

GAO

Report to the Chairman, Legislation and
National Security Subcommittee,
Committee on Government Operations,
House of Representatives

August 1988

INTERNAL CONTROLS

State Department Needs to Improve Management of Travel Advances



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**National Security and
International Affairs Division**

B-218977

August 15, 1988

The Honorable Jack Brooks
Chairman, Legislation
and National Security Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In response to your request, we examined the Department of State's management of its travel advance funds and reviewed the Department's efforts to resolve previously identified problems in handling such funds.

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 had become worse. The Department still did not have an effective system to monitor and report on travel advances and to liquidate outstanding travel advances. While the annual number of travel advances issued did not increase significantly, the number of overdue or delinquent accounts increased from 8,100 in 1985 to 19,800 in 1987. According to State records, the amount of State's overdue or delinquent travel advances increased from about \$10 million in 1985 to about \$15.4 million in 1987.¹

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. Recently, State officials have initiated some actions that should help in managing future travel advances, but they will not resolve the problems associated with existing travel advances.

This letter summarizes our findings and contains a number of recommendations for improving the Department's controls over its travel advance funds. Appendix I presents more details about our findings, and appendix II assesses the extent of the Department's compliance with the 1986 recommendations of your Subcommittee.

¹The outstanding travel advance balances may or may not have been expended. However, if travel vouchers have not been submitted, the travelers have not accounted for the advances they received.

Overdue Travel Advances

State regulations require travelers to repay their travel advances by submitting a travel voucher and/or returning unused travel funds within 30 days following completion of travel or immediately in the event of postponement or cancellation of travel; otherwise, the travel advances will be considered delinquent. Travelers can obtain or liquidate advances 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

Our review showed that the State Department had not fully used readily available remedies to reduce the delinquent travel advance accounts.

- State used payroll deductions to collect only a small portion of the long overdue travel advances. State officials have been reluctant to issue dunning notices, a prerequisite to payroll deductions, because of inaccuracies in their data, backlogs in voucher processing, and inadequate staffing to research the delinquent accounts.
- In line with federal travel regulations, State has limited travel advances to Civil Service employees to 80 percent of expected expenses. However, State has been providing its Foreign Service employees (who comprise the majority of State travelers) 100 percent of expected travel costs under a negotiated agreement with the union for Foreign Service employees. State passed up two opportunities to renegotiate the agreement to bring it into conformance with the 80-percent criteria.
- As of December 1987, only about 500 of State's 16,000 Foreign Service and Civil Service employees had been issued charge cards as a means of keeping the amount of travel advances issued to a minimum.
- State Department has not assessed interest, penalties, or handling charges on delinquent travel advance accounts, as required by the Debt Collection Act of 1982, because (1) the Department's accounting system does not allow for computation of interest, and (2) travelers may have incurred expenses against their travel advances.
- State has not established arrangements with other federal agencies to assist in obtaining unliquidated travel advances from their employees who traveled under State auspices. Also, it has not used other possible remedies, such as (1) offsetting income tax refunds, (2) reporting delinquent debt to consumer reporting agencies, and (3) offsetting from an

additional request for travel advances the individual's unliquidated balance from prior advances.

Insufficient Documentation for Write-Offs of Travel Advances

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 documentation to support only about \$42,000, or 6 percent of these write-offs. Recently, State officials told us the \$660,000 figure was too high, but they did not know the correct amount. If the total amount written off is too high, then some of these advances are still delinquent, and the total amount reported as delinquent travel advances is understated.

From the documentation State did have, we found that State had written off, as uncollectible, some accounts that exceeded its own authorized limits for current and former employees as well as non-State travelers.

Lack of Adequate Internal Controls

The Department readily acknowledged that it has had significant weaknesses in accounting for its travel advances. For example, the Department advised us that its tracking and reporting capabilities were "totally inadequate" for controlling or monitoring travel advances issued worldwide by the Department.

