



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20543

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DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-146951

JAN 16 1975

Mr. Jerome A. Miles, Director
Office of Management and Finance
U.S. Department of Agriculture

DLA 10074



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Dear Mr. Miles:

In our report of March 14, 1975, copy attached, we pointed out several opportunities to improve the management and accounting control over travel advances identified in our review at the National Finance Center. Recently, we confirmed that actions have been taken to

- develop revised procedures to identify and recover excessive outstanding travel advances, including those made to former employees;
- insure that an appropriate agency official confirms the propriety of processing a travel advance if the computer determines that the applicant's name is not on file in the travel control records; and
- insure that duplicate data is not retained in the basic and supplemental records of persons authorized to receive travel advances.

We have completed our review and the purpose of this letter is to report to you our findings concerning (1) computer system documentation, (2) security over system documentation, (3) action to insure continued computer operations, (4) computer edit checks, and (5) the review, approval, and audit of travel vouchers.

SCOPE OF REVIEW

We directed our review primarily toward evaluating the manual and computer controls over the processing of travel advances and travel vouchers from the time documents arrive at the Center until the processed data is forwarded to the

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USDA agencies served. Our objective was to determine whether the computerized processing systems could be relied upon to produce accurate and timely results. Our review included visits to several field locations of agencies served by the Center. We did not extensively test the travel advance and travel voucher transactions processed by the Center, but concentrated on evaluating the system of internal controls, including controls in the computer system. 42

COMPUTER SYSTEM
DOCUMENTATION BEING IMPROVED

We observed that the documentation for the travel advance and travel voucher system needed improvement with respect to (1) system flow charts, (2) narrative descriptions of the flow of information and the way each program accomplishes its functions, (3) program logic diagrams, and (4) input-output record descriptions.

Comprehensive and current system documentation is necessary for the continued efficient operation and success of any data processing system. Such documentation describes the system's objective, the flow of data within the system, and the functions of the different processing steps and their interrelationships.

Adequate system documentation permits management and review personnel to understand the design of each system and how it operates and to evaluate internal controls. It also permits operating officials to maintain continuity in processing and is especially important in the event that personnel turn-over becomes a problem.

During our review we brought the need for improvement in system documentation to the attention of Center officials. We were advised that improvements are being made. We plan to review the recently revised documentation to determine whether it meets GAO requirements for system design approval.

SECURITY OVER SYSTEM
DOCUMENTATION IMPROVED

Access to computer system documentation was not adequately controlled.

BEST DOCUMENT AVAILABLE

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Federal standards require that computer system documentation be controlled to insure that it is not misplaced, altered, or stolen.

We observed that computer system documentation for the travel advance and travel voucher processing systems was stored on open shelves in various locations and was accessible to unauthorized persons who could misuse this information. We also noted that similar conditions existed in other computerized systems.

We recently determined that all computer system documentation is now kept in one room location and a control desk clerk will be assigned responsibility for controlling this documentation.

ACTION TAKEN TO INSURE CONTINUED COMPUTER OPERATIONS

System documentation and records needed to insure continuous computer operations in the event of a disaster were not duplicated and stored at a remote site.

Duplicate copies of system documentation and records needed to reconstruct current data files should be stored in a place remote from the computer to permit operations to continue if the documentation or data at the computer site is damaged or destroyed.

In a recent discussion with Center officials, we were told that a study is being made to identify which materials need to be duplicated and stored in a location remote from the computer.

COMPUTER EDIT CHECK DEVELOPED TO VALIDATE TRAVEL ADVANCES

We noted that an additional edit check was needed in the computer program for the travel advance system to preclude processing duplicate travel advances.

To test the effectiveness of the edit checks in the travel advance and travel voucher system computer programs, we processed through the computer simulated input records containing various combinations of incomplete, incorrect,

B-146951

and invalid information. Our tests showed that a computer edit was needed to preclude automatically paying duplicate travel advance payments.

In our recent follow-up we determined that action has been taken to develop and implement an appropriate computer edit to insure that duplicate travel advances are not automatically processed by the Center.

DUPLICATION IN REVIEW,
APPROVAL, AND AUDIT OF
TRAVEL VOUCHERS

During our review, we examined the division of responsibilities between the Center and the USDA agencies for processing travel vouchers. Our review was made at the Center and at 13 USDA agency sites (6 USDA agencies) in Louisiana, Mississippi and Texas.

We noted that seven of the agency sites were performing one or more of the audit functions assigned to, and being performed by, the Center. We noted duplication of the audit function by two of four sites of the Animal and Plant Health Inspection Service and at two of three sites of the Forest Service.

