Representatives

April 1990

CASH MANAGEMENT

Diners Club Business Travel Management Program Needs Improvement

GAO/AFMD-90-66

GAO United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

B-238532

April 30, 1990

The Honorable Edward R. Roybal
Chairman, Subcommittee on Treasury,
Postal Service, and General Government
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In House Report 101-170, dated July 25, 1989, you requested that we study the difficulties surrounding the government's use of credit cards. This report summarizes the key benefits and problems associated with the Diners Club business travel management program.

As agreed 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 this letter. At that time, we will send copies to the Director of the Office of Management and Budget; the Acting Administrator, General Services Administration; the Secretary of Defense; and other interested parties. Copies will also be made available to others upon request.

This report was prepared under the direction of Jeffrey C. Steinhoff, Director, Financial Management Systems and Audit Oversight, who can be reached at (202) 275-9454. Other major contributors to this report are listed in appendix I.

Sincerely yours,

Donald H. Chapin

Donald H. Chapin
Assistant Comptroller General

Executive Summary

Purpose

The federal government spends billions of dollars annually on employee travel and transportation expenses. To better manage its travel-related cash management activities, the government entered into a contract with a private company for a travel and transportation payment and expense control system, namely, the Diners Club business travel management program.

On July 25, 1989, the Chairman of the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations, asked GAO to study the difficulties surrounding the government's use of credit cards, such as the Diners Club individual charge card. This report summarizes the key benefits and problems associated with the Diners Club business travel management program.

Background

The General Services Administration (GSA) awarded a governmentwide contract to Citibank (South Dakota), N.A., in August 1983, for Diners Club charge cards and centrally billed accounts. Individual charge cards are issued, without credit checks, to federal employees identified by their agencies as frequent travelers to pay for travel expenses. Centrally billed accounts are generally noncard accounts, which agencies may use to purchase transportation tickets for employees not designated to receive individual charge cards, such as new employees and infrequent travelers. Additionally, selected cardholders participating in a pilot program at the Department of Justice used their Diners Club charge cards to obtain cash advances from an automated teller machine (ATM).

At the end of fiscal year 1989, approximately 520,000 federal employees had Diners Club charge cards, and 79 agencies had centrally billed accounts, resulting in total charges of about $577 million and $397 million, respectively. A second contract was awarded to Citibank in August 1988. The government has the option to renew the contract for up to four additional, consecutive, 12-month periods.

GAO reviewed certain aspects of the Diners Club business travel management program at eight federal agencies.

Results in Brief

The agencies in GAO's review believe that they have generally benefited from employee use of Diners Club individual charge cards. The charge card, for example, has enabled some agencies to reduce the need for large travel advances and has improved the government's cash flow.

The charge card also enables employees to carry less cash when traveling on official business.

Most of these agencies, however, are not taking full advantage of the benefits offered by the Diners Club individual charge card program. Also, employees have not been surveyed on the charge card program to assess their concerns. Additionally, GAO found that the charge cards are sometimes used by employees for unauthorized purposes, and some employees do not pay their bills on time. Agencies also are experiencing problems reconciling their Diners Club centrally billed accounts for payment, which contributes to increased interest costs. Further, the ATM pilot program may not be the most cost-effective method of issuing cash travel advances and needs improved controls.

Principal Findings

Charge Card Program Can Be Beneficial

The agencies in GAO's review are generally satisfied with the administrative and cash management benefits associated with the Diners Club individual charge card program. The program has enabled some agencies to improve the government's cash flow, reduce administrative costs and time, and obtain valuable travel expense data. (See chapter 2.)

Agencies Can Better Utilize Charge Card Program

Most of the agencies in GAO's review are not taking full advantage of the benefits offered by the Diners Club individual charge card program. For example, some agencies have not fully implemented the GSA travel regulation to limit travel advances and make greater use of the charge card. Agencies can also better assure federal employees that their travel voucher reimbursements are processed in time for them to pay their Diners Club bills when due.

Furthermore, GAO found some instances of federal employees (1) using their Diners Club charge cards for personal purposes and (2) not paying their bills on time. Although these types of activities were not widespread, they can be an embarrassment to the government and are contrary to the agreement that was established between the government employee and Diners Club for using the card. (See chapter 2.)

Reconciling Centrally Billed Accounts Is a Problem

Although GSA intended that the Diners Club centrally billed accounts be used primarily by infrequent travelers, agencies also use these accounts to pay for the transportation tickets of frequent travelers. GAO found that some of the agencies in its review could not reconcile some of the charges on their centrally billed accounts to information in their travel management center's accounting systems because they lacked sufficient supporting documentation. Also, some of these agencies are not performing timely analyses of past due amounts involving unsupported charges to determine their validity. Failure to research these amounts in a timely manner results in interest penalties being assessed by Diners Club. (See chapter 3.)

ATM Pilot Program May Not Be Most Cost-Effective

Although employees participating in the Justice ATM pilot program generally consider the ATM a convenient method of obtaining cash advances, GAO found that this program may not be the most cost-effective compared to other methods. GAO's review of a Justice cost analysis showed that the Treasury check method may be more cost-effective. GAO is also concerned about inadequate internal controls over the ATM program. (See chapter 4.)

Recommendations

GAO recommends that the Director of the Office of Management and Budget (OMB) issue a directive to the heads of agencies and departments on the Diners Club business travel management program. This directive would require (1) GSA to survey federal employees on their views regarding the program and (2) agencies to comply with existing policies governing the Diners Club business travel management program and related travel policies and procedures. (See chapters 2 and 3.) GAO also recommends that the Administrator of General Services and the Secretary of Defense establish regulations for the Diners Club ATM program. (See chapter 4.)

Agency Comments

GSA concurred with the recommendation GAO made to it in this report. In addition, the Internal Revenue Service and the Department of Justice generally agreed with the findings and conclusions relating to their Diners Club business travel management program. Their comments are incorporated where appropriate. While OMB and the Department of Defense did not provide GAO with official comments on this report, GAO discussed the report with OMB staff and Department of Defense officials, and they indicated general agreement with the recommendations made to their agencies in this report.

Contents

Tables

Figure

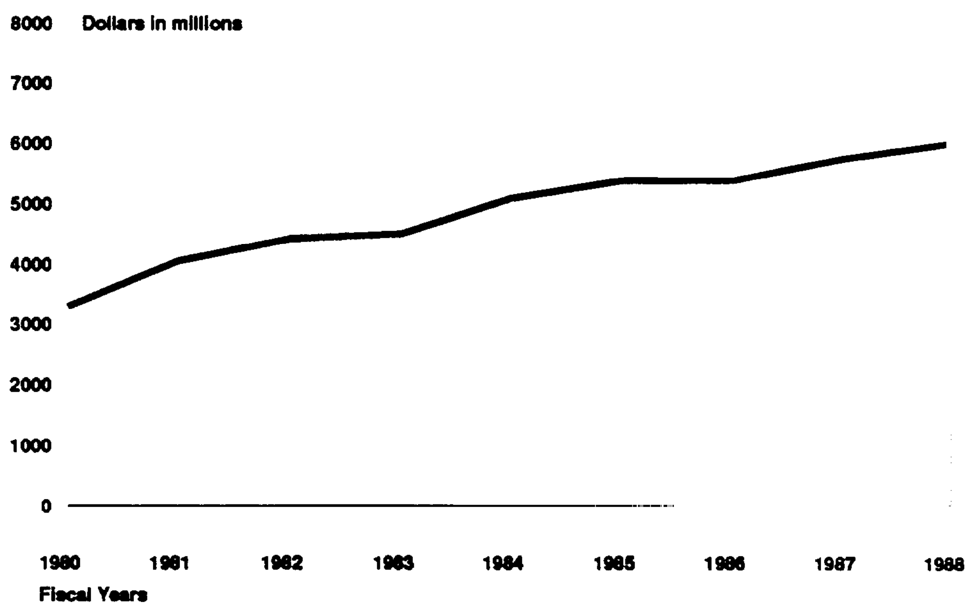
Abbreviations

ATM	automated teller machine
GAO	General Accounting Office
GSA	General Services Administration
OMB	Office of Management and Budget

Introduction

The federal government spends billions of dollars annually on employee travel and transportation. Whether investigating a plane crash, inspecting a meat plant, or participating in a disarmament conference, government employees must travel to fulfill their varied responsibilities. In the past 8 years, travel and transportation costs have almost doubled, rising from about $3.3 billion in 1980 to $6 billion in 1988. (See figure 1.1.)

Figure 1.1: Travel and Transportation Expenses for Fiscal Years 1980 Through 1988



Source: Data from OMB's Object Class Analysis, Budget of the United States Government for fiscal years 1980 through 1988.

Given the enormous amount the government spends on travel and transportation, it is essential that effective cash management be in place to control these disbursements. Poor management of these funds could result in additional costs to the government. To better manage its travel-related cash management activities, the government has looked to the private sector in recent years for improved cash management techniques. One such initiative it has adopted is the Diners Club business travel management program. This report discusses the benefits and problems associated with the government's use of this travel management program.

Travel Policies and Procedures

The Office of Management and Budget (OMB) is responsible for evaluating, formulating, and coordinating management procedures and program objectives within and among federal departments and agencies. OMB has issued several policy directives since 1982 that required agencies to control the amount of outstanding travel advances. Specifically, agencies were directed to limit travel advances to the minimum amount of out-of-pocket expenses that an employee was expected to incur.

