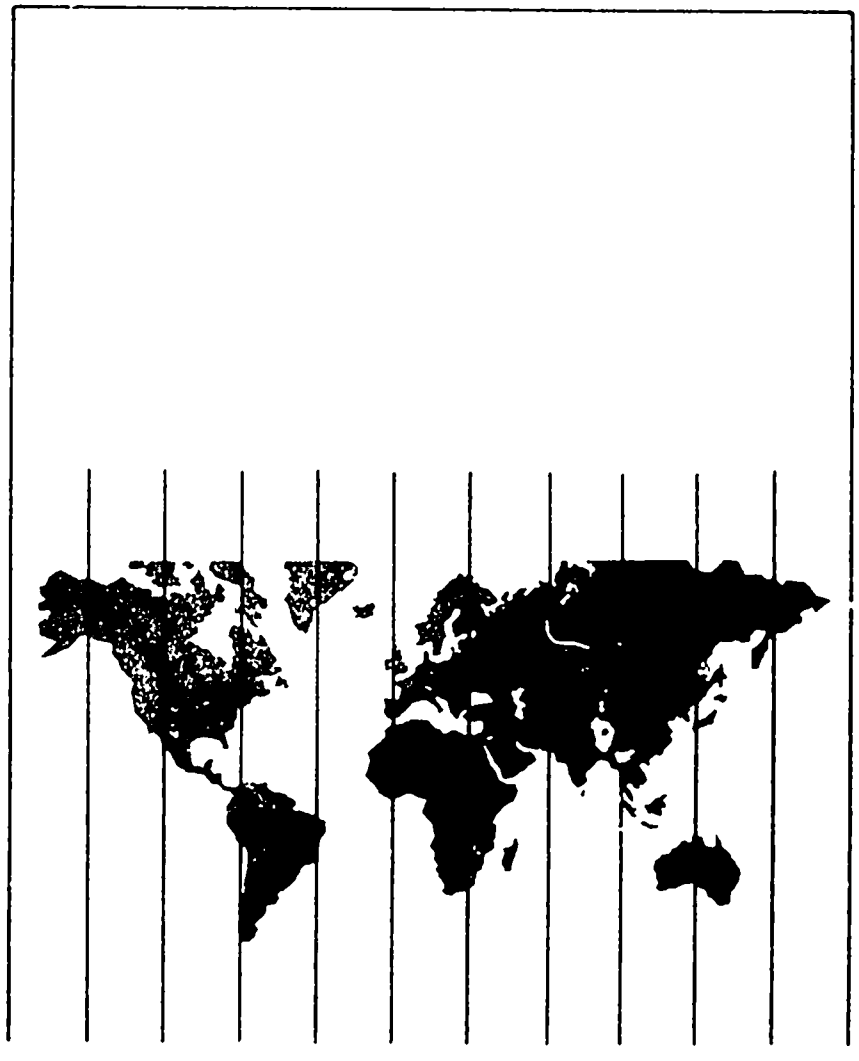
UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE INSPECTOR GENERAL



Office of

PROGRAMS AND SYSTEMS AUDITS

AUDIT OF
A.I.D./ WASHINGTON'S
TRAVEL ADVANCE CONTROL SYSTEM

Audit Report No. 9-000-89-008
July 10, 1989

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ASSISTANT INSPECTOR GENERAL
FOR AUDIT

July 10, 1989

MEMORANDUM FOR AA/PFM, Robert Halligan

FROM: AIG/A, James B. Durnil

SUBJECT: Audit Report on A.I.D./Washington's Travel Advance Control System

The Inspector General's Office of Programs and Systems Audits has completed the subject review. A draft of the report was provided to your Bureau for review and comments. A copy of the response is attached to the report as Appendix 1. Five copies of the report are attached for your action.

The report contains 7 recommendations which are considered resolved. Closure can take place when the travel advance and voucher processing functions are transferred to the Department of Agriculture and there is evidence there is an effective system, and reconciliations are completed on all outstanding advances.

Please provide to the Office of Programs and Systems Audits within 30 days the actions planned or taken to close the recommendations.

I appreciate the cooperation and courtesy extended to my staff during the audit.

FINANCIAL MANAGEMENT

"A.I.D./Washington's Travel Advance Accounting System for its Employees, Personal Services Contractors, and Individuals on Invitational Travel Provides Inadequate Protection Against Abuse"

EXECUTIVE SUMMARY

As of February 1989, A.I.D.'s travel advance system showed that $1.1 million of travel advances issued to A.I.D./Washington and Mission employees, personal services contractors, and individuals on invitational travel were outstanding. Despite detailed administrative guidance on recording and controlling advances, the advance records were so deficient they could not be relied upon to accurately provide the status of individual employee accounts. To illustrate:

- The official accounting records for travel advances differed from a summary of employee sub-accounts by more than $300,000.

