

GAO

Report to the Honorable
John M. Spratt, Jr., House of
Representatives

January 1995

REIMBURSED TRAVEL

Commerce and FTC
Generally Met
Requirements but
Some Improvements
Needed





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

General Government Division

B-258383

January 26, 1995

The Honorable John M. Spratt, Jr.
House of Representatives

Dear Mr. Spratt:

This report presents the results of our review of the programs administered by the Department of Commerce and Federal Trade Commission (FTC) for controlling the acceptance and reporting of travel expenses incurred by their employees and paid by nonfederal organizations. Under regulations promulgated by the General Services Administration (GSA), federal employees can accept payment of travel costs by nonfederal sources, such as private companies and universities, if the purpose of the travel is related to the employees' official duties and responsibilities and the acceptance of such travel does not present the appearance of a conflict of interest. Federal agencies are required to establish procedures to ensure that these conditions are met before travel reimbursements are accepted.

The Commerce, Consumer, and Monetary Affairs Subcommittee asked us on November 9, 1993, to determine (1) the adequacy of Commerce's administration of its employees' acceptance and reporting of travel funds from nonfederal sources and (2) the implications, if any, of Commerce's denying the Office of Government Ethics (OGE) access to its records of reimbursed travel in 1992. On June 6, 1994, the Subcommittee also asked that we include FTC in our review.

Results in Brief

Our overall assessment of Commerce's administration of reimbursed travel expenses found that Commerce generally met applicable requirements for accepting and reporting travel reimbursements. However, some instances of noncompliance were found and certain procedural improvements could be made in the receipt and reporting of these funds. Specifically, Commerce did not ensure for all trips that (1) travel requests containing all of the required information were prepared and reviewed before trips were approved; (2) travel reports that were required to be submitted to OGE accurately disclosed the circumstances of each trip, including the nature, dates, and itemized costs of the trips; or (3) trips were adequately documented with receipts and vouchers from reimbursing organizations listing the actual expenses reimbursed.

At FTC, we found that the agency consistently met the requirements for controlling the acceptance and reporting of travel reimbursements by its employees. However, FTC could improve its reporting by more completely describing the nature of events attended in its reports to OGE.

Commerce's decision in November 1992 to deny OGE access to records for nonfederally reimbursed travel was largely based on its view that GSA, not OGE, was responsible for the applicable travel regulations. However, in May 1994 Commerce changed its position and acknowledged that OGE does have the authority to review such records. The overall effect of Commerce's temporary denial of access was minimal, in that OGE eventually received access to Commerce records and OGE has not been denied access to such records at any other agency.

Background

Section 302 of the Ethics Reform Act of 1989 (31 U.S.C. 1353) provides that the Administrator of GSA, in consultation with the Director of OGE, prescribe by regulation the conditions under which an agency or employee may accept payment from nonfederal sources for travel, subsistence, and related expenses with respect to attendance at any meeting or similar function relating to the official duties of the employee. In the request for comments on the implementing regulations, GSA stated that it expected OGE to review agency implementation of section 302 in connection with its ongoing reviews of agency ethics programs.

GSA promulgated interim regulations in 41 C.F.R. 304 to implement section 302. These regulations, which have been in effect from March 8, 1991, through the present, include a definition of what constitutes conditions for accepting travel reimbursements, a description of payment methods, and a requirement that all instances of nonfederally reimbursed travel in excess of \$250 be reported semiannually to OGE. Initially, these reports were to include the name and position of the employee, nature of the event, dates of travel, and amount of payment. However, GSA amended its regulations effective December 9, 1992, by adding a few additional requirements, including a provision that reports to OGE should also contain the dates of the events and itemized expenses. Commerce and FTC have established regulations that require adherence to GSA's regulations.

Private companies, universities, and other organizations often want federal employees with expertise in such areas as weather forecasting and antitrust and trade regulations to participate in meetings and other events. When these employees receive offers of reimbursed travel, subsistence, or

related expenses for a trip to such an event, the employees are supposed to prepare a travel order to obtain approval for the trip and a form requesting approval to accept the offer of reimbursement. At Commerce and FTC, the forms requesting approval for reimbursement, referred to as request forms, require the inclusion of details concerning the trip. These details include the name of the source offering reimbursements, dates and nature of the event, and types and amounts of expenses that will be reimbursed. This information is to be used by the employees' supervisors and other higher level reviewing officials. If a trip meets the applicable GSA regulations for authorizing travel on a reimbursable basis, a travel order can be approved. At Commerce, all travel reimbursement offers made to the Secretary of Commerce are reviewed by the Department's Office of General Counsel, while reimbursement offers made to other Commerce employees are reviewed in their respective offices. At FTC, travel reimbursement offers made to any employee are reviewed by FTC's Office of General Counsel.