OMB Bulletin 88-17, dated July 22, 1988, entitled "Limiting Travel Advances to Manage Cash More Effectively," provides governmentwide policy on minimizing travel advances without imposing a personal financial burden on travelers. Specifically, the bulletin requires agencies to

- limit cash advances to estimated out-of-pocket expenses such as meals and incidental expenses and miscellaneous expenses for taxis, tolls, and parking;
- establish internal financial controls for notifying travelers with outstanding travel advances to file their travel vouchers and to repay any outstanding amounts; and
- offer government contractor issued travel charge cards to employees who are expected to travel at least twice a year (frequent travelers).

The General Services Administration (GSA) is responsible for establishing federal travel regulations for civilian employees. It is also the central purchasing agent for the federal government. On April 12, 1989, GSA issued temporary regulation A-34,[1] which implements OMB Bulletin 88-17.

In the case of uniformed military personnel, the Department of Defense Per Diem, Travel, and Transportation Allowance Committee is responsible for establishing the Joint Federal Travel Regulations. On September 30, 1988, the Deputy Secretary of Defense issued a memorandum directing Department of Defense components to implement OMB Bulletin 88-17.

[1]This temporary regulation was made a part of the Federal Travel Regulations on March 23, 1990 (41 C.F.R. Part 301-10). The provisions in GSA temporary regulation A-34 that are relevant to this report were incorporated without substantive changes in the Federal Travel Regulations. For the purpose of this report, we refer to the temporary regulation which was in effect at the time of our review.

Diners Club Business Travel Management Program

GSA has assisted in efforts to limit travel advances by contracting with a financial services company to provide federal employees with travel charge cards. Specifically, in August 1983, GSA entered into a 5-year contract with Citibank (South Dakota), N.A. (North America)[2] for the Diners Club business travel management program. This program was designed to reduce government administrative costs, simplify payment procedures, and improve services for travelers. GSA awarded a second contract to Diners Club on August 30, 1988. This contract, effective November 30, 1988, was for a 1-year term with four consecutive 1-year options to renew. The contract was renewed for another year on October 30, 1989.

Under the Diners Club business travel management program, federal employees may use their individual Diners Club cards to charge major travel expenses, such as lodging, meals, rental vehicles, and transportation tickets. The program also provides federal agencies the option of establishing a separate, centralized account with Diners Club for the purchase of passenger transportation tickets for employees not designated to receive individual charge cards, such as new employees and infrequent travelers. In addition, under a pilot program, certain federal employees were permitted to use their Diners Club charge cards to obtain cash travel advances from automated teller machines (ATMS).

At the end of fiscal year 1989, approximately 520,000 federal employees had Diners Club individual charge cards, and 79 agencies had centrally billed accounts, resulting in total charges of about $577 million and $397 million, respectively. In addition, during a 10-month period from September 1988 to June 1989, over 500 Justice employees participated in an ATM pilot program, withdrawing over $120,000 in cash travel advances.

Individual Charge Cards

Diners Club individual charge cards are available to employees identified by their agencies as frequent travelers. Employees electing to receive a card must complete an application for agency approval and for submission to Diners Club for processing. By signing the application, employees agree to use the charge card only for official government travel and not for personal purposes. The charge card is issued in the employee's name.

[2]For the purpose of this report, the contractor, Citibank (South Dakota), N.A., is referred to as Diners Club.

The Diners Club charge card is provided at no cost to the employee or the government. Diners Club does not perform credit checks, report delinquent accounts to commercial credit bureaus, or charge interest or late fees. The charge card has no preset spending limit, and employees are not liable for purchases made with lost or stolen cards. In addition, employees receive free travel accident insurance of $150,000 and free baggage insurance of $1,250. Furthermore, some localities such as San Francisco, California, and Baltimore, Maryland, offer federal travelers exemptions from hotel taxes when payment for lodging is made with the Diners Club charge card.

Upon completion of travel, the employee must submit a travel voucher to his/her agency for reimbursement of allowable charges made with the Diners Club card. Federal Travel Regulations limit reimbursements to expenses that are for official travel purposes and to amounts within the per diem allowance established by GSA. The employee is responsible for paying Diners Club for all charges on his/her card. Payment is due to Diners Club within 25 days of the billing statement date.

Agency Centrally Billed Accounts

Federal agencies may establish centrally billed accounts with Diners Club for one or more designated offices within the agency to purchase transportation tickets for employees not designated to receive individual charge cards, such as new employees and infrequent travelers. Charge cards are generally not issued for centrally billed accounts. GSA intended that these accounts be used to supplement the Diners Club individual charge card, rather than be the primary means of purchasing transportation tickets for agency employees.

Diners Club directly bills agencies for charges incurred on their centrally billed accounts. These charges are subject to the provisions of the Prompt Payment Act of 1982, as amended (31 U.S.C. Chapter 39), which generally require that agencies pay interest penalties to vendors when payments on commercial invoices are late.

ATM Program

The objectives of the Diners Club ATM program are to disburse authorized cash travel advances to federal employees in participating agencies and to provide these employees with a convenient method for obtaining cash travel advances. These employees must apply for and receive a personal identification number before their Diners Club charge cards will be activated for ATM use. In September 1988, the Department of Justice began a pilot test of the ATM program.

Justice employees participating in the pilot program may obtain a cash advance at approximately 32,000 Citishare ATMs located throughout the United States (including Puerto Rico and the Virgin Islands), Canada, Japan, and the United Kingdom. When a Diners Club cardholder obtains a travel advance from an ATM, Diners Club bills the cardholder for the amount of the withdrawal and any related transaction charge.

A $6.00 fee is charged for each cash withdrawal during the ATM pilot program. This fee can be claimed on the employee's travel voucher for reimbursement, if the associated withdrawal was related to authorized travel.

On March 7, 1990, GSA modified the contract with Diners Club to make the ATM program available to all agencies. Under the contract modification, Diners Club will charge a fee of 4 percent of each ATM withdrawal.

Objectives, Scope, and Methodology

We undertook this review in January 1989 to examine one aspect of the government's cash management program—controlling cash advances and payments for travel through initiatives such as the Diners Club business travel management program. The Chairman of the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations, requested in a July 25, 1989, House Report[3] accompanying the Committee's appropriations bill for the Department of the Treasury, the U.S. Postal Service, the Executive Office of the President, and certain independent agencies, that we study the difficulties surrounding the government's use of credit cards.[4] In an October 16, 1989, meeting, we briefed Subcommittee staff regarding our ongoing work on the Diners Club business travel management program. As we agreed with Subcommittee staff at that time, we are issuing our report to meet the Chairman's request. Specifically, our objectives were to identify the benefits and problems associated with the government's use of the Diners Club (1) individual charge cards, (2) centrally billed accounts, and (3) ATM program.

Our work was conducted at the headquarters location of the Department of the Treasury's Internal Revenue Service and Bureau of Alcohol, Tobacco, and Firearms; the Department of Transportation's United

[3]House Report 101-170, dated July 25, 1989, pp. 63-64.

[4]We are also performing a separate review of the benefits and problems associated with the government's use of the small purchases credit card program. This report will be issued later in the year.

States Coast Guard, Federal Highway Administration, and Federal Aviation Administration; the Department of Agriculture's Forest Service; and the United States Army Services Center for the Armed Forces. These departments were selected because they account for over half of the government's travel and transportation expenses. Within these departments, we selected agencies with Diners Club business travel management programs that appeared to have a wide range of potential benefits and problems.

In evaluating the benefits and problems surrounding the government's use of the Diners Club individual charge card program, we interviewed agency travel management officials about the program's impact on their agencies' travel operations. We also discussed with these officials the comments and problems, if any, employees expressed to them about the program. We reviewed agency Diners Club reports on individual purchases made by employees to identify potential problems in using the card. We also reviewed agency travel policies and procedures to determine whether they are in compliance with the GSA travel regulation limiting travel advances to meals and incidental expenses and miscellaneous expenses for taxis, tolls, and parking. To determine whether agencies are processing travel voucher reimbursements in a timely manner, we reviewed a random sample of travel vouchers submitted by employees from January 1989 through June 1989. We also reviewed agency responses to a June 27, 1989, letter from the GSA Director for Travel Management requesting comments and suggestions on the Diners Club contract.

In evaluating the government's use of the Diners Club centrally billed account program, we interviewed agency travel management officials on the benefits and problems arising from this program. We also obtained the views of agency travel management center personnel on their role and any problems they have in reconciling the agency's centrally billed accounts for payment. Additionally, we examined the billing statements of the agencies during the period of October 1988 through June 1989 to identify potential problems in reconciling the bills for payment.

In evaluating the Diners Club ATM program, we interviewed Justice travel management officials about the pilot program's benefits and problems. We also obtained their views on the benefits and problems of using ATMs to obtain travel advances. We reviewed the summary results of an April 1989 Justice survey to obtain user views on the ATM program. To determine if the pilot program had adequate internal controls, we randomly selected a sample of 124 ATM cash withdrawals made by 48 employees during the 10-month period from September 1988 to June 1989. We also reviewed a cost analysis prepared by Justice comparing the Diners Club ATM method with traditional travel advance methods. Additionally, we obtained the views of officials from the Department of the Treasury's Cash Management Division because Justice asked them to review its ATM cost analysis.

