

Audit of Travel Expense Reimbursement From Non-Federal Sources

PURPOSE OF AUDIT

The Office of Inspector General (OIG) conducted an Agency-wide audit of travel expense reimbursement from non-federal sources. The objectives of this audit were to determine if controls are adequate (1) for ensuring that the Equal Employment Opportunity Commission (EEOC) is fully reimbursed for such travel expenses incurred by its employees, and (2) for accepting and reporting those expenses. Previously, OIG performed audit work of limited scope in this area. As a result of this work, OIG informed the Office of Management in a memorandum dated March 24, 1994, that EEOC may not have been fully reimbursed for official travel taken by a former employee to attend functions on its behalf. The Office of Management responded that proper collection procedures were followed even though they agreed that EEOC had not been fully reimbursed. As indicated in *31 U.S.C. Section 1353* and *41 C.F.R. Section 304-1 (1993)*, an agency may accept payment of travel expenses from non-federal sources with respect to employees' attendance at such functions.

SCOPE AND METHODOLOGY

Our audit involved the review and analysis of supporting data and documentation for travel taken by employees during fiscal years 1993, 1994, and through March 31, 1995 for which non-federal sources agreed to reimburse EEOC for travel expenses. Such data and documentation consisted of transaction history and accounts receivable financial data, travel authorizations and vouchers, and data reported to the U. S. Office of Government Ethics. Reimbursable travel expenses from non-federal sources during the period of audit totalled \$74,830 involving 331 travel authorizations.

In conducting the audit, we evaluated internal controls and compliance with applicable laws and regulations concerning travel expense reimbursement from non-federal sources. To accomplish this, we reviewed policies, procedures, guidelines and instructions; and discussed these with Financial and Resource Management Services (FRMS) and Office of Legal Counsel (OLC) officials, and administrative officers at several headquarters offices and a district office. However, our review of procedures was limited to the extent that FRMS employees who process travel documents involving acceptance of expenses from non-federal sources or record receivables were not made available to us during the audit.

period. We also contacted officials of selected non-federal sources to verify reimbursement of expenses. Our work was conducted in accordance with generally accepted government auditing standards as published in the Comptroller General's *Government Auditing Standards, 1994 Revision* and was initiated in May 1995.

BACKGROUND

The federal government must pay for its employees' official travel. *EEOC Order 680.002, Prevention of Conflicts of Interest When Accepting Gifts of Travel Expenses From Non-Federal Sources, June 21, 1994 (the Order)*, indicates two exceptions that permit non-federal sources to pay for travel expenses if the payment will not result in a real or apparent conflict of interest. First, according to 5 U.S.C. 4111 and to 4 C.F.R. 410.701, monetary payments or payments in-kind for expenses incident to training in non-government facilities or for attendance at meetings may be made to and accepted directly by employees. However, such payments are only to be made by an organization that has tax exempt status according to *Section 501(c)(3) of the Internal Revenue Code (a 501(c)(3) source)* and if acceptance otherwise is proper and will not result in a conflict of interest. Second, according to 31 U.S.C. 1353 and 41 C.F.R. 304-1, monetary payments for travel, subsistence, and related expenses may be made to and accepted by EEOC, and in-kind payments may be accepted by employees, if such payments are made by a non-federal source and if acceptance otherwise is proper and will not result in a conflict of interest. In effect, if the organization is a *501(c)(3) source*, it may pay the employee directly or pay EEOC. An organization that is not a *501(c)(3) source* may only pay EEOC by check or pay the employee in kind.

Both of the exceptions indicated are subject to the ethical prohibition on acceptance of funds in a situation that poses a conflict of interest. Therefore, an employee must obtain clearance from OLC before accepting or causing EEOC to accept travel expenses under either exception.

MANAGEMENT COMMENTS

FRMS, as indicated in the attached written comments to our draft report (**Attachment 1**), responded to and agreed with **Recommendation Number Three** and corrective action is planned. However, for **Recommendation Numbers One and Two**, FRMS stated that receivables have not been established for amounts due to the Agency from non-federal sources because of a conflict in the precise interpretation of acceptance of gifts. Further, FRMS has not clearly determined the standing of appropriations law with regard to the collection activity under *31 U.S.C. 1353*. FRMS is awaiting comments to a request for advice from OLC.

