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USAID/Philippines Travel Procedures

Memorandum Audit Report No. 2-492-82-11

June 15, 1982

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. Anthony M. Schwarzwald, Director
USAID/Philippines

DATE: June 15, 1982

FROM : Russel P. Aulik, Regional Inspector General/Audit, Manila

SUBJECT: Memorandum Audit Report No. 2-492-82-11
USAID/Philippines Travel Procedures

BACKGROUND AND SCOPE

BACKGROUND

This review of travel operations in USAID/Philippines was part of a worldwide audit by the Regional Inspector General/Audit (RIG/A), Washington of travel procedures in AID. Two interim audit reports have been issued, "Memorandum Report on International Development Intern (IDI) Travel Expenses" (No. 0-000-81-111 dated July 28, 1981), and "Accountability and Control of Government Transportation Requests (GTRs) Must be Improved" (No. 0-000-82-16 dated November 30, 1981). Both audit reports showed that existing procedures in AID could be improved and that there were weaknesses in controls over AID travel funds.

AID expends a significant amount of its operating expense resources on travel. In the fiscal year 1981 operating expense budget \$3.8 million was allotted for travel of employees in AID/Washington and \$13.8 million was allotted overseas for post assignment, home leave, R&R and operational travel. The use of travel funds is becoming of increasing concern to the Agency and the Congress.

Our review of USAID/Philippines operational travel showed the following budgets and obligations for the fiscal years 1979-1981.

<u>Dollar Funded Operational Travel</u>	<u>Budget</u>	<u>Encumbrances</u>
FY 79	\$109,000	\$104,000
FY 80	174,000	170,000
FY 81	175,000	154,000
	<u>\$458,000</u>	<u>\$428,000</u>

<u>Home Leave Assignment and educational travel</u>		
FY 79	\$268,000	\$199,000
FY 80	210,000	210,000
FY 81	246,000	241,000
	<u>\$724,000</u>	<u>\$650,000</u>

In addition to the dollar fund allocation, there was over 4.6 million pesos (about \$600,000) budgeted for local operational travel out of Mission trust funds.

SCOPE

The overall objective of the audit was to determine the adequacy of internal controls over the use of travel funds by USAID/Philippines. Our review was done in accordance with government auditing standards and consisted of an examination of Government Travel Requests, travel vouchers, travel advances and collection procedures, as well as conversations with appropriate Mission officials and employees. The results of our review were discussed with Mission management and the Mission was provided a draft report of our findings and recommendations. The Mission's comments are included in this report where appropriate.

Results of Audit

Government Travel Requests (GTRs) Accountability

GTRs are negotiable instruments used by USAID/Philippines to purchase airline transportation. GTRs are honored by airlines upon presentation and thus constitute a potential liability to the government.

Mission procedures require that GTRs be kept in the Communications and Records (C and R) vault until the Mission travel clerk needs a supply, typically twice a week, whereupon the travel clerk goes to C and R and signs a register for the needed GTRs. The C and R register is a sheet of paper with the date, the serial numbers of the GTRs drawn and the signature of the travel clerk. There is no record of the GTRs received by C and R, no record of the amount of GTRs issued or on hand and, therefore, no proper inventory of GTRs by C and R. Also, the signing out of GTRs by the travel clerk did not begin until April 1980, pursuant to a RIG/A/ audit (Audit Report 2-492-80-10 dated March 1980). Prior to that there was no record of GTRs issued to or received by C and R, even though Mission Order 201.05 required a bi-annual inventory.

In examining the Travel Section's accounting for GTRs received from C and R we found that a register was maintained by GTR number and travelers' name. The Travel Section, in response to the prior audit, sends a report of used and voided GTRs to the Executive Officer at regular intervals. However, the report is not an inventory showing GTRs on hand at the beginning of the period, the amount (and serial nos.) issued, and the amount on hand at the end of the period. These amounts should be reported and reconciled to the records in C and R. At present, the report only shows used and voided GTR numbers.

Recommendation No. 1

USAID/Philippines insure that both C and R and Travel Section maintain current inventories

of GTRs showing amounts and serial numbers of GTRs received, issued and on hand, and that a responsible Mission employee be assigned to reconcile the inventories at least bi-annually in accordance with USAID/Philippines Mission Order 201.05.

The Mission has stated that it has already begun to implement this recommendation and that the inventory and reconciliation would be done on a quarterly basis. .

Safeguarding of GTRs

We noted that 2,500 GTRs (5 boxes of 500 each) received from the General Services Administration (GSA) on March 11, 1982 were on the floor between two desks in the Travel Section, waiting to be counted before delivery to C and R. The boxes stayed there unguarded until March 30 at which time they were moved at our suggestion. A subsequent count of GTRs showed that there were 10 missing. The missing GTR numbers are:

K-0-552,502
" ,503
" ,504
" ,505
" ,506
" ,507
K-0-553,501
" ,503
" ,504
" ,505

We were told by employees in the USAID/Philippines Travel Section that the carton containing the 5 boxes of GTRs was battered but apparently unopened when they inspected the shipment. We have no indication as to where the GTRs became missing, whether at GSA or en route or after arrival at USAID/P. The matter has been reported to GSA.