We interviewed Diners Club officials on the government's use of their business travel management program. We analyzed the results of a private study commissioned by Diners Club in August 1987 regarding the impact of the Diners Club charge card program on the federal government. To determine whether employees and agencies are paying their Diners Club bills on time, we examined the September 30, 1989, Diners Club Delinquency Performance Report. This report, which covers all agencies, lists delinquent amounts for the Diners Club individual charge card and centrally billed account programs by agency. We then interviewed selected agencies that accounted for the greatest dollar value of delinquencies to determine the reasons for late payments. We also reviewed Diners Club data on interest penalties assessed to agencies that were late in paying their Diners Club centrally billed accounts.

Additionally, we interviewed officials at OMB, GSA, and Treasury's Cash Management Division on the impact of the Diners Club business travel management program on the government. We reviewed travel policies and procedures and studies issued by these agencies relating to this program. We also reviewed the GSA contract with Diners Club and related documents. In addition, we examined the results of a December 1987 study on the Diners Club business travel management program conducted by the President's Council on Management Improvement.

We conducted our fieldwork between January 1989 and March 1990 in Washington, D.C. Our work was performed in accordance with generally accepted government auditing standards.

We provided a draft of this report for comment to OMB, GSA, the Department of Defense, the Internal Revenue Service, and the Department of Justice. These agencies, except for OMB and the Department of Defense, provided us with official oral comments, which are included in the report where appropriate. We discussed the draft report with OMB staff and Department of Defense officials and incorporated their comments where appropriate.

Individual Charge Card Program Needs Strengthening

Employee use of the government contractor issued travel charge card can help reduce the federal government's need to borrow money to meet its travel expenses and thereby reduces the interest charges on these borrowings. Thus, the government could save money if federal employees made greater use of their Diners Club individual charge cards in lieu of cash advances when traveling on official business. The Diners Club individual charge card program also offers an opportunity to reduce administrative costs associated with processing travel documents.

Most of the agencies in our review, however, are not taking full advantage of the benefits offered by the Diners Club individual charge card program. For example, some agencies have not fully implemented the GSA travel regulation to limit travel advances and make greater use of the Diners Club charge card. In addition, agencies have not provided federal employees adequate assurance that employee travel voucher reimbursements can be processed in time to meet the existing payment standard. Also, employees have not been surveyed on the program to assess their concerns.

Furthermore, we found that some federal employees use their Diners Club individual charge cards for personal purposes, and some are delinquent in paying their bills. While the government is not financially liable for employee charges, these types of activities are contrary to the agreement that was established between the employee and Diners Club for using the card.

Individual Charge Card Program Beneficial to Government

The agencies in our review were generally satisfied with the cash management and administrative benefits associated with the Diners Club individual charge card program. Also, in responding to a June 1989 letter from GSA requesting comments and suggestions on the Diners Club contract, most agencies stated that they were satisfied with the quality of service provided by Diners Club. For example, an official at the Department of the Treasury commented that Diners Club processed new applications promptly, produced accurate management information reports, and maintained exceptional customer service. Our review, however, disclosed that agencies generally do not have information quantifying the benefits of the Diners Club individual charge card program.

The Diners Club individual charge card program was designed to assist the federal government in achieving specific travel-related cash management improvements. These improvements include improving cash flow, reducing administrative costs and time, and providing expense analyses. Each of these improvements is discussed below.

Improving cash flow: According to agency travel management officials at four of the seven agencies in our review, employee use of the Diners Club individual charge card had helped the federal government reduce outstanding travel advances. By providing employees with an alternative means of paying for their travel expenses, the government can limit travel advances without imposing financial burdens on employees. When an agency's outstanding travel advance is lowered, its source of funds—the Department of the Treasury—has an improved cash flow and a higher cash reserve on which to earn interest. Specifically, the government will be able to invest unneeded cash in special bank accounts that earn interest and will be able to delay borrowing funds from the public, thus reducing interest on borrowed funds. The other three agencies in our review did not mention any interest savings associated with the individual charge card program.

Reducing administrative costs and time: Officials from five of the seven agencies in our review also told us that employee use of the Diners Club individual charge card helps the government achieve administrative savings. For example, limiting travel advances for employees with a Diners Club individual charge card may enable agencies to reduce the number of travel advance requests that they process. The remaining two agencies did not mention any administrative savings from the charge card program.

Employee use of the Diners Club individual charge card also helps the government reduce its use of U.S. Government Transportation Requests[1] and the administrative costs associated with processing them. Our review indicated that some agencies still use Government Transportation Requests. A private study commissioned by Diners Club in August 1987 calculated the agency cost of processing an individual Government Transportation Request to be $13.30. On the other hand, there are no apparent costs to the government when employees use their Diners Club charge cards to purchase transportation tickets, except for the cost of processing employee travel voucher reimbursements. The government, however, incurs this cost regardless of the method used to purchase transportation tickets.

[1]Government Transportation Requests (Standard Form 1169) are used to pay for transportation services from airline, railroad, and bus vendors (common carriers). There are two types of Government Transportation Requests: (1) individual and (2) centrally billed.

In addition, employee use of the Diners Club individual charge card can reduce the amount of time that agencies spend in reconciling Government Transportation Requests and Diners Club centrally billed accounts. Most of the agencies in our review experienced problems reconciling their Diners Club centrally billed accounts for payment. (See chapter 3.)

Providing expense analyses: Participation in the charge card program also provides the government with a variety of Diners Club management reports on employee travel, such as the number and types of their travel expenditures. Agencies can use these reports in budgeting travel expenses. Also, according to OMB and GSA travel management officials, Diners Club reports are helpful in negotiating discounts with common carriers and hotel establishments.

Charge Card Benefits Generally Not Quantified

While officials from five of the seven agencies we reviewed said the Diners Club individual charge card program has reduced their cash flow and/or improved their administrative productivity, they generally did not have information quantifying the benefits of the program. The Bureau of Alcohol, Tobacco, and Firearms and the Coast Guard were the only agencies in our review that had information on savings attributable to the individual charge card program. Specifically, an official at the Bureau of Alcohol, Tobacco, and Firearms told us that the agency has reduced its outlay of travel advances by about $80,000 annually since the agency implemented the Diners Club charge card program in November 1984. This official also told us that the agency has reduced its number of imprest funds[2] from 40 to 33 funds. In addition, according to a Coast Guard status report on financial management improvement, the Diners Club individual charge card program enabled the agency to reduce the amount of cash required in its imprest funds by about $278,000 in 1989. The reductions in cash requirements at the Bureau of Alcohol, Tobacco, and Firearms and the Coast Guard resulted from a combination of two programs—employees obtaining travel advances in the form of travelers checks by charging their Diners Club individual charge cards.

Our review also showed that OMB and GSA did not have information quantifying the benefits of the Diners Club individual charge card program. Neither agency, for example, had any data on reductions in outstanding travel advances. This type of information can be useful in

[2]An imprest fund is a cash fund with an authorized cashier responsible for receiving monies and making small cash disbursements.

measuring cash savings attributable to the Diners Club charge card program.

However, in discussions with officials at the Department of the Treasury, we learned that agencies are supposed to report yearly interest savings from cash management initiatives, such as the Diners Club individual charge card program, to Treasury—the central agency responsible for monitoring such initiatives in the federal government. Agencies are to report these interest savings to Treasury's Cash Management Division using a formula[3] provided by Treasury.

For fiscal year 1989, Treasury's Automated CashMan Summary Report showed cash management savings of about $2.4 million attributable to the Diners Club individual charge card program for 37 agencies. However, a Treasury official told us that some agencies did not report interest savings derived from the Diners Club individual charge card program.

We believe that the savings agencies report to Treasury for the Diners Club individual charge card program are inaccurate. Specifically, Treasury officials told us that they assumed that the interest savings to the government resulted from agencies not having to issue travel advances. This is not a valid assumption because some employees who use their Diners Club charge cards receive travel advances as well, although these may be limited to meals and incidental expenses and miscellaneous expenses, such as taxis, tolls, and parking.

We believe the Treasury formula used to calculate cash management savings provides the government an indication of the benefits to be derived from employee use of the Diners Club individual charge card program. However, this formula does not take into consideration the amount of travel advances provided to employees who also use their Diners Club charge cards while on travel. Also, the formula does not consider the administrative cost savings associated with processing fewer travel advances.

An accurate assessment of the monetary benefits offered by the charge card program can be useful to OMB and GSA in determining the effectiveness of the charge card program as a cash management tool. Information quantifying the benefits of the program can also be used by agencies to

[3]The formula for calculating interest savings is: cash flow divided by 250 work days multiplied by the benefit days multiplied by the prevailing Treasury interest rate.

identify problems they are having in achieving the cash management benefits offered by the program.

Employee Views Have Not Been Surveyed

The Diners Club individual charge card program offers employees an alternative means of paying for travel expenses and thereby reduces the need for personal funds or government travel advances. Also, the charge card enables employees to make travel plans on short notice and to carry less cash when traveling on official business.

Although most travel management officials we interviewed told us that they believe their employees are generally satisfied with the Diners Club individual charge card program, the agencies in our review have not surveyed employees on their views regarding the program. In addition, neither OMB nor GSA has conducted a governmentwide survey of employee reactions to the program.

