



Department of
Veterans Affairs

Office of Inspector General

AUDIT OF THE GOVERNMENT TRAVEL CARD PROGRAM

The program was successfully implemented, efficiently operated, and VA initiatives will improve minor problems identified during the audit.

Report No. 8R3-G01-123

Date: July 14, 1998

Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

**Memorandum to Assistant Secretary for
Human Resources and Administration (006)**

Audit of the Government Travel Card Program

1. The Office of Inspector General (OIG) conducted an audit to determine whether the Department of Veterans Affairs (VA) Government Travel Card Program was effectively implemented, operating efficiently, and meeting program objectives. The Government Travel Card Program was developed to improve the purchase of transportation services, subsistence, and other allowable travel expenses. The goal of the program was to better service the employee traveler, and improve cash management and administrative procedures. As of September 1997, VA had over 21,600 active travel cardholders and over 300 government travel accounts (GTA). Individual cardholder and GTA transactions during fiscal years (FY) 1995 through 1997, totaled over \$126 million.

2. The Government Travel Card Program includes transactions made by employee cardholders to purchase necessary travel services and obtain cash advances for official travel, and GTA transactions for the purchase of transportation services, such as airline tickets. Employee cardholder transactions are the responsibility of the individual for which the government bears no liability. GTA transactions are billed directly to VA. The program is overseen by a program coordinator in the Office of the Deputy Assistant Secretary for Administration. Each VA facility also has an individual assigned to administer the program at the local level.

3. Our review disclosed that VA's Government Travel Card Program was effectively implemented and operating in an efficient manner. We found that the program:

- better served the needs of VA and the employee traveler, and improved cash management by reducing travel advances;
- reduced administrative workload associated with issuing and administering cash advances and government transportation requests; and,
- provided management more information regarding how travel funds were being spent.

In conducting the audit, we identified some areas needing management attention, including:

- timely processing of travel vouchers,
- timely payment of GTA invoices,
- better use of reports provided by the credit card contractor to monitor the program at both VA Central Office and individual facilities, and
- increased use of travel cards to obtain advances.

We discussed each of these issues with program officials and found that they have initiated or plan to take action in each of these areas. Therefore, we are making no official recommendations, but are providing this information for management's use.

For the Assistant Inspector General for Auditing

(Original signed by)

JAMES R. HUDSON
Director, Atlanta Operations Division

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RESULTS AND RECOMMENDATION

VA's Government Travel Card Program Is Operating Efficiently

An audit of the Department of Veterans Affairs (VA) Government Travel Card Program was conducted to determine whether the program was effectively implemented and operating efficiently. The program was expected to reduce VA's cash requirements through a lessening of the need for travel advances and to generate savings to VA through improved cash management and administrative procedures. Our review of the program showed that VA implemented the program effectively and the program was operating efficiently. We found that VA's use of the Travel Card Program:

- better served the needs of VA and the employee traveler, and improved cash management by reducing travel advances;
- reduced administrative workload associated with issuing and administering cash advances and government transportation requests; and,
- provided management more information regarding how travel funds were being spent.

In conducting the audit, we identified some areas needing management attention, including:

- timely processing of travel vouchers,
- timely payment of government travel account (GTA) invoices,
- better use of reports provided by the credit card contractor to monitor the program at both VA Central Office (VACO) and individual facilities, and
- increased use of travel cards to obtain advances.

We discussed each of these issues with program officials and found that they have initiated or plan to take action in each of these areas. Therefore, we are making no recommendations, but are providing this information for management's use.

New VA Travel Initiatives

VA has initiated a number of initiatives to improve its overall travel program. Actions taken by VA will significantly reduce the processing time of individual vouchers and GTAs. VA has initiated travel management center (TMC) contracts with five travel agencies that will provide electronic billing for airline tickets through centralized travel accounts (formally called GTAs). The direct electronic billing between the TMC and VA Financial Service Center (FSC) in Austin will result in electronic payment being made within 24 hours of receipt of the electronic bill. VA has also initiated use of a commercial off-the-shelf electronic travel processing system (Perdiemazing), which will

facilitate electronic processing of individual travel claims. Additionally, under the new travel card contract effective November 30, 1998, the contractor's travel card system will interface with Perdiemazing, VA's core travel processing system. According to VACO financial officials, payment may be made directly to the travel card contractor on behalf of the traveler, once the travel claim is electronically processed. The balance of the travel claim will be paid to the traveler. These initiatives will greatly reduce processing issues mentioned in this report. These initiatives will also improve the program coordinator's ability to monitor inappropriate use of the travel card and in identifying individuals who qualify for travel cards.

