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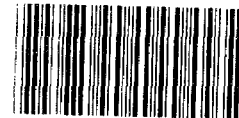
Testimony

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State Department's Management of
Its Travel Advance Funds

Statement of
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Before the
Legislation and National Security Subcommittee
House Committee on Government Operations



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Mr. Chairman, Members of the Subcommittee:

I am pleased to be here to discuss our observations on the Department of State's management of its travel advance funds and its efforts to resolve previously identified problems relating to these funds.

Although the Department reported that its problems with travel advance funds had been largely resolved in the last 2 years, our review indicated that the long-standing problems described before your Subcommittee in 1985 continued as of the close of fiscal year 1987. In some ways, the situation has become worse.

Our review showed that the Department still did not have an effective system to monitor and report on travel advances and to collect unused travel advance funds. As a result, the number of overdue or delinquent accounts increased from 8,100 in 1985 to 19,800 in 1987. The amount of State's overdue or delinquent travel advances increased from about \$10 million in 1985 to about \$15.4 million in 1987.

A lack of adequate management controls, a failure to follow federally prescribed standards, and a failure to strictly enforce existing procedures have caused these recurring systemic problems. We should note that in recent weeks Department officials have acknowledged that they must devote substantial efforts to improve management controls at all levels, both domestic and overseas. They have initiated some actions that should help in managing

future travel advances, but these actions will not resolve problems associated with existing travel advances.

BACKGROUND

Each year the Department of State provides millions of dollars in travel advances to its employees, as well as to private citizens traveling under the auspices of the agency. Travel advances cover expenses such as food, lodging, and local transportation. Advances are provided to cover expenses for temporary duty and permanent changes of station.

Since 1982 chronic backlogs of unliquidated travel advances have been reported. Travelers have not complied with a provision in the Foreign Affairs Manual requiring them to submit a voucher for their expenses and/or to refund unspent amounts within 30 days following completion of their travel.

In September 1985 we reported¹ that (1) about \$10 million of the Department's outstanding \$10.9 million in travel advance funds was delinquent, (2) many of State's records on travel advances were missing key information or contained inaccurate data, (3) the Department did not have sufficient staff to manage the workload, and (4) inadequate management of travel advance funds had resulted in write-offs of sizable amounts as uncollectible.

¹State Department and USIA Ship Travel and Travel Advances
(GAO/NSIAD-85-130, Sept. 11, 1985).

Acknowledging that it had significant internal control problems with its travel advances, State's December 1986 Federal Managers' Financial Integrity Act (FIA) report² indicated that the Department had undertaken a vigorous program to recover outstanding travel advances within 30 days following completion of a trip. In its December 1987 FIA report, State indicated that significant improvements had been made in expediting the collection of delinquent travel advances. However, our review indicated that significant problems still existed.

OVERDUE TRAVEL ADVANCES

Travel advances can be obtained or liquidated both in the United States and overseas. As of October 1987, State had about 23,200 outstanding travel advance accounts totaling \$20.6 million. State Department records show that about \$15.4 million, or 75 percent, of the outstanding travel advances was overdue. About 15,600 accounts, totaling about \$8.3 million, had been outstanding more than 4 months, including about \$3.6 million that had been outstanding for more than a year.

STATE HAS NOT FULLY USED AVAILABLE REMEDIES TO COLLECT OUTSTANDING TRAVEL ADVANCES

The Department has not fully used readily available remedies to reduce the delinquent travel advance accounts.

²The Federal Managers' Financial Integrity Act of 1982 requires federal agencies to evaluate their internal control systems and report annually to the President and the Congress on their systems and plans to correct identified weaknesses.

-- State has used payroll deductions to collect only a small portion of the long overdue travel advance accounts. In 1987 State collected about \$113,000 in overdue travel advance funds through payroll deductions as compared to about \$49,000 in 1986 and \$114,000 in 1985. The Department has been reluctant to send out dunning notices (a prerequisite to payroll deductions) because of inaccuracies in its data, backlogs in voucher processing, and inadequate staffing to do a detailed review of the accounts.