- Some advances, liquidation vouchers, and refund checks were never recorded in the official accounting records.

- Employee travel files were missing numerous supporting documents.

- Advances given employees were controlled by specific travel authorizations thus, employees frequently were paid for travel expenses without accounting for previously issued advances.

- No system was in place for following up on outstanding advances and the submission of required liquidation vouchers causing extensive delays in liquidating advances.

- Employees filed vouchers at overseas locations instead of where the advances were given making it difficult to track the status of outstanding advances.

- Advances for home service transfer and temporary lodging allowances were not promptly liquidated.

To correct these problems, we made recommendations that would establish a viable internal control system, ensure official records were reconciled, account for all outstanding advances, require employees to file vouchers where the advances were given, and implement a follow-up system complete with collection notices.

The Office of Financial Management advised us that the travel advance and travel voucher processing functions will be transferred to the U.S. Department of Agriculture National Finance Center. Accordingly, there was no need to implement the recommendations related to these aspects of the audit. The Office also advised us that outstanding advances presently on the records would be reconciled by September 30, 1989. The full text of the response is included as Appendix I to this report.

Office of the Inspector General

AUDIT OF
A.I.D./WASHINGTON'S
TRAVEL ADVANCE CONTROL SYSTEM

TABLE OF CONTENTS

Page

PART I - BACKGROUND, AUDIT OBJECTIVES AND SCOPE

Background 1

Audit Objectives and Scope 2

PART II - AUDIT RESULTS AND RECOMMENDATIONS

Results of Audit 4

Cash Advances Were Not Properly Managed 4

Inadequate Accounting for Travel Advances 5

Ineffective Control Over the Provision and Liquidation of Advances 7

PART III - APPENDICES

1. Management Coments

2. Report Distribution

AUDIT OF
A.I.D./WASHINGTON'S
TRAVEL ADVANCE CONTROL SYSTEM

PART I - INTRODUCTION

Background

The Agency for International Development (A.I.D.), through its Office of Financial Management (FM), provides travel advances to its employees, personal services contractors, and individuals on invitational travel orders. Advances are made to provide persons authorized to travel at U.S. Government expense with funds in an amount estimated to be sufficient to meet necessary allowable travel expenses.

The advances may be in the form of cash or check or both. Advances are to be limited to 80 percent of the expected travel costs minus the cost of transportation. Cash advances are generally limited to $300, unless excess baggage is involved, and are intended to provide employees with immediate cash when checks are delayed. When excess baggage is involved, the advance is limited to $400. FM also issues advances for home service transfers and temporary lodging allowances.

As of February 7, 1989, there was $1.1 million in outstanding A.I.D./Washington travel cash advances attributed to 752 employees and invitational travelers; an average of $1,463 per person.

Controls over cash advances of all types have been a continuing problem in A.I.D./Washington and A.I.D. Missions for a long time. The Office of Inspector General issued about 40 audit reports dealing with cash advance problems between 1981 and 1989. Most recently, these concerns were summarized in an Audit Related Memorandum dated

January 19, 1989 to the Assistant to the Administrator, Bureau for Personnel and Financial Management. The Memorandum concluded that although action was being taken to bring the problem of poor cash management practices under control, much more needed to be done. The problems have persisted, and have been made more severe due to continuing complications caused by introducing a new accounting system and the lack of adequate staffing.

The Office of Financial Management in the Bureau for Personnel and Financial Management is mainly responsible for administering the Washington travel advance control system. In February 1989, officials in the office sought the assistance of the Office of Inspector General to develop a course of corrective actions which resulted in this travel advance audit.

Audit Objectives and Scope

The audit was made by the Inspector General's Office of Programs and Systems Audits to determine the adequacy of A.I.D.'s management of travel advances. The specific objectives were to determine whether (1) adequate internal controls were in place to oversee the provision and liquidation of travel advances; (2) the system provided adequate audit trails for management and operational reviews; and (3) travel advances were provided in accordance with Agency regulations and were liquidated in a timely fashion.

The field work was done at the Bureau for Personnel and Financial Management. Specifically, records were examined and personnel interviewed in the Cash Management and Payment Division and the Central Accounting Reporting Division of the Office of Financial Management. In addition, the audit included a review of current travel advance management and monitoring procedures. Also, a sample of

advances was tested by sending 254 confirmation memoranda for all travel advances provided to employees and to individuals covered by invitational travel orders during the month of September 1988. Prior Office of Inspector General reports on advances were also reviewed.

