



United States
General Accounting Office
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Accounting and Information
Management Division

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November 7, 1995

Mr. Howard P. Tamborella
Chief, Accounting Operations Branch
National Finance Center
Department of Agriculture
P.O. Box 60000
New Orleans, LA 70160

Dear Mr. Tamborella:

This is in response to your letter and subsequent discussions with your staff requesting an interpretation of certain requirements in Title 7, "Fiscal Procedures," of GAO's Policy and Procedures Manual for Guidance of Federal Agencies. Your request is based on your desire to modify your procedures when certifying and processing travel claim payments for the Department of State¹ and other clients. State has asked NFC if it could forward hard copy vouchers and travel authorizations without supporting receipts to NFC and still have its vouchers processed and certified for payment.

Specifically, you asked whether (1) State and other agencies need to forward to NFC supporting documents (such as hotel receipts) along with the related hard copy travel vouchers for payment processing and certification and (2) it is permissible to reduce the manual prepayment review of hard copy vouchers and implement a statistical sample of manual postpayment audit² procedures.

To more fully understand your request, we contacted your staff and discussed your questions, the current NFC system, and the modifications you are considering in more detail.

¹State has advised us that the National Finance Center (NFC) certifies State's vouchers pursuant to a written delegation of authority.

²An audit is defined as a manual review of the voucher and related supporting receipts after payment is made to verify that the payment was proper and thus help determine whether the payment system is operating effectively.

However, we did not test your system and, consequently, our response addresses the modifications you are considering only conceptually. We did not determine whether your present system can accommodate such modifications.

Based on our understanding of the changes you wish to make, we have no objection to their implementation provided (1) the controls discussed in the following section are effectively implemented as planned and (2) the risks associated with reducing the manual prepayment review methods and implementing postpayment audits, as discussed in the second section, are minimized.

DOCUMENTATION ACCOMPANYING
THE TRAVEL VOUCHER

Title 7 requires that payments be based on sufficient evidence to establish the validity of a claim. Certifying officers will be held accountable for payments they certify and, consequently, must ensure the (1) existence, correctness, and accuracy of the computations and facts stated in a voucher and supporting documents and (2) legality of the proposed payment. Traditionally, documents supporting payment on travel vouchers, including receipts, have accompanied the voucher and are available for the certifying officer's review.

As we have previously reported,³ supporting documentation is not required to accompany the travel voucher forwarded for payment certification if four criteria are met: (1) the administrative approving official, usually the traveler's supervisor, knows that the travel actually occurred and what its purpose was, and reviews and approves the amounts claimed for reasonableness, (2) the voucher lists the actual expenses incurred by the traveler, and both the administrative approving official and the certifying officer can obtain supporting documents⁴ to verify the expenses if either deem it necessary, (3) the appropriate edit checks or verifications to ensure propriety, legality, accuracy, and correctness in the processing of the voucher are performed prior to approval for payment, and (4) a postpayment audit of

³Employees' Travel Claims (DOD) (GAO/AIMD-95-171R, June 26, 1995).

⁴In the proposed State Department travel system, the traveling employee maintains the supporting documents for the required document retention period unless the documents are selected and forwarded as part of the postpayment audit.

a sample of vouchers selected from all vouchers paid is done to provide assurances that claims are adequately supported and valid.

According to your staff, NFC currently processes travel vouchers in two systems: one manual system processes hard copy vouchers and an automated system processes electronic data. They stated that the system which currently processes hard copy vouchers manually performs the edit checks described in criterion three above. However, they explained that within about a year, NFC will upgrade and merge the paper-driven system with the automated one. The third criterion would then need to be met in an automated environment.

Your staff stated that after the upgrade and merge, NFC would implement the following procedures to process hard copy travel vouchers: (1) manually verify the approval of the administrative officer, (2) code all expense data itemized on the voucher into its automated system,⁵ (3) process the data in various automated edit routines designed to verify, among other items, that all travel regulations are adhered to, (4) certify approved vouchers that clear the automated edits for payment, and (5) perform a manual postpayment audit of a statistically generated sample of paid vouchers. In response to the second criterion, your staff also stated that NFC recognizes that if the certifying officer wants to review supporting documentation prior to certification, he or she can request the supporting documents and require the claim to be substantiated at that time.⁶

Your staff emphasized that the automated edit checks would include tests of all travel regulations⁷ and your proposed

⁵The data to be coded into the system would include, among other items, cities traveled to, per diem amounts claimed for meals and incidentals, and hotel costs.

⁶Currently, the Federal Travel Regulations require government travelers to retain receipts for expenditures in excess of \$25. As a legal matter, certifying officials should be advised that they retain the prerogative to examine individual receipts in order to protect themselves from liability for an improper payment.

⁷One such test would electronically verify that per diem amounts claimed do not exceed the authorized ceiling for the locality traveled to.

modifications would satisfy the four criteria for certifying payment without the accompanying supporting documentation.

MANUAL POSTPAYMENT
AUDIT

You asked whether it is permissible to reduce the manual prepayment review of hard copy vouchers and implement a statistical sample of postpayment manual audits. Your staff stated that the sampling techniques used in the new audit procedures would follow the sampling requirements of Title 7.

We have previously reported⁸ that it is permissible to implement postpayment audits to reduce the manual prepayment review of hard copy vouchers if enough automated edit checks (such as the one described in footnote 7) are performed to ensure claims are proper, legal, correct, and accurate. Your staff stated that your automated edit checks would meet these requirements.

However, we recognize that when implementing new review methods, such as the postpayment audit, more errors or irregularities may occur in the payment certification process than before the change. Accordingly, we suggest that NFC assess the risks associated with the change and, where necessary, implement procedures to minimize such risks.⁹

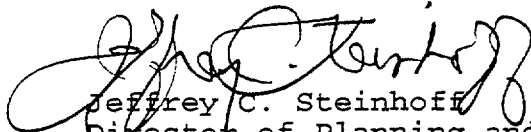
⁸Air Force Automated Travel System (GAO/AIMD-95-74R, February 14, 1995).

⁹Procedures necessary to minimize risks associated with changing to similar sampling methods are discussed in detail in GAO/AIMD-95-74R.

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The contents of this letter were discussed with Mr. Ronald Parent and Ms. Jeanne DiGange of your staff. If you have any questions or would like to discuss these matters further, please contact Bruce Michelson, Assistant Director, at (202) 512-9366.

Sincerely yours,



Jeffrey C. Steinhoff
Director of Planning and Reporting



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