A survey of employee views on the Diners Club charge card program can be useful to agencies in identifying any problems employees may have in using their charge cards and in taking prompt action to resolve them. Also, OMB and GSA can use the survey results to evaluate the program's effectiveness.

Nonacceptance of the Charge Card

The Diners Club individual charge card is accepted worldwide at over 1 million locations, including major hotel/motel chains, most military base quarters and clubs, and all GSA-contracted car rental agencies. However, some agency officials indicated that the charge card program has not been well accepted by their employees because the Diners Club charge card is not accepted at some establishments, such as low to moderate cost restaurants, and at some remote destinations to which employees travel.

For example, in responding to a June 1989 letter from GSA requesting comments and suggestions on the Diners Club contract, the Administrative Officer at the Inter-American Foundation informed GSA that many of the hotels and restaurants visited by its staff in Latin America and the Caribbean do not accept credit cards. In addition, travel management officials at the U.S. Coast Guard informed us that the Diners Club charge card is not accepted at many military service facilities and overseas locations in Europe and Africa.

Diners Club recognizes that there are some locations where the charge card is not accepted. To address this concern, Diners Club has asked travelers to help them identify establishments that do not honor the charge card so that it may extend coverage to them. For example, in response to requests from employees at the Forest Service, Diners Club has added restaurants adjacent to the national forests as well as concessionaire restaurants in the forests.

Additionally, a Diners Club representative told us that Diners Club is trying to make it easier for federal employees to eat at low to moderate cost restaurants that do not accept the Diners Club card by offering agencies the ATM program. The ATM program allows agencies to permit selected employees to use their Diners Club cards to obtain a cash advance from an ATM. This program is discussed in chapter 4.

Agencies Could Have Made Greater Use of Individual Charge Card Program

Most of the agencies in our review could have made greater use of the Diners Club individual charge card program as illustrated by the following.

- Some agencies have not fully implemented the GSA travel regulation to limit travel advances to meals and incidental expenses and miscellaneous expenses because of union agreements which prevent such limitations. Implementation of this travel regulation would encourage employees to make greater use of the Diners Club individual charge card.
- Most agencies do not know whether they can process their employees' travel voucher reimbursements in time to meet the 25 working-day standard. Consequently, employees may be reluctant to use the Diners Club individual charge card to pay for their travel expenses.
- Most agencies use their Diners Club centrally billed accounts to purchase transportation tickets for their employees, rather than have their employees use their Diners Club individual charge cards to purchase these tickets.

By not making greater use of the Diners Club individual charge card program, agencies are not taking full advantage of the travel-related cash management benefits and administrative savings offered by the program.

Need to Fully Implement GSA Travel Regulation

A key factor in realizing the benefits offered by the Diners Club individual charge card program is agency implementation of GSA travel regulation A-34, "Limiting Travel Advances to Manage Cash More Effectively." This regulation, issued on April 12, 1989, requires agencies to (1) limit travel advances to meals and incidental expenses and miscellaneous expenses for taxis, tolls, and parking and (2) offer the Diners Club individual charge card to employees who are expected to travel at least twice a year. By cutting back on travel advances, agencies encourage their employees to use the Diners Club charge card because the card provides them an alternative means of paying for their travel expenses and thereby reduces the need for personal funds or government travel advances.

Our analysis of agency travel policies and procedures disclosed that, except for the Internal Revenue Service, the agencies in our review have issued regulations limiting travel advances in accordance with GSA travel regulation A-34. In fact, several agencies imposed limitations which are stricter than those issued by GSA. The Forest Service, for example, issued travel regulations in September 1985 limiting travel advances for employees who have or who are expected to obtain a Diners Club charge card to not more than $20 per day for meals and incidental expenses plus an amount to cover local transportation expenses. (See table 2.1.) The Forest Service regulations further state that the traveler may receive a larger advance when traveling to an area where the Diners Club charge card may not be accepted.

Table 2.1: Agencies' Travel Advance Policies and Procedures

Agency	Daily advance limitation for Diners Club cardholders	Daily advance limitation for infrequent travelers
Alcohol, Tobacco, and Firearms	$25 M&IE and miscellaneous	100% estimated travel
Army	M&IE and miscellaneous	80% estimated travel
Coast Guard	M&IE plus a maximum of $50 for other incidentals	80% estimated travel
Federal Aviation Administration	M&IE and miscellaneous	80% estimated travel unless financial hardship then 100%
Federal Highway Administration	M&IE and miscellaneous	80% estimated travel unless financial hardship then 100%
Forest Service	$20 M&IE and miscellaneous	80% estimated travel
Internal Revenue Service	100% estimated travel	100% estimated travel

Legend
M&IE = Meals and incidental expenses.

Agency officials at the Internal Revenue Service told us that GSA travel regulation A-34 was issued too late for it to be incorporated into the agency's contract with its union. According to these officials, the contract, which was signed on May 2, 1989, permits union members to receive travel advances covering 100 percent of estimated travel expenses. The agency also has an internal policy of treating union and non-union employees the same. Thus, all employees may receive travel advances covering 100 percent of estimated travel expenses.

During the course of our review, Diners Club representatives told us that the Internal Revenue Service was not the only agency with a union agreement which prevents it from limiting travel advances to meals and incidental expenses and miscellaneous expenses. For example, travel management officials at the Departments of Agriculture and Housing and Urban Development told us that they also have union agreements in place which allow some employees to obtain travel advances of 80 percent or more of estimated travel costs.

All of the agencies in our review offer the Diners Club charge card to employees who are expected to travel at least twice a year. Also, the travel policies at some of these agencies state that if employees decline to apply for a card or lose their charge card privileges due to delinquency, they are still subject to the same cash advance limitations as employees who opt to use the Diners Club charge card.

Need to Ensure Timely Processing of Travel Voucher Reimbursements

According to some of the travel management officials we interviewed, a major concern of their employees is that they may not be reimbursed for travel expenses incurred in time to pay their Diners Club bills when they are due. To address this concern, OMB has established a governmentwide standard for agencies to use in processing travel voucher reimbursements. This standard, which is contained in OMB Bulletin 88-17 and incorporated in GSA travel regulation A-34, requires agencies to pay travel vouchers within 25 working days after the end of a trip or travel period for which a voucher is filed. Agencies are required to establish internal policies and procedures to meet this standard. Agency compliance with the OMB standard will enable most travelers to be reimbursed in time to pay their Diners Club bills when they are due. In the event travelers are not reimbursed in time to pay Diners Club, they should notify Diners Club of the delay so that their cards will not be suspended or cancelled for late payments. As mentioned earlier, Diners Club does not assess interest penalties on late payments.

The agencies in our review, however, generally did not know whether they were in compliance with the OMB standard for processing travel voucher reimbursements. This is because they do not perform periodic reviews to determine how long it takes them to process travel voucher reimbursements from the time an employee completes a trip to when payment is made. We, therefore, calculated this time interval by randomly selecting a sample of 50 travel vouchers for each of the agencies in our review, except for the Bureau of Alcohol, Tobacco, and Firearms and the Forest Service. Our sample at the Bureau of Alcohol, Tobacco, and Firearms was limited to 35 travel vouchers reviewed during the survey phase of our assignment. In addition, we did not review any travel vouchers for the Forest Service because they are located at the Department of Agriculture's National Finance Center, in New Orleans, Louisiana, which we did not visit. The results of our sample analysis are shown in table 2.2. Except for the Internal Revenue Service, the agencies in our review paid employees within an average of 35 calendar days, which amounts to 25 working days, after the end of a trip.

Table 2.2: Average Processing Times for Travel Voucher Reimbursements

Average number of calendar days

Agency/organizational unit[a]	End of travel to employee submission of voucher to approving official	Submission of voucher to approving official to date check issued	Total
Internal Revenue Service (National Office Resource Management)	14	25	**39**
Coast Guard	16	18	**34**
Army (Military District of Washington)	11	17	**28**
Federal Highway Administration	8	18	**26**
Federal Aviation Administration	9	16	**25**
Alcohol, Tobacco, and Firearms (agencywide)	5	18	**23**

[a]The travel vouchers we reviewed relate to the headquarters location of the agencies in our review unless otherwise indicated.

For those vouchers we reviewed, the Internal Revenue Service took an average of 39 calendar days to pay its employees—4 days in excess of the OMB standard. Travel management officials at the Internal Revenue Service indicated that one of the reasons for this delay is that employees do not promptly submit their vouchers to approving officials. The approving officials, in turn, are slow in submitting the vouchers to the travel office.

While the agencies in our review, except for the Internal Revenue Service, on average met the OMB standard for processing travel voucher reimbursements, the vouchers we reviewed could have been paid faster had employees been more prompt in submitting them to approving officials. As indicated in table 2.2, the time interval between completion of a trip to when the employee submitted the voucher to the approving official ranged from an average of 5 calendar days to an average of 16 calendar days.

Timely processing of travel voucher reimbursements is a critical element for the success of the Diners Club individual charge card program. Having the data to demonstrate that employees can be reimbursed for their travel expenses within the 25 working-day standard may help agencies alleviate any employee reluctance to use the Diners Club card.