Processing Travel Vouchers

While VA processing of travel vouchers was generally timely, travelers frequently do not submit their vouchers within 5 business days. According to VA policy, vouchers should be paid within 30 days of the travel being completed. From October 1, 1995 to March 31, 1997, VA processed over 123,000 travel vouchers, totaling about \$36 million. Review of 378 randomly selected travel vouchers processed during that same period showed that overall processing time averaged 38 days. A more detailed review of 74 of the 378 vouchers showed that individual travelers averaged 15 days to prepare and submit vouchers, ranging from 2 to 82 days. Over 50 percent of the travelers took more than 5 business days to submit their vouchers.

We discussed this issue with program officials and were told that VA's new Perdiemazing and TMC programs will significantly improve the administrative controls over the travel authorization, voucher, and payment process. These computerized controls should provide management the necessary tools to ensure that vouchers are submitted and paid timely.

Processing GTA Payments

Current manual reconciliation procedures frequently delayed payment of GTA invoices. Such invoices should be paid within 30 days of receipt of the invoice. From October 1, 1995 to March 31, 1997, VA processed over 56,800 GTA transactions, valued at about \$19.9 million. A random sample of 472 transactions showed that VA averaged 32 days to process a GTA transaction, ranging from 21 to 424 days. In 80 of the 472 sampled invoices (17 percent), VA took longer than 30 days to pay the invoice. As a result, VA's late payment interest penalties were about \$31,000.

We attribute the late payments to the GTA reconciliation process. The process requires travel clerks to manually match travel authorizations, receipts on travel vouchers, and GTA invoices prior to making payments. Since GTA invoices contained multiple transactions, delays in reconciling a few transactions delayed payment of the entire invoice. According to program officials, VA's new TMC procedures will automate the travel authorization, ticket issuing, and reconciliation process to alleviate the

administrative process. In addition, TMCs will electronically invoice VA and be paid on a 1-day cycle.

Monitoring Credit Card Transactions for Inappropriate Charges

While a review of the charges made by government travel cardholders showed an insignificant amount of inappropriate retail and Automated Teller Machine (ATM) charges, facility managers could better utilize program information to identify unauthorized use of the travel card. VA government travel cardholders charged \$9.4 million during the period January through May 1997, including 531 accounts with \$53,100 in retail charges and 910 accounts with 5,780 ATM withdrawals, totaling about \$398,000. Retail charges are defined as purchases from vendors other than those that provide travel related services (e.g., airlines, travel agents, hotels, restaurants, rental car agencies, etc).

For the above period, we reviewed 21 cardholder accounts with aggregate retail purchases of \$500 or more, totaling about \$22,124. We also reviewed a sample of 221 ATM withdrawals, totaling \$24,300. We found that 10 employees made about \$10,000 in retail purchases and 5 employees made about \$1,700 ATM withdrawals that were not associated with official government travel. We obtained information from the individual facilities to determine if they had identified the inappropriate use and action taken, if any. We found that in 9 of the 15 cases (60 percent) the facility had identified the inappropriate use and had either counseled the individuals or suspended or terminated their credit card. For those facilities that had not identified the misuse, we found that they were not routinely analyzing information received from the travel card contractor. Although the inappropriate charges and cash withdrawals shown above are not significant, facility managers should utilize available program information to monitor travel card charges and ATM withdrawals for appropriateness.

Increased Use of ATMs Could Reduce VA Cash Advances

Historical data from the inception of the travel card program (1988) was not available to gauge the full impact of travel cards on outstanding VA cash advances. However, limited available information indicates that the amount of travel advances significantly reduced from \$4.3 million in 1991 to \$2.3 million in 1997. As of July 1997, VA had \$2.3 million in outstanding travel advances, including \$1.4 million for temporary duty (TDY) travel and \$871,000 for permanent change of station travel. Our review of VA's outstanding travel advance report for TDY travel for July 1997 showed advances to 1,891 miscellaneous employees (not identified by name) totaling \$951,000, and \$448,000 for 1,423 specific individuals. We sampled 100 of the 1,423 employees with outstanding advances to determine if they had travel cards or if they traveled more than twice in the last 12-months and should have been issued a travel card.