The audit covered $1.1 million of outstanding travel advances from Fiscal Year 1986 to about February 1989. Field work was initiated in February 1989 and was completed in April 1989. The audit was made in accordance with generally accepted government auditing standards.

AUDIT OF
A.I.D./WASHINGTON'S
TRAVEL ADVANCE CONTROL SYSTEM

PART II - RESULTS OF AUDIT AND RECOMMENDATIONS

Results of Audit

The Agency's travel advance records did not provide accurate travel advance data because controls over travel advances were seriously deficient in many respects. These conditions were well known to Office of Financial Management officials, but attempts to correct the problems had been restricted to a case by case basis without addressing the underlying systemic causes. Basic internal controls were lacking in making and liquidating travel advances. There were inadequate audit trails for management and operational reviews. In addition, advances were not being provided in accordance with Agency regulations or liquidated in a timely fashion. The net result of these deficiencies was that the travel advance system did not provide reasonable assurance that funds were properly accounted for; accordingly, there was significant vulnerability to waste, fraud, and abuse.

Cash Advances Were Not Properly Managed

The Office of Management and Budget (OMB) issued Bulletin No. 88-17 dated July 22, 1988 to all Executive Branch agencies. The Bulletin was titled "Limiting Travel Advances to Manage Cash More Effectively." Agencies were to (a) minimize the amounts of cash advanced for travel purposes, (b) follow-up with travelers to assure that vouchers were submitted within established deadlines, and (c) process

travel vouchers in a timely manner to recover any excess amounts advanced.

A.I.D. Handbook 22, Chapter 4 provides that the travelers must repay advances immediately for trips cancelled or indefinitely postponed. Also, travelers receiving advances for a single trip must liquidate the advance within 30 days of completion of the travel. FM's Internal Procedures Manual states that a voucher examiner upon completion of a voucher review should send each traveler a request to reimburse the Agency for any outstanding travel advance balance. If an employee does not submit a voucher within thirty days after completing travel, FM will issue a collection notice and will follow up on collection notices. As a last resort, FM can recover the outstanding advance by a payroll deduction. As provided by the Debt Collection Act of 1982, an indebted employee also can be charged interest on the debt at prevailing U.S. Treasury rates and can be assessed a penalty charge.

Despite the large amount of administrative guidance, FM at the time of the audit, had not established a complete internal control system including defined job descriptions, segregation of duties, and account reconciliations. The following problems stemmed from this lack of an effective functioning system.

Inadequate Accounting for Travel Advances

A.I.D./Washington travel advances are accounted for by general ledger account number 1311. According to FM personnel, the account had not been reconciled for nearly two years. As of January 31, 1989, the 1311 account had a balance of $791,000 versus a February 7, 1989 summary of employee travel advances, which had a balance of $1.1 million; a difference of about $309,000. In effect, A.I.D.'s official

records were $309,000 less than the amount shown in the summary of individual employee records.

Part of the problem with reconciling the 1311 account was FM's conversion from an allotment system of accounting to the new Financial Accounting Control System (FACS). A lack of control over the transfer of financial data from the old system to the new system resulted in many employee advance accounts being incorrectly recorded.

Employee advances were not properly accounted for. One of the problems was that travel advances oftentimes were not recorded in the official accounting records. A sample of 105 advances made during the month of September 1988 showed that 18 advances totaling $15,000 were not recorded on FACS. In addition, employee travel vouchers were not being credited against the employee's advance. For example an employee filed a voucher on December 5, 1987 covering expenses of $2,615 that were not credited to his advance account a year later. Similarly, another employee had, according to FM records, two advances in Fiscal Year 1986 which were still outstanding in December, 1988. A review of the employee's file showed that both advances were liquidated by the employee's submission of travel vouchers.

Employee advance refunds were not credited against employees' accounts. A sampling of travel advances and records showed that four employees with outstanding balances from Fiscal Year 1986 had actually made refunds liquidating their advances. FM's record of travel advances to individual employees also listed 77 employees with negative advance balances, about 10 percent of the total of 752 balances. The negative balances implied that A.I.D. owed money to these employees. We were told by FM officials that the negative balances occurred because of inaccurate accounting entries, and did not necessarily represent payments due employees.

While account 1311 could not be reconciled with employee advance account balances, the employee advance account balances also could not be reconciled with employee advance files. A review showed that the employee advance files were basically incomplete making it impossible to use the records to satisfactorily reconcile employee accounts. The files were missing travel authorizations, advance application forms and travel vouchers. In addition, documents were unorganized, loosely filed and were not in chronological order.