During the period of March 8, 1991, when GSA's interim regulations became effective, through September 30, 1993, Commerce had 3,104 nonfederally reimbursed trips, or an average of 1,242 trips per fiscal year. We sampled 160¹ of these trips and found that the average amount of reimbursed expenses was \$1,100 per trip. Reimbursements varied from covering all of the trip's expenses to some portion, such as airfare or lodging. During the period of October 1, 1992, through September 30, 1993, FTC had 59 nonfederally reimbursed trips. The average amount of reimbursed expenses for FTC employees was \$677 per trip. Additional details on our scope and methodology follow.

Scope and Methodology

To determine the adequacy of Commerce's administration of employees' acceptance of travel funds from nonfederal sources, we reviewed two random samples of nonfederally reimbursed trips at Commerce. First, because of the Subcommittee's interest in travel by high-level officials, we reviewed available documentation for a sample of 60 of the 112 trips reported during the period from March 8, 1991, through September 30, 1993, by these officials. We defined "high level" as those officials in the Office of the Secretary or the highest level official in all other Commerce offices. We compared these documents, including travel requests, orders, vouchers, and receipts, to the regulations in effect at the time the trips were taken and reported. Second, we reviewed similar information for a sample of 100 of the 2,992 trips reported during the same period by

¹For 1 of the 160 trips, Commerce was unable to provide any documents other than the report to OGE.

Commerce employees who were not high-level officials. We limited our review to the travel reimbursed on or after March 8, 1991, because the GSA interim regulations implementing Section 302 of the Ethics Reform Act of 1989 took effect at that time. We included travel reported through September 30, 1993, since these were the latest trips identified in OGE's reports when we began our review.

As agreed with the Subcommittee, we also reviewed how the procedures governing reimbursed travel were administered within Commerce's Office of the Secretary and at the three offices with most of the reimbursed travel during the period. Collectively, the International Trade Administration (ITA), National Oceanic and Atmospheric Administration (NOAA), and National Institute of Standards and Technology (NIST) accounted for about 79 percent of Commerce's trips. We did this work to better understand the procedures and policies in place for administering reimbursed travel at individual offices.

The Subcommittee selected FTC for review in part because it had a centralized system for reviewing travel requests as compared to Commerce's decentralized system. Because the decision to include FTC was made during the latter part of our review, we limited our review to all FTC employee trips that were reimbursed during fiscal year 1993 to ensure records would be readily available.

We performed this review at Commerce, ITA, and FTC headquarters in Washington, D.C.; NOAA headquarters in Silver Spring, MD; and NIST headquarters in Gaithersburg, MD.

We obtained comments from Commerce and FTC that are discussed on page 11 and presented in appendixes II and III. Our work was conducted from December 1993 to September 1994 in accordance with generally accepted government auditing standards.

Commerce Generally Complied With Requirements for Accepting Travel Reimbursements

Although our review of Commerce's handling of reimbursed travel showed that applicable requirements were generally complied with, we found some instances of noncompliance. The most common of these instances was that Commerce sometimes approved employees' travel orders without first reviewing travel requests to obtain all of the necessary information about the trip to be taken. Although less frequent, we also identified certain deficiencies in how Commerce reported these reimbursements to OGE and in how internal controls governing reimbursed travel were

applied. While no individual reporting deficiency occurred consistently, a number of the reports had at least one type of deficiency. The frequency and types of these deficiencies are shown later in this section.

Commerce Sometimes Approved Employees' Travel Without Reviewing All the Required Information

Under GSA regulations, authorization to accept payment from a nonfederal source should be given in advance of the travel. As GSA states in its regulations, the requirement for advance approval is consistent with the long-standing practice of approving an employee's official travel plans in advance. Moreover, there is less risk that an employee will receive an improper payment on behalf of the agency if advance approval is required.

Our review showed that travel orders indicating the existence of reimbursed travel were almost always approved before the beginning of the trip. However, our samples of 60 high-level officials and 100 other employees identified a total of 36 trips, 13 and 23, respectively, where the travel order was approved without first reviewing a travel request form. Nine of these 36 trips in the samples were in the National Weather Service in NOAA. Weather Service officials told us that they (1) require the employee to include a statement identifying the expenses that will be reimbursed by the nonfederal source on the travel order and (2) allow the employee to complete the travel request form after the trip is complete. The problem with such an approach is that there is no assurance that all of the information necessary to assess conflict-of-interest situations is submitted with the travel order. It should be noted that three of the Weather Service's nine travel orders did not contain such important information as the identity of the reimbursing organization and/or the amount and type of expenses to be paid. Also, 17 of the other 27 trips had travel orders that did not include some of this important information.

Commerce's Semiannual Reports Could Be Improved

GSA's regulation governing the semiannual reporting of nonfederally reimbursed travel to OGE requires 18 specific items of information to be reported for each trip.² These items include the name of the nonfederal source, the nature of the event, the dates of the employee's travel, an itemization of benefits received, and the amount of each benefit. The regulations also require that the expenses reported must be the actual

²As previously discussed in the background section, GSA's initial regulations did not require the reporting of some information that the current regulations require. In assessing Commerce's travel reports to OGE, we applied the regulations in effect at the time of the report.

amount paid by check or the value of in-kind services,³ other than for meals.