Periodic reviews of agency processing time for travel voucher reimbursements to employees will enable agencies to determine whether they meet the OMB standard of 25 working days after the end of travel. Agencies that do not meet the standard need to take prompt action in identifying the cause of this problem so that it may be corrected. These agencies may also need to (1) establish time frames for when the employee and the approving official should submit the travel voucher for processing and (2) monitor compliance with these time frames.

Need to Encourage Employee Use of Charge Cards for Transportation Tickets

The headquarters locations of most of the agencies in our review used their Diners Club centrally billed accounts to purchase transportation tickets for their employees. Only two agencies—the Federal Highway Administration and the Bureau of Alcohol, Tobacco, and Firearms—relied primarily on their employees to use their Diners Club charge cards to purchase transportation tickets. The other agencies chose to use centrally billed accounts because employees may be reluctant to use their Diners Club charge cards for the purchase of transportation tickets. Specifically, some of the travel management officials we interviewed told us that they believe their employees did not want to be responsible for large Diners Club bills.

As discussed in the previous section, employees were also concerned that they might not be reimbursed by their agencies in time to pay their Diners Club bills when they were due. For example, a problem can arise when a traveler uses the Diners Club charge card to purchase plane tickets for a 3-week trip to Europe, 2 days before the trip and at the end of the billing cycle. The bill for the tickets can arrive before the traveler returns and payment can be due before the agency reimburses the traveler. For Diners Club to be paid on time, the employee would have to pay the bill from personal funds or the employee could contact Diners Club about the delay in payment, as discussed previously.

We asked the Diners Club program coordinators at the Federal Highway Administration and the Bureau of Alcohol, Tobacco, and Firearms whether their employees were having any problems in using their Diners Club charge cards to purchase transportation tickets. They told us that they were not aware of any major problems. The program coordinator at the Federal Highway Administration, for example, told us that he had not received any written or verbal complaints from employees who used their cards to purchase transportation tickets in the past 3 years.

Employee use of the Diners Club charge card to purchase transportation tickets can enable agencies to achieve administrative savings by minimizing the time spent in reconciling Diners Club centrally billed accounts for payment. During our review, some agency travel management officials told us that the reconciliation process is both costly and time-consuming. Also, as we discussed in chapter 1, GSA intended that frequent travelers use their Diners Club cards to purchase transportation tickets.

We recognize, however, that agency efforts to encourage employees to purchase their transportation tickets may not be well received by some employees. We believe one reason for this is that employees would now have to assume responsibility for verifying the accuracy of their transportation charges for payment, something agencies have failed to do adequately with centrally billed accounts. (See chapter 3.) Also, billing errors can occur, and these require time and effort to resolve.

A program to encourage employees to use their Diners Club charge cards to purchase transportation tickets could include explanations to employees on (1) why the program is important to the agency and how it may benefit the employee, (2) how the program works, and (3) what to do when problems arise. Agencies may also want to consider testing the program at selected locations before they implement it agencywide.

Agency Role in Monitoring Unauthorized Charge Card Use and in Collecting Delinquent Payments Unclear

Our review disclosed instances of unauthorized use of the card. Specifically, while not widespread, we noted instances of some employees using their Diners Club individual charge card for personal purposes. We also noted that some employees were delinquent in paying their Diners Club bills. Agencies, however, were uncertain of their role and responsibilities with respect to these problems.

When employees apply for a Diners Club charge card, they agree to use the card only for official government travel and not for personal purposes. The employees are also supposed to pay their bills within 25 days after the date of the billing statement. If the account remains unpaid 30 days after the billing date, Diners Club sends follow-up reminders to the cardholder. The Diners Club criteria for suspension and cancellation are 60 and 120 days past due, respectively. Diners Club must notify the agency coordinator of any proposed action to suspend or cancel an employee's charge card. It may then refer the delinquent account to a commercial agency for collection.

Our review of Diners Club account transaction reports, which list the detailed charges of individual employees, disclosed instances where cardholders used their Diners Club charge cards for personal purposes. We noted, for example, cases involving cardholders using their cards to make personal purchases from the Home Shopping Club, flower shops, department stores, and at local restaurants. Some of these purchases were made by cardholders who were not on travel. Our review, however, showed that these types of purchases are not widespread. For example, our review of the March 1989 Diners Club account transaction report for the Internal Revenue Service disclosed only 15 possible instances of unauthorized use of the card out of a total of about 800 transactions. Nonetheless, these types of purchases can portray the government worker as taking advantage of the program. For example, allegations in the past year that a former top aide at the Department of Housing and Urban Development used a government-issued Diners Club charge card for personal purchases did not project a positive image of the government work force.

We also noted that federal employees did not always pay their Diners Club bills on time. Specifically, the September 30, 1989, Diners Club Delinquency Performance Report showed that of the $79.4 million owed to Diners Club by federal employees, $4.3 million (or 5.4 percent) was 60 days past due and $2.1 million (or 2.6 percent) was 120 days past due.

In addition, the Diners Club Delinquency Performance Report showed that Diners Club has written off about $4.3 million as uncollectible since the program's inception in 1983 through September 1989. A Diners Club representative indicated that the uncollectible rate among federal employees is slightly higher than that of their credit card customers in the private sector. Our review of the Diners Club Delinquency Performance Report disclosed that employees of six agencies—the Department of the Army, the Federal Deposit Insurance Corporation, the U.S. Army Corps of Engineers, and the Departments of the Navy, Transportation, and Agriculture—accounted for $2.3 million or 53 percent of the Diners Club write-offs in the federal government. It should be noted that four of these agencies—the Departments of the Army, Navy, Transportation, and Agriculture—are among the agencies with the greatest number of Diners Club cardholders, accounting for about 49 percent of the cards issued.

Diners Club officials believe the primary reason for the lack of payment among federal employees is that agencies do not help Diners Club collect delinquent amounts owed. They told us that agency program coordinators generally do not assist them in pursuing collection of delinquent amounts owed Diners Club, especially if these amounts exceed allowable government travel expenses and involve personal purchases. Although Diners Club officials believe agencies are supposed to assist them in the collection of delinquent amounts, two of the agency program coordinators we interviewed said they do not have to assist Diners Club. Federal Travel Regulations do not cover this situation and the contract terms with Diners Club do not mandate agency assistance. Specifically, the GSA contract states, "The appropriate Government agency office . . . may assist in the collection process of individual delinquent accounts after the account becomes sixty days past due at the request of the contractor."

We found that agency monitoring of employee purchases and payment activities varied from nonexistent to extensive reviews. Of the seven agencies in our review, three—the Forest Service, the Federal Aviation Administration, and the Army—did not perform any reviews to ensure that purchases were for official government purposes and that bills were promptly paid. Travel management officials at these agencies indicated that they did not have the staff resources to monitor the Diners Club charge card program.

The remaining four agencies performed limited to extensive reviews of employee purchases and payment activities. For example, the headquarters location of the Internal Revenue Service has an extensive monitoring program. Specifically, it had a full-time program coordinator who was responsible for reviewing the monthly purchases of employees and determining whether they pay on time. The agency program coordinator contacts the employee's supervisor if she notes any blatant misuse of the Diners Club charge card, such as using the charge card to make purchases from the Home Shopping Club. Also, if an employee's bill is delinquent, the agency coordinator calls the employee's supervisor to discuss whether the employee's charge card privileges should be cancelled.

Although the government is not financially liable for the charges incurred by federal employees using their Diners Club charge cards, unauthorized use of the card and delinquent payments by employees can be an embarrassment to the government. This is especially true when the government reimburses the traveler but the traveler keeps the money, instead of paying Diners Club. These types of instances are contrary to the agreement that was established between the employee and Diners Club and portray the government worker as taking advantage of the program.

Furthermore, employee failure to pay delinquent amounts owed Diners Club could cause the government to incur a cost in the future when providing employees a credit card for travel. Specifically, companies bidding on the next contract may charge the government a fee to cover anticipated losses associated with delinquent accounts or increase contract costs to cover these losses.

Conclusions

The agencies we reviewed generally believe that the Diners Club individual charge card program has enabled them to achieve specific travel-related cash management improvements and administrative savings such as reducing the amount of cash required in imprest funds and the number of travel advance requests they process. However, to ensure effective implementation of the Diners Club individual charge card program and to realize further savings from the program will require a concerted effort by all agencies to more fully implement and ensure compliance with travel policies and procedures affecting the program.

The agencies in our review also had not surveyed their employees on their views regarding the Diners Club individual charge card program.

Agencies need to be aware of any problems and concerns employees may have in using the Diners Club charge card so that corrective actions can be taken.

Further, instances of unauthorized employee use of the card and delinquent amounts owed Diners Club by individual employees can be an embarrassment to the government and are contrary to the agreement between individual employees and Diners Club. However, the agencies' role in monitoring instances of unauthorized charge card use and in collecting delinquent payments of individual employees is not clear.

Recommendation

To ensure effective implementation of the Diners Club individual charge card program and to realize additional cash management benefits offered by this program, we recommend that the Director of the Office of Management and Budget issue a directive to the heads of agencies and departments on the government's use of the Diners Club business travel management program. This directive would require that GSA survey federal employees on their views regarding the program and that agencies comply with existing policies governing the Diners Club individual charge card program and related travel policies and procedures including the following:

- limit travel advances to meals and incidental expenses and miscellaneous expenses, such as taxis, tolls, and parking;
- pay employee travel reimbursements within 25 working days after the completion of a trip;
- develop a program to encourage employees to use their Diners Club individual charge cards to purchase transportation tickets; and
- quantify the cash management benefits attributable to the Diners Club individual charge card program.