The Department asserts that implementation of its 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, the initial phase of this new system, scheduled to begin operations in October 1988, will only process new travel advances. In the meantime, the Department's lack of adequate internal controls continues to create serious weaknesses in managing existing travel advances, and its controls do not meet the internal control standards established for the federal government by the U.S. Comptroller General.²

Bogus Transactions

Our review showed that in the past few years State had used a highly irregular technique to adjust hundreds of travel advance accounts. Rather than formally writing off these accounts or making appropriate

²Standards for Internal Controls in the Federal Government (June 1983), United States General Accounting Office.

adjusting entries in the accounting records, State Department officials transferred the balances of these accounts to accounts with fictitious names, such as Ludwig Van Beethoven, and social security numbers. State officials told us that they do not have a clear accounting of the total number of transactions involved, the amount of money involved, or who authorized this procedure.

Based on available data, we could not determine whether or to what extent, if any, the laws and regulations concerning fraud or falsification of records have been violated. However, State officials told us recently that they are now reviewing these transactions.

Other Weaknesses in Internal Controls

Our review also showed various other internal control weaknesses. For example, (1) according to a State report, the Department had mistakenly closed a number of travel advance accounts because of computer problems even though the travelers still owed the Department money; (2) State's Special Accounts and Collection unit did not record all delinquent accounts that were reportedly transferred to it on its records, and consequently it made no collection effort; (3) if a traveler received multiple advances and submitted a voucher for the full amount of one, State's computer occasionally closed out all the advances; (4) because existing procedures were not always effectively implemented, employees retired or resigned without liquidating outstanding travel advances; and (5) some travel advances had been provided to travelers based on applications not signed by an authorizing official.

Staff/Work-Load Problems

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 at low grades and to the limited career ladder opportunities. 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 had continued to adversely affect operations (e.g., had created a backlog of unprocessed vouchers).

State Has Not Been Following Government-Wide Standards

The State Department has not followed government-wide requirements relating to travel advances. For example, because of staffing limitations, State has not annually reconciled accounts and records of individual outstanding travel advances and periodically reviewed them to ensure prompt recovery of advances in excess of the immediate needs of travelers.

State Filed Misleading Financial Integrity Act Reports

State's December 1986 Federal Managers' Financial Integrity Act report³ indicated that the Department had undertaken a vigorous program to recover outstanding travel advances within 30 days following completion of travel. In December 1987, State reported that it had made significant improvements in expediting the collection of delinquent travel advances. However, in light of the deficiencies noted in this report, State assessments of its progress reflected a better situation than actually existed.

Recent Initiatives

In April 1988, State Department officials acknowledged that they must devote more effort to improving management controls. They advised us that they were currently processing more temporary duty travel vouchers through Agriculture's National Finance Center, where they are processed at a faster rate, and were issuing more charge cards to U.S.-based employees.

These recent actions and 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 travelers.

Conclusions

The State Department has not adequately resolved its travel advances problems. Substantial vulnerability to fraud, waste, and abuse still exists. Despite promised corrective action, in some ways, the situation regarding the Department's delinquent travel advances has grown worse. Internal controls are still seriously flawed, as State has not followed applicable laws and regulations concerning travel advances, and it has not fully used available remedies to clear delinquent accounts. While State is working to improve its financial management system as a

³The 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.

long-term solution to these problems, the Department's management of travel advances needs to be substantially and quickly upgraded.