While Commerce’s Office of General Counsel, which is responsible for providing the semiannual reports of reimbursed travel to OGE, has several procedures in place to ensure that all reimbursed travel is reported to OGE, we identified some deficiencies in the reported information. Specifically, we found 27 deficiencies that were contained in 23 of the 160 trips in our sample. These deficiencies are shown in table 1.

Table 1: Frequency and Types of Deficiencies Found in Reporting of Commerce’s Nonfederally Reimbursed Travel From March 8, 1991, to September 30, 1993

Type of deficiency	All employees (frequency/sample size)	High-level officials (frequency/sample size)
Nature of event not described in report to OGE	4/100	0/60
Dates of travel not reported to OGE	1/100	4/60
Benefit and/or cost figures not itemized in report to OGE	7/100	0/60
Actual expenses not accurately reported to OGE	9/35 ^a	2/15 ^a

Note: In addition to the deficiencies in this table, we identified a few instances of noncompliance in other areas that were primarily caused by the individual actions of two officials. In both of these instances, procedural improvements were subsequently implemented.

^aReduced sample size reflects the number of trips for which receipts were provided. As discussed later, receipts are not needed for all types of reimbursements.

Source: GAO analysis of Commerce’s travel records and reports to OGE.

An official in Commerce’s Office of General Counsel said that many of the deficiencies were due to the December 9, 1992, change in GSA’s regulations, which is discussed on pages 2 and 3 of this report. In corroboration of this point, we found that all 12 of the deficiencies involving the dates of events and itemized expenses did occur shortly after the regulations were changed. However, the other deficiencies did not appear to be related to the revised regulations.

The individual Commerce offices are responsible for the accuracy of expenses reported to the Office of General Counsel. In 11 of the 160 trips (9 in the all-employee sample and 2 in the high-level officials’ sample) the reported amounts differed from the amounts recorded in the receipts. The reported amount was less than the receipts in five instances, ranging in

³In-kind services are goods, services, or other benefits provided by a nonfederal source for travel, subsistence, and related expenses in lieu of funds paid to an agency by check or similar instrument.

difference from \$7 to \$523. In the other six instances, the reported amount exceeded the receipts by \$12 to \$350. Four of the nine instances of differing amounts in the all-employee sample occurred in ITA. The ITA Director of the Office of Organization and Management Support commented on these four trips. For the trip that resulted in the largest variance, she said that it was possible the employee reported the government rate for the airfare rather than the actual amount paid. She also said that the other three instances, none of which was greater than \$15, could have been attributed to math errors.

It should be noted that we could not always determine whether the actual costs of the trips were reported in Commerce's semiannual reports because receipts are not required for expenses paid in-kind. About 71 percent of the 160 reports included in-kind reimbursements.

Commerce Could Strengthen Internal Controls

Commerce could improve its controls over travel expenses paid, either by check or in-kind, by ensuring that employees submit receipts and travel vouchers for all reimbursed expenses.

Receipts Were Not Always Obtained and Travel Vouchers Were Not Always Prepared

The Federal Travel Regulations (Part 301-11) require employees to provide receipts for allowable cash expenditures in excess of \$25. Receipts are also required for certain expenditures regardless of amount, including fees relating to travel outside of the United States. When receipts are not available, the only documentation for expenditures is the travel voucher. While the GSA regulations on nonfederally reimbursed travel do not address the need for receipts, both Commerce and FTC believe that the Federal Travel Regulations apply to expenses initially incurred by the employee and the government and later reimbursed by check from the nonfederal source.

There were 16 and 36 trips in the high-level officials and all-employee samples at Commerce, respectively, that included expenses that were reimbursed either partially or fully by check. Of these 52 trips, files for 11 cases contained no evidence of receipts' being obtained to support the expenses that were claimed. According to several Commerce officials, receipts are used to bill the sources of the reimbursements and may have been sent to them.

Also, for another 11 of the 160 trips in our sample, Commerce indicated that travel vouchers had never been prepared by the employees.

Commerce officials said that the vouchers were not prepared in these 11 cases because all of the expenses were paid in-kind and, thus, there was no cost to the government and no need to account for the expenses incurred. However, since receipts are generally not obtained for in-kind expenses, the travel voucher serves as the only source of information for identifying the actual expenses incurred when reporting to OGE.

Receipts Are Not Required for In-Kind Expenses

GSA regulations governing nonfederally reimbursed travel require the actual amounts of expenses paid, in-kind and by check, to be reported to OGE. Of the 160 trips in our sample, 128 included in-kind reimbursements. Since GSA regulations do not require travelers to obtain receipts for in-kind expenses, Commerce did not have receipts for 99 of these trips and thus, there was no assurance that the estimates of reimbursed travel coincided with the actual costs incurred.