The Center's Manual of Instructions to Agencies includes a clear assignment of responsibilities for the review, approval, and audit of travel vouchers. This manual provides that:

- The Center is responsible for auditing the vouchers for "correctness of computations, legal and administrative propriety of paying for the items claimed, validity of the appropriation symbol shown for the Agency charged, proof that the payee is a USDA employee, or is a non-employee who has been approved to travel on official business."
- The USDA agencies served by the Center, while responsible for certain review and approval functions, are not to duplicate the functions specifically assigned to the Center.

Generally, the officials at sites which were not auditing travel vouchers, such as the Soil Conservation Service, said

837

B-146951

they were aware that the audit function was officially assigned to the Center. Most of those that were auditing at the site said they considered that their review and approval of the vouchers for payment required some checking to insure the correctness of the vouchers.

Conclusion and recommendation

Although our review was limited to travel vouchers and a few agency sites, the incidence of apparent duplication of audit effort indicates a need for further inquiry into this matter. We therefore, recommend that you take action to insure that responsibilities for review, approval, and audit of all vouchers processed by the Center are assigned properly and not duplicated.

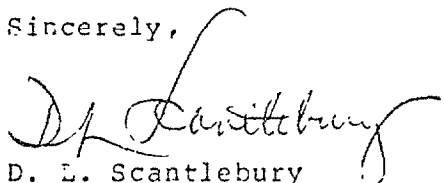
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We request that you advise us of further action taken to improve the computerized travel advance and travel voucher processing systems and action taken to implement our recommendation regarding the review, approval, and audit of all expense vouchers.

Copies of this letter are being sent to the Director, National Finance Center, and to the Director, Office of Audits.

We want to take this opportunity to thank you and your staff for the courtesies and cooperation given our staff during this review.

Sincerely,



D. L. Scantlebury
Director

Attachment



C O P Y

UNITED STATES GENERAL ACCOUNTING OFFICE
DALLAS REGIONAL OFFICE
ROOM T-5510, 701 LOYOLA AVENUE
NEW ORLEANS, LOUISIANA 70113

March 14, 1975

Mr. Dennis Boyd
Director
USDA National Finance Center
P. O. Box 60000
New Orleans, Louisiana 70160

Dear Mr. Boyd:

In a recent meeting with you we discussed several observations concerning our on-going review of the U.S. Department of Agriculture (USDA) National Finance Center (NFC) centralized travel advance and travel payment operations. As you know, this is the first of several reviews we expect to schedule, covering various NFC activities. We plan to discuss with you, as they arise, any review results which we believe provide opportunities for NFC to improve its operations.

The purpose of this letter is to summarize the results of our review of NFC management of travel advances and to confirm our understanding of the actions taken or planned to improve controls over such advances. We expect to complete our review of travel payments shortly and, if the results warrant, we will cover them by separate letter.

Our review included interviews of responsible NFC operating and management personnel and review of NFC policies, procedures, and system documentation. We also used the GAO audiotape retrieval system to analyze the "Travel Master" disk file. The results of our review are discussed below.

TRAVEL ADVANCES FOR PERSONS
WHOSE NAMES ARE NOT IN NFC FILES

NFC's computer programs for processing travel advance requests have control features which cause the computer to reject, and print an error message for, any request from a person whose

C O P Y

identification data is not already in the NFC file records. Separate file records are maintained for USDA employees and for non-USDA employees authorized by USDA agency officials to travel on official business.

We found that when a travel advance request was identified as for a person whose name and related data was not on file, either by manual screening before being input for computer processing or as a result of the computer rejecting it, operating personnel would assume it valid and routinely prepare a document to add the name to the "non-USDA Name and Address" file and thereby permit the advance check to be issued.

NFC officials agreed that anyone who had the proper form and information could submit a travel advance request to NFC and receive any amount up to \$5,000.

OUTSTANDING TRAVEL ADVANCES

Under existing USDA regulations and/or NFC policies there are three types of ceilings which affect the maximum dollar amount of individual travel advances. No individual should have an advance of over \$5,000; no individual outstanding balance should exceed an amount determined by a formula (the average of the individual's last three vouchers, rounded to the next higher \$100, multiplied by two); and an individual who has not traveled in the last 3 months should liquidate any advance.

We analyzed the NFC "Travel Master" disk file which identifies travel advance balances and travel voucher data for all individuals served by the NFC. As of November 15, 1974, there were records for 60,799 persons on file. Of these, 22,695 records showed outstanding travel advances which totaled \$9,221,709.

Our analyses of the \$9.2 million of outstanding travel advances indicated that about \$4.4 million (or 48 percent of the amount outstanding) exceeded the prescribed limits or were apparently unwarranted, as summarized in the following schedule.