-- According to government-wide Federal Travel Regulations,³ a travel advance should not exceed 80 percent of the minimum expenses a traveler is expected to incur. The Department applies this rule for its Civil Service employees. However, under a negotiated agreement with the American Foreign Service Association (the union for Foreign Service employees), State agreed to provide 100 percent of expected travel costs to its Foreign Service employees.⁴ State recently told us that it has now concluded that it does not have authority to provide the 100 percent and it intends to follow the government-wide regulations on this matter beginning in June 1988.

³Federal Travel Regulations 1-10.3 (FPMR 101-7, GSA Bulletin FPMR A-40, Supp. 20., effective July 1, 1986).

⁴According to an official in State's Travel Advance Office, Foreign Service employees represent the large majority of State's travelers.

- State had recognized in 1985 that the number and amount of travel advances could be significantly reduced by extensive use of a charge card program for its frequent travelers, because advances to travelers using the charge card can be kept to a minimum. However, only about 500 of State's 16,000 Foreign Service and Civil Service employees had been issued the cards as of December 1987.

- The Debt Collection Act of 1982 requires federal agencies to (1) charge interest on delinquent debts, (2) assess a penalty on debt more than 90 days overdue, and (3) charge for the cost of processing the claim. A State Department regulation⁵ also calls for the collection of interest. However, State Department officials told us that no interest, penalty, or processing costs had been charged because (1) the Department's accounting system did not allow for computation of interest and (2) travelers might have actually incurred expenses against their travel advances.

- State officials advised us that they do not have sufficient recourse to recover advances made to private citizens and personnel of other federal agencies traveling under the auspices of the State Department. However, they have not (1) established arrangements with other federal agencies to assist in obtaining unliquidated travel advances from their employees, (2) pursued the option of recovering delinquent debts through the offsetting

⁵4 FAM 488 1-1.b.

of income tax refunds as authorized under the Deficit Reduction Act of 1984, or (3) established procedures for reporting delinquent debts to consumer reporting agencies (e.g., credit bureaus) as required under the Code of Federal Regulations.⁶

WRITE-OFFS OF TRAVEL ADVANCES
CONSIDERED UNCOLLECTIBLE

State's financial reports to the Department of the Treasury show that State wrote off travel advances of \$660,000 in fiscal year 1986 and \$26,000 in fiscal year 1987. However, State could provide the required back-up documentation⁷ to support write-offs for only about \$42,000. Recently, State officials told us the \$660,000 in write-offs was too high, but they did not know the correct amount. If their assertion is correct, then the \$15.4 million in delinquent accounts is understated.

State has authorized the Associate Comptroller for Financial Operations to write off as uncollectible travel advance accounts up to \$25 for State employees and up to \$500 for non-State travelers when appropriate. However, from the documentation that State provided for the \$42,000 in write-offs, we learned that State had written off some accounts that exceeded those limits for current

⁶4 CFR 102.5.

⁷Write-offs are to be documented on a State form, "Travel Advance Control Checklist and Approval for Removing an Account from the Travel Advance Allotment." This form shows the traveler's name, address, social security number, and relevant accounting data, and whether the traveler was or was not a State employee.

and former employees as well as non-State travelers. For example, State had written off

-- 22 accounts involving current State employees, totaling \$8,000 and ranging from \$32 to \$1,150;

-- 12 accounts involving former employees, totaling about \$12,800 and ranging from \$210 to \$2,566 (several of these former State employees now work for other U.S. agencies, according to State records); and

-- 15 accounts involving non-State travelers, totaling about \$16,500 and ranging from \$525 to \$2,000.

LACK OF ADEQUATE
INTERNAL CONTROLS

The Department readily acknowledges that it has had significant weaknesses in its accounting for travel advances but asserts that implementation of a new Financial Management System will enhance management controls and provide the "sorely-needed" ability to monitor and liquidate outstanding travel advances in a timely manner. However, under the initial phase of this new system, scheduled to begin operations in October 1988, only new travel advances will be processed. In the meantime, the Department's lack of adequate internal controls continues to create serious weaknesses in managing existing travel advances.