RESULTS OF AUDIT

OIG found that, except as indicated below, amounts due EEOC totalling \$46,699 for reimbursement of travel expenses were not established in the accounting records as reported in the **FINDING** section. Even though amounts due EEOC were established involving three travel authorizations, they were incorrectly recorded as either amounts due or received from EEOC employees rather than from non-federal sources, as described below:

- For Travel Authorization Number 3/0030/0017 involving travel during the period of May 8-9, 1993, the non-federal source agreed to reimburse EEOC for airfare and associated out-of-pocket expenses of \$425.99. A copy of a letter of request for reimbursement to the non-federal source dated June 21, 1993, was included in the employee's travel records. The non-federal source made reimbursement to EEOC on June 28, 1993. However, the reimbursement was recorded as an amount received from the EEOC employee, not the non-federal source.
- For Travel Authorization Number 3/0620/0042 involving travel during the period of November 12-15, 1992, the non-federal source agreed to reimburse EEOC for airfare of \$672. A copy of a letter of request for reimbursement to the non-federal source dated December 28, 1992, was included in the employee's travel records. As of October 13, 1995, the non-federal source had not made reimbursement to EEOC. FRMS then established an accounts

receivable of \$672 for an amount due from the EEOC employee that incurred the expense, not the non-federal source.

- For Travel Authorization Number 3/0615/0193 involving travel during the period of July 7-12, 1993, the non-federal source agreed to reimburse EEOC for lodging, meals and associated out-of-pocket expenses of \$411.55. A copy of a letter of request for reimbursement to the non-federal source dated August 6, 1993, was included in the employee's travel records. An accounts receivable for \$515.70 rather than \$411.55 was established as an amount due from the EEOC employee that incurred the expenses, not the non-federal source.

OIG also found examples of letters of request for reimbursement that were either incorrect, not sent by EEOC or not received by the non-federal source. A copy of a letter sent to a non-federal source pertaining to Travel Authorization Number 5/0010/0006 incorrectly requested reimbursement of expenses totalling \$471.85. However, only lodging of \$50.85 was, in fact, reimbursable. For Travel Authorization Number 5/0010/0013, OIG contacted the non-federal source and found that there was no record of payment of \$445.75 in reimbursable expenses. OIG obtained a copy of the letter of request for reimbursement from the traveler but could not verify that it had been sent to the non-federal source. For Travel Authorization Number 3/0010/0010, OIG found that, according to the non-federal source, a request for reimbursement of \$578 was never received by the non-federal source, even after a non-federal source official contacted EEOC and specifically requested expense receipts. Finally, OIG found that for Travel Authorization Number 5/9650/1064, the non-federal source had no record of either payment of reimbursable expenses of \$132 or receipt of a letter of request for reimbursement.

OIG's review and analysis of supporting data and documentation for travel taken by employees also disclosed that, in some cases, employees are not including all required information on travel authorizations called for in the *Order, Section 7.a.(3).(a) through (d)*.

FINDING

1. AMOUNTS DUE EEOC FROM NON-FEDERAL SOURCES FOR REIMBURSEMENT OF TRAVEL EXPENSES ARE NOT ESTABLISHED IN THE ACCOUNTING RECORDS

FRMS does not establish receivables in the accounting records for amounts due **from non-federal sources** involving employees' attendance at functions on behalf of EEOC. *GAO Title 2, Policy and Procedures Manual for Guidance of Federal Agencies (Title 2)*, May 1988, states that under the accrual basis of accounting, receivables representing amounts due from others are accounted for as assets from the time the events giving rise to such claims are completed. Further, standard accounting practice is to establish receivables when services are rendered and billing takes place. Instead, FRMS procedures call for establishing receivables if reimbursement has not been received at the time the employee's travel voucher is processed. This occurs after a letter from the employee is sent to the non-federal source requesting reimbursement. As a result, assets were not accounted for consistent with *Title 2* and standard accounting practice for 202 travel authorizations involving \$46,699 in reimbursable expenses shown in **Attachment 2**.