At the time that 2,500 negotiable GTRs were unprotected, there were 2,025 unissued GTRs in C and R for a total on hand of 4,525. Average annual usage of GTRs by USAID/Philippines is around 1,000. This means that there was approximately a 4-1/2 year supply of GTRs on hand. This would be totally unjustifiable except for the fact that the Mission must order these GTRs from GSA and the minimum order is 2,500. The delivery time between ordering and receiving is, according to the Travel Section supervisor, uncertain at best. In this particular case the time from requisition to receipt of the GTRs was about four months. Also pertinent is that the Travel Supervisor, who initiates the request for requisition, did not know how many GTRs were on hand in C and R. If there had been an inventory available from C and R, or if the employee had asked C and R how many were on hand, the order could have been delayed for at least one year.

It would seem that written instructions by the Mission setting a minimum number on hand before a reorder can be initiated would be desirable. For instance, the Mission might decide that a requisition would be made when the number on hand fell below 750.

Recommendation No. 2

USAID/Philippines establish procedures whereby when GTRs are received, the C and R officer takes custody, signs the receiving report, and records the receipt in an inventory.

Recommendation No. 3

USAID/Philippines establish a minimum quantity of GTRs necessary for operational needs and establish procedures for automatic reorder of GTRs based on the established requirements.

The Mission has indicated, in an Executive Office response to a draft of this report, that it plans to implement both recommendations. However, we are retaining them until the recommended procedures have actually been established through Mission Orders or other appropriate means.

Travel Advances

Our review of travel voucher processing and collection of unliquidated advances showed that the Mission was, on average, processing vouchers in a timely manner. In a sample of 16 vouchers we found that the average time between receipt of the voucher by the CO and completion of processing was 14 calendar days, with a low of 2 days and a high of 33 days. We also found that travelers were, on average, completing their vouchers in a timely manner with an average of 15 days between completion of travel and submission of travel vouchers. The time for submission of vouchers by the traveler ranged from 2 days to 68 days on our sample.

Our review of current open advances showed that the collection of unliquidated advances was not always timely. Of the 21 past due unliquidated per diem and subsistence travel advances to employees on March 31, 1982, 11 were from 60 days to 16 months past the due date. Travel advances are considered past due 30 days after the estimated completion of travel. The 21 travel advances past due had a value of \$12,405 while the 11 over 60 days past due had a value of \$8,481, or 68 percent of the total dollar amount of late travel advances. In many of the overdue advances there were reasonable explanations such as the traveler being on sick or annual leave. In other cases the explanations were not so reasonable and included tardiness in submitting vouchers and tardiness in paying the unliquidated advance after notification of payment due.

We were told, and our examination supported, that there was no formal policy on time guidelines for submission of vouchers or payment of unliquidated advances, although the CO has a follow-up on accounts overdue by 30 days. The follow-up usually consists of a phone call to the traveler and a written statement of account. Handbook 22 Ch. 4 says that "travelers who have received an advance for a single trip must repay the advance immediately upon completion of travel".

Handbook 22, App. SA.116.1 says that "Each employee submits own claim for reimbursement of expenses promptly upon completion of authorized travel".

On the basis of the high percentage of the overdue advances which were over 60 days past due, we believe the Mission could tighten controls on timely submission of vouchers and collection of advances. For example we suggest USAID/Philippines notify employees of maximum time limits, after completion of travel, for submission of vouchers and liquidation of advances. Such time limits should take into consideration the Mission's operating requirements as well as the operating requirement of such Regional Offices as REG/II, REG/A, ASPAI, etc.

The Mission replied to a draft of this report that it processed over 700 vouchers annually and that 11 advances over 60 days past due was not unreasonable and that they did not agree that there was a need to institute additional controls or procedures. Nevertheless, considering travel advances per se, the relative number past due (11 out of 21) was substantial and we believe the Mission could reduce this.

Refunds to Travelers on GRR Tickets

We found one case where a traveler on a GRR purchased ticket was obliged by circumstances to change his travel itinerary. The change resulted in a refund which the foreign airline paid to the traveler. The traveler in this case was a contractor, not an AID employee, and probably not familiar with US government travel policies. He accepted the refund and then filed a travel voucher with the refund receipt attached. The voucher processing section of the CO thought the refund receipt was a receipt by the airline for extra charges. The processor then included on the voucher, and paid to the traveler as a reimbursable expense, the amount received as a refund.

While the amount was not material, (the refund was only about \$5 resulting in an unallowable expense of \$12) and while it does not appear to be a common occurrence, there is a easy method available to avoid repetition of this problem. Airline tickets have a space for indorsements./ restrictions which could be stamped, at the time the ticket is written, that refunds must be made to USAID/Philippines .

Recommendation 6.4

That USAID/Philippines advise the travel contractor to enter, on all tickets issued, a restriction on refunds to individuals and where to send refunds.

The Mission Executive Officer stated, in a reply to a draft of this report, that steps had been taken to include, on all GIRs issued, a statement that refunds made by carriers are to be made directly to USAID/Philippines. Nevertheless we are keeping the recommendation open until the procedure is formalized and until the procedure effectively notifies the carriers that refunds are to be made directly to USAID/Philippines.

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