than \$10 million in travel card spending to periodically audit or review travel card programs. We focused on individually billed travel cards. Cardholders are personally and financially liable for payment of all undisputed charges, including personal use, indicated on the billing statement, not the government.

Finding

DoD cardholders improperly used their Government travel charge card (GTCC) for personal use at casinos and adult entertainment establishments. From July 1, 2013, through June 30, 2014, DoD cardholders had 4,437 transactions totaling \$952,258, where they likely used their travel cards at casinos for personal use and had 900 additional transactions for \$96,576 at adult entertainment establishments. Specifically, we reviewed seven nonstatistically selected cardholders who had 76 transactions valued at \$19,643 to confirm that our analysis identified personal use at casinos and adult entertainment establishments from July 1, 2013, to June 30, 2014. DoD did not detect these transactions because:

- the Defense Travel Management Office (DTMO) compliance program did not assist Agency Program Coordinators to identify personal use at casino and adult entertainment establishments;

Finding (cont'd)

- DoD policy did not specifically identify high-risk merchants or categories for personal use such as in casinos or adult entertainment establishments; and
- Citibank was not required to notify Agency Program Coordinators or management officials of potential fraudulent activity or suspension of accounts.

As a result, Component Program Managers and Agency Program Coordinators did not have sufficient details on transactions that occurred at casinos or adult entertainment establishments to determine if there was misuse. Unless DTMO and the Component Program Managers improve oversight actions, improve internal controls of the GTCC program, and provide written prohibition of the use of the GTCC at high-risk merchants, DoD personnel may continue to use their GTCCs for personal use at casinos and adult entertainment establishments. Finally, without these controls in place the Department will not be able to identify and hold personnel accountable for misuse of the GTCC.

Recommendations

We made several recommendations to address these problems. See the recommendations sections of the finding in the report.

Management Comments and Our Response

Comments from the Director, Defense Travel Management Office addressed recommendations 1.e; partially addressed 1.a, 1.b, 1.c, and 1.d.2; and did not address the specifics of 1.d.1. Comments from the Service Component Program Managers partially addressed recommendations 2-5. We request comments in response to the recommendations by June 30, 2015. Please see the Recommendations Table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Travel Management Office	1.a, 1.b, 1.c, and 1.d	1.e
Army Component Program Manager	2	
Navy Component Program Manager	3	
Air Force Component Program Manager	4	
U.S. Marine Corps Component Program Manager	5	

Please provide Management Comments by June 30, 2015



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

May 19, 2015

MEMORANDUM FOR DISTRIBUTION

SUBJECT: DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments (Report No. DODIG-2015-125)

We are providing this report for your review and comment. We considered management comments on a draft of this report when preparing the final report. DoD cardholders improperly used their Government Travel Charge Card for personal use at casinos and adult entertainment establishments. From July 1, 2013, through June 30, 2014, DoD cardholders had 4,437 transactions totaling \$952,258, where they likely used their travel cards at casinos for personal use and had 900 additional transactions for \$96,576 at adult entertainment establishments. We conducted this audit in accordance with generally accepted government auditing standards.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Comments from the Director, Defense Travel Management Office addressed Recommendation 1.e and partially addressed Recommendations 1.a, 1.b, 1.c, and 1.d. Therefore, we request comments on Recommendations 1.a, 1.b, 1.c, and 1.d. Comments from the Deputy Assistant Secretary of the Army, Financial Operations, responding for the Army Component Program Manager, partially addressed Recommendation 2. Therefore, we request additional comments on Recommendation 2. Although the Navy, Air Force, and Marine Corps Component Program Managers did not provide a memorandum, each Service provided comments in a spreadsheet that partially addressed Recommendations 3, 4, and 5. Therefore, we request additional comments on Recommendations 3, 4, and 5. We request all comments be received by June 30, 2015.

Please send a PDF file containing your comments to aud-colu@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink that reads "Michael J. Roark".

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

Distribution:

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Introduction

Objective

We determined whether DoD Government travel charge card holders used their cards for personal use at casinos or adult entertainment establishments. We focused on individually billed travel cards. Cardholders are personally and financially liable for payment of all undisputed charges, including personal use, indicated on the billing statement, not the government. See Appendix for the scope and methodology related to our audit objective.

Audit Requirement in Public Law 112-194 “Government Charge Card Abuse Prevention Act of 2012”

Public Law 112-194¹ requires the Inspector General of each executive agency with more than \$10 million in travel card spending to periodically audit or review travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. The findings of such audits or reviews, along with recommendations to prevent improper use of travel cards, are reported to the Director of the Office of Management and Budget and to Congress.

Background

General Services Administration

The General Services Administration (GSA) is responsible for issuing Government-wide travel card policies and procedures for implementing the Travel and Transportation Reform Act of 1998. GSA awards and administers a master contract for the travel card program. On behalf of DoD, GSA placed a task order with Citibank on the master contract effective January 2008. In 2011, DoD exercised the first option period and extended the contract with Citibank from November 29, 2011, through November 29, 2015.

DoD Travel Card Program

The DoD Government Travel Charge Card (GTCC) Program provides travelers with an effective, convenient, and commercially available way to pay for expenses related to official travel. The GTCC is the primary payment method for official travel expenses incurred by DoD personnel, is mandatory for all DoD personnel who have been issued a travel card, and is for official travel-related use only.

¹ Public Law 112-194, “Government Charge Card Abuse Prevention Act of 2012,” October 5, 2012.

Official Government travel is defined as travel under official orders while performing duties pertaining to official Government assignments such as temporary duty and permanent change of station. In most instances, duties pertaining to official Government assignments would occur in the official travel location.

From July 1, 2013, through June 30, 2014, DoD cardholders used their individually billed cards to make approximately 20 million transactions totaling \$3.4 billion. As of June 30, 2014, DoD had 1,682,423 individually billed² travel cards.

Defense Travel Management Office

The Defense Travel Management Office (DTMO) is the travel card program manager for all DoD Components. It provides guidance, policy, and coordinates training related to the DoD travel card program. DTMO is also the liaison to GSA, Citibank, and the Component Program Managers (CPMs) on all travel card-related issues.

DoD Comptrollers

The Military Department Assistant Secretaries (Financial Management and Comptroller) and Defense Agency Comptrollers, or equivalents, are required to ensure that program management responsibilities are accomplished within their respective Component.

DoD Component Heads/Defense Agency Directors

The heads of the DoD Components are required to develop strategies to implement the Travel and Transportation Reform Act of 1998 in their respective Components. The Component heads will also ensure all personnel, including Agency Program Coordinators (APCs), Centrally Billed Account (CBA) Managers, and cardholders, are properly trained on travel card use and policy.

² The DoD Travel Card Program has both individually billed travel cards and centrally billed accounts (CBAs). Individually billed travel cards are issued to DoD personnel. The cardholder is personally and financially liable for payment of all undisputed charges, including personal use, indicated on the billing statement, not the government. We discuss individually billed travel cards throughout the report. CBAs are provided to DoD activities to make travel arrangements for official federal government travel. We discuss CBAs in the Appendix.

Component Program Managers

CPMs are DoD personnel (military or civilian) designated in writing by the Component head or designee. They are required, but not limited to:

- establish and manage their respective travel card program;
- establish and maintain the Component's organizational structure (hierarchy); and
- notify the DTMO and the travel card vendor of any changes in organizational structure that affect the travel card program.

Agency Program Coordinators

APCs are designated in writing by a commander or director and are responsible for program execution and management of the day-to-day operations of the DoD travel card program. APCs are required to:

- maintain or have access to all pertinent records such as:
 - statements of understanding;
 - certificates of training; and
 - delinquency notices for cardholders assigned to their hierarchy;
- generate and review required reports;
- use the data mining tools provided by the travel card vendor;
- gather and analyze travel card data; and
- identify incidents of suspected misuse.