FM employees were not specifically assigned responsibility for the files which probably contributed to their poor condition. We noted that there was a backlog in filing because it was given a low priority in the understaffed office. Several voucher examiners and other FM personnel had easy access to the files which also weakened the controls over the record keeping function.

Ineffective Control Over the Provision and Liquidation of Advances

Advances were provided to employees who had a valid travel authorization (TA). FM reviewed the request for advance to see that it was a proper estimate of expenses for the trip to be taken. FM only reviewed those advances which were outstanding under the same TA for which the advance was being authorized. FM did not consider outstanding advances under previous travel authorizations.

Under A.I.D. regulations, advances should be liquidated immediately after a trip has been completed. The employee should prepare a travel voucher and offset travel expenses against the outstanding advance. If the expenses are not sufficient to offset the advance, the employee must refund the excess advance.

The review of the liquidation of advances showed several problem areas associated with the present process. We noted that it was common practice for employees not to list the amount of their outstanding advances on their travel vouchers. It was left up to the voucher examiners to determine whether there was an outstanding amount. Requiring employees to include any outstanding advances on their voucher would provide additional control to ensure outstanding advances are identified and liquidated.

In processing travel vouchers, the voucher examiner referred only to the travel authorization under review. We noted numerous instances where employees were paid even though records indicated a prior outstanding advance. For example, one employee was reimbursed $775 even though, according to FM records, the employee had an advance dating back to Fiscal Year 1987 amounting to $1,280. Another employee was paid $1,127 even though the employee had an outstanding advance of $1,180 under a previous travel authorization. Procedures do not allow for voucher examiners to access all outstanding advances. It is essential that voucher examiners are able to access this information.

According to the FM Internal Procedures Manual, after the voucher is examined, the voucher examiner should prepare a memorandum to employees whose travel expenses were not sufficient to liquidate the entire advance. The memorandum should request the employee to refund the balance of the outstanding advance. If the employee does not respond to the initial collection notice, a second notice is to be issued. If there is no response, a third notice is supposed to be sent stating that a payroll deduction will be initiated. Although these procedures are outlined in the Internal Procedures Manual, they were not followed. No follow-up was being made on the initial notices thus, advances were outstanding longer than they should have been.

FM's Internal Procedures Manual also requires that if an employee has not submitted a voucher within thirty days after completing the travel as indicated on the travel authorization, FM should request the computer system to generate a collection notice. This was not being done. Many instances were noted where travel vouchers were filed much later than thirty days after travel without notices being sent. For example, of the travel advances made in September 1988, 29 out of about 197 advances verified by employees remained unliquidated six months after issuance. Follow-up is particularly important when trips are cancelled and vouchers are not filed. An automatic notice would speed up collection of advances for cancelled trips.

Another problem affecting the advance process was the location where the employee elected to file a voucher liquidating an advance. Employees transferring from A.I.D./Washington to overseas locations sometimes filed the vouchers at their overseas location. By doing so, the expenses must be transferred from the overseas location to A.I.D./Washington using the Advice of Charge process. The Advice of Charge process is slow and it may be months before an advance is liquidated.

FM did not ensure prompt liquidation of home service transfer and temporary lodging allowances. Two employees received temporary lodging advances, one for $2,620 in May 1988 and the other for $5,000 in August 1988. Both advances remain outstanding as of February 1989.

In summary, FM's management of travel advances needs to be dramatically improved. Travel advance account (1311) remains unreconcilable with individual employee sub-accounts. Entries made into FACS for travel advances are inaccurate and in some cases are not made at all. Also, controls must be tightened to ensure prompt liquidation of advances. Until steps are taken to eliminate the problems

noted in the travel advance system, FM, cannot effectively manage the Agency's travel funds.

RECOMMENDATIONS

Recommendation No. 1

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management implement internal accounting control procedures that ensure the effective provision and liquidation of travel advances. The procedures should include job descriptions, segregation of duties, account reconciliations, and staffing requirements.

Recommendation No. 2

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management reconcile the Financial Accounting Control System with Travel Advance account 1311, and with individual employee files, and resolve all outstanding travel advances with employees.

Recommendation No. 3

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management reject and return travel vouchers prepared by employees which do not show outstanding advances.

Recommendation No. 4

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management issue instructions that previously issued advances must be settled before approving employee requests for new advances.

Recommendation No. 5

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management require voucher examiners to offset claimed expenses against the total of all outstanding advances when processing employees travel vouchers.