Recommendations

We recommend that the Secretary of State take immediate steps to

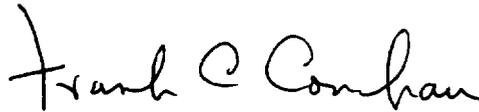
- make full use of the Department's authority to collect delinquent advances from employees through payroll deductions;
- limit the amount of travel advances to Foreign Service employees to 80 percent of estimated reimbursable expenses, in conformance with government-wide regulations;
- assess interest, penalties, and processing charges on all delinquent travel advances, as required by the Debt Collection Act of 1982;
- use available remedies to liquidate delinquent advances to non-State travelers, such as (1) making appropriate arrangements with other agencies for their help, (2) offsetting income tax refunds, and (3) reporting delinquent debts to consumer reporting agencies;
- offset from any future request for travel advances an individual's unliquidated balance from prior advances or deny further advances to anyone with a delinquent account;
- file amended reports for fiscal years 1986 and 1987 with the Department of the Treasury to reflect only write-offs that have been properly documented, and reevaluate the documented write-offs that exceeded the authorized limits, especially those involving current and former federal employees, with a view toward having these individuals properly liquidate their accounts rather than State declaring them uncollectible;
- perform a detailed evaluation of State internal controls over travel advances, assessing State's vulnerability to fraud, waste, and abuse in the handling of travel advances, and taking corrective action on identified problems;
- review the bogus transactions, make adjustments to correct the records, assess the extent that laws and regulations may have been violated, and ensure adequate internal controls are in place to prevent any future fictitious accounting entries;
- reconcile the accounts and records of each individual outstanding travel advance, in line with government-wide regulations, prior to transferring these accounts to the new financial management system;
- ensure that adequate resources are devoted on a continuing basis to properly controlling travel advances; and
- amend State's 1987 Federal Managers' Financial Integrity Act report on its management of travel advances to make it accurately reflect the actual status of State's efforts to correct identified weaknesses.

The objectives, scope, and methodology of our review are described in appendix III.

As you requested, we did not obtain official agency comments on a draft of this report. However, we incorporated throughout the report the State Department's views and perspectives obtained from its written responses to a series of 25 questions on the issues discussed in the report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to other congressional committees; the Secretary of State; and the Director, Office of Management and Budget. We will also make copies available to others on request.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

FIA Financial Integrity Act
FAM Foreign Affairs Manual

Problems With State Department's Management of Travel Advance Funds

The Department of State, in its 1987 Federal Managers' Financial Integrity Act (FIA) report, advised the Congress that the problems with its travel advance funds had been largely resolved in the last few years. However, we found that the problems identified during the 1985 hearings before the Legislation and National Security Subcommittee, House Committee on Government Operations, remained largely unresolved. In some ways, the situation had become worse, as discussed below.

Background

Each year the Department of State provides millions of dollars in travel advances to its employees as well as private citizens and officials from other agencies traveling under the auspices of the agency. Travelers can obtain or liquidate advances both in the United States and overseas. Department of State records show that over \$20 million in advances was outstanding as of October 1987. Travel advances cover expenses such as food, lodging, and local transportation (a traveler's transportation costs, e.g., plane or train fare, are generally paid for through another means). State provides advances to cover expenses for temporary duty as well as permanent changes of station.

The Foreign Affairs Manual (FAM) requires travelers receiving advances to submit a voucher for their expenses and/or refund unspent amounts within 30 days following the completion, indefinite postponement, or cancellation of their travel.

Monitoring and liquidating travel advances have been long-standing problems for the State Department as shown by the following disclosures:

- In a 1982 letter to State's Under Secretary for Management, the Department's Comptroller identified four major reasons for a backlog of uncollected travel advance funds: (1) employees failed to promptly liquidate advances as required by the travel regulations; (2) Department fund managers lacked commitment to monitor and collect travel advance reimbursements; (3) accounts contained errors and faulty data; and (4) insufficient staff were available to track, process, and maintain accounts.
- State's Inspector General noted that as of September 1983, outstanding travel advances totaled \$8.9 million, of which \$4.9 million was delinquent due to the problems noted earlier by State's Comptroller.

- In September 1985, we reported¹ that (1) as of January 1985, \$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 \$411,000 as uncollectible.
- In October 1985, the Under Secretary of State for Management called for corrective action on the chronic travel advance delinquency problem and stated:

"These outstanding accounts have in some instances accumulated to outrageous totals, and the result is Congressional skepticism that the Department can truly keep its own house in order. I would ask that all Chiefs of Mission and Principal Officers overseas—as well as Office Directors and other responsible officials in Washington—take a personal interest in ensuring that travel vouchers are completed in a timely fashion. If we cannot turn this situation around, I am quite prepared to pillory the worst offenders or take whatever action is needed to enforce discipline in this area."