C O P Y

Indications of individual travel advances outstanding which	Estimated ^a	
	Number	Amount
(1) -- exceed \$5,000 limit	12	\$ 1,041
(2) -- exceed formula limit	3022	2,663,377
(3) -- were held by persons who had not traveled in last 3 months	4435	1,677,610
(4) -- are held by persons whose names are not included in either the USDA or Non-USDA Name and Address Files	352	68,720
Totals	7851	\$4,410,758

^aThese data are necessarily qualified. Because NFC computer program errors were not immediately detected, the "Travel Master" file could have omitted travel data for some persons who traveled during the 3-month period ended August 1974. Also, the data shown for categories (2) and (3) could include some of the data in categories (1) and (4). Category (3) data were selected prior to computing category (2) to avoid overlap.

These matters are discussed separately below.

\$5,000 Limitation

We identified 12 persons with outstanding advances in excess of the \$5,000 limitation. These advances totaled \$61,041 and ranged from \$5,001 to \$5,257.

Formula limitation

We used a slightly modified formula for identifying outstanding advances in excess of the formula limitation, due to restrictions in our Auditape program.

Instead of rounding the average of the last three travel vouchers to the next \$100 as part of the formula, we simply added \$100 to the average. Therefore, in comparison to the NFC formula, the results we computed are conservative.

Of the \$9,221,709 in total advances outstanding, we estimated that \$2,663,377 (or 29 percent) was excessive in relation to the formula limit.

Recent travel limitation

We used a period of no recorded travel for 6 months or longer as a basis to estimate the amount of advances which should have been liquidated because of no recent travel.

Our analysis showed:

<u>Recency of last travel</u>	<u>Persons with advances</u>		<u>Outstanding advances</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
No travel in the last:				
22½ months or longer	2,136	.10	\$ 885,976	.09
12 to 22½ months	754	.03	232,307	.03
6 to 12 months	<u>1,545</u>	<u>.07</u>	<u>559,327</u>	<u>.06</u>
Subtotals	4,435	.20	1,677,610	.18
Travel within last 6 mos.	<u>18,260</u>	<u>.80</u>	<u>7,544,099</u>	<u>.82</u>
Totals	<u>22,695</u>	<u>1.00</u>	<u>\$9,221,709</u>	<u>1.00</u>

Former employees

We identified 3,914 persons on the "Travel Master" file who were not on the USDA or non-USDA "Name and Address" files as of November 15, 1974. We found that 332 of these persons had outstanding travel advances amounting to \$68,730.

We researched 50 of the outstanding advances and found all of them were obligations of former employees. The dates of separation ranged from January 1973 to November 1974. The outstanding amounts ranged from \$2 to \$3,425.

Employee names in both
USDA and Non-USDA files

We identified 2,298 employees whose identification data were in both the USDA and non-USDA files. We were advised that new USDA employees were sometimes placed on the non-USDA file to facilitate processing travel advance and travel voucher payments. We were also advised that it takes several weeks from date of hire for NEC to receive the source documents necessary to place a new employee on the USDA payroll and personnel files.

IMPROVEMENTS MADE
OR PLANNED

For each of the above matters discussed with NFC officials, we were advised that action to implement or improve management controls has been taken or is planned. Our understanding of the status of these matters is as follows.

Action taken to control
advances for persons whose
names are not in NFC files

We understand that NFC has discontinued the practice of manually screening travel advance applications designated as for non-employees to check whether the name is in the NFC file. Instead, all travel advance applications are routed directly for computer processing. If the computer rejects the data because the name is not on file, NFC operating personnel telephone the agency from which the application was received to determine whether the name should be added to the NFC file records.

Actions planned to comply with
policy limits on amount of advances

We understand that NFC officials plan to

- institute action to recover outstanding travel advances to former employees;
- purge the "Travel Master" file of data for persons whose names are not in the current USDA or non-USDA files;
- purge the non-USDA file of USDA employees; and
- issue demand for repayment notices to employees whose travel advances are excessive or inactive, advising that the advance can be retained only on receipt of written approval from an agency authorizing official.

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We would appreciate a written response, either confirming the above or advising us of any inconsistencies with our understanding of management actions taken or planned to improve

C O P Y

controls over travel advances. Also, we would appreciate being advised of the amount of reductions in travel advances effected as a result of implementing the management improvements discussed above.

Before we complete our review of the NFC travel operations, we plan to meet with you to discuss the status of these matters and any further observations likely to be of interest to you.

Sincerely,

/s/ J. J. Bevis
Assistant Regional Manager

DOCUMENT AVAILABLE