FTC Complied With the Requirements for Accepting and Reporting Reimbursed Travel

We did not identify any deficiencies in FTC's acceptance of reimbursed expenses for the 59 trips we reviewed. FTC also generally complied with all GSA requirements for reporting and documenting reimbursed travel. However, FTC could have improved its reporting by more fully describing the nature of the event in 17 reports to OGE. FTC also had internal controls in place, including the use of letters of commitment to monitor expenses. As previously discussed in the background section, GSA regulation 41 C.F.R. 304-1.9 governing reports of nonfederally reimbursed travel to OGE requires specific information in each report, including the nature of the event. In the 17 reports to OGE where FTC did not fully describe the nature of the event, FTC only stated the name of the organization conducting the event, followed by a term such as "meeting," "conference," or "symposium." The FTC Deputy Ethics Official responsible for the report said that he believes FTC's practice to be in compliance with GSA regulations. A GSA official in the division responsible for administering the regulations said that providing a specific description of the event's nature, such as an American Bar Association meeting on foreign trade tariffs, allows OGE and the public to better understand the employee's reason for attending the meeting.

As previously discussed above, the GSA travel regulations do not require employees to obtain receipts for expenses reimbursed in-kind, but do require the actual value of in-kind services be reported to OGE. FTC obtains letters of commitment before the trips that provide estimates of the expenses to be paid and relies on the employees to inform FTC if the actual value of expenses paid in-kind deviates from the estimate.

OGE's Access to Commerce's Travel Records Has Been Resolved

OGE is responsible for providing overall direction of executive branch policies related to preventing conflicts of interest on the part of officers and employees of any executive agency. Specific responsibilities include developing and reviewing statutes and regulations pertaining to conflicts of interest and monitoring agency ethics programs.

During a review of Commerce's ethics program in 1992, Commerce officials denied OGE access to records and supporting documents relating to acceptances of travel, subsistence, and related expenses from nonfederal sources under 31 U.S.C. 1353. According to OGE officials, OGE made two verbal requests for the records and sent a letter with their final report on October 15, 1992. OGE's letter expressed the need for OGE to have access to such records and asked Commerce to reconsider its decision.

OGE's letter also argued that the law requires GSA to consult with OGE in the development of the regulations and requires agencies to submit semiannual reports of payments accepted under the authority to OGE. Given OGE's involvement in those areas, combined with its overall oversight responsibilities regarding ethical standards and conduct, OGE believed its authority encompassed reviewing agency compliance with the regulation for nonfederally reimbursed travel.

Commerce's General Counsel responded to OGE's letter with a letter dated November 5, 1992. The General Counsel's letter stated that Commerce officials did not provide documents related to nonfederally reimbursed travel because such information seemed to be outside the scope of OGE's audit. The letter further stated that regulations governing such travel are not found in ethics regulations but in GSA travel regulations. Therefore, Commerce believed that oversight was the responsibility of GSA rather than OGE.

Since it is OGE's responsibility to monitor executive agency compliance with the statutory and regulatory requirements governing travel reimbursement from nonfederal sources, we believe that OGE is entitled to access to all records related to such reimbursed travel that an agency may possess. Commerce now agrees with our position. In May 1994, in response to our inquiries, Commerce's Assistant General Counsel for Administration sent us a letter stating that Commerce's "position is that OGE has authority to review records relating to travel expenses accepted under the authority of the Ethics Reform Act, including supporting documents. Any past misunderstandings concerning this issue have been resolved." In addition, OGE conducted a review of Commerce's Patent and

Trademark Office this year, and OGE was given access to the office's records of nonfederally reimbursed travel.

Commerce's denial did not adversely affect OGE's reviews of other agencies' nonfederally reimbursed travel. Other agencies did not refuse OGE access in reviews of reimbursed travel conducted during or after Commerce's denial.

Conclusions

Although Commerce generally complied with the requirements for nonfederally reimbursed travel, some of its procedures can be strengthened to reduce the risk of conflict of interest and improve internal controls. Specifically, Commerce could better ensure that (1) employees have approved travel requests containing all of the necessary information before trips are taken; (2) travel reports to OGE accurately disclose the circumstances of each travel incident, including the nature, dates, and itemized costs of the trips; and (3) trips are adequately documented with receipts and vouchers.

FTC's procedures for accepting and reporting reimbursed travel were basically sound. However, FTC's semiannual reports sometimes could have better described the nature of the event to be attended. By including a better description, FTC could enable OGE to better form an opinion as to whether the employee's attendance may appear to constitute a conflict of interest.

The issue of OGE's access to records relating to reimbursed travel expenses at Commerce has been resolved. Commerce's letter stating that OGE has authority to review these records and OGE's recently completed audit of such records at Commerce's Office of Patent and Trademark indicate that Commerce and OGE are in accord. The overall effect of Commerce's temporary denial of access was minimal in that OGE eventually received access to Commerce records, and OGE has not been denied access to such records at any other agency.