The directive should also clearly define the agencies' role and responsibilities with respect to employees who use their Diners Club individual charge cards for personal purposes and/or are delinquent in paying Diners Club.

Agency Comments and Our Evaluation

GSA was concerned with a recommendation in our draft report that directed it to revise the Diners Club contract to include the role and responsibilities of agencies with respect to employees who use their Diners Club individual charge cards for personal purposes and/or are delinquent in paying Diners Club. GSA believed that such a change to the contract would be costly to implement and would not be the most appropriate means of communicating the role and responsibilities of agencies on this matter. In response to GSA's concerns, we modified the recommendation to OMB to include in its directive a clear definition of the role and responsibilities of agencies regarding such employees. While OMB did not provide us with official comments to this report, our discussions with cognizant OMB staff indicated agreement with this change.

Additionally, OMB staff agreed with the points in our recommendation. They stated that OMB plans to issue a directive that will expand on the objectives of OMB Bulletin 88-17 and address the issues in our recommendation.

Agencies Are Experiencing Problems Reconciling Centrally Billed Accounts

Diners Club centrally billed accounts provide federal agencies a means of purchasing transportation tickets for infrequent travelers and noncardholders. As discussed in chapter 2, many agencies are using centrally billed accounts for frequent travelers as well. Some agencies, however, are unable to reconcile their centrally billed accounts for payment because they lack sufficient supporting documentation and are not performing timely analyses of past due amounts involving unsupported charges to determine whether they should be paid. Consequently, the government is incurring unnecessary interest penalties when Diners Club centrally billed account bills are not paid on time.

Overview of Centrally Billed Accounts

GSA temporary regulation 3, which was made a part of the Federal Travel Regulations on March 23, 1990 (41 C.F.R. Part 301-15), provided that agencies may establish Diners Club centrally billed accounts for one or more designated offices within the agency to purchase transportation tickets for employees not designated to receive individual charge cards, such as new employees and infrequent travelers. These accounts are intended to supplement Diners Club individual charge cards rather than be the primary means of purchasing transportation tickets for all agency employees.

Under the centrally billed account program, the traveler or his or her representative notifies the agency's travel management center[1] of the need for transportation tickets. The purchase of transportation tickets through the travel management center must be supported by a valid travel authorization from the traveler's organizational unit. The travel management center purchases transportation tickets from common carriers by charging the agency's Diners Club centrally billed account. Diners Club then bills the agency for the charges.

Prior to paying the monthly bill, agencies and their travel management centers go through a process known as reconciliation to validate the charges on the bill. During this process, the agency's travel management center matches the individual charges on the Diners Club bill to information in its travel accounting system. The travel management center's accounting system contains pertinent information on the individual tickets issued to the agency, such as the traveler's name, the travel authorization number, the ticket number, and the common carrier. This matching process is generally automated. That is, Diners Club provides

[1]A travel management center is a commercial travel firm under contract to GSA that provides reservations, ticketing, and related travel management services for official travelers.

the agency's travel management center with a magnetic tape containing information on the individual charges for the billing period. This tape is then matched against information in the travel management center's accounting system to produce a matched and an unmatched report. Both reports are provided to the agency's travel office along with copies of the employees' travel authorizations and travel itineraries for verification and subsequent payment. The unmatched report has to be researched further by the agency's travel office, in conjunction with the travel management center, to determine if the charges are valid.

The Diners Club centrally billed accounts provide agencies with an alternative method of purchasing transportation tickets for travelers. These accounts also enable agencies to reduce their use of Government Transportation Requests. Some of the agencies in our review also believe that the Diners Club centrally billed accounts provide them better travel control by consolidating the bills from common carriers into one monthly statement listing all charges. Additionally, agencies can save on check processing costs by making one payment to Diners Club instead of multiple payments to common carriers.

As we discussed in chapter 2, most of the agencies in our review relied primarily on their Diners Club centrally billed accounts to purchase transportation tickets, rather than on employees using their Diners Club charge cards. One of the reasons these agencies chose to use the centrally billed accounts is that employees may be reluctant to use their Diners Club charge cards for the purchase of transportation tickets.

In addition, some of the agencies in our review chose to use the Diners Club centrally billed accounts because of the rebate[2] offered by their travel management centers. A GSA contracting official told us that some travel management centers offer agencies a rebate as an incentive for selecting a travel management center.

Centrally Billed Account Reconciliation Problems

According to GSA officials, federal agencies have had problems reconciling their Diners Club bills for payment since the program's implementation in 1983. While some progress has been made in addressing these problems through automation of certain travel information, problems remain. Also, some of the agencies in our review are not performing timely analyses of past due amounts owed Diners Club.

[2]The rebate is a refund on a portion of the total dollar amount of ticket activity.

Our review of agency monthly billing statements showed that agencies have problems reconciling the charges on their Diners Club bills to information in their travel management centers' travel accounting systems. For example, Diners Club billed the headquarters location of the Internal Revenue Service, in March 1989, for current charges totaling $490,400. Of this amount, the agency's travel management center was unable to provide support for 6.7 percent of the charges, or $32,971. Consequently, the Internal Revenue Service withheld payment of this amount. In commenting on our report, an Internal Revenue Service official told us that this amount was subsequently paid after time-consuming research by the agency and its travel management center.

Travel management officials at the Internal Revenue Service told us that they had difficulty in reconciling their Diners Club bills for payment because they did not receive sufficient supporting documentation—that is, employee travel authorizations and travel itineraries from their travel management center. Most of the other agencies in our review indicated that they experienced similar reconciliation problems. One of the reasons given by agency officials as to why they lack sufficient documentation is that some travelers do not notify their travel management centers of changes in their travel itineraries. For example, problems can arise when travelers do not notify their travel management centers when exchanging issued transportation tickets for tickets purchased at the airport to a different destination. In this situation, Diners Club bills the agency for the new ticket, but the travel management center cannot match this ticket charge with one in its travel accounting system because the ticket was not purchased through the agency's travel management center.

Also, travel management centers do not always forward employee travel authorizations and travel itineraries to agencies' travel offices in a timely manner so that they can perform the necessary verifications for payment. Furthermore, some agencies are charged transportation tickets that do not belong to them. For example, travel management officials at the Federal Highway Administration told us that some of their monthly statements contained charges that belonged to the Federal Aviation Administration.

In addition, a Department of Transportation official told us that Diners Club is not providing them the necessary support to pay past due amounts. Specifically, Diners Club has not been responsive to the Department's problems with incorrect and incomplete bills. This has prompted the Department to discontinue using the Diners Club centrally billed accounts, which a Department official estimated totaled $4 or $5 million annually. Specifically, in a December 22, 1989, memorandum, the Department of Transportation's Assistant Secretary for Administration advised key management officials in each of the Department's components to use centrally billed Government Transportation Requests in lieu of the Diners Club centrally billed accounts. The changeover, effective January 1, 1990, applies to all the Department's headquarters locations.

A Diners Club representative agreed that there were some problems in the past with the Department of Transportation and its travel management center involving the centrally billed accounts. Although the representative believed most of these problems had been resolved, this representative told us that Diners Club is going to ask Transportation officials to encourage employees to use their Diners Club charge cards to purchase transportation tickets.

We believe that some progress was made to address agency problems in reconciling centrally billed accounts when GSA's contracts with the travel management centers were revised to require these centers to assist agency travel offices in the reconciliation process. Also, in its 1988 contract with GSA, Diners Club agreed to provide agency travel management centers with magnetic tapes of accounting and billing information. In the past, agencies had to reconcile using hard copies of the monthly billing statements.

As more employees use their Diners Club individual charge cards, agencies' reconciliation problems would decrease because fewer charges will appear on agencies' centrally billed accounts. As discussed in chapter 2, encouraging employees to use their Diners Club individual charge card to purchase transportation tickets can enable agencies to achieve administrative savings by minimizing the time spent to reconcile Diners Club centrally billed accounts.

Past Due Amounts Not Analyzed Promptly

Our review of the Diners Club Delinquency Performance Report also showed that agencies have been delinquent (30 or more days) in paying their Diners Club centrally billed accounts. For example, it showed that agencies owed $68.1 million as of September 30, 1989. Of this amount, $31.1 million or 46 percent was 30 or more days past due. Five agencies—the Army National Guard and the Departments of the Army, Navy, Transportation, and Agriculture—accounted for $22.5 million, or almost 72 percent of the centrally billed account delinquencies.

One of the reasons provided by the agencies in our review as to why they were late in paying Diners Club is that they tended to focus primarily on current charges due rather than total charges due on their monthly billing statements. Specifically, some agencies were more concerned about having adequate support for current charges on the bill so that they could make payment to Diners Club rather than researching past due amounts involving unsupported charges to determine their validity. Some agency travel management officials also told us that they did not have the time and resources to research past due amounts.

