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Need For The Peace Corps
To Improve Its Controls
Over Unused Transportation Tickets
And Travel Advances B-156996

UNITED STATES
GENERAL ACCOUNTING OFFICE

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DEC. 8, 1971



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

TRANSPORTATION DIVISION

IN REPLY PLEASE QUOTE

B-156996

Dear Mr. Blatchford:

This is our report on the need for the Peace Corps to improve its controls over unused transportation tickets and travel advances. 250

The report contains several recommendations for your consideration. Your attention is invited to section 236 of the Legislative Reorganization Act of 1970 which requires that you submit written statements of any action taken with respect to the recommendations. The statements are to be sent to the House and Senate Committees on Government Operations not later than 60 days after the date of this report and to the House and Senate Committees on Appropriations in connection with the first request for appropriations submitted by your agency more than 60 days after the date of this report. We shall appreciate being advised of the actions taken or planned concerning the matters discussed in this report. 1500

Copies of this report are being sent to the Chairmen, House and Senate Committees on Government Operations and to the Chairmen, House and Senate Committees on Appropriations. Copies of this report are being sent also to the Director, Office of Management and Budget, and to the Director, Office of Administration and Finance, Peace Corps.

Sincerely yours,

Director, Transportation
Division

The Honorable Joseph H. Blatchford
Director, Peace Corps

BEST DOCUMENT AVAILABLE

GENERAL ACCOUNTING OFFICE
REPORT TO THE
DIRECTOR OF THE PEACE CORPS

NEED FOR THE PEACE CORPS TO
IMPROVE ITS CONTROLS OVER
UNUSED TRANSPORTATION TICKETS
AND TRAVEL ADVANCES B-156996

D I G E S T

WHY THE REVIEW WAS MADE

The General Accounting Office (GAO) reviewed the Peace Corps' controls over unused transportation tickets, to determine whether effective action had been taken to correct weaknesses reported by GAO in 1967.

FINDINGS AND CONCLUSIONS

The Peace Corps did not establish appropriate management controls over unused transportation tickets.

Claims for unused tickets were not sent promptly to carriers for refund. (See pp. 4 and 5.) Also the Peace Corps did not send uncollected refund claims to GAO for further recovery action, nor did it send documentation on refunds recovered as a result of the Peace Corps' own action to GAO for audit, although such action was required. (See p. 7.)

Because of the untimely processing of refund claims by the Peace Corps, in 1968 and 1969 carriers rejected about 140 claims for refunds, totaling about \$11,000, for unused tickets issued between 1962 and 1968. Also 260 unused tickets, 170 of which were valued at over \$14,000, were never submitted to carriers for refund. Because of the age of these tickets, it is unlikely that refund claims will be honored by the carriers. (See pp. 4 and 5.)

The Peace Corps also had on hand 650 unused tickets and parts of such tickets, valued at about \$100,000, awaiting processing and filing of refund claims. After GAO brought this to the attention of appropriate Peace Corps officials, a substantial number of refunds were obtained. (See p. 5.)

The Peace Corps was not complying with the Standardized Government Travel Regulations which required that travelers immediately refund advances in excess of their requirements. In August 1970 GAO advised the Peace Corps that travel advances amounting to over \$30,000 had been outstanding for an unreasonable length of time. As of

May 1971 the Peace Corps still had not collected about \$16,000 advanced to about 80 employees. This included about \$7,000 in travel advances to 38 persons who no longer were employed by the Peace Corps. (See p. 9.)

GAO believes that existing Peace Corps regulations regarding travel advances are in consonance with the Standardized Government Travel Regulations and that, if the Peace Corps regulations were fully complied with, they would be adequate for controlling travel advances. These regulations, however, need to be enforced. (See p. 10.)

RECOMMENDATIONS OR SUGGESTIONS

The Director of the Peace Corps should assign to a specific person the responsibility for establishing an effective system for controlling unused transportation tickets and for obtaining refunds. The Director should require that an internal review of unused tickets be made periodically to ensure that effective corrective action is taken. (See p. 8.)

In addition, the Director of the Peace Corps should require employees to comply with the Peace Corps regulations and administrative instructions relating to the control and recovery of travel advances. (See p. 10.)

The Director should require further that the Voucher Review Section make monthly reports on outstanding travel advances which will indicate whether regulations concerning advances of travel funds are being complied with. (See p. 10.)