Recommendations

We recommend that the Secretary of Commerce take actions to ensure that

- all Commerce employees' travel requests containing all of the necessary information, such as the name of the payer and the amount and type of expenses to be paid, are reviewed and approved before a trip;

-
- the Office of General Counsel, as part of its responsibilities for submitting semiannual reports to OGE, ensure that these reports include the required information, including the dates and nature of events attended and expenses paid; and
 - Commerce offices require (1) travel vouchers and (2) receipts for reimbursed expenses, except for meals since they are not required by Federal Travel Regulations to be supported in this manner.

Also, we recommend that the Chairman, Federal Trade Commission

- require the Office of General Counsel to ensure that the agency's reports to OGE more completely describe the nature of the events attended.

Agency Comments and Our Evaluation

Commerce and FTC provided written comments on a draft of this report. These comments are summarized below and included in their entirety, along with our specific responses, in appendixes II and III.

Commerce agreed to implement our recommendations that the Department ensure that (1) all Commerce employees' travel requests be reviewed and approved before beginning a trip, (2) the Office of General Counsel ensure that reports to OGE include the required information, and (3) Commerce offices require receipts for those expenses reimbursed by check. Also, Commerce offered an alternative to our recommendation that its offices require travel vouchers by proposing that it require receipts and other evidence for all reimbursed expenses regardless of whether they were paid in-kind or reimbursed by check. We consider Commerce's proposal to be an adequate response to our concern that expenses reported to OGE are accurate. However, because a travel voucher is the established way for employees to submit travel receipts and other related information to management, we continue to believe that Commerce should require their use. FTC agreed to implement our recommendation that it ensure that reports to OGE more completely describe the nature of the events attended.

We are sending copies of this report to the Secretary of Commerce, the Chairman of FTC, and other interested parties and will also make copies available to others upon request.

The major contributors to this report are listed in appendix IV. If you have any questions about this report, please contact me on (202) 512-5074.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Timothy P. Bowling". The signature is fluid and cursive, with the first name "Timothy" and last name "Bowling" clearly distinguishable.

Timothy P. Bowling
Associate Director, Federal Human
Resource Management Issues

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Abbreviations

FTC	Federal Trade Commission
GSA	General Services Administration
ITA	International Trade Administration
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
OGE	Office of Government Ethics

Missions of the Agencies Reviewed

Office of the Secretary

This office administers the operations of all the offices in the Department of Commerce.

International Trade Administration (ITA)

ITA is involved in issues concerning import administration, international trade and commercial policy, and trade promotion. Specific operations include conducting a trade adjustment assistance program that provides financial assistance in the form of grants to selected firms and communities, developing and carrying out policies and programs to promote world trade, and strengthening the international trade and investment position of the United States.

National Oceanic and Atmospheric Administration (NOAA)

NOAA has five major program areas, each with its own mission related to some aspect of oceanic and atmospheric conditions. Our review focused on the two offices with the most employees, the National Marine Fisheries Service and the National Weather Service. The Fisheries Service is responsible for promoting the conservation, management, and development of living marine resources for commercial and recreational use. The program includes the management of a nationwide financial assistance program in the form of loan guaranties and a capital construction fund. The Weather Service is responsible for monitoring and predicting the state of the atmospheric and hydrologic environment. The Weather Service has contracts for computers and other services with private entities.

National Institute of Standards and Technology (NIST)

NIST's primary mission is to promote economic growth in the United States by working with industry to develop and apply technology, measurements, and standards. NIST programs include an advanced technology effort that includes entering into contracts and cooperative agreements with businesses. NIST has eight laboratories whose roles range from establishing standards for information processing and various forms of radiation to analyzing the performance of building and construction materials.

NIST now works with industry and other federal agencies in four major areas: (1) transferring technology, (2) helping smaller manufacturers tap into regional and national sources of information, (3) recognizing U.S. companies that have successful quality management systems, and (4) assisting federal agencies and industry with specific technically based trade issues related to standards and conformity assessment.

**Federal Trade Commission
(FTC)**

FTC is involved in investigation, rule making, and enforcement of laws for organizations engaged in or whose businesses affect commerce, except banks, savings and loans, federal credit unions, and common carriers. FTC utilizes its statutory powers to enforce both consumer protection and antitrust laws. For example, FTC is responsible for keeping the marketplace free from unfair, deceptive, or fraudulent practices by investigating alleged law violations and, when appropriate, taking administrative enforcement action or seeking judicial enforcement.

Comments From the Department of Commerce

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

OCT 12 1994

Nancy Kingbury
Director, Federal Human Resource Management Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Ms. Kingbury:

Your office has requested the response of the United States Department of Commerce to the General Accounting Office (GAO) draft report regarding the acceptance of non-Federally reimbursed travel by the Department of Commerce.