Travel Cardholders

DoD personnel who have been issued a travel card for use while performing official Government travel must:

- adhere to the procedures in the DoD Financial Management Regulation (FMR), Component guidance, and the travel card vendor's cardholder agreement and terms and conditions of use;
- use the travel card for all expenses related to official travel;
- submit travel vouchers within 5 business days of completion of travel;
- use split disbursement to pay all expenses charged to the card directly to the travel card vendor; and
- pay all undisputed charges in full by the due date on their billing statement, regardless of the status of their travel reimbursement.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses associated with the DTMO Compliance Program’s lack of tools, techniques, and technologies to assist APCs in identifying personal use, merchants or categories that were considered high-risk for personal use, and requirements of Citibank to notify APCs of potential fraudulent activity or suspension of accounts. We will provide a copy of the report to the senior officials in charge of internal controls in the Military Departments, Defense agencies, Defense Travel Management Office, and DoD Field Activities.

Finding

DoD Government Travel Charge Cards Were Used at Casinos and Adult Entertainment Establishments

DoD cardholders improperly used their GTCCs for personal use³ at casinos and adult entertainment establishments. From July 1, 2013, through June 30, 2014, DoD cardholders had 4,437⁴ transactions, totaling \$952,258, where they likely used their travel cards for personal use at casinos and had 900 additional transactions for \$96,576 at adult entertainment establishments. We reviewed seven nonstatistically selected cardholders who had 76 transactions valued at \$19,643 to confirm that our analysis identified personal use at casinos and adult entertainment establishments from July 1, 2013, through June 30, 2014. DoD did not detect these transactions because:

- the DTMO compliance program did not help APCs identify personal use at casino and adult entertainment establishments;
- DoD policy did not specifically identify high-risk merchants or categories for personal use such as casinos or adult entertainment establishments; and
- Citibank was not required to notify APCs or management officials of potential fraudulent activity or suspension of accounts.

As a result, CPMs and APCs did not have sufficient details on transactions that occurred at casinos or adult entertainment establishments to determine whether there was misuse. Unless DTMO, CPMs and APCs improve oversight actions, improve internal controls of the GTCC program, and provide written prohibition of the use of the GTCC at high-risk merchants, DoD personnel may continue to improperly use their GTCCs for personal use at casinos and adult entertainment establishments. Finally, without these controls in place the Department will not be able to identify and hold personnel accountable for misuse of the GTCC.

³ Personal use is defined as use of the GTCC for expenses that do not relate to authorized expenses relating to official Government travel. This includes any use of Government charge cards at establishments or for purposes that are inconsistent with the official business of DoD or with applicable regulations. Personal use is misuse and may be considered abuse.

⁴ This includes transactions for organizations that do not use Defense Travel System such as U.S. Army Corps of Engineers and U.S. Air Force Reserve.

DoD Cardholders' Personal Use of the Government Travel Charge Card

DoD cardholders did not comply with DoD GTCC policy and improperly used their GTCC for personal use. DoD Financial Management Regulation (FMR)⁵ requires DoD personnel to use the GTCC for all costs related to official government travel and not for personal use.

From July 1, 2013, through June 30, 2014, DoD cardholders used their cards to make over 20 million transactions totaling \$3.4 billion. We queried the Visa IntelliLink Compliance Management system⁶ to obtain transactional data from July 1, 2013, through June 30, 2014, that occurred at casinos and adult entertainment establishments.

The universe of U.S. casinos included 24,119 GTCC transactions by 13,575 cardholders totaling \$3,261,727. We analyzed the data to identify transactions at casinos that had indicators of personal use and to eliminate transactions that were for official use. As a result of this analysis, the universe of inappropriate transactions at casinos that were likely for personal use was 4,437 transactions by 2,636 cardholders totaling \$952,258. The universe of U.S. adult entertainment establishments was 900 GTCC transactions by 646 cardholders totaling \$96,576. Table 1 shows the casino and adult entertainment establishment transactions for each Service and the Defense agencies.

Table 1. Casino and Adult Entertainment Establishment Transactions by Service and the Defense Agencies Where Personal Use Was Likely

Component	Casino Transactions	Casino Amount (\$)	Adult Transactions	Adult Amount (\$)
Army	1,660	\$348,538	365	\$34,837
Navy	583	109,017	107	16,067
Air Force	1,803	404,675	347	37,491
Marine Corps	290	65,127	67	6,636
Defense Agencies	101	24,901	14	1,545
Total	4,437	\$952,258	900	\$96,576

NOTE: Cardholders are personally and financially liable for payment of all undisputed charges, including personal use, indicated on the billing statement, not the government.

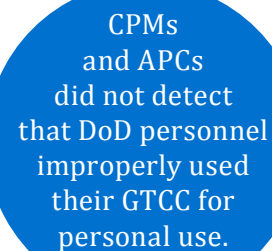
⁵ DoD Financial Management Regulation 7000.14-R, volume 9, chapter 3, "Department of Defense Government Travel Charge Card (GTCC)."

⁶ Visa IntelliLink Compliance Management is a web-based application that provides analytics and investigative reporting, misuse detection, program compliance, and regulatory compliance.

After we identified the universe of transactions where DoD personnel likely used their travel cards for personal use at casinos or adult entertainment establishments, we reviewed seven cardholders who had 76 transactions, valued at \$19,643, for personal use. We selected the seven cardholders using their activity from July 1, 2013, through June 30, 2014; however, after identification, we reviewed additional transactions beyond those dates to determine whether there was prior or subsequent abuse. See Appendix for the scope and methodology related to our audit objective.

Improvements Needed for Detection of Personal Use

The CPMs and APCs did not detect that DoD personnel improperly used their GTCC for personal use at casinos and adult entertainment establishments. Public Law 112-194 requires each executive agency to use effective systems, techniques, and technologies to prevent or identify improper purchases. In April 2013 the DTMO Compliance Program began using an automated tool, the Travel Policy Compliance Tool (compliance tool), to review all DoD Defense Travel System (DTS) travel vouchers for compliance with DoD travel policy. However, the compliance tool did not review GTCC transactions for personal use.



CPMs and APCs did not detect that DoD personnel improperly used their GTCC for personal use.

To comply with Public Law 112-194 requirements to prevent or identify improper purchases, DTMO personnel need to modify the compliance tool or use other systems, techniques, and technologies to identify personal use at casinos and adult entertainment establishments and notify the CPMs and APCs of potential abuses (repetitive misuse) of the GTCC. The Director, DTMO, should coordinate with the Military Services, Defense agencies, and Citibank representatives to determine what tools, techniques, or technologies are most appropriate to prevent or identify personal use of the GTCC at casinos and adult entertainment establishments.

During our detailed review of the seven cardholders there were several common attributes of the GTCC transactions that we confirmed as personal use of the GTCC. These attributes were used to identify the universe of transactions as high risk for misuse including 4,437 transactions totaling \$952,258 at casinos and 900 transactions for \$96,576 at adult entertainment establishments. Specifically, the attributes include GTCC:

- transactions with no associated travel status in DTS;
- automated teller machine (ATM) withdrawals that exceeded the overall Meal and Incidental Expense (M&IE) amounts while in a travel status;

- transactions at known casinos and adult entertainment establishments;
- declined authorization activity that could indicate personal use; and
- activity outside the required official Government travel locations.

Use of the Government Travel Charge Card While Not in Travel Status Could Indicate Personal Use

DoD personnel improperly used their GTCC at casinos or adult entertainment establishments while not in official travel status; however, the Director, DTMO did not have the tools in place to identify the improper use. Three of the seven cardholders reviewed used their GTCC for transactions at casinos or adult entertainment establishments while not in official travel status. The DoD FMR states that the GTCC is not for personal use and travel cards are to be used only for official travel-related expenses. Additionally, misuse specifically includes ATM cash withdrawals made during nontravel periods.

As indicated in the example below, GTCC transactions that occur outside of official Government travel status indicate abuse of the GTCC. However, not all APCs had access to the travel systems to determine whether the cardholders were on official travel status. Furthermore, DTMO personnel informed us that the role of an APC was not always a primary duty, and DoD management decided what level of travel system access should be granted.

In our example, if the CPM or APC had been systematically notified of the transactions that occurred outside of official Government travel, the CPM or APC could have reviewed the transactions, which may have prevented the cardholder from abusing the GTCC for over 2 years. The Director, DTMO, should coordinate with the Military Services, Defense agencies, and Citibank representatives to determine what tools, techniques, or technologies are most appropriate to identify GTCC transactions that did not have associated travel status in DTS or other DoD travel systems.