- In an April 1986 report, the House Committee on Government Operations concluded that serious and long-standing internal control weaknesses had plagued State's management of its travel advances, and the Committee made four recommendations to State to improve the management of travel advances. (Appendix II sets forth these recommendations and assesses the extent to which State has implemented them.)

Acknowledging that it had significant internal control problems with its travel advances, State's December 1986 FIA report 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 1987 in expediting the collection of delinquent travel advances. The report states that (1) more than 50 percent of the delinquent accounts from previous years had been resolved by a special management review team assigned to the Travel Advance Section; (2) progress had been made in resolving technical data transmission problems from overseas posts; (3) delinquent accounts were being referred to the payroll system for offset action in a more timely fashion than was previously possible; (4) under a cross-servicing agreement, the Department of Agriculture's National Finance Center was processing

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

temporary duty travel vouchers for State in less than 10 days; and (5) the number and amount of travel advances issued domestically were being reduced by the implementation, on a bureau-by-bureau basis, of the Diner's Club Government Charge Card Program for employees. Our review showed, however, that State's assessment of its progress reflected a better situation than actually existed.

Overdue Outstanding Travel Advances

Despite the improvements indicated in its FIA reports, State Department records show that both the number and dollar amount of delinquent travel advance accounts increased. Although the number of accounts issued did not increase significantly, the number of overdue or delinquent accounts increased from 8,100 in 1985 to 19,800 in 1987. The amount of overdue or delinquent travel advances increased from about \$10.0 million in 1985 to about \$15.4 million in 1987, an increase of 54 percent.

As of October 1987, State had about 23,200 outstanding travel advance accounts totaling \$20.6 million after estimated travel completion dates. State Department records showed 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. (See table I.1.)

Table I.1: Outstanding Travel Advances (As of October 7, 1987)

Days Due ^a	Change of station		Temporary duty		Total outstanding	
	Accounts	Amount	Accounts	Amount	Accounts	Amount
0-30	705	\$1,150,011	2,705	\$4,036,250	3,410	\$5,186,261
31-60	623	1,418,091	1,095	1,359,667	1,718	2,777,758
61-90	403	910,246	944	1,448,298	1,347	2,358,544
91-120	223	337,905	914	1,666,797	1,137	2,004,702
Over 121	8,208	4,180,216	7,415	4,081,379	15,623	8,261,595
Total	10,162	\$7,996,469	13,073	\$12,592,391	23,235	\$20,588,860

^aAfter travel completion.

State Has Not Fully Used Available Remedies to Collect Outstanding Travel Advances

Many of State's travelers failed to comply with the requirement to submit a voucher and/or refund within 30 days. As of October 7, 1987, more than 19,800 individual travel advance accounts were overdue or delinquent, with balances ranging from less than \$1 to \$34,343. By not repaying the unexpended portion of travel advances, travelers in essence had interest-free loans, and in some cases accounts outstanding for several years were written off as uncollectible.

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

- State has used payroll deductions to collect only a small portion of the long overdue travel advance accounts. In 1987 State collected only about \$113,000 in overdue travel advance funds through payroll deductions as compared to about \$49,000 in 1986 and \$114,000 in 1985, although the number of delinquent accounts had increased significantly. 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 regulations² established in 1986, a travel advance should not exceed 80 percent of the minimum travel expenses a traveler is expected to incur. The Department applied 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 provides 100 percent of expected travel costs to its Foreign Service employees.³ Since 1986 State has failed to revise its agreement with the union during two subsequent renegotiation opportunities to bring the agreement in conformance with the 80-percent criteria. In 1987, State did not provide the union with proper notice about renegotiating this matter within the specified time frames set forth in the contract. In 1988, State misinterpreted a proposal by the Office of Management and Budget to revise the government-wide travel advance regulations and decided not to pursue the matter.
- State 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 could be kept to a minimum. However, only about 500 of

²Federal Travel Regulations 1-10.3 (FPMR 101-7, GSA Bulletin FPMR A-40, Supp. 20., effective July 1, 1986).