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CHAPTER 1

INTRODUCTION

Peace Corps staff members and volunteers travel extensively. Therefore the Peace Corps spends a relatively large amount for transportation, and it makes substantial advances to employees for travel expenses. In fiscal year 1970 the Washington office alone spent \$2.7 million for the transportation of its employees and volunteers.

Under the Peace Corps organizational structure, the Transportation Branch, Division of Administrative Services, is responsible for purchasing, issuing, and controlling transportation tickets. The Transportation Branch consists of three sections--Latin America, Africa, and Asia (including certain areas of the Near East)--each of which is responsible for travel in its respective geographic area. Each of the sections is responsible for reviewing travel records to determine whether planned travel actually was undertaken and for recovering and forwarding unused tickets to the Division of Accounting for processing of refund claims.

Unused tickets, as used herein, refers not only to the unused tickets themselves but also to refund applications initiated as a result of tickets' being exchanged for tickets of lesser value.

In a prior review of Peace Corps activities, we identified significant weaknesses in the control and processing of unused tickets. We called these weaknesses to the attention of the Director of the Peace Corps in a report dated April 25, 1967, and recommended that accounting and administrative controls be strengthened. In a reply dated May 23, 1967, the Director indicated that necessary corrective measures would be taken. The purpose of this review was to determine whether effective corrective action had been taken.

Our review was made at Peace Corps headquarters in Washington, D.C. We analyzed applicable travel regulations and instructions, interviewed responsible employees, and examined pertinent documents and records. Our review was directed primarily to unused transportation tickets, travel advances outstanding in June and July 1970, and procedures and practices in effect at that time.

CHAPTER 2

CONTROLS OVER UNUSED TRANSPORTATION

TICKETS STILL INADEQUATE

Although we called attention to weaknesses in controls over unused transportation tickets as early as 1967, effective corrective action has not yet been taken by the Peace Corps. Controls still are inadequate, and the Government continues to suffer monetary losses.

We found that the Peace Corps had lost its entitlement to refunds on a significant number of unused tickets, because such tickets had not been submitted for refund within the time limit set by the carriers involved. The reason that refunds were not submitted promptly was that the Peace Corps had not established necessary controls over either the unused tickets or the claims for refund. For example, we found that (1) procedures had not been established to ensure that unused tickets were returned by prospective travelers, (2) control over unused tickets actually returned was inadequate, and (3) processed claims had not been recorded as receivables.

We found also that the Peace Corps was not forwarding to GAO information on claims processed, contrary to the GAO Policy and Procedures Manual for Guidance of Federal Agencies. This prevented GAO from attempting further collection action on rejected claims and from ensuring that paid claims were for the proper amounts.

ENTITLEMENT TO REFUNDS LOST

In accordance with the GAO Policy and Procedures Manual for Guidance of Federal Agencies, each agency is to establish appropriate procedures to control the procurement and accountability of transportation tickets and thereby safeguard the rights and interests of the United States. We found that the Peace Corps had not established appropriate procedures to control unused transportation tickets and, as a result, had lost its entitlement to recover the cost of some tickets from the carriers.

During 1968 and 1969 carriers rejected about 140 refund claims totaling about \$11,000 for unused tickets issued between 1962 and 1968. The claims were rejected primarily because they had not been applied for within the time limits established by the carriers.

Also the Peace Corps had on hand about 260 unused transportation tickets issued during the same period that had never been submitted to the carriers for refunds. We estimate that the refund value of 170 of these unused tickets was about \$14,000. Because of insufficient data we were unable to estimate the value of the remaining 90 tickets. Due to the age of these 260 unused tickets, it is unlikely that refund claims will be honored by the issuing carriers.

The Peace Corps also had on hand in June and July 1970 about 650 unused passenger tickets and parts of such tickets, valued at about \$100,000, awaiting processing and submission to carriers for refund. Most of these tickets ranged in age from several days to 2 years.

After we brought this matter to the attention of Peace Corps officials, a substantial number of refunds were obtained. Because the Peace Corps had not maintained adequate accounting controls over its claims, however, we could not verify whether all the \$100,000 had been collected.

LACK OF DETAILED PROCEDURES FOR HANDLING UNUSED TICKETS

We found that there were a number of reasons why the Peace Corps had not handled unused transportation tickets effectively, all of which pointed to a need for detailed procedures to enable the Peace Corps to control such tickets in a manner that would ensure that all necessary actions were taken.