Defense Logistics Agency Cardholder Used the Government Travel Charge Card at Maryland Live! Casino

A Defense Logistics Agency (DLA) civilian employee used the GTCC 29 times between October 2012 and September 2014 to obtain nearly \$5,000 in cash while not in travel status. Of the 29 transactions, the cardholder had 19 transactions at Maryland Live! Casino in Hanover, Maryland, totaling \$3,366. The cardholder also attempted three cash withdrawals that were declined at the casino totaling \$402.

Defense Logistics Agency Management Actions

The DLA officials took action against the cardholder after we informed them of the transactions. During an interview with the cardholder's CPM and supervisor, the CPM stated the cardholder's APC did not identify the transactions, and DLA management was unaware until we notified them of our findings. After we notified DLA management, they investigated the transactions further, and:

- the CPM immediately deactivated the cardholder's GTCC;
- management suspended the employee for 3 days without pay after a full review and appeals process; and
- DLA officials removed the cardholder's APC from the GTCC oversight responsibilities.

Cash Withdrawals That Exceed Meal and Incidental Expenses While in Travel Status Could Indicate Personal Use

DoD cardholders made cash withdrawals that exceeded their meals and incidentals (M&IE) allotment, which could have indicated improper personal use. However, the Director, DTMO did not have the controls in place to identify excessive withdrawals. Four of the seven cardholders had transactions that exceeded the total M&IE allotted to each traveler for the trip. In addition, of the casino transactions we provided to the CPMs for review, 673 transactions for \$134,864 were cash withdrawals and exceeded the M&IE allotted to each traveler for the trip.

The DoD FMR specifies that the GTCC is the primary payment method for official travel expenses incurred by DoD personnel. The GTCC is not for personal use and may not be used for any individuals other than the cardholder and his or her authorized dependents. Transactions that exceed M&IE amounts while in travel status could indicate personal use. However, according to DoD personnel, not all APCs have access to travel systems to identify cardholders who exceed the overall M&IE amounts for a trip.

In the example below, if the CPM or APC had been systematically notified of the risky transactions, the CPM or APC could have reviewed the transactions and taken timely action. The Director, DTMO, should coordinate with the Military Services, Defense agencies, and Citibank representatives to determine what tools, techniques, or technologies are most appropriate to identify GTCC transactions that exceeded the total M&IE received during official Government travel.

Navy Cardholder Used Government Travel Charge Card at Four Adult Entertainment Establishments

A petty officer first class from the Naval Special Warfare Group used the GTCC at multiple adult entertainment establishments while on official Government travel to El Paso, Texas. While in El Paso, the cardholder spent more than six times his total M&IE at four different adult entertainment establishments, which included Dreams Cabaret, Jaguars Gold Club, Tequila Sunrise, and Red Parrot Gentlemen's Club.

The cardholder spent more than six times his total M&IE at four different adult entertainment establishments.

The petty officer only received \$151.50 in M&IE for 17 days of travel because his meals were provided, except for the first and last day of travel. However, he still incurred 12 transactions for \$1,116 at adult entertainment establishments during his 17 days of travel. The petty officer also charged an additional \$642 on his GTCC for food, drinks, and ATM withdrawals at locations that were not adult entertainment establishments. In total, he spent \$1,758 on his GTCC but only received \$151.50 in M&IE.

Navy Management Actions

Navy officials took action against the cardholder after we informed them of the transactions. Based on our discussion with the CPM and APC, neither the CPM nor APC detected the transactions. The APC stated that the actions of the cardholder were sent to the disciplinary review board after we informed the cardholder's supervisor and other Navy officials of the transactions. According to an e-mail from the APC, the cardholder received written counseling for:

- misuse of GTCC for unauthorized personal expenses;
- withdraws that exceeded cash limits established on the card that were not necessary or reasonable; and
- charges from unauthorized establishments while in El Paso, Texas through ATM withdrawals at bars, taverns, and restaurants, which exceeded the authorized per diem limit at his travel location.

As a result of the Disciplinary Review Board's finding, the cardholder was required to:

- complete Travel Card 101 training,
- sign and date a new statement of understanding for the GTCC, and
- provide a general military training session to his department and division personnel for proper use of the GTCC in accordance with DoD Directives.

Using Merchant Names Could Assist Agency Program Coordinators to Identify Potential Personal Use

APCs either did not identify improper personal use by reviewing the merchant names or could not determine the type of establishments by reviewing the merchant names. Also, the DTMO Travel Policy Compliance Tool did not data mine for casino or adult entertainment establishments' merchant names to identify personal use.

Four of the seven cardholders reviewed had GTCC transactions at several adult entertainment establishments, including:

- Dreams Cabaret for \$308;
- Vegas Showgirls for \$2,100;
- Larry Flynt's Hustler Club for \$1,614; and
- Sapphire Gentlemen's Club for \$4,686.

Cardholders used their GTCC at Dreams Cabaret, Vegas Showgirls, Larry Flynt's Hustler Club, and Sapphire Gentlemen's Club.

The method DoD used to block the MCCs was not effective to prevent personal use.

The method DoD used to block the Merchant Category Codes (MCCs)⁷ was not effective to prevent personal use of the GTCC at casinos and adult entertainment establishments. The MCCs identified with the purchases were either ATM transactions or restaurant purchases. DoD coordinated with Citibank to prevent the use of the GTCC at specific types of merchants by using the MCC. CPMs and APCs relied on blocked MCCs to ensure cardholders did not use their GTCCs at unauthorized locations, such as adult entertainment establishments.

Many adult entertainment establishments can circumvent the blocked MCC by using a MCC related to ATMs, bars, or restaurants to disguise the true nature of the business. In addition, casinos and adult entertainment establishments may appear on GTCC billing statements under a variety of names.

Casinos and casino-processing companies cannot be blocked by MCC because travelers may use these locations for legitimate travel expenses. DoD had 24,119 transactions that occurred at casinos and casino processing centers; however, not all transactions at casinos represent personal use. During interviews, several APCs stated they may not have been aware that transactions were occurring at casinos because of the merchant name that appeared on the GTCC billing statement.

⁷ An MCC is a four-digit number assigned to a business by MasterCard or Visa when the business first starts accepting one of these cards as a form of payment. The MCC is used to classify a business by the type of goods or services provided. The Department blocks some MCCs to prevent inappropriate card use.

For example, DiTRONICS Financial Services provided cash access services and ticket redemption kiosks to casinos, and DiTRONICS was the merchant name on the billing statement. Unless the APC or other reviewing officials were aware that DiTRONICS was a specific cash access service for casinos, they would not know to question the transactions that occurred.

CPMs and APCs cannot be expected to know the names of all adult entertainment establishments and casinos or casino-processing centers. The Director, DTMO, should coordinate with the Military Services, Defense agencies, and Citibank representatives to determine what tools, techniques, or technologies are most appropriate to indicate GTCC transactions that occur at specific known casino and adult entertainment establishments. In addition, the Director, DTMO, should coordinate with the General Services Administration to determine whether Citibank should be required to block usage of the Government travel charge card at specific casino locations or adult entertainment establishments known for personal use.

Multiple Declined Authorizations Could Indicate Personal Use

DTMO personnel did not provide an automated, real-time notification of high-risk declined transactions to APCs. Six of the seven cardholders reviewed had declined authorizations. Citibank Custom Reporting System contains a standard report that can be run to identify declined authorizations within a given hierarchy. The report lists all transactions attempted but declined against an account and details the reasons the transaction was declined and type of purchase attempted.

As shown in the example below, declined authorizations may indicate personal use. Although Citibank made this report available to the APCs, they were not required to generate it for review. In addition, the DoD FMR does not require CPMs or APCs to review the Declined Authorizations Report.

When cardholders use their GTCCs for personal use, the individuals are more likely to have multiple declined authorizations. The Director, DTMO, should coordinate with the Military Services, Defense agencies, and Citibank representatives to review the reasons for declined authorizations and to determine what tools, techniques, or technologies are most appropriate to identify GTCC declined authorization activity that could indicate personal use.