³According to officials in State's Travel Advance Office, Foreign Service employees represent about 90 percent of State's travelers.

State's 16,000 Foreign Service and Civil Service employees had been issued such charge cards as of December 1987.

- In its fiscal year 1987 FIA report, State indicated that under an April 1987 agreement with Agriculture's National Finance Center, travel vouchers for State were processed in less than 10 days. However, we found that for fiscal year 1987, State had referred only 213 vouchers for temporary duty travel to the National Finance Center and that using the National Finance Center was an option for State's various bureaus.
- The Debt Collection Act of 1982 requires federal agencies to (1) charge individuals interest on delinquent debts, (2) assess a penalty on debt more than 90 days overdue, and (3) charge for the cost of processing and handling a delinquent claim. State's regulations (4 FAM 488 1-1.b) also call for the collection of interest on such debt. However, State Department officials told us that the agency had not charged any such interest, penalty, or processing costs because (1) the Department's accounting system does not allow for computation of interest and (2) travelers may have actually incurred expenses against their travel advances.

In our 1985 report, we examined the problems that the U.S. Information Agency, as well as State, was experiencing in managing outstanding travel advances. Since that time, the U.S. Information Agency has taken a number of corrective actions and has significantly reduced its delinquent travel advance accounts. As of January 1985, about 84 percent of the U.S. Information Agency's \$2.8 million in travel advances was overdue by at least 30 days, but as of December 29, 1987, the Agency's total outstanding travel advances had dropped to \$874,000 with about 49 percent of it overdue by at least 30 days. In essence, this means that the overdue amount dropped from \$2.3 million in 1985 to \$0.4 million in 1987. According to a U.S. Information Agency official, the Agency accomplished this reduction through better compliance with established procedures, the use of Diners Club government charge cards, and payroll deductions.

Weakness in Controlling Advances to Non-State Travelers

According to State Department records, private citizens and personnel of other federal agencies traveling under the auspices of the Department (that is, non-State travelers) had outstanding travel advance accounts totaling about \$4.3 million as of October 1987. According to State officials, many of these travelers had not submitted travel vouchers after completion of their travel. Delinquent accounts of non-State travelers, totaling about \$1 million, have been turned over to the Department's Special Accounts and Collections Branch. In a number of these cases,

this Branch contacted the travelers, but the travelers still did not submit their vouchers. Department officials advised us that they did not have sufficient recourse, such as deducting the delinquent amount from their basic salaries, against non-State employees.

However, we found that State has several other available mechanisms to collect overdue funds from non-State employees. For example, (1) State can established formal arrangements with other federal agencies to assist in obtaining unliquidated travel advances from their employees, (2) the Debt Collection Act of 1982 provides the authority for the government to collect the amount of an indebtedness from any employee's basic pay, (3) the Deficit Reduction Act of 1984 provides for the recovery of delinquent debt owed to the federal government by offsetting income tax refunds, and (4) the Code of Federal Regulations (4 CFR 102.5) provides for reporting delinquent debts to consumer reporting agencies (e.g., credit bureaus). In addition, 5 U.S.C. 5705 provides that a sum advanced and not used for allowable travel expenses is recoverable from an employee or from an employee's estate.

Insufficient Documentation for Write-Offs of Travel Advances

State's financial reports to the Department of Treasury show that State wrote off as uncollectible travel advances of \$660,000 in fiscal year 1986 and \$26,000 in fiscal year 1987. During our review, however, State could provide us the required back-up documentation⁴ to substantiate only \$42,000, or 6 percent, as uncollectible for those 2 years. Recently, State officials told us that the \$660,000 in write-offs was too high, but they did not know the correct amount. If the total amount written off is too high, then some of these advances are still delinquent and the total amount reported for delinquent accounts is understated.

Available documentation for the write-offs revealed that in a number of cases, the State Department did not follow its own internal policy regarding write-offs. According to State's policy, the Associate Comptroller for Financial Operations has the authority to write off travel advance accounts up to \$25 for State employees and up to \$500 for non-State travelers. Our review of the documentation for the \$42,000 in write-offs showed that State had written off some accounts totaling \$37,300 that exceeded these limits. For example, State had written off

⁴The write-offs are 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, relevant accounting data, and whether the traveler was or was not a State employee.