The Transportation Branch is responsible for securing tickets for potential travelers and is required to forward unused tickets to the Division of Accounting for submission to the carriers for refund. There is nothing inherently wrong with this arrangement. The problem is that the detailed procedures needed to make it work effectively have never been devised. Areas in which effective detailed procedures are lacking are described below.

Lack of procedures to ensure that all unused tickets are returned by travelers

The Transportation Branch of the Peace Corps has no procedures for ensuring that all unused transportation tickets are returned by travelers and that all such tickets are turned over to the Division of Accounting for processing for obtaining refunds. We believe that a simple system could be established whereby all transportation tickets purchased would be listed and the list would be annotated when the tickets were

used. Unused tickets then would be readily identifiable, and follow-up action could be taken to obtain them.

Lack of procedures to provide for better physical control over unused tickets

Peace Corps procedures do not require that unused transportation tickets be kept under lock and key. We observed, for example, that a significant number of transportation tickets were being placed in either a box or a large envelope and stored in unlocked drawers. We also found that the responsibility for accounting for unused tickets had not been delegated to any employee.

Transportation tickets are somewhat negotiable in that ticketholders easily can use the tickets for unauthorized travel or they can exchange the tickets for tickets to other destinations. Since the tickets are negotiable, they require the kind of care that usually is provided for cash or items readily convertible to cash.

Lack of procedures for prompt return of unused tickets for processing of claims

The processing of claims for refunds appeared to have been delayed unnecessarily in sections of the Transportation Branch. This branch is responsible for identifying and recovering unused transportation tickets from prospective employees who failed to report for duty. Even without the unused tickets, the Peace Corps can file claims for refunds by reporting the tickets lost.

We noted that the Latin America Section of the Transportation Branch had not initiated claims for refunds on unreturned tickets as long as a year after prospective employees had failed to report for duty. We noted also that another section normally kept returned tickets for about 3 months before forwarding them to the Division of Accounting for processing. The tickets were retained by this section as a control in identifying those tickets that had not been returned. We believe, however, that the problem of identification can be resolved without delaying the processing of claims for unused transportation tickets.

Lack of procedures to record refund claims as receivables

The Comptroller General has prescribed in the Accounting Principles and Standards for Federal Agencies that amounts due an agency from others be recorded accurately as receivables from the time the acts giving rise to such claims are

completed until they are collected or determined to be uncollectible (2 GAO 12.4). Accounting for receivables is an important form of control over agency resources in that it provides a systematic record of amounts due that must be accounted for.

We found that, prior to July 1, 1970, claims against carriers for refunds on unused transportation tickets were not being recorded as receivables when the claims were filed. Instead, refunds were recorded when they were received from the carriers. Since a systematic record of amounts due from carriers was not maintained, the Peace Corps did not know which of its claims had been paid, which had been partially paid, which remained unpaid, or which had been denied payment. After the completion of our review, the Peace Corps established a system of recording claims against carriers for unused transportation tickets as the claims were filed.

INFORMATION ON REFUNDS AND CLAIMS
NOT FORWARDED TO GAO

One of the areas of responsibility assigned by law to GAO is the examination, adjudication, and settlement of claims by the United States involving payments for transportation furnished for the account of the Government. To enable GAO to meet its responsibilities, agencies are required to forward, in accordance with the GAO Policy and Procedures Manual for Guidance of Federal Agencies, certain documents pertaining to transportation claims so that GAO's transportation specialists may audit the documents to ascertain whether the proper amounts have been refunded.

The GAO manual provides that, if no payment has been received from the carrier within 3 months after a claim for transportation refund has been filed, the matter be reported to GAO. The manual provides also that, upon receipt of a refund, an agency forward to GAO any advice from the carrier as to the basis for the refund, together with the forms used by the agency when requesting the refund.

Our review showed that for years the Peace Corps had not complied with the requirement for sending to GAO documentation on ticket refunds recovered from carriers. Furthermore, we found that documentation relating to refund claims remaining unpaid beyond a 3-month period had not been forwarded to GAO. Because the Peace Corps had not forwarded these documents for follow-up and audit, contrary to requirements, GAO did not audit the documents and there is a strong possibility that the Peace Corps did not obtain some refunds which GAO's transportation specialists could have obtained.