Army Cardholder Used Government Travel Charge Card at Pechanga Resort and Casino

An Army Reserve sergeant first class with the 416th Civil Affairs Battalion abused the GTCC at Pechanga Resort and Casino in Temecula, California, which was only 8.6 miles from his residence. From March 1, 2011, through October 12, 2014, the cardholder had 83 transactions at Pechanga Resort and Casino that totaled \$16,415.

The majority of the transactions occurred while the cardholder was not on official Government travel. In addition, the cardholder had 90 declined transactions from March 1, 2011, through October 16, 2014, totaling \$14,478. Citibank declined the transactions for multiple reasons, four of which indicated potential personal use:⁸

- 18 transactions, totaling \$2,530, were declined because the card was deactivated,
- 8 transactions, totaling \$1,392, were declined for reaching the daily ATM dollar limit,
- 5 transactions, totaling \$520, were declined for reaching the daily ATM transaction limit, and
- 57 transactions, totaling \$9,768, were declined for exceeding the card's credit limit.

The cardholder also showed a pattern in his declined authorizations. On several occasions after the initial declined transactions, the cardholder reduced the amount requested until the individual successfully obtained cash. For example, on May 28, 2013, the cardholder had six declined authorizations within 13 minutes. After successfully withdrawing \$204 at the casino, Citibank declined an attempt to withdraw another \$204 because the cardholder did not have enough available credit. The cardholder then attempted to withdraw \$184, \$164, \$164, \$144, and \$104 within that 13-minute period. All requests were declined because of the lack of available credit.

Army Management Actions

Army officials took management action against the cardholder after we informed them of the transactions. A commander's inquiry determined that the cardholder would receive a letter of reprimand.⁹ Neither the CPM nor APC were aware of the cardholder's personal use of the GTCC.

⁸ Two transactions, totaling \$268, were declined for invalid personal identification number. We did not consider this reason to be an indicator of personal use.

⁹ A form of administrative punishment.

Government Travel Charge Card Activity Outside of Official Travel Location Could Indicate Personal Use

DoD cardholders improperly used the GTCC while on official travel for personal use in locations other than the city or surrounding area of their travel; however, the Director, DTMO did not have controls in place to detect these transactions. Of the seven cardholders reviewed, two used the GTCC in locations other than the city or surrounding area of their travel. In some cases, the casinos where the GTCC was used were more than an hour away from the official temporary duty (TDY) location or near the individual's home residence. The DoD FMR specifically states that the GTCC should only be used while on official orders and performing duties pertaining to official Government assignments.

APCs and cardholder supervisors could take timely corrective action, including deactivating the card or disciplining cardholders who abuse the GTCC, if DoD had a systematic way to identify transactions for review. The Director, DTMO, should coordinate with the Military Services, Defense agencies, and Citibank representatives to determine what tools, techniques, or technologies are most appropriate to identify GTCC activity outside the official government travel locations.

Air Force Cardholder Used Government Travel Charge Card at Ultron Casino ATM

A U.S. Air Force civilian employee from Warner Robbins Air Force Base, Georgia traveled 300 miles (round trip) from his travel location and used his GTCC at a casino. The cardholder was on official Government travel to Hill Air Force Base, Utah and used his GTCC at Ultron ATMs in West Wendover, Nevada.¹⁰ Ultron ATMs are predominately associated with casinos throughout the United States.

On four occasions, the cardholder used his GTCC seven times at the West Wendover location to withdraw over \$1,500 from ATMs at a casino where he had nine declined transactions totaling \$2,363. The APC stated that he noticed the Ultron ATM withdrawals while performing his review of the activity and spoke to the cardholder at the time. He could not remember any details of the conversation, but indicated that he found nothing improper with the transactions.

As a result of our audit, the human resources supervisor performed an updated interview of the cardholder on October 28, 2014. During the interview, the cardholder stated that he obtained the \$1,500 in cash in West Wendover, Nevada to pay for food and drinks while he attended car races, shows, and local events. The cardholder denied that he used the money to gamble at casinos.

¹⁰ West Wendover is a destination resort community that is located on the Nevada-Utah border and has five prominent gambling establishments.

Air Force Management Actions

Air Force officials did not take disciplinary action against the cardholder after we informed them of the transactions. Although the human resource supervisor could not conclude that the cardholder used his GTCC for gambling purposes at a casino, he concluded that the cardholder used his GTCC for personal use and should have been disciplined. However, members of the Employee Relations Board stated they could not take disciplinary action because of the time that had passed since the unauthorized use. The board stated that in accordance with the employee's labor agreement the cardholder's supervisor should have investigated the misconduct and submitted his findings to the Employee Relations Board within 45 days from the time of the occurrence or identification of potential misuse.

If the APC would have identified the transactions and properly investigated, then the Employee Relations Board could have taken appropriate disciplinary actions within the required time frames.

Defense Travel Management Office Needs to Update the DoD Financial Management Regulation

DTMO personnel have not provided sufficient guidance through the DoD FMR to detect DoD personnel that improperly used the GTCC for personal use at casinos and adult entertainment establishments. Specifically, the DoD FMR does not:

- prohibit merchant types that should be considered high risk for personal use such as casinos and adult entertainment establishments;
- require APCs to review the declined authorization report for suspicious activity; and
- require APCs to use the Visa IntelliLink tool to assist in their reviews of monthly GTCC activity for personal use or other misuse.

Prohibit High-Risk Merchants

Although DTMO took action to block specific MCCs, it did not provide detailed guidance on the merchant types that should not be visited by DoD employees. Several APCs expressed concern that DoD policy did not specifically prohibit merchant types that should be considered high risk for personal use such as casinos or adult entertainment establishments. One APC indicated concern over disciplining cardholders when DoD guidance did not specifically prohibit adult entertainment establishments. The

APCs expressed concern that DoD policy did not specifically prohibit merchant types that should be considered high risk for personal use.

Director, DTMO, should revise DoD FMR Volume 9, Chapter 3 to include examples of merchant categories that are considered high risk for personal use such as casinos and adult entertainment establishments.

Require Review of Declined Authorizations Report

Six of the seven cardholders had declined transactions, which showed that declined authorizations were a good indicator of personal use. Citibank Custom Reporting System contains a declined authorizations report that all APCs could generate for their hierarchy; however, the APCs were not required to run or review the report. The DoD FMR states that the declined authorizations report lists all transactions attempted but declined against an account. It also details the reasons for decline and type of purchase, but states that APC review of the report is optional. The Director, DTMO, should require APCs to review the declined authorization report at least monthly for suspicious activity.

Provide APCs Access to Visa IntelliLink and Require Its Use

The DoD FMR states that APCs use of Visa's data mining tools to gather and analyze GTCC data and identify incidents of suspected misuse is optional. We used Visa IntelliLink as a data mining tool to locate the transactions we reviewed and sent to the CPMs for review. The Director, DTMO, should require APCs to use the Visa IntelliLink tool to assist in their reviews of monthly GTCC activity for personal use or other misuse.

Citibank Not Required to Notify the Agency Program Coordinator of Fraudulent Activity or Suspension of Travel Cards

APCs were unaware of fraudulent activity identified by Citibank or its suspension of GTCC accounts because Citibank was not required to alert them. Under the

Citibank was not required to notify the CPM or APC of potentially fraudulent activity or suspension of a cardholder's account.

contract, Citibank was not required to notify the CPM or APC of potentially fraudulent activity or suspension of a cardholder's account. If Citibank would have been required to notify Air Force officials of the suspicious activity in the example below, then they could have detected the personal use earlier. It would have also reduced the possibility that if the cardholder had paid the full balance before reactivation, then the APC would not have identified the abuse. The Director, DTMO, should coordinate with GSA to determine whether the Citibank contract should be modified to require Citibank to notify a cardholder's CPM or APC of potential fraudulent use or suspension of travel cards.

Air Force Cardholder Used Government Travel Charge Card at Sapphire Gentlemen's Club

A senior airman from the 4th Aircraft Maintenance Squadron at Seymour Johnson Air Force Base, North Carolina used the GTCC for personal use while on official Government travel to Nellis Air Force Base, Nevada near Las Vegas.