We are pleased that after a thorough examination of 160 travel reimbursements throughout the Department, GAO found no instances of conflicts of interest. This reinforces our view that the Department's employees understand the travel gift rules and are mindful of them. The draft report does list three specific areas in which procedural requirements for acceptance and reporting of travel gifts could be improved and four recommendations for improvements. We will respond to each issue, and the corresponding recommendations, in the order they appear in the report. We note that these issues largely arose only with respect to a few of the Department's operating units but we will ensure that all operating units are reminded of the reporting requirements.

The first issue identified by the draft report is that some reporting offices did not always ensure that travel requests (referred to herein as "CD-210s") containing all the required information were reviewed before approving employee travel. In reviewing the records pertinent to 160 instances of travel by Department employees, GAO discovered that a CD-210 was not approved for acceptance of the travel payment prior to the travel in 36 of these instances, 9 of which involved travel payments accepted for employees of the National Weather Service (NWS).

GAO is of the opinion that acceptance of a travel gift prior to proper approval carries the risk that an employee may receive an improper payment. To ensure that this does not occur, GAO recommends that employees' travel gift requests (CD-210s) should be reviewed and approved before beginning a trip. GAO noted that travel gift requests should include the name of donor and the type and amount of gift; the CD-210, if properly completed, provides this information.

The Department acknowledges that the current interim travel gift acceptance regulations promulgated by the General Services Administration (GSA) require advance approval for acceptance of travel gifts. It is also acknowledged that Commerce Department employees are responsible for preapproving travel gifts through use of a CD-210 form, and that this has apparently not been done

See comment 1.

See comment 2.

Appendix II
Comments From the Department of
Commerce

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in some instances. The Department will take steps to ensure that all administrative offices inform their employees that gifts for official travel from a non-Federal source must be approved prior to acceptance of the gift on a CD-210 form. We also agree that NWS should preapprove travel gifts through use of a CD-210, and the appropriate NWS officials will be reminded of this requirement.

We also note that there are instances in which advance approval is not practical (for instance, when an employee is offered free accommodations during the course of a trip). However, because technically employees should not accept travel payments without preapproval, such gifts should not be accepted and the travel expense will be paid for out of official funds.

GAO is also concerned that improper payments may be accepted in the absence of preapproval. We note that no specific instances of improper acceptance were identified. All official travel gifts are reported on a semi-annual report to the Office of Government Ethics (OGE). Prior to reporting a gift, an operating unit must complete a conflict of interest checklist which will alert the Department's Office of General Counsel (OGC) to any conflicts of interest or appearances of a conflict. Review of these checklists, which is conducted for each semi-annual report, has resulted in the identification of a few instances of acceptance of inappropriate gifts which were subsequently returned to the donors. Therefore, any travel gift which presents a conflict of interest will be returned regardless of whether the gift was approved prior or subsequent to travel. GAO has documentation regarding such gifts that were returned.

The second issue identified in the draft report is that some entries on the Department's semi-annual travel reports to OGE have not always included all gift data (such as the nature of events attended by the employee on a trip, travel and event dates, and itemizations of benefits received by a non-Federal source) required by GSA regulations.

The report states that, of the 160 instances of travel reported, 27 contained some information that was inaccurate or incomplete. These inaccuracies are divided into 4 categories: (1) the nature of the event was not adequately described; (2) the dates of travel were inaccurate; (3) the cost figures were not itemized; and (4) the actual cost of the gift was incorrectly reported.

GAO recognizes that many of the reporting problems (dealing with incorrect travel dates and lack of itemization of benefits) coincided with the change in reporting requirements, during the middle of a semi-annual reporting period, in December of 1992. The Department had little time to adjust to the new reporting format, which is considerably more complicated than the reporting requirements of the previous GSA interim rule. In response to

Appendix II
Comments From the Department of
Commerce

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the change in reporting requirements, the Department's OGC developed a reporting form, a copy of which has been given to GAO. The form has been beneficial in eliminating the first three types of reporting problems mentioned by GAO; in fact, only one of the reporting problems dealing with the nature of the event, event or travel dates or itemization of benefits occurred after the implementation of the new reporting form. Therefore, most, if not all, of the problems we experienced earlier have been eliminated. Of course, we will continue to monitor the travel payment reports for completeness and potential conflicts.

Regarding the problem of inaccurately reported gift amounts, we agree that reporting offices within operating units must take steps to ensure that the correct amounts are submitted to OGC for inclusion on the semi-annual report. We also note that some of the errors listed by GAO were apparently minor mathematical errors which will probably never be totally eliminated notwithstanding the amount of care in preparing travel gift reports. However, the other errors do pose a problem. The only manner in which OGC could ensure complete accuracy in this regard would be to audit travel gift reports submitted by the respective operating units, a process that would be administratively burdensome and the results of which may not justify the allocation of resources necessary to accomplish it. However, we agree that the operating units do need to accurately report gift amounts and should address GAO's recommendations regarding this problem in relation to the third problem area identified by GAO and discussed below.