In addition, an official at the Department of the Navy—one of the agencies accounting for the majority of the centrally billed account delinquencies—told us that a computer software problem caused it to be late in paying Diners Club. Further, a difference of opinion between the Department of Agriculture and Diners Club on when the payment was due was given as a reason by Agriculture officials for late payments. An Agriculture official told us that this billing problem was resolved in a February 23, 1990, meeting with Diners Club officials. At this meeting, Agriculture and Diners Club officials agreed that Agriculture will pay late charges when a payment is made more than 30 days after a valid invoice is received by the Department's National Finance Center from its travel management center. They also agreed that a bill is considered paid on the day Treasury issues a check. Diners Club had considered the date of payment to be the time payment was posted.

By not paying their bills on time, agencies are incurring interest penalties. For example, Diners Club officials informed us that agencies were assessed a total of $154,592 in interest penalties during the 11-month period from October 1988 through August 1989.

Conclusions

Some federal agencies are unable to reconcile their Diners Club centrally billed accounts. These problems stem largely from the lack of sufficient supporting documentation. Also, agencies are not performing timely analyses of past due amounts to determine whether they should be paid.

The federal government has made some progress in addressing problems with its Diners Club centrally billed accounts by requiring the travel management centers to assist agency travel offices in reconciling their centrally billed accounts and by providing the centers with magnetic tapes of accounting and billing information.

Requiring employees to use their Diners Club individual charge card to purchase transportation tickets would reduce the number of charges on the Diners Club centrally billed accounts. In addition, agencies need to perform timely reviews of past due amounts involving unsupported charges. Valid charges should be paid promptly to avoid unnecessary interest penalties assessed by Diners Club, while invalid charges should be brought to Diners Club's attention so that they may be removed from future bills.

Recommendation

Based on the results of our review, we recommend that the Director of the Office of Management and Budget issue, as part of the directive discussed in chapter 2, a requirement to the heads of agencies and departments to ensure prompt review of past due amounts on the Diners Club centrally billed accounts. This requirement should ensure that unsupported items on these accounts are researched to determine the validity of charges.

Comments of Cognizant Officials

While OMB did not provide us with official comments on this report, our discussions with cognizant OMB staff indicated agreement with our recommendation for a requirement to the heads of agencies and departments to ensure prompt review of past due amounts on Diners Club centrally billed accounts.

ATM Program Needs Strengthening

The Diners Club ATM program offers the federal government an alternative to traditional methods of issuing cash travel advances—travelers checks, cash imprest funds, and Treasury checks. However, our review of the Justice ATM pilot program showed that (1) it may not be the most cost-effective compared to other methods of issuing travel advances to employees and (2) there were some instances of unauthorized ATM withdrawals. As a result, the government may be incurring additional costs by using the ATM program.

Overview of ATM Pilot Program

GSA modified its contract with Diners Club in August 1988 to allow the Department of Justice to test the ATM in issuing authorized government cash advances. As discussed in chapter 1, Justice employees can use their Diners Club charge cards to obtain authorized cash travel advances through the Citishare ATM network. The pilot program, which began on September 1, 1988, is expected to provide (1) access to ATMs, (2) acceptable billing and collection procedures, and (3) reduced administrative time and costs. The pilot program also provides GSA an indication of the benefits and problems of the ATM program.

The Department of Justice wanted to test the Diners Club ATM program primarily because it was not satisfied with the travelers check program offered by Citicorp/Diners Club.[1] In particular, the Department was not receiving daily sales information on the travelers check program, and Citicorp travelers checks were not accepted at some remote locations. Also, in commenting on our report, a Justice official told us that other equally important factors in Justice's interest in the ATM pilot program included traveler convenience, reduced collection activity on outstanding travel advances, and reduced imprest fund balances.

The Department selected four organizational units—the Civil Rights Division, the Office of Professional Responsibility, the Justice Management Division Audit Staff, and the Antitrust Division—to participate in the pilot program. These groups were selected because they had a history of responsible travel management. In addition, as part of its pilot program, Justice surveyed employees participating in the program on the benefits and problems they experienced in using ATMs and prepared a cost analysis comparing the ATM method with three traditional methods of issuing travel advances.

[1] GSA awarded Citicorp/Diners Club a contract in 1983 to provide Citicorp travelers checks to federal employees electing this method of receiving travel advances.

ATM Pilot Program Benefits

The Department of Justice is generally satisfied with the Diners Club ATM pilot program. According to Justice travel management officials, the program has contributed to reductions in the Department's cash requirements and its administrative costs for processing travel advances. For example, Justice officials said it has helped reduce (1) the number and dollar amount of travel advances issued through imprest funds, (2) the number of Treasury checks disbursed for travel advances, and (3) the number of advances issued through the Citicorp travelers check program. However, these officials could not quantify the savings attributable to the ATM program.

Justice travel management officials also believe that under the ATM method, employees tend to limit their cash withdrawals to what is needed because they know they will be billed directly by Diners Club for the amount withdrawn. They also know they can get more cash from an ATM, if necessary. Otherwise, these officials believed that employees using traditional travel advance methods tend to request the maximum amount of cash allowable because they only have one opportunity to get cash before they go on travel.

Additionally, Justice travel management officials told us that program participants have benefited from the flexibility and ease with which cash can be obtained from an ATM. For example, employees have 24-hour access to approximately 32,000 ATMs located throughout the United States (including Puerto Rico and the Virgin Islands), Canada, Japan, and the United Kingdom. Program participants responding to an April 1989 Justice survey generally rated the ATM as a "convenient" method of obtaining cash for travel purposes.

In commenting on our report, a Justice official told us that the ATM program embraces the goals of OMB Bulletin 88-17. This official said the program reduces Treasury and agency cash outlays, enhances monitoring of travel advances, and reduces the need for agency resources dedicated to travel advance administration, collection, and reconciliation.

ATM Pilot Program Problems

While the Diners Club ATM pilot program offers some potential for cash management savings to the government, our review identified several problems that GSA needs to address before agencies implement the ATM program. We found that

- the ATM program may not be the most cost-effective compared to other methods available to the government for issuing travel advances to federal employees, and
- Justice did not adequately monitor the ATM program to address unauthorized ATM withdrawals.

In addition, we found that during the ATM pilot program, the government was held liable for delinquent amounts owed by employees on ATM withdrawals.

ATM Program May Not Be Most Cost-Effective Method

The contract modification between GSA and Diners Club included a provision that the ATM method not be used when there is a reasonable, lower cost alternative available. The Department of Justice prepared a cost analysis comparing the ATM method with three traditional methods of issuing travel advances—travelers checks, cash imprest funds, and Treasury checks. This analysis focused on three types of costs associated with processing travel advances—organization cost, finance cost, and Treasury cost. Organization cost represents costs to the employee's organizational unit for preparing and reviewing the traveler's paper work, including the cost of picking up the travel advance. Finance cost represents costs to the employing agency's central finance office for processing the travel advance through the imprest fund/travel office. Treasury cost represents interest costs to Treasury for advancing funds. According to the Justice cost analysis, the Diners Club ATM program is the most cost-effective method for disbursing travel advances at $6.00 per transaction. (See table 4.1.)

Table 4.1: Department of Justice Cost Analysis of Travel Advance Methods

Travel advance method	Organization cost	Finance cost	Treasury cost	Total cost
Travelers check	$12.37	$3.43	$2.80	**$18.60**
Cash imprest fund	16.20	3.50	4.25	**23.95**
Treasury check	4.43	2.09	4.55	**11.07**
Diners/ATM	6.00	0	0	**6.00**

However, our review of the Justice cost analysis disclosed that Justice did not accurately reflect the cost of the ATM method.

- The Justice cost analysis understated the organization cost of the ATM method by $3.15. This amount, which was included in each of the three traditional methods of issuing travel advances, represents the administrative cost of processing and reviewing the employee's travel authorization and would be applicable regardless of the method used to disburse travel advances. A Justice official agreed that this cost should be added to the ATM method.

- The Justice cost analysis overstated the organization cost of the cash imprest fund method by $4.05. This amount was added to the cash imprest fund method to account for the additional time to pick up the travel advance using this method versus the travelers check method. However, it takes the same amount of time to pick up the advance using either the cash imprest fund or travelers check methods. According to Treasury officials, Justice agreed that the discrepancy was an error.

In addition, the Department of Justice did not provide us sufficient documentation to support the Treasury costs for the three traditional methods of issuing travel advances. However, based on discussions we had with the Department of the Treasury's Cash Management Division,[2] we learned that the Treasury costs in the Justice analysis represent interest cost to Treasury on amounts owed to Justice by employees with outstanding travel advances. Treasury officials informed Justice that this was not an acceptable means of determining the cost of issuing a travel advance. We agree with Treasury on this matter. Specifically, we believe the interest cost on amounts owed to Justice by employees with outstanding travel advances is a cost of collecting outstanding advances rather than of issuing advances. We also believe that if Justice wanted to include the cost of collecting outstanding travel advances in its cost analysis, it should have included this cost for each of the methods of issuing travel advances, including the Diners ATM program.

However, the government does incur an interest cost when the Treasury disburses funds for travel advances in the form of travelers checks, cash imprest funds, and Treasury checks. Using a formula provided to us by Treasury and assuming an average cash advance of $150, an interest

[2]The Department of Justice asked Treasury's Cash Management Division to review its cost analysis of the Diners Club ATM method.

rate of 7 percent, and 45 benefit (float) days,[3] we calculated the Treasury cost to be $1.31. This cost should be added to the Treasury cost of each of the three traditional methods of issuing travel advances.