The cardholder's total per diem for the travel was \$359.25.

During his travel, the cardholder had three purchases at Sapphire Gentlemen's Club totaling \$4,686. In addition, Citibank declined another GTCC transaction for \$920 because the transaction would have exceeded his card's credit limit. The cardholder later admitted that he used his GTCC at the Sapphire Gentlemen's Club VIP room for himself and several friends.



The cardholder later admitted that he used his GTCC at the Sapphire Gentlemen's Club VIP room.

As a result of the Squadron's policy to deactivate GTCCs while not in travel status and reactivating the GTCC when necessary, the Air Force resource advisor detected the transactions when reactivating the GTCC. Although the resource advisor detected the transactions, it was about 48 days after the transactions occurred. Additionally, the resource advisor only detected the transactions when activating the GTCC for an upcoming trip and noted the cardholder had a delinquent balance of \$4,923. After contacting Citibank officials, Citibank officials informed the resource advisor that they notified the cardholder of potentially fraudulent activity on the GTCC, and the cardholder informed Citibank officials that the transactions were valid. The Director, DTMO, should determine the feasibility of deactivating travel cards and reducing travel card limits for cardholders while not on official travel.

Air Force Management Actions

The Air Force officials took action against the cardholder after they identified the transactions. The Resource Advisor identified potentially unauthorized transactions and notified the cardholder and his supervisor. The cardholder's supervisors conducted a review and determined the transactions were for personal use. As a result, the cardholder was issued an Article 15¹¹ and reduced his rank from senior airman (E-4) to airman first class (E-3).

¹¹ A form of administrative punishment.

Management Actions

For the seven cardholders reviewed, management confirmed that the transactions we identified were personal use of the GTCC and confirmed the misuse or abuse that our analysis detected.

On October 23, 2014, we provided the CPMs at each Military Service a list of 886 transactions related to adult entertainment establishments, valued at \$95,031, that we identified using Visa IntelliLink. We received responses from the Services from December 2014 through February 2015. A summary of their reviews is provided in Table 2.

Table 2. Results from Military Service CPM and APC's review of Adult Entertainment Establishment Transactions

Service	Action Taken ¹	Pending	No Action Taken with Reason ²	No Action Taken ³	Transaction Not Reviewed	Total
Army	146	31	40	117	31	365
Navy	66	15	6	19	1	107
Air Force	138	22	24	97	66	347
Marine Corps	17	11	4	19	16	67
Total	367	79	74	252	114	886

¹ Actions taken include counseling, training, letters of reprimand, and reduction in rank.

² No action taken because cardholder either separated from the command, retired, or successfully disputed the charge with Citibank.

³ APCs reviewed these transactions, but no action was taken for reasons including: the cardholder did not know it was an adult establishment, "transactions not unauthorized," or the APC stated that the cardholder was TDY during the transaction (implying that personal use cannot happen while on TDY).

On December 24, 2014, we provided the CPMs at each Military Service a list of 4,336 transactions, valued at \$927,358, that were high risk for personal use at casinos or casino-processing centers by using Visa IntelliLink and DTMO data. In addition in January 2015, we provided DLA, Defense Contract Management Agency, and Defense Threat Reduction Agency lists of high-risk transactions from their agency. In total, the three agencies had 56 high-risk transactions, valued at \$15,458 at casinos or casino processing centers. We received responses on a draft of this report from the Service CPMs regarding their reviews of high risk transactions that were not complete or sufficient. Therefore, CPMs at each Military Service should complete their reviews of the transactions and provide the results of the review to us no later than June 30, 2015.

Conclusion

The CPMs and APCs did not detect when DoD personnel improperly used their GTCC for personal use at casinos and adult entertainment establishments. From July 1, 2013, through June 30, 2014, DoD cardholders had 4,437¹² transactions, totaling \$952,258, where they likely used their travel cards for personal use at casinos and had 900 additional transactions for \$96,576 at adult entertainment establishments.

Unless DTMO and the CPMs improve oversight actions, improve internal controls of the GTCC program, and provide written prohibition of personal use of the GTCC at casinos and adult entertainment establishments, DoD personnel may continue to use their GTCCs for personal use at these establishments. Furthermore, APCs will not have the tools to allow for automated detection of personal use transactions from the millions of GTCC transactions each year.

Management Comments on the Finding and Our Response

Defense Travel Management Office Comments

The Director, Defense Travel Management Office stated that the report does not call attention to the strength of the DoD Government Charge Card program and that personal use is negligible compared to the size and scope of the program. The Director supports the strength of the program by stating the delinquency rate for individually billed accounts was 1 percent for FY15 second quarter and was much lower than the industry average of 4 percent. He also states that the personal use identified in the report is less than 0.5 percent of the total transactions and dollars spent on individually billed accounts. Finally, the Director stated that personal use does not result in the loss of U.S. taxpayer dollars because the cardholder is not reimbursed for the expenses.

Our Response

The overall objective of the audit was to determine whether DoD Government travel charge card holders used their card for personal use at casinos or adult entertainment establishments. Therefore, the audit team cannot draw conclusions on the overall personal use of the GTCC program or the overall strength of the program.

¹² This includes transactions for organizations that do not use Defense Travel System such as U.S. Army Corps of Engineers and U.S. Air Force Reserve.

Recommendations, Management Comments, and Our Response

Recommendation 1.a

We recommend that the Director, Defense Travel Management Office:

Establish a working group with the Military Services, Defense agencies, and bank representatives to determine what tools, techniques, or technologies are most appropriate to prevent or identify personal use of the Government travel charge card at casinos and adult entertainment establishments. Specifically the tools, techniques or technologies should enable Agency Program Coordinators to identify:

- 1. Travel card transactions that do not have associated travel status in Defense Travel System or other DoD travel systems;**
- 2. Automated teller machine withdrawals that exceed the overall meal and incidental expense amounts while in a travel status;**
- 3. Travel card transactions that occur at specific known casinos, casino-processing centers, and adult entertainment establishments;**
- 4. Travel card declined authorization activity that could indicate personal use; and**
- 5. Travel card activity outside the official Government travel location.**

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, agreed, but stated that a specific working group does not need to be established to determine what tools, techniques, or technologies are most appropriate to prevent or identify personal use of the Government Travel Charge Card (GTCC). The Director stated that DTMO actively engages with CPMs and Citibank on a daily basis as well as through quarterly meetings and program reviews.

The Director stated that DTMO conducted refresher training on the Citibank Customer Reporting System and Visa IntelliLink to identify potential personal use of the card and plans to include a training course for the APCs on the use of the tools at the GSA SmartPay Forum. He also indicated that DTMO created new reports in Visa IntelliLink to identify use at casinos and adult entertainment establishments.

The Director stated that DTMO specifically designed and developed the Compliance Tool to identify and assist with the recovery of improper or overpaid travel reimbursements (or both). He continued by stating that there would not be a return on investment if DTMO enhanced the tool to identify personal use of the travel card.

Our Response

Comments from the Director, Defense Travel Management Office partially addressed the recommendation. Although the Director did not agree to establish a working group, he did agree to engage with the CPMs and Citibank. He also referenced a focus on improved and more prevalent usage of the Citibank Customer Reporting System and Visa IntelliLink to identify potential personal use of the card, specifically related to casinos and adult entertainment establishments.

Although we recognize the potential the Compliance Tool has to identify personal use of the GTCC, we recommended that the Director, in coordination with other key stakeholders, determine what tools, techniques, or technologies are most appropriate to prevent or identify personal use of the Government travel charge card at casinos and adult entertainment establishments. While the Director's response partially addressed the recommendation, he did not address the types of tools, techniques, or technologies he considered to identify:

- Travel card transactions that do not have associated travel status in Defense Travel System or other DoD travel systems;
- Automated teller machine withdrawals that exceed the overall meal and incidental expense amounts while in a travel status;
- Travel card declined authorization activity that could indicate personal use; or
- Travel card activity outside the official Government travel location.

Therefore, we ask that the Director provide additional comments in response to the final report that describes the specific tools, techniques, or technologies that would identify the transactions outlined in the recommendation.