The third problem issue GAO identified is that Department employees do not adequately document trips with receipts, vouchers, and letters from donors listing actual expenses reimbursed. Specifically, the report states that: (1) some gifts paid by check were not backed up with receipts (GAO suggests that all Department offices require such receipts except for meals, which are not required by Federal Travel Regulations); (2) vouchers were not submitted for some no-cost trips (GAO states that the Department should require a voucher in this situation as evidence of the amount of the gift, especially if no receipts are obtained), and (3) some in-kind gifts were not backed up by receipts, therefore, there was no documentation of the amount of the in-kind gift. To solve this problem, GAO recommends that the Department should modify its travel regulations to require receipt of letters from the donors after the travel takes place specifying the types and amounts of in-kind payments provided by the non-Federal source.

GAO is apparently concerned that some employees may fail to report, or incorrectly report, the value of gifts by check or in-kind to gain personal financial benefit. Another concern is that a value reported to OGC incorrectly may lead to mistakes on the semi-annual travel gift report to OGC.

See comment 3.

Appendix II
Comments From the Department of
Commerce

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Despite an added administrative burden, a requirement that all employees document the amount of gifts in the form of a check will help ensure that the correct amount of such gifts is reported to OGC. However, requiring a voucher for a no-cost trip will not, in our opinion, serve a beneficial purpose if employees are required to provide adequate documentation (such as receipts) of gifts paid by check and in-kind. We note that no Government funds are at risk in a no-cost trip. Adequate documentation of gift amounts and expenses incurred would be a sufficient remedy to any problems with such travel.

See p. 11.

While we agree that GAO's recommendation that letters from donors describing the type and amount of in-kind gifts may increase accuracy in the reporting process, we see significant problems with such a requirement. In the first instance, we have no authority to require such a letter. If the donor fails to submit the required document, the Department has no real recourse other than return of the gift, the value of which may be in question anyway (the purpose of the letter being to identify the amount of the gift). In addition, a mechanism would have to be implemented for obtaining and keeping track of donor letters, another burden on increasingly limited administrative resources.

See comment 4.

See p. 11.

However, the same practical result may be achieved by requiring receipts or other evidence of in-kind gifts (i.e., copies of hotel bills or airline tickets or other such evidence of value that identifies the expenses paid by the donor). The operating units can inform employees that it is their responsibility to obtain such proof of any in-kind travel gift. It is more practical to obtain the necessary documentation from our employees than from an outside source.

See p. 11.

We appreciate the opportunity to respond to the GAO draft report. While we have slight disagreements over the method of implementing GAO's recommendations, we do agree that all are designed to make the Department's travel gift acceptance procedures more accurate. Again we are grateful that our own impression that a relatively large gift program is free from major problems has been confirmed by an independent audit.

If you have any questions about this response, please direct them to Sonya G. Stewart, Director, Federal Assistance and Management Support, at 482-4299 or Barbara S. Fredericks, Assistant General Counsel for Administration, at 482-5387.

Sincerely,



Thomas R. Bloom

cc: Frank DeGeorge

The following are GAO's comments on Commerce's letter dated October 12, 1994.

GAO Comments

1. Although it is true that our review did not identify any conflicts of interest, it needs to be recognized that identifying such situations was not the specific purpose of our review. The focus of our review was to determine how well these controls over reimbursed travel were being implemented.
2. Commerce said that these issues arose with respect to only a few of its operating units. As stated in our scope and methodology section, we reviewed the procedures governing reimbursed travel at these offices because they accounted for 79 percent of the reimbursed travel by Commerce employees.
3. We understand Commerce's reluctance to have the Office of General Counsel audit all of the travel gift reports. We believe that obtaining receipts for all reimbursed expenses would improve the accuracy of reported amounts and preclude the need for a General Counsel audit.
4. We believe that the FTC's favorable experience with securing letters from nonfederal sources listing the expenses to be paid prior to the trip demonstrates that this suggestion is feasible. However, we withdrew this draft recommendation in deference to Commerce and FTC views that the added administrative burden would outweigh the benefits of better assuring that the actual amount of reimbursed expenses was being reported to OGE.

Comments From the Federal Trade Commission

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

October 3, 1994

Ms. Nancy Kingsbury
Director
Federal Human Resource Management Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Ms. Kingsbury:

Thank you for providing the Commission with an opportunity to comment on your September 1994 draft report concerning the Department of Commerce and Federal Trade Commission's acceptance and reporting of travel expense reimbursement from non-Federal sources. I am pleased that the draft report finds that the Commission has consistently met the requirements for accepting and reporting travel reimbursements under the GSA rule. These findings are consistent with comments that the Commission has received from the Office of Government Ethics subsequent to their reviews of the Commission's semi-annual reports of non-Federal source payments. I am also pleased that, in addition to stating that the Commission is in full compliance with the requirements of the GSA rule, the draft report notes that the Commission has adopted additional internal controls that exceed the requirements of the GSA rule. Specifically, the report recognizes that the Commission requires each traveler to submit a written reimbursement offer from the proposed non-Federal source when applying for authorization for the Commission to accept a reimbursement offer. I note with disappointment, however, that despite these favorable comments, the draft report is entitled Procedural Improvements Can Be Made In Administering Non-Federally Reimbursed Travel At Commerce and FTC, a title that appears to focus on the report's few negative aspects.