Recommendation No. 6

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management require employees to liquidate advances at locations where received unless there are circumstances making this impractical such as issuing a supplemental advance at another location.

Recommendation No. 7

We recommend that the Office of the Assistant to the Administrator for Personnel and Financial Management implement existing procedures requiring routinely generated collection notices to be sent at 30, 60 and 90-day intervals.

Management Comments

The Office of Financial Management agreed that the reported weaknesses had to be addressed in order to bring travel advances in A.I.D./Washington under control. The Office advised us that early next fiscal year it planned to transfer the travel advance and voucher processing functions to the United States Department of Agriculture National Finance Center under an interagency cross-servicing agreement. It, therefore, would not be necessary to implement the report recommendations relating to travel advance issuance and recovery. Existing outstanding advances, however would be reconciled by assigned in-house staff with the reconciliations being completed by September 30, 1989. Action would be taken to recover outstanding advances.

Office of Inspector General Comments

The indicated actions address the audit concerns. The report recommendations, therefore, are considered resolved. Closure of the recommendations will take place when (1) the functions are transferred to the Department of Agriculture and there is evidence that an effective system is actually working, and (2) reconciliations are completed on all outstanding advances.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

JUN 26 1989

MEMORANDUM FOR IG/PSA, MERVIN F. BOYER, JR.

FROM: PFM/FM, Elmer S. Owens

SUBJECT: Draft Inspector General Report on A.I.D./Washington's Travel Advance Control System

REF: Your May 25, 1989 Memorandum, same subject

We want to thank you and your staff for the excellent work in preparing the subject draft report. The recommendations are clear and point out several weaknesses which must be addressed to bring travel advances in A.I.D./W under proper control.

As you know, we are preparing to transfer travel advance and travel voucher processing to the USDA National Finance Center under an interagency cross-servicing agreement. When this agreement is in place the NFC will be responsible for issuing and recovering travel advances for A.I.D./W issued travel authorizations using their policies, procedures and automated travel voucher system. Travel advances will be carried on the books of the USDA and will not be transferred to A.I.D. unless the NFC is unable to recover it. Therefore, it will not be necessary for us to implement the recommendations relating to advance issuance and recovery.

However, in order to close out our records on travel advances, it is necessary to reconcile the existing travel advances. We have been working on this reconciliation for several months using only one employee. We have now assigned two additional employees to the task and are contracting for two more people. We should complete the reconciliation by September 30. Based on this reconciliation we will initiate action to recover outstanding advances. We do not plan to transfer outstanding advances to the NFC. We will resolve these ourselves.

We have implemented the following interim procedures pending transfer to the NFC:

- When processing an advance request we are verifying that the traveler does not have an outstanding advance for a trip that has been completed for more than thirty days for which we have not received a voucher. If the employee has an advance unaccounted for over 30 days we will not make the new advance.

- We will issue an A.I.D. General Notice reminding travelers that they must account for travel advances on their travel vouchers. We do not plan to require the traveler to account for all advances on a voucher for a single Travel Authorization. However, we will determine the status of all outstanding advances accounted for in A.I.D./W and make appropriate recoveries of overdue advances when processing each travel voucher.

- The above General Notice will also require that travelers file their voucher at the paying office for the location where the travel authorization (TA) is issued. Therefore, if the TA is issued by M/SER/MO/TTM the traveler will be required to file their voucher with PFM/FM/CMPD. This action should provide for most vouchers being filed at the same location where the travel advance was made.

Please call me on X32104 if you have any questions.

REPORT DISTRIBUTION	No. of Copies
Assistant to the Administrator for Personnel and Financial Management (AA/PFM)	5
Assistant Administrator, Bureau for Africa (AA/AFR)	1
Assistant Administrator, Bureau for Asia and Near East (AA/ANE)	1
Assistant Administrator, Bureau for Food for Peace and Voluntary Assistance (AA/FVA)	1
Assistant Administrator, Bureau for Latin America and the Caribbean (AA/LAC)	1
Assistant Administrator, Bureau for Private Enterprise (AA/PRE)	1
Assistant Administrator, Bureau for Program and Policy Coordination (AA/PPC)	1
Senior Assistant Administrator, Bureau for Science and Technology (SAA/S&T)	1
Assistant Administrator, Bureau for External Affairs (AA/XA)	1
Office of Finance Management (PFM/FM/CONT)	2
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
PPC/CDIE	3
IG	1
D/IG	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Tegucigalpa	1
RIG/A/Singapore	1
RIG/A/Washington	1
IG/PPO	2
IG/LC	1
AIG/I	1
IG/ADM/C&R	16