Recommendation 1.b

Determine the feasibility of deactivating travel cards and reducing travel card limits for cardholders while not on official travel.

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, agreed, stating that the current DoD and OMB policy is to deactivate restricted accounts for cardholders not in a travel status. He stated that DTMO personnel are currently working with Citibank and the CPMs to improve enforcement of the policy.

Our Response

Comments from the Director partially addressed the recommendation. While we commend the Director for having the policy in place to deactivate restricted accounts, there is a benefit to deactivate all cardholder accounts that are not in an official travel status. Therefore, we ask that the Director provide additional comments on the feasibility of a systematic process to deactivate all DoD travel cards for cardholders who are not in an official travel status.

Recommendation 1.c

Revise the DoD Financial Management Regulation, volume 9, chapter 3 to include examples of merchant categories that are considered high risk for personal use, such as casinos and adult entertainment establishments.

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, disagreed, stating that the DoD FMR, Volume 9, Chapter 3 clearly prohibits card use for other than official authorized expenses in support of official travel.

Our Response

Comments from the Director partially addressed the recommendation. We agree that the DoD FMR, Volume 9, Chapter 3, clearly prohibits personal use. However, DoD GTCC officials indicated during the audit that the policy needed to specifically prohibit the personal use at casinos and adult entertainment establishments, so the APCs may hold commanders accountable.

The Director provided a draft of DoD Instruction 5154.31, which is scheduled to replace DoD FMR, Volume 9, Chapter 3. Upon reviewing the updated draft policy, we determined that while the policy does not specifically mention casinos and adult

entertainment establishments, it does provide added emphasis of the prohibition of personal use at establishments inconsistent with official DoD business:

It is DoD policy that improper, fraudulent, abusive, or negligent use of a travel card is prohibited. This includes any use of a travel card at establishments or for purposes that are inconsistent with the official business of DoD or with applicable regulations...In addition, civilian personnel who fail to satisfy an indebtedness arising from the use of a travel card or those who fail to do so in a timely manner may be subject to corrective or disciplinary/adverse action. The intent is to ensure that management emphasis is given to personal accountability for travel card misuse.

While we understand there are legitimate uses of the GTCC at casinos, we believe the updated policy provides the APCs with the guidance necessary to hold commanders accountable. We request that the Director provide the date of issuance for the updated DoD Instruction.

Recommendation 1.d.1

Require Agency Program Coordinators to review the declined authorization report at least monthly.

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, disagreed, stating that the declined authorization report is not a viable tool to identify personal use. The Director also stated that the report would be difficult and time consuming for an APC to review and extract information from it that would indicate improper personal use.

Our Response

Comments from the Director did not address the specifics of the recommendation. We disagree that the declined authorization report is not a viable tool to identify personal use. For example, six of the seven cardholders reviewed included declined transactions related to attempted personal use. If DTMO officials work with Citibank and the CPMs to determine the reason codes related to personal use within the declined authorization report (for example, blocked merchants, daily ATM limit, or not enough available funding), the APCs would not spend excessive amounts of time to extract the information needed to detect personal use. Therefore, we request that the Director provide additional information, or propose an alternative course of action, on how APCs can get the information they need to periodically review declined transactions.

Recommendation 1.d.2

Require Agency Program Coordinators to use the Visa IntelliLink tool to assist in the reviews of monthly Government travel charge card activity for personal use or other misuse.

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, agreed, stating that Visa IntelliLink is a valuable tool for providing information regarding potential personal use or misuse. However, the Director also stated that Citibank Custom Reporting System is another valuable tool that provides this information. DTMO does not want to limit the APCs by requiring one tool over another, but the updated draft policy will require APCs to use either Visa IntelliLink or Citibank Custom Reporting System.

Our Response

Comments from the Director partially addressed the recommendation. We agree that the Citibank Custom Reporting System and Visa IntelliLink are both valuable tools, but disagree that requiring the use of Visa IntelliLink would limit an APC's use of the other tools. The Visa IntelliLink system includes unique features including a risk predictor score that identifies high-risk transactions, as well as a case disposition tracking system for those high-risk transactions. Neither of those functions are available in the Citibank system. Also, the Director referenced new reports in Visa IntelliLink that were designed to identify use at casinos and adult entertainment establishments, which the APCs should be required to review on a monthly basis. Therefore, we request that the Director provide additional information, or propose an alternative course of action, on how the use of Citibank Custom Reporting System will provide all information available in Visa IntelliLink.

Recommendation 1.e.1

Coordinate with the General Services Administration to determine whether the Citibank contract should be modified to require Citibank to block usage of the Government travel charge card at specific casino locations or adult entertainment establishments.

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, agreed, stating that DTMO will coordinate with GSA to determine whether the Citibank contract should be modified.

Our Response

Comments from the Director addressed the recommendation, and no further comments are required.

Recommendation 1.e.2

Coordinate with the General Services Administration to determine whether the Citibank contract should be modified to require Citibank to notify Component Program Managers or Agency Program Coordinators of potential fraudulent use or suspension of travel cards.

Defense Travel Management Office Comments

The Director, Defense Travel Management Office, agreed, stating that DTMO will coordinate with GSA and discuss with Citibank on whether it is possible and feasible to modify the contract.

Our Response

Comments from the Director addressed the recommendation, and no further comments are required.

Recommendation 2

We recommended that the Army Component Program Manager complete a review of the casino transactions and provide the results of the review to us no later than April 8, 2015.

Army Comments

The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Army Component Program Manager, stated that the transactions were reviewed and the command's comments were forwarded to the DoD OIG by April 8, 2015. The Deputy Assistant Secretary also stated that the Army will continue to respond to requests for clarification of the command comments. The Army Component Program Manager provided the results of the casino transaction review in a spreadsheet and command's comments for some Army organizations. Due to the size and amount of data in the spreadsheets, we did not include them in the report.

Our Response

Comments from the Deputy Assistant Secretary partially addressed the recommendation. The Army Component Program Manager provided results in a spreadsheet that did not include all of the Army organizations, and some results had blank responses. In addition, we determined the Army Component Program Manager did not perform sufficient reviews of all transactions. For example, he reported instances of quasi-cash¹³ transactions as appropriate use with no explanation. We believe quasi-cash transactions at casinos are strong indicators of

¹³ Transactions at a casino cage for noncash items such as gambling chips.

personal use and lead us to question the sufficiency of the review. Therefore, we returned the results to the Army Component Program Manager and request that he provide complete, sufficient results of the review to us no later than June 30, 2015.

Recommendation 3

We recommended that Navy Component Program Manager complete a review of the casino transactions and provide the results of the review to us no later than April 8, 2015.

Management Comments Required

The Navy Component Program Manager provided the results of the casino transaction review in a spreadsheet on April 9, 2015. Due to the size and amount of data in the spreadsheets, we did not include them in the report.

Our Response

The Navy Component Program Manager provided results in a spreadsheet, and some results had blank responses. In addition, we determined the Navy Component Program Manager did not perform sufficient reviews of all transactions. For example, she presented that a cardholder with three ATM transactions on the same day totaling over \$420 at Riverwind Casino, Norman, Oklahoma were not for personal use. The cardholder was authorized M&IE of only \$177.50 for the three day trip. The cardholder made the three withdrawals on the first day. The casino was located in route to the TDY locations. We believe these excessive ATM withdrawals were a strong indicator of personal use and led us to question the sufficiency of the review. We returned the results to the Navy Component Program Manager for further review and request that she provide complete, sufficient results of the review to us no later than June 30, 2015.

Recommendation 4

We recommended that Air Force Component Program Manager complete a review of the casino transactions and provide the results of the review to us no later than April 8, 2015.

Management Comments Required

The Air Force Component Program Manager provided the results of the casino transaction review in a spreadsheet on April 8, 2015. Due to the size and amount of data in the spreadsheets, we did not include them in the report.