Based on our analysis of the Justice cost analysis and our calculation of the Treasury cost, the Treasury check method appears to be the most cost-effective method available to Justice for disbursing travel advances. (See table 4.2.)

Table 4.2: Department of Justice Cost Analysis as Revised by GAO

Travel advance method	Organization cost	Finance cost	Treasury cost	Total cost
Travelers check	$12.37	$3.43	$1.31	**$17.11**
Cash imprest fund	12.15	3.50	1.31	**16.96**
Treasury check	4.43	2.09	1.61[a]	**8.13**
Diners/ATM	9.15	0	0	**9.15**

[a]The Treasury cost of $1.61 includes a cost of $.30 to issue a Treasury check.

The cost-effectiveness of using the ATM will depend largely on the organization and finance costs of individual agencies. These costs will vary by agency. Also, in determining the cost-effectiveness of each method of issuing travel advances, agencies may want to consider the cost of reconciling, monitoring, and collecting travel advances, which may also vary from agency to agency. As we discussed in chapter 1, under the recent contract modification with Diners Club that made the ATM program available to all agencies, the $6.00 service fee was replaced with a fee of 4 percent of each ATM withdrawal. In addition, each agency's participation in the ATM program is subject to GSA's approval and to any conditions which it may impose.

Unauthorized Withdrawals Made From ATMs

Our review showed that some employees participating in the ATM pilot program used their Diners Club charge cards to make unauthorized withdrawals from the ATMs. Based on Justice's policies and procedures for implementing the ATM pilot program, we define "unauthorized" withdrawals as (1) obtaining a withdrawal when not on travel, (2) making early withdrawals 5 or more days before the travel departure date,

[3]The formula for calculating interest cost to the Treasury is as follows: average cash advance multiplied by the daily interest rate multiplied by the number of benefit days. A cash advance of $150 was used because it represents the average ATM withdrawal, according to Justice. The daily interest rate is calculated by dividing the prevailing Treasury interest rate by 360 days. The 45 benefit days are the average number of days by which the cash flow is delayed. An interest rate of 7 percent was used to correspond with the prevailing Treasury interest rate at the time the Justice cost analysis was performed.

(3) withdrawing more than the maximum travel advance allowed, and (4) using the ATM more than once a week. As a result, the government may be incurring additional administrative costs on ATM withdrawals.

According to the Justice agreement with Diners Club, the ATM program is supposed to be used solely for the purpose of obtaining advance funds for officially approved and authorized travel. Obtaining cash for any other purpose is prohibited. The Justice agreement also states that the Assistant Attorney General for Administration can subject cardholders making unauthorized ATM withdrawals to disciplinary actions ranging from a reprimand to dismissal. The rights and responsibilities of employees participating in the ATM pilot program are contained in (1) the employee cardholder agreement with Diners Club and (2) a Justice Application and Briefing Package, dated June 1988.

We reviewed a sample of 124 ATM withdrawals made by 48 Justice employees[4] and found the following.

- Two individuals did not file a travel voucher, indicating that they may not have been on travel during the time of the withdrawal.
- Nine individuals made withdrawals ranging from 6 to 23 days before they went on travel. The Justice Application and Briefing Package states that the traveler should schedule the withdrawal as close to the travel departure date as possible so that the traveler is not billed before being reimbursed. However, the Application and Briefing Package does not specify the number of days before departure the traveler should schedule the ATM withdrawal. We selected 5 days as the maximum reasonable number of days prior to departure on a trip to make a withdrawal.
- Twenty-three individuals withdrew amounts exceeding the maximum travel advance allowed by Justice for the travel period. For example, one of the individuals, who was on travel for 2 days and allowed an ATM withdrawal of $50, withdrew amounts totaling $300. The Justice Application and Briefing Package states that program participants are authorized a maximum ATM withdrawal of $25 per day when on official travel.
- Thirteen individuals made more than one ATM withdrawal a week. For example, two individuals made three withdrawals on the same day—one individual withdrew a total of $340, while the other individual withdrew $430. Given the current ATM service fee of $6.00 per transaction, each of these individuals owed Diners Club a total of $18.00. The

[4]Some of the 48 employees in our sample made more than one type of unauthorized withdrawal.

Justice briefing package instructed employees to limit their withdrawals to one a week.

The Justice Deputy Assistant Director for Financial Operations Service, who has primary responsibility for monitoring the ATM program, indicated that she was not fully aware of the problems we identified in our sample. As part of her monitoring activities, she reviews the monthly Diners Club report of ATM withdrawals. However, she did not verify the information in the report with the employee's travel authorization and travel voucher to ensure that ATM withdrawals were for authorized purposes and within allowable amounts.

This type of verification needs to be done, at least on a statistical sample basis. By doing this, Justice will have assurance that employees do not claim more than the amount allowed for the travel period. This is especially important now that the ATM service fee is 4 percent of each withdrawal. Since the traveler can claim this fee on his or her travel voucher for reimbursement, ATM withdrawals over the maximum amount allowed for the travel period will result in additional costs to the government if not detected by the agency when reviewing the travel voucher. For example, if a traveler is allowed a maximum ATM travel advance of $125.00 for a 5-day trip but withdrew $200.00, the government would pay a service fee of $8.00 rather than $5.00.

Government Was Liable for Delinquent Amounts Owed

According to the agreement between GSA and Diners Club on the ATM pilot program, the Department of Justice is financially liable for delinquent (75 days past due) amounts owed by employees participating in the pilot program. Justice recovered these amounts from the employee through salary offsets.

During our review, Justice identified three employees who were more than 75 days past due in paying Diners Club for ATM withdrawals. According to a Justice official, all but one of these individuals paid Diners Club prior to the start of salary offsets. In the remaining case, the individual withdrew a total of $800 over a period of 8 days when not on travel. This individual was referred to Justice's Office of Professional Responsibility for disciplinary action. According to this official, Justice paid Diners Club the $800 owed by the individual and subsequently recovered these funds through employee salary offsets.

Based on our review of the ATM pilot program, we were concerned about (1) the risk to the government for ATM withdrawals which might become delinquent and (2) the availability and source of government funds to pay Diners Club for delinquent amounts owed. Also, during our review of the Diners Club charge card program, agencies told us that they would be interested in implementing the ATM program but were concerned about being liable for delinquent amounts owed by cardholders.

We informed GSA and Diners Club of our concerns on this matter. On March 7, 1990, GSA modified the contract with Diners Club to make the ATM program available to all agencies. Under the contract modification, Diners Club removed the government's liability for delinquent amounts owed by employees.

Conclusions

The Diners Club ATM program provided the Department of Justice an alternative method for disbursing travel advances to employees. Also, the program enabled the Department to reduce its cash requirements and its administrative costs for processing travel advances. The ATM program at Justice may not be the most cost-effective compared with the traditional methods of disbursing travel advances. However, the cost-effectiveness of this program at other agencies will depend upon their individual organization and finance costs.

GSA and the Department of Defense Per Diem, Travel, and Transportation Allowance Committee need to establish requirements for agencies interested in implementing the ATM program that include (1) performing, and submitting for review, a cost analysis comparing the ATM method with other methods of issuing travel advances and (2) establishing a monitoring program to avoid excessive administrative service fee costs resulting from unauthorized ATM withdrawals.

Recommendations

We recommend that the Administrator of General Services and the Secretary of Defense establish regulations for the Diners Club ATM program. These regulations should contain provisions requiring agencies interested in implementing the Diners Club ATM program to take the following actions.

- Perform a cost analysis comparing the ATM method with other methods of issuing travel advances—travelers checks, imprest fund, and Treasury checks. Agencies should be required to submit their analysis to GSA for its review and consideration when deciding whether or not to approve an agency for participation in the ATM program.

- Establish controls to ensure that ATM withdrawals are for authorized purposes and within allowable amounts.

Agency Comments and Our Evaluation

Because of concerns expressed by GSA on the wording of our draft recommendation regarding approval of the agencies' cost analyses, we clarified our recommendation to indicate that GSA can use these analyses in deciding whether or not to approve an agency for participation in the Diners Club ATM program. GSA concurred with this change. In addition, the Department of Justice generally agreed with the findings and conclusions in this report relating to its ATM pilot program. Its comments are incorporated where appropriate.

While OMB and the Department of Defense did not provide us with official comments on this report, our discussions with OMB staff and Department of Defense officials indicate general concurrence with the recommendations in this chapter. In addition, Department of Defense officials informed us that the Department has already initiated action on the recommendation to it. Specifically, the Department's Deputy Comptroller (Management Systems) issued a March 26, 1990, memorandum to Department of Defense components on the use of ATMs for travel advances. This memorandum requests that the Director of the Per Diem, Travel, and Transportation Allowance Committee, modify the travel regulations accordingly to allow reimbursement of the 4 percent administrative fee. Also, the memorandum states that prior to implementing the ATM program, Department of Defense components must undertake a cost-benefit analysis to determine whether the program is preferable to other travel advance arrangements.

Major Contributors to This Report

Accounting and Financial Management Division, Washington, D.C.

Robert A. Pewanick, Senior Assistant Director, (202) 275-9510
Helen Lew, Evaluator-in-Charge
Marlena M. Middleton, Accountant
Miguel A. Castillo, Accountant

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are $2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use $300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100