The report offers two suggestions for improving the Commission's tracking and reporting of non-Federal source payments. First, the draft report suggests that, in some instances, the Commission could more fully describe the nature of the events for which travel expense reimbursement is accepted. For example, the draft suggests that rather than describing an event as a "meeting," the Commission could better describe it as an "American Bar Association meeting on foreign trade tariffs." Second, the draft suggests that both the Commission and the Department of Commerce require each non-Federal source to submit a letter, after the travel is completed, specifying the actual amount of expenses paid in-kind, if any. I offer the following comments concerning these suggestions.

See comment 1.

**Appendix III
Comments From the Federal Trade
Commission**

Ms. Nancy Kingsbury

Page 2

GSA's Interim Rule 4, 41 C.F.R. Part 304-1, which governs the acceptance of payments from non-Federal sources for the official travel expenses of federal employees, requires that each agency submit semi-annual reports detailing each payment of over \$250 that has been accepted under the rule during the previous six month period. *Id.* at § 304-1.9(a). This section requires that the reporting agency specify nineteen items of information for each trip for which such payment was accepted, including the event's sponsor, location, and date, in addition to "the nature of the event." If for example, a report identified an event as the "American Telemarketing Association's 20th Annual Conference," and identified the non-Federal source as the American Telemarketing Association, we would have described the "nature of the event" as "a conference". However, the GAO suggests that expanding the description to read "an American Telemarketing Association annual conference on telecommunications law," would help OGE and the public to better understand the employee's reason for attending the meeting. The Commission will provide this information in the future, as suggested by GAO.

The draft report also suggests that the Commission and the Department of Commerce require each non-Federal source to submit a letter, after the trip in question, specifying the actual amount of expenses that the source paid in-kind. According to the draft report, such a requirement would address two concerns. First, such an independent verification would prevent an employee from claiming and receiving reimbursement for an expense that actually had been paid in-kind by a non-Federal source. Second, receiving such letters would aid the Commission in reporting accurate figures to the Office of Government Ethics by providing independent verification of the actual amounts that the traveler received in-kind.

In my opinion, the additional administrative burden associated with this requirement would not justify the benefit gained, if any. Such a procedure is not necessary in order to avoid the kind of "double charging" that is contemplated by the draft report because a traveler would not receive a receipt for a travel-related expense that was paid in-kind by a non-Federal source, and the Commission would not reimburse an employee for an expense that was not documented by a receipt showing that the employee had paid it. Furthermore, because an employee would not derive any benefit from inaccurately reporting the value of an expense received in-kind, it is unlikely that such inaccurate reporting occurs. Thus, requiring non-Federal sources to provide independent written verification of the value of the benefits paid in-kind would result in an unwarranted administrative burden to those organizations and to the government.

Although a traveler derives no independent benefit from the Commission's receiving payment for his or her travel expenses from a non-Federal source, the prerequisites for requesting authorization for the Commission to accept such payments under Interim Rule 4 already impose significant administrative burdens on the traveler. For example, the traveler is required to submit a memorandum to the Commission's Executive Director describing why accepting reimbursement from the non-Federal source would fall within the purview of the rule and would not present a conflict of interest. In preparation for writing this memorandum, the traveler must search the Commission's records to ensure that there are no

See comment 2.

**Appendix III
Comments From the Federal Trade
Commission**

Ms. Nancy Kingsbury

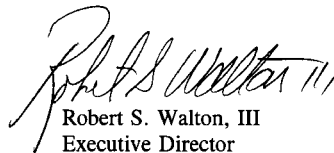
Page 3

pending Commission matters that would affect the proposed non-Federal source's interests. The traveler also must submit to the Executive Director a detailed travel order, and must seek and receive the approval of his or her immediate supervisor, an ethics official, and the Executive Director. In addition, as noted above, the Commission imposes procedures that exceed those outlined in the rule by requiring each traveler to acquire and submit, along with his or her memorandum and travel order, a written reimbursement offer from the non-Federal source.

GAO's draft report finds that the Commission has "consistently met the requirements for accepting and reporting travel reimbursements," and there is no evidence that travelers inaccurately report in-kind payments received from non-Federal sources. Rather, there is every indication that the system now in place results in full and accurate reporting of all travel expense payments received from non-Federal sources. Therefore, requiring Commission employees to shoulder an additional administrative burden is not warranted. Thus, I urge GAO to reconsider the suggestion in the draft report that the Commission and the Department of Commerce require each non-Federal source to submit a verification letter specifying the actual amount of expenses paid in-kind.

Thank you again for the opportunity to