Our Response

The Air Force Component Program Manager provided results in a spreadsheet, and some results had blank responses. In addition, we determined the Air Force Component Program Manager did not perform sufficient reviews of all transactions. For example, he presented that a cardholder with two ATM transactions on the same day totaling \$500 at Cache Creek Casino in Brooks, California were not personal use. The cardholder was authorized M&IE of only \$123.75 for the two-day trip. The cardholder had an additional ATM withdrawal of \$40 at the casino in the same day, bringing the one day total to \$540 from a casino for a 2 day trip. The cardholder was reimbursed \$11 for the ATM fees charged on his excessive cash withdrawals at the casino. In addition, the cardholder had ATM withdraws at another casino about 2 weeks later for over \$300. We believe these excessive ATM withdrawals and repeated use at casinos were strong indicators of personal use and led us to question the sufficiency of the review. We returned the results to the Air Force Component Program Manager for further review and request that he provide complete, sufficient results of the review to us no later than June 30, 2015.

Recommendation 5

We recommended that U.S. Marine Corps Component Program Manager complete a review of the casino transactions and provide the results of the review to us no later than April 8, 2015.

Management Comments Required

The U.S. Marine Corps Head of Audit Coordination, responding for the U.S. Marine Corps Component Program Manager, provided the results of the casino transaction review in a spreadsheet on April 13, 2015. Due to the size and amount of data in the spreadsheets, we did not include them in the report.

Our Response

The U.S. Marine Corps Component Program Manager provided results in a spreadsheet, and some results had blank responses. In addition, we determined the U.S. Marine Corps Component Program Manager did not perform sufficient reviews of all transactions. For example, he presented that four ATM transactions totaling over \$580 at Ultron Processing, in Kansas City, Missouri by three cardholders on the same night were not personal use. The cardholders had a combined M&IE of \$274.50. We believe these excessive ATM withdrawals were a strong indicator of personal use and led us to question the sufficiency of the review. We returned the results to the U.S. Marine Corps Component Program Manager for further review and request that he provide complete, sufficient results of the review to us no later than June 30, 2015.

Appendix

Scope and Methodology

We conducted this performance audit from August 2014 through February 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

From July 1, 2013, through June 30, 2014, DoD cardholders used their cards to make approximately 20 million transactions totaling \$3.4 billion. Although we identified other questionable merchant categories, we focused the audit on casinos and adult entertainment establishments because we believed there was a higher risk for personal use due to the nature of the businesses. We used Internet sources to obtain listings and directories of known casinos and adult entertainment establishments. We used the merchant names on those listings to identify DoD GTCC transactional data that occurred at casinos and adult entertainment establishments. Specifically, we used separate queries in the Visa IntelliLink Compliance Management system and identified:

- a universe of 24,119 GTCC transactions by 13,575 cardholders at U.S. casinos with a total value of \$3,261,727; and
- 900 GTCC transactions by 646 cardholders at adult entertainment establishments with a total-dollar value of \$96,576.

For transactions at casinos, we developed a detailed methodology and applied filters and tests to the universe to eliminate transactions that were not an indicator of misuse (such as for a hotel stay or meal at a casino restaurant while on official travel). Specifically we eliminated transactions under \$100 and then tested for the following indicators of potential personal use:

- employee not on DTS orders at the time of the transaction;
- ATM withdrawals greater than total-trip per diem;
- multiple ATMs or purchases over \$100 in the same day;
- quasi-cash transactions;
- transactions in a state other than the cardholders home state or the TDY state;
- more than four transactions over \$100 in a week; or
- more than three ATM transactions in a week.

Also indicators of potential personal use, the following required at least one other indicator to be considered as potential personal use:

- ATM withdrawals over \$300;
- ATMs in the same state as cardholder residence;
- transactions on a holiday; or
- transactions greater than two times the total lodging amount for the trip.

As a result of the 11 tests and filters above, we determined that 4,437 transactions by 2,636 cardholders totaling \$952,258, at casinos were high risk and likely for personal use.

We nonstatistically selected seven cardholders for further analysis. These cardholders were selected for different reasons, including: the number of transactions, location of the transactions, multiple adult entertainment establishments or the use of casino processing companies. We also covered all Military Services and one Defense Agency. For these cardholders, we reviewed additional transactions beyond the July 1, 2013, through June 30, 2014, scope to determine whether there was prior or subsequent abuse. We also provided a complete listing of the transactions that appeared to indicate personal use of the GTCC to the CPMs at each Military Service for their review and action as appropriate.

In addition to the individually billed travel cards, the DoD Travel Card Program has centrally billed accounts (CBAs). From July 1, 2013, through June 30, 2014, DoD used CBAs to make roughly 2.5 million transactions totaling approximately \$899 million. We reviewed DoD CBA transactions to identify any personal use of the CBA. We performed a query of all CBA transactions and identified 78 transactions at U.S. casinos totaling \$517,111 but did not identify any CBA transactions at adult entertainment establishments. We reviewed five CBA accounts with 42 transactions at casinos totaling \$489,203 and found that the transactions were proper and were not for personal use at a casino.

We interviewed:

- DTMO personnel;
- CPMs and APCs at each Military Service; and
- Citibank information technology staff managing the DoD travel card program.

We reviewed public law, the DoD FMR, and DTMO and Component-level guidance related to cardholder use and management oversight of Government travel charge cards.

Use of Computer-Processed Data

We used computer-processed data from Visa IntelliLink Compliance Management, Citi Electronic Access Systems, and DTS. The data we obtained were sufficiently reliable for the purposes of our audit, and we established data reliability based on the following information.

We used Visa's IntelliLink Compliance Management system to access Visa transactional data. Visa has extensive security standards that require merchants and issuers (banks) to comply with an industry standard known as the Payment Card Industry (PCI) Data Security Standard (DSS). According to Visa, all entities that store, process, or transmit Visa cardholder data—including financial institutions, merchants and service providers—must comply with PCI DSS. The PCI Security Standards Council oversees the security standards that include a compliance program for:

- assessing controls;
- reporting or validating controls, or both, are in place; and
- monitoring or alerting, or both, of existing controls.

The PCI DSS certification for Visa IntelliLink Compliance Management was valid through December 31, 2014.

An independent service auditor reviewed Citi's technology infrastructure in a 2013 Service Organization Control (1) Report. The auditor determined the controls were suitably designed to operate effectively and provided reasonable assurance that the control objectives were achieved and operated effectively. Calendar year 2013 includes the first 6 months of our audit scope (July 2013 through June 2014). To establish further assurance, we reviewed additional data queried from a broader time period from January 2011 through September 2014. We compared cardholder transactional information obtained from Citi and Visa that did not find any reliability issues.

In 2013, DLA completed a readiness review of DTS system controls and subsequently asserted on December 11, 2013, that the DTS information technology system control activities were ready for audit. Because the audit of DTS had not yet been conducted (scheduled for FY 2015), we verified DTS information we obtained (travel-order dates and voucher expenses) to other sources as appropriate to establish its reliability.

Use of Technical Assistance

The team met with the Quantitative Methods Division and discussed their approach during the planning phase of the audit.

Prior Coverage

During the last 5 years, we did not identify any audits related to DoD travel card personal use at casinos or adult entertainment establishments.

Management Comments

Director, Defense Travel Management Office



PERSONNEL AND
READINESS
DTMO

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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APR 20 2015

██████████
Program Director
Contract Management and Payments
Office of the Inspector General
Department of Defense
4800 Mark Center Drive
Alexandria, Virginia 22350

Dear ██████████

This letter is the Department of Defense response to your request for comments on Office of the Inspector General draft report, "DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments," dated March 23, 2015, (Project No. D2014-D000CL-0201.000). Comments on the report recommendations are enclosed.

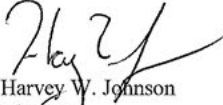
Although the report does not call attention to the fact, the Department of Defense Government Travel Charge Card program and related compliance is very strong. The report language applies a very broad stroke against all cardholders when, in reality, personal use of the Government Travel Charge Card is negligible when compared to the size and scope of the program. Accordingly, in addition to the enclosed comments, I offer the following:

- The personal use identified in the report amounts to 0.0307% of the total card spend of \$3.417 billion dollars on individually billed accounts during the period of the audit, a very strong indicator of program compliance and overall good health of the program.
- The personal use identified in the report amounts to 0.0275% of 220.118 million total transactions on individually billed accounts during the period of the audit.
- Personal use of the individually billed card, while considered misuse, does not result in the payment or loss of U.S. taxpayer dollars given that charges incurred for personal use are not reimbursed to the cardholder; the card holder must pay the cost of unauthorized or personal use transactions "out of pocket."
- Department of Defense delinquency rates for individually billed accounts averaged just over 1% for fiscal year 2015, second quarter. This compares to an industry average (per discussions with Visa and Citibank) of more than 4%. This is another strong indicator of the overall success of the program and is all the more impressive considering the Department's program is the largest travel card program in the United States.