A non-federal source may agree to reimburse travel expenses resulting from an EEOC employee's attendance at a source-sponsored function. The *Order* sets forth the policy and procedures to be followed for accepting gifts of travel expenses from non-federal sources. The employee's travel authorization must identify travel expenses to be paid by the non-federal source directly to EEOC, expenses to be paid in-kind, and expenses for which EEOC will be responsible. After such travel authorization is approved, the employee must prepare a letter to the non-federal source requesting that payment should be made to EEOC by check for all reimbursable expenses that are not in-kind. A copy of the letter must be attached to the travel authorization. When travel is completed, the employee must submit a travel voucher itemizing all monetary and in-kind payments made by the non-federal

source. Although the *Order* does not contain guidance to be followed by FRMS for establishing accounts receivable from non-federal sources, FRMS has internal procedures for recording such receivables.¹

For all such travel that OIG reviewed for the period covered by this audit, employees in most cases obtained payment for expenses from EEOC even when direct reimbursement to employees from non-federal sources was acceptable. Once EEOC makes payment to employees, it has a claim against the non-federal source for the reimbursable travel expenses. However, OIG found that FRMS did not establish any receivables for amounts due EEOC **from non-federal sources** pertaining to the travel authorizations and reimbursable expenses listed in **Attachment 2**. While OIG found that non-federal sources almost always reimburse EEOC, establishment of receivables at the time events are completed giving rise to such claims provides greater assurance that reimbursement will occur.

CONCLUSION

OIG found that controls are adequate for ensuring EEOC is fully reimbursed for travel expenses and for accepting and reporting such expenses, except that amounts due **from non-federal sources** for reimbursement of travel expenses are not established as accounts receivables. Also, receivables already established were recorded as amounts due from employees rather than non-federal sources, and some letters of request for reimbursement were either incorrect, not sent by EEOC or not received by the non-federal source. Even though non-federal sources almost always reimburse EEOC, establishment of receivables provides greater assurance that all reimbursements occur. According to *Office of Management and Budget Circular Number A-123 Revised, June 21, 1995*, transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports.

¹ The Financial Management Division of FRMS, in a memorandum dated January 29, 1992, outlined procedures for processing travel documents when reimbursement is accepted from a non-federal source. If payment has not been received from the source, the memorandum states that the Collection Officer is to: 1) send a letter to the non-federal source requesting payment, 2) establish an accounts receivable in the Commission Accounting System, and 3) prepare and maintain a subsidiary folder for the receivable. FRMS indicated further that an accounts receivable is established when reimbursement has not been received at the time the employee's travel voucher is processed.

RECOMMENDATIONS

Based on our review of the process, OIG concludes that management controls should be strengthened to provide greater assurance that EEOC is fully reimbursed for all travel expenses incurred by employees on its behalf. To strengthen such controls, OIG recommends that FRMS:

1. issue billings to non-federal sources for reimbursable expenses after verification that such expenses are consistent with reimbursable agreements, and travel authorizations and vouchers received from employees who incurred expenses;
2. establish accounts receivables when billings are issued and indicate that amounts are due from non-federal sources; and
3. amend *EEOC Order 680.002* to include a correctly completed sample travel authorization as an illustration.

AUDIT FOLLOWUP

Office of Management and Budget issued *Circular A-50, Audit Followup*, to ensure that corrective action on audit recommendations proceed as rapidly as possible. *EEOC Order 192.002, Audit Followup Program*, implements *Circular A-50*, and requires that for resolved recommendations, a corrective action workplan should be submitted within 30 days of the final audit report date describing specific tasks and completion dates necessary to implement audit recommendations. *Circular A-50* requires prompt resolution and corrective action on audit recommendations. Resolution should be accomplished within six months after issuance of the final report.