



Highlights of [GAO-03-147](#), a report to Congressional Requesters

## Why GAO Did This Study

Poor oversight and management of DOD's travel card program has led to high delinquency rates, costing DOD millions in lost rebates and increased ATM fees. As a result, the Congress asked GAO to report on (1) the magnitude, impact, and cause of delinquencies, (2) the types of fraudulent and abusive uses of the travel card, and (3) the effectiveness of internal controls over DOD's travel card program. GAO previously reported on travel card management at the Army. This report focuses on travel card management at the Navy, including the Marine Corps.

## What GAO Recommends

GAO makes numerous recommendations to the Navy in the areas of card issuance, account monitoring, and disciplinary actions, including:

- evaluate the feasibility of deactivating all cards when the cardholders are not on authorized travel;
- review the adequacy of program staffing;
- provide sufficient training to APCs to ensure proper oversight of the travel card program, including effective monitoring for inappropriate transactions; and
- review security clearances of cardholders with financial problems.

[www.gao.gov/cgi-bin/getrpt?GAO-03-147](http://www.gao.gov/cgi-bin/getrpt?GAO-03-147).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-9505 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

# TRAVEL CARDS

## Control Weaknesses Leave Navy Vulnerable to Fraud and Abuse

### What GAO Found

As of March 31, 2002, over 8,000 Navy cardholders had \$6 million in delinquent debt. For the prior 2 years, the Navy's average delinquency rate of 12 percent was nearly identical to that of the Army, which had the highest federal agency delinquency rate. Since November 1998, Bank of America had charged off nearly 14,000 Navy accounts totaling almost \$17 million, and placed many more in a salary offset program similar to garnishment.

During the period covered under this review, over 250 Navy personnel might have committed bank fraud by writing three or more nonsufficient fund (NSF) checks to Bank of America. In addition, as shown in the table, many cardholders abusively used the card for inappropriate purchases including prostitution and gambling without Navy management being aware of it. Many of these purchases were made when individuals were not on travel.

Category	Examples of vendors	Number of transactions	Dollar amount
Legalized brothels	James Fine Dining, Chicken Ranch	80	\$13,250
Jewelry	Kay Jewelers	199	20,800
Gentlemen's clubs	Spearmint Rhino, Cheetah's Lounge	247	28,700
Gambling	Seinpost Holding	80	34,250
Cruises	Carnival, Norwegian	72	38,300
Sports, theatre, and concert tickets	New York Yankees, Ticketmaster	502	71,400

The Navy's overall delinquency and charge-off problems were primarily associated with lower-paid, low- to midlevel enlisted military personnel. A significant relationship also existed between travel card fraud, abuse, and delinquencies and individuals with substantial credit history problems. For example, some cardholders had accounts placed in collections while others had filed bankruptcies prior to receiving the card. The Navy's practice of authorizing issuance of the travel card to virtually anyone who asked for it compounded these problems.

We also found inconsistent documented evidence of disciplinary actions against cardholders who wrote NSF checks, or had their accounts charged off or put in salary offset. Further, almost one-half of these cardholders still had, as of August 2002, active secret or top-secret clearances. Other control breakdowns related to the Navy's failure to provide the necessary staffing and training for effective oversight, and infrequent, or nonexistent, monitoring of travel card activities.

As a result of these and similar findings in the Army travel card program, the recently enacted fiscal year 2003 Defense Appropriations Act included provisions requiring the Secretary of Defense to establish guidelines and procedures for disciplinary actions and to deny issuance of the travel card to individuals who are not creditworthy.