Director, Defense Travel Management Office (cont'd)

The Department appreciates the opportunity to comment on this report. My point of contact is [REDACTED], who can be reached at [REDACTED] or [REDACTED].

Sincerely,



Harvey W. Johnson
Director
Defense Travel Management Office

Enclosure:
As stated

Director, Defense Travel Management Office (cont'd)

**Department of Defense Comments on OIG Draft Report
"DoD Cardholders Used Their Government Travel Cards for Personal Use at
Casinos and Adult Entertainment Establishments," dated March 23, 2015.
(Project No. D2014-D000CL-0201.000)**

Recommendation 1a: "Establish a working group with the Military Services, Defense agencies, and bank representatives to determine what tools, techniques, or technologies are most appropriate to prevent or identify personal use of the Government travel charge card at casinos and adult entertainment establishments. Specifically the tools, techniques or technologies should enable Agency Program Coordinators to identify:

1. Travel card transactions that do not have associated travel status in Defense Travel System or other DoD travel systems;
2. Automated teller machine withdrawals that exceed the overall meal and incidental expense amounts while in a travel status;
3. Travel card transactions that occur at specific known casinos, casino-processing centers, and adult entertainment establishments;
4. Travel card declined authorization activity that could indicate personal use;
5. Travel card activity outside the official Government travel location."

Response: Agree in Part. While we agree with the need to work closely with the Military Services, Defense Agencies, and bank representatives to determine what tools, techniques, or technologies are most appropriate to prevent or identify personal use of the Government Travel Charge Card (GTCC), we do not agree that a specific working group needs to be established to do so. The Defense Travel Management Office (DTMO) is, and has always been, thoroughly engaged with the Component Program Managers (CPMs) and Citibank on a daily basis, as well as through regularly recurring quarterly meetings and program reviews. We will continue to engage through the aforementioned forums to ensure the continued successful management of the program.

Our efforts will continue to focus on improved and more prevalent usage of the existing reporting and data mining tools made available by Citibank (the Citibank Customer Reporting System) and Visa (IntelliLink©) to identify potential personal use of the card. Pursuant to the research and audit phase of this project, we conducted refresher training on these tools and will also include training courses for our APCs on the use of these tools at the GSA SmartPay Forum currently being scheduled for later this year. We have already created new reports in the Visa IntelliLink© tool to identify use at casinos and adult entertainment establishments, and continue to conduct visioning sessions focused on reporting with Citibank and Visa.

While the report identified the expansion of the DTMO Compliance Tool as a potential means to identify personal use, the Compliance Tool was specifically developed to identify and assist with the recovery of improper and/or overpaid travel reimbursements in accordance with the requirements of the Improper Payments Elimination and Recovery Act (IPERA) of 2010. As such, it will provide the Department with an estimated \$20

Director, Defense Travel Management Office (cont'd)

million annual return on investment when fully developed to include all planned queries. There would be no similar return on investment to enhance the tool to identify potential personal use of the travel card, since such use does not result in an improper payment or reimbursement to the traveler. As noted above, we will use other methods to identify improper personal use of the GTCC.

Recommendation 1b: “Determine the feasibility of deactivating travel cards and reducing card limits for cardholders while not on official travel.”

Response: **Agree.** It is current DoD policy, and OMB guidance, to deactivate restricted accounts for cardholders not in a travel status. We are currently working with Citibank and our CPMs to improve enforcement of this policy.

Recommendation 1c: “Revise the DoD Financial Management Regulation, volume 9, chapter 3, to include examples of merchant categories that are considered high risk for personal use, such as casinos and adult entertainment establishments.”

Response: **Disagree.** DoD policy contained in DoDFMR, Volume 9, Chapter 3, Paragraph 030301 and 030103 clearly prohibits card use for other than official authorized expenses in support of official travel. To help clarify what types of expenses are authorized, our current draft update includes a reference to the Joint Travel Regulations. Additionally, based on the extremely low percentage of transactions and related spend identified in the report, personal use at casinos and/or adult entertainment establishments, while high risk in nature, does not appear to be a critical problem within the DoD travel card program. However, we do take the issue of personal use seriously and our training material includes this topic.

Recommendation 1d1: “Require APCs to review the declined authorization report at least monthly.”

Response: **Disagree.** The Declined Authorization Report is not a viable tool to identify personal use transactions because there are many different reasons that a transaction may be declined that have no relationship to improper personal use. For example, a transaction could be declined due to an incorrect travel card profile in DTS, the card not being activated in support of official/authorized travel, or an insufficient available credit limit in support of official/authorized travel. It would be very difficult and time consuming for an APC to review this report and distill from it the information that would indicate improper personal use.

Recommendation 1d2: “Require APCs to use the Visa IntelliLink© tool to assist in the reviews of monthly GTCC activity for personal use or other misuse.”

Response: **Agree in Part.** We agree that the reports from Visa IntelliLink© provide information regarding potential personal use or other misuse and are a valuable tool. The Citibank Custom Reporting System is another valuable tool that also provides this information. Rather than limiting our APC with a requirement to use one tool over the

Director, Defense Travel Management Office (cont'd)

other, the draft update to our current program regulations gives our APCs the flexibility to use whichever reporting tool they are most comfortable and familiar with.

Recommendation 1e1: “Coordinate with the General Services Administration to determine whether the Citibank contract should be modified to require Citibank to block usage of the GTCC at specific casino locations or adult entertainment establishments.”

Response: Agree. We will coordinate with the General Services Administration (GSA) on this issue.

Recommendation 1e2: “Coordinate with the General Services Administration to determine whether the Citibank contract should be modified to require Citibank to notify CPMs or APCs of potential fraudulent activity or suspension of travel cards.”

Response: Agree. We will coordinate with GSA on this issue and enter into discussions with Citibank regarding possibility and feasibility.

Deputy Assistant Secretary of the Army (Financial Operations)



DEPARTMENT OF THE ARMY
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APR 15 2015

SAFM-FO

MEMORANDUM FOR U.S. Army Audit Agency, 6000 6th Street, Building 1464, Fort Belvoir, VA 22060-5609

SUBJECT: Department Of Defense Inspector General Draft Report, 23 March 2015: Department of Defense Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments (D2014CL-0201)

1. Below is the reply to the draft recommendations from the subject report from the Deputy Assistant Secretary of the Army (Financial Operations):
 - a. Recommendation 1: We recommend the Army Component Program Manager complete a review of the casino transactions and provide the results of the review to us no later than April 8, 2015.
 - b. Action Taken: Transactions were reviewed and original spreadsheets containing command comments and action taken were forwarded to the Department Of Defense Inspector General (DoDIG) by April 8, 2015. We will continue to respond to DoDIG requests for clarification of command comments as required.
3. The point of contact is [REDACTED] the Army Defense Travel System Program Manager. He can be reached by at [REDACTED], or by e-mail at [REDACTED]


Laura N. Jankovich
Deputy Assistant Secretary of the Army
(Financial Operations)

Acronyms and Abbreviations

APC	Agency Program Coordinator
ATM	Automated Teller Machine
CBA	Centrally Billed Account
CPM	Component Program Manager
DLA	Defense Logistics Agency
DTMO	Defense Travel Management Office
DTS	Defense Travel System
FMR	Financial Management Regulation
GSA	General Services Administration
GTCC	Government Travel Charge Card
M&IE	Meals and Incidental Expenses
MCC	Merchant Category Code
TDY	Temporary Duty

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U.S. DEPARTMENT OF DEFENSE

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For more information about DoD IG reports or activities, please contact us:

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