We found that there were two reasons why Peace Corps employees were not forwarding to GAO the required documentation on claims on which refunds had been received or on claims that had not been paid by the carriers within 3 months. First, since the Peace Corps had not established records at the time claims were filed, it was difficult to identify claims that had been outstanding for 3 or more months. Second, the employees had instructions to retain documents until they could be processed mechanically by a computerized system, which was not operable at the time of our review.

CONCLUSION

The processing of claims for refunds on an irregular basis has persisted in the Peace Corps for an extended period. The weaknesses in controls of unused tickets was commented on in our 1967 report to the Director of the Peace Corps. Effective corrective action has not been taken, however, and the Government continues to suffer monetary losses.

We believe that the cost of establishing procedures that would provide effective control over unused tickets would be relatively minor compared with the potential savings involved.

RECOMMENDATIONS

We recommend that the Director of the Peace Corps assign to a specific person the responsibility for establishing an effective system for controlling unused transportation tickets and obtaining refunds. In our judgment, such a system should include procedures for:

1. Identifying all unused transportation tickets.
2. Physical and record control over tickets returned to the Corps.
3. Promptly submitting claims.
4. Recording as receivables claims for tickets returned to the carriers.
5. Providing GAO with required documentation on refunds received and on claims outstanding for over 3 months.

We recommend also that the Director require that an internal review of unused tickets be made periodically to ensure that effective corrective action is taken.

CHAPTER 3

NEED TO IMPROVE CONTROLS OVER TRAVEL ADVANCES

The Peace Corps did not recover unneeded travel advances, contrary to the provisions of the Standardized Government Travel Regulations. Although the implementing Peace Corps regulations and instructions appeared adequate, they were not being complied with.

The Standardized Government Travel Regulations provide that the head of each agency, or his designee, be responsible for the recovery of unneeded travel advances. When a final travel voucher is submitted and when the advance exceeds the expenses incurred, the traveler should be directed to refund immediately such excess. If the traveler who received an advance cancels or indefinitely postpones his authorized travel, the head of the agency, or his designee, is required by the travel regulations to take immediate steps to obtain a refund of the advance.

We found that the Peace Corps was not complying with these regulations and in many instances had not taken effective action to recover advances from employees when the advances were no longer needed.

In August 1970 we asked Peace Corps officials about a number of travel advances, totaling over \$30,000, which appeared to be outstanding for unreasonable lengths of time. As of May 1971 advances totaling about \$16,000 to about 80 employees were still outstanding. Some of these advances were made in 1966, or nearly 5 years before completion of our review. Of the travel advances that remained outstanding in May 1971, about \$7,000 had been made to 38 employees who subsequently had separated from the Peace Corps without having been required to repay the advances. For example, an employee who had been given an advance of \$180 in June 1968 resigned from the Peace Corps still owing the \$180. Another employee, who had been given a travel advance of \$900 in July 1966, resigned in October 1969 still owing \$700.

The Peace Corps regulations governing travel advances generally augment the Standardized Government Travel Regulations and require that all outstanding travel advances be reviewed at least monthly. The Peace Corps regulations require that, where travel has not occurred or been planned for during the past month, a notice be sent to the employee requiring repayment or an explanation of the continued need for the advance. These regulations require also that deductions

be made from the employee's salary to liquidate the advance if remittance of the advance or a satisfactory reply is not received within 2 weeks.

The Voucher Review Section is responsible for reviewing travel advances each month and for recovering advances when employees do not furnish satisfactory explanations of their official needs for them. We were informed by employees in the section that outstanding travel advances had been reviewed only as time permitted and by no means at monthly intervals as required by the Peace Corps travel regulations.

CONCLUSIONS

We believe that the existing Peace Corps regulations and administrative instructions with regard to travel advances are in consonance with the Standardized Government Travel Regulations and that, if the Peace Corps regulations are fully complied with, they would be adequate for controlling travel advances. These regulations and instructions, however, need to be enforced.

RECOMMENDATIONS

We recommend that the Director of the Peace Corps require employees to comply with the Peace Corps regulations and administrative instructions relating to the control and recovery of travel advances. We recommend also that the Director require the Voucher Review Section to make monthly reports on outstanding travel advances which will indicate whether regulations concerning advances of travel funds are being complied with.