Bogus Transactions

Our review showed that State had used a highly irregular technique to adjust hundreds of travel advance accounts. Rather than formally writing off these accounts or making appropriate adjusting entries in the records, State Department officials transferred the balances of these accounts to accounts with fictitious names and social security numbers.

According to Department officials (1) the original travel advance accounts had remained on the Department's books for years, (2) no documentation was available to substantiate the transactions, (3) no one could tell whether travel had taken place, and (4) the involved fiscal year obligation accounts were no longer open.

We found transactions with fictitious names and social security numbers dating from as early as 1983 to as late as 1987. Hundreds of transactions were made under such names and social security numbers as

Prayut Setlabtr, W00-00-1974

State Finance, W00-00-1975

Francis White, 219-09-0923

Ludwig Van Beethoven, 123-45-6789

In addition we obtained documents which indicate that fictitious names such as Robert Ray (W00-00-1974) and "Set Lab" had also been used.

State officials said they do not have a clear accounting of the total number of transactions involved, the amount, or who authorized this procedure. However, they offered the following explanations as possible reasons why these old accounts were being adjusted: (1) amounts had been improperly recorded, (2) travel advances had not been entered into the system, and/or (3) the corresponding travel voucher could not be linked with the travel advance because they had different account numbers or different social security numbers.

Based on the data we have, we cannot say whether or to what extent the laws and regulations concerning fraud or falsification of records have been violated. State officials told us they are now in the process of reviewing these transactions. We believe State needs to develop a full accounting for these transactions and an assessment of the internal controls that allowed them to occur.

Other Weaknesses in Internal Controls

We noted various other internal control problems. For example:

-- A September 1987 report indicated that State's computer system had dropped a number of accounts, but Department officials could not explain why. State officials indicated that they had accidentally learned that the accounts had been mistakenly closed even though the travelers still owed the Department money. One official told us that State did not know the number of accounts or the total amount involved and had not undertaken

any concentrated effort to reconcile the accounts or discover which accounts had been inadvertently closed.

- State officials indicated that if a traveler received multiple travel advances and submitted a voucher for the full amount of one, the computer system might close out all the advances.
- According to State officials, when an employee resigns or retires from the Department, they have procedures to ensure that the employee has no remaining outstanding financial obligations, yet we found outstanding travel advances in accounts of former employees because such procedures were not always effectively implemented.

STAFF/WORKLOAD PROBLEMS

In 1985 we pointed out that the Department had five people to staff the travel advance control unit. As of October 1987, the Department had seven authorized travel advance staff positions, but only two were filled. State officials attributed the problem to their inability to hire and retain personnel. The Department had detailed three persons as claims assistants, but they were assigned to other tasks as well. State officials told us that inadequate staffing and high employee turnover continued to adversely affect operations, such as creating backlogs of unprocessed vouchers.

STATE HAS NOT BEEN FOLLOWING GOVERNMENT-WIDE STANDARDS

The GAO Policy and Procedures Manual for Guidance of Federal Agencies sets forth the principles, standards, and related

requirements that federal agencies are required to meet. However, the State Department is not following these procedures relating to travel advances. For example, accounts and records of individual outstanding travel advances are not being annually reconciled, and periodic reviews and analyses of outstanding travel advances are not being used to ensure that prompt recovery is made of all advances determined to be in excess of the immediate needs of travelers.

RECENT INITIATIVES

In recent weeks, State Department officials have acknowledged that they must devote more effort to improving management controls. They are now processing more temporary duty travel vouchers through the U.S. Department of Agriculture's National Finance Center and issuing more Diners Club charge cards to domestic personnel.

These recent actions, plus the implementation of the new financial management system, are good steps for the future, but they will not resolve such problems as those involving travel advance funds that are already overdue or controls over future non-State advances.

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This concludes my prepared remarks. I will be happy to respond to any questions you may have.