We found that 13 of the 100 employees with outstanding TDY cash advances had been issued a travel card prior to the advance being made, and 17 employees had traveled 2 or more times in the last 12-months and should have been issued a travel card. Employees in both these categories should have used the travel cards to obtain ATM advances rather than obtaining them from the VA agent cashier. Based on our sample, we estimate that 185 employees with travel cards could have obtained ATM advances in lieu of VA advances, totaling \$43,000. Another 242 employees should have been issued travel cards, thereby avoiding VA advances, totaling \$80,000. The large number of VA advances to “miscellaneous employees” presents an opportunity to further reduce VA cash advances. VA managers can minimize VA travel advances by ensuring that employees are issued government travel cards when they travel two or more times a year and by requiring cardholders to use ATMs to obtain cash advances.

Conclusion

Overall, VA’s Government Travel Card Program was effectively implemented and was operating efficiently. We found no significant misuse of the travel cards or systemic problems associated with the Travel Card Program. VA has instituted a number of initiatives to improve its overall travel program. While we identified some areas needing management attention, we found that program officials have generally either taken, or plan to take, action to improve these areas. As a result, we are making no recommendations.

For More Information

- *For general program background information see APPENDIX II.*

Comments of the Assistant Secretary for Human Resources and Administration

The Assistant Secretary indicated he was pleased with the results of this report and that they would continue to support and assist the Office of Financial Management in their efforts to improve the program.

Comments of the Deputy Assistant Secretary for Administration are provided in their entirety in APPENDIX III.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The audit was conducted as part of the Office of Inspector General's continuing audit coverage of VA's programs. The purpose of the audit was to determine whether VA's Government Travel Card Program was effectively implemented and operating efficiently.

Scope

The scope of our audit included travel card use during fiscal years (FY) 1995, 1996, and 1997. The audit included evaluations of travel voucher processing and travel card management at one VA medical center (VAMC), and nationwide samples of VA's Financial Management System (FMS) travel payment data, and the credit card contractor on-line access data to assess:

- processing and paying individual travel vouchers and GTAs,
- purchasing airline tickets using GTAs, and
- monitoring travel card purchases and ATM withdrawals by program officials.

The data were also used to determine if appropriate disciplinary actions were levied on individuals who abused the travel card.

Methodology

The information on the Government Travel Card Program was obtained during visits to VACO, the General Services Administration (GSA), and one VAMC. Applicable laws, regulations, policies, procedures, and guidelines were examined, operations were observed, and responsible program officials from VA, GSA, and the credit card contractor were interviewed. Specifically, information was obtained from:

- VACO personnel, GSA program officials, and credit card contractor staff concerning the creation, development, and implementation of the Government Travel Card Program. We consulted the VACO Travel Policy Section concerning the development and operation of VA's Government Travel Card Program.
- GSA Travel and Transportation Management Section concerning the contract with the credit card contractor.
- The credit card contractor staff concerning the availability of reports to monitor the program and amount of refund earned through the sponsor and productivity refund programs.

- FSC staff concerning the actual refunds received from GSA.

Survey questionnaires were used to gather nationwide data on the utilization of the credit card contractor Government Travel Card and assessed VA facility management of the Government Travel Card Program.

Tests were performed to assess the reliability of computer-processed data, as the audit relied on computer-based evidence. The audit was made in accordance with generally accepted Government Auditing Standards.

BACKGROUND

VA's Government Travel Card Program

The Government Travel Card Program was developed to procure transportation services, subsistence, and other allowable travel and transportation expenses incurred during official travel. The goal of the program was to substantially reduce the government's cash requirements by reducing the need for travel advances and improving cash management and administrative procedures.

In January 1985, VA began testing the Travel Card Program at 13 field facilities. The test proved the program to be a viable and cost-effective method of paying for employee travel and was accepted for use VA-wide in January 1988. The contractor's credit cards were issued to VA employees during November 1993 and became effective on November 30, 1993.

The Travel Card Program includes individually billed employee accounts and centrally billed government travel accounts (GTAs). Individually billed accounts are charge accounts that are offered to individual employees to use for official government travel related expenses. Employees who receive government charge cards are responsible for paying charges in full within 30 days of the monthly billing cycle. The government assumes no liability for charges made on individually billed accounts. Employees who receive reimbursement for official government travel from their agency pay individual accounts. By accepting the credit card contractor charge cards, employees agree to use the card only for official travel expenses and promptly pay their account in full when payment is due. Centrally billed accounts, referred to as GTAs, are charge accounts managed by agency employees to pay for common carrier transportation. VA is responsible for paying GTAs and late payments are subject to interest penalties under the Prompt Payment Act. As of September 1997, VA had over 21,600 active travel cardholders and over 300 GTAs. Table 1 shows the amount of charges made during FY 1997.