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- 22 accounts involving current State employees, totaling \$8,000 and ranging from \$32 to \$1,150;
 - 12 accounts involving former State employees, totaling \$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 \$16,500 and ranging from \$525 to \$2,000.

Lack of Adequate Internal Controls

The Department's lack of adequate internal controls continues to create serious weaknesses in managing travel advances. The State Department advised us that (1) its tracking and reporting capabilities are "totally inadequate" for controlling or monitoring travel advances issued worldwide by the Department, and (2) the travel advance computer system, implemented almost 20 years ago, is inflexible, and no major modifications have been made to keep pace with the growth of travel activity and improvements in computer technology.

The Department readily admits that it has had significant weaknesses in accounting for its travel advances, but it believes that implementation of its 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, this new system is not scheduled to be fully operational until fiscal year 1990. In the meantime, the lack of an adequate accounting system continues to create difficulties in managing travel advances.

The State Department's lack of confidence in the accuracy of its travel advance data manifests itself in a number of ways. For example, inaccuracies contained in State's data base contribute to State's reluctance to send out dunning notices without thoroughly reviewing each advance listed by the accounting system. State asserts that travel advance accounts must be "cleaned up" and accounting system limitations corrected before it can collect interest on delinquent accounts.

Inadequate Information/ Record Keeping on Travel Advance Application

According to State officials, many travel advances, particularly to private citizens or employees of other agencies traveling under the auspices of State, remained unliquidated for long periods of time or were written off because the Department did not initially obtain sufficient or accurate information about the traveler. For example, the Department had not obtained the social security number and/or address of the traveler or could not reliably determine the name of the traveler. In some cases,

State provided advances for groups of non-State travelers but did not obtain specific names of the travelers and thus could not link the individual travelers with the advances. The Department informed us that it is now requiring a home address for non-State travelers on the travel authorization, advance application, and voucher. Also, it has discontinued the practice of making group advances because of the lack of control and difficulty in tracking such advances.

Built-In Computer Safeguards Suspended

Between May 1985 and March 1986, Department officials removed the built-in automatic computer safeguards designed to prevent flawed or inaccurate information from entering State's travel advance computer system. They told us they wanted to avoid long listings of transactions that the system would not accept because of erroneous or incomplete data, and they could not automatically produce acceptable periodic accounting reports with these safeguards in the system. The edit safeguards were designed to reject data not compatible with the intended entry field—such as social security numbers and estimated travel completion dates—and to alert personnel that entries were incorrect.

However, with the edit safeguards suspended, erroneous and incomplete data was entered into the system. As a result, State entered on its system 2,157 new travel advance accounts on which the travelers were not identified. Moreover, removing the safeguard concerning the estimated completion date of a trip prevented State from identifying some delinquent accounts and accurately determining due dates for accounts.

To correct these problems, the Department, with the help of a contractor, spent months manually researching available source documents to identify the names and corresponding social security numbers of travelers. Department officials told us that a few of the affected travel advance accounts still had not been linked to a specific traveler as of April 1988.

Charges to Nonexistent Funding Code

The Department of State uses organizational funding codes to facilitate the processing of accounting data for appropriation purposes and for the development of financial information for management and reporting purposes. However, our review of a Department report dated August 1987 showed that 94 transactions involving travel advances had been attributed to 82 nonexistent organizational codes. According to Department officials, they did not know what these codes represented or who used them. The transactions involved about \$783,000 in travel advances

and about \$170,000 in credits, which reduced outstanding travel advances.

State identifies each bureau and overseas post by a designated code. According to a State official, the system rejects invalid organizational codes and does not post the amount. Consequently, it becomes a floating transaction. Such transactions require correction or reconciliation before the accounting system accepts them. The use of nonexistent organizational codes creates accounting problems and makes it more difficult to monitor an individual's travel advance account. Moreover, travel advance records of the organizational units are understated as long as these transactions remain outside the accounting system. State officials told us that because of limited staffing, low priority is given to reconciling organizational entries.

Use of 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.

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 as Prayut Setlabtr, State Finance, Francis White, Ludwig Van Beethoven, Set Lab, and Robert Ray.

According to a Department official (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.

State officials said they did not have a clear accounting of the total number and amounts of transactions involved, or who authorized this procedure. However, they offered the following explanations as possible reasons why these old accounts had been 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 or social security numbers. Nevertheless, it is unclear to us how the creation of fictitious accounts would resolve such problems; although it

would temporarily mask the problem, eventually State would have to deal with such fictitious accounts.

Based on available data, we cannot say whether or to what extent, if any, the laws and regulations concerning fraud or falsification of records have been violated. State officials told us they were in the process of reviewing these transactions.

Loss of Control Over Collection Efforts for Non- State Travelers

State sends notices to travelers with overdue advances requesting that a voucher or reimbursement check be submitted to the Department for the outstanding amount. The Department transfers non-State traveler accounts to its Special Accounts and Collections Branch for further effort if the initial notifications are not productive. The Branch sends three progressively stronger collection requests to the indebted traveler prior to writing off the debt but does not submit it to a private collection agency.

During 1987, the Travel Advance Branch transferred to the Special Accounts and Collections Branch 484 accounts totaling about \$183,000. The Collections Branch enters accounts transferred to it in a computerized control system. In April 1988 we reviewed 97 accounts totaling \$151,000 that were transferred from the Travel Advance Branch to the Collections Branch computerized control. We found that the Collections Branch had not entered into the control system 61 accounts totaling about \$82,000—more than half of all accounts reviewed. Unless the Branch subsequently identifies and enters such accounts into the system, it will not begin collection efforts on them.

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 had not submitted a voucher or repaid the advance. 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 it had 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 occasionally closed out all the advances.

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- According to State officials, when an employee resigns or retires from the Department, it has procedures to ensure that the employee has no remaining outstanding financial obligations. However, we found outstanding travel advances in accounts of former employees because State did not always effectively implement such procedures.
 - Our review of the 21 travel advance applications processed through State's central cashier office in Washington during 1 day in December 1987 showed that 12 did not contain the signature of the official authorizing the travel or show the State organization of the official authorizing the travel. This 1-day sample is not large enough to project the extent of the problem, but it does provide some insight into an internal control weakness.

Failure to Comply With 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 in their financial management activities. However, the State Department has not followed the procedures relating to travel advances. For example, because of staff limitations, State has not

- periodically reconciled the accounts and records of individual outstanding travel advances;
- made prompt recovery of all advances determined to be in excess of the immediate needs of the travelers, based on periodic reviews and analyses of outstanding travel advances; and
- required personnel in domestic travel status at the end of a fiscal year and the beginning of the next to submit separate vouchers for each of the two fiscal years.⁵

Staffing/Work-Load Problems

In 1985 we reported that the Department had five people to staff the travel advance control unit and concluded that unless this staff was increased, the Department would continue to have problems managing travel advance accounts. As of October 1987, the Department had seven authorized travel advance staff positions, but only two were filled. 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. They

⁵Under 22 U.S.C. 2677, the State Department has some latitude in applying this requirement to travel outside the United States. However, the authority is permissive rather than mandatory.

also said that the supervisory position for the travel advance unit had been vacant for about 2 years.

Besides creating backlogs of unprocessed vouchers, the lack of staffing has seriously hampered the Department's ability to handle travel advances. State officials cited the following examples:

- Inadequate staffing adversely affected State's ability to do a detailed review of overdue travel advance accounts, to send out dunning notices, and to handle travelers' responses. Such notices are important because individuals must have sufficient time to advise State of any oversights about overdue accounts before State takes action to recover the outstanding amounts through payroll deductions.
- Because of staffing limitations, State was making little effort to identify accounts that were mistakenly closed.
- Due in part to staff shortages, State has not performed the required periodic reconciliation of all accounts and records of individual outstanding travel advances.

Recent Initiatives

In April 1988, State officials acknowledged that they must devote more effort to improving management controls over travel advances. They indicated that they had begun (1) sending more temporary duty travel vouchers through the Department of Agriculture's National Finance Center to improve the timeliness in processing vouchers and (2) issuing more Diners Club charge cards to domestic personnel to reduce the need for travel advances.

These actions, plus the implementation of the new financial management system (initial phase scheduled to begin in October 1988), should help improve State's management of future travel advances but are not designed to deal with such problems as those involving travel advances that are already overdue or to control future advances to non-State travelers.

State Department Has Generally Not Implemented Recommendations of the Legislation and National Security Subcommittee, House Committee on Government Operations

In April 1986, the Legislation and National Security Subcommittee, House Committee on Government Operations, issued a report concerning, among other things, the State Department's management of travel advances. The Committee concluded that serious and long-standing internal control deficiencies had resulted in millions of dollars in delinquent advances, unacceptably high delinquency rates, and in the write-offs of hundreds of thousands of dollars in delinquent advances. The Committee recommended that State take certain specific actions to improve the management of its travel advances and any other measures State deemed necessary to correct these problems. As shown below, State has generally not implemented the Committee's specific recommendations.

Recommendation 1: Assess interest on all delinquent travel advances, as required by the Debt Collection Act of 1982.

State's action: The Department of State has not assessed any interest on delinquent travel advances.

Recommendation 2: Make full use of its authority to withhold delinquent advances from employees' paychecks.

State's action: The Department has a payroll deduction program in accordance with the Debt Collection Act of 1982. In 1986 and 1987 the Department collected only about \$48,700 and \$113,000, respectively, in delinquent travel advances compared to \$114,000 in 1985. However, the number of delinquent accounts increased significantly between 1985 and 1987.

Recommendation 3: Limit the amount of money that can be advanced to travelers to less than 100 percent of estimated reimbursable expenses.

State's action: The Department has applied an 80-percent limit on its Civil Service employees but, under a negotiated agreement with the American Foreign Service Association, has provided 100 percent of estimated reimbursable expenses to Foreign Service employees. State has passed up two opportunities to amend the agreement with the union to conform with government-wide regulations. In 1987, State did not provide the union with proper notice about renegotiating this matter within the specified time frames set forth in the contract. In 1988, State misinterpreted a proposal by the Office of Management and Budget to revise the government-wide travel advance regulations and decided not to pursue the matter.

**Appendix II
State Department Has Generally Not
Implemented Recommendations of the
Legislation and National Security
Subcommittee, House Committee on
Government Operations**

Recommendation 4: Ensure that adequate resources are devoted to processing of travel advances.

State's action: In 1985, State had five employees on its travel advance staff; as of December 1987, the Department had filled two of the seven authorized positions and three detailees sometimes worked on the travel advance work load.

Objectives, Scope, and Methodology

The Chairman of the Legislation and National Security Subcommittee, House Committee on Government Operations, requested that we review the State Department's efforts to resolve its problems in managing travel advances. The specific objectives of the review were to (1) examine travel advances currently delinquent and those being written off as uncollectible, (2) determine whether the Department manages its travel advances in accordance with applicable laws and regulations, (3) assess the adequacy of the Department's internal controls over the disbursement of advances and the collection of unused balances, and (4) evaluate the Department's progress in implementing the recommendations concerning travel advance management contained in the Government Operations Committee's April 1986 report, "Luxury Ship Travel by State Department and U.S. Information Agency Employees: A Flagrant Misuse of the Taxpayers' Money."

We conducted our review at the Department of State from September 1987 to April 1988 in accordance with generally accepted government auditing standards. We interviewed State Department officials and reviewed various accounting records, reports, and other available documentation. We did not assess the reliability of the Department's data or revalidate the amounts involved in specific transactions. We also did not contact the individuals who had long overdue accounts or whose debts had been deemed as uncollectible according to State records.

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