TABLE 1						
TRAVEL CARD CHARGES MADE DURING FY 1997						
	Individual		GTA		Total	
Type	Amount	Percent	Amount	Percent	Amount	Percent
Airline	\$4,357,632	17.5%	\$20,510,888	99.06%	\$24,868,520	54.6%
Hotels	\$12,979,697	52.3%	\$72,633	0.35%	\$13,052,330	28.6%
Cash Advances	\$4,581,383	18.4%	\$ 0	0.00%	\$4,581,383	10.1%
Car Rentals	\$1,435,476	5.8%	\$1,495	0.01%	\$1,436,971	3.2%
All others	\$1,492,364	6.0%	\$119,898	0.58%	\$1,612,262	3.5%
TOTAL	\$24,846,552	100.0%	\$20,704,914	100.00%	\$45,551,466	100.00%

Table 2 shows the number of charges made during FY 1997.

TABLE 2						
NUMBER OF TRAVEL CARD CHARGES MADE DURING FY 1997						
Type	Individual		GTA		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Airline	17,306	10.6%	79,875	98.46%	97,181	39.8%
Hotels	62,003	38.0%	201	0.25%	62,204	25.5%
Cash Advances	34,999	21.4%	0	0.00%	34,999	14.3%
Car Rentals	12,352	7.6%	27	0.03%	12,379	5.1%
All others	36,454	22.4%	1,024	1.26%	37,478	15.3%
TOTAL	163,114	100.0%	81,127	100.00%	244,241	100.0%

According to contract requirements, government agencies receive sponsor and productivity refunds. Sponsor refunds are based on the amount of charges made by individual cardholders and charges against GTAs. The agency receives 65 basis points (.0065) for every dollar charged to cardholders' accounts and GTAs.¹ Productivity refunds are based on the amount of interest the credit card contractor saves as a result of cardholders and VA promptly paying their accounts balances. The credit card contractor established a standard (benchmark) using data based on the last year of the previous contract. The payment performance for the specific period is measured against the benchmark. If VA's payment performance was better than the benchmark, then VA would share in the interest the credit card contractor saved as a result of not having to borrow to meet its obligations. Between December 1993 and September 1997, VA received about \$815,700 in refunds from the credit card contractor.

The credit card contractor monitors charges and payments for the government and provides VA monthly hardcopy reports. If requested, these reports can also be obtained electronically through the credit card contractor's On-line Access service. VA can receive all or some of the reports, and determine the distribution of the reports. Examples of some of the most commonly used reports include:

- **KG 3005 – Monthly Suspension Report** notifies the government agency program coordinator of accounts having balances over 60 days past due, which are pending suspension. This report is helpful in identifying patterns of delinquent behavior that may indicate abuse/misuse of the government travel card.

¹ ATM and Travel Checks do not qualify for refunds. Also, credits and refunds are subtracted from the charges before the sponsor refund is computed.

- **KG 3006 – Monthly Cancellation Report** notifies the government agency program coordinator of accounts having balances over 120 days, which are pending cancellation. Like the Monthly Suspension Report, this report is helpful in identifying delinquency patterns that may point to individuals engaged in abuse/misuse of the government travel card.
- **KG 3000 – Monthly Aging Analysis Report** provides data concerning active and canceled card accounts having past due balances. The report indicates the oldest month's aging status, the total amount due, and the dollar amount outstanding. This report is useful in identifying and contacting 60-day delinquent cardholders in order to avoid suspension and possible card cancellation. The report is also effective in identifying delinquencies caused by a vouchering problem that the program coordinator may help correct.
- **KG 2000 – Account Activity Report** provides a detailed audit trail of all transaction activity and payments at the cardholder level for the current month. KG 2000 is useful for future investigations of account misuse and/or delinquency. For instance, an ATM withdrawal not accompanied by an airline or hotel charge may be indicative of card misuse. Additionally, retail charges appearing on the KG 2000 report may indicate non-authorized activity by the cardholder.

**COMMENTS OF THE DEPUTY ASSISTANT SECRETARY FOR
ADMINISTRATION**

**Department of
Veterans Affairs**

Memorandum

Date: JUL 06 1998
From: Deputy Assistant Secretary for Administration (03)
Subject: Draft Report: Audit of The Department of Veterans Affairs Government Travel Card
Program - Project No. 7R3-043
To: Assistant Inspector General for Auditing (52)

Thank you for forwarding the draft report for the audit of VA's Government Travel Card Program. The Office of Administration is pleased with the results of this report and will continue to support and assist the Office of Financial Management in their efforts to improve the program. If you have any questions, please contact Bonnie Britten, Chief, Travel Policy Division (032C), at (202) 273-5380.


ROBERT W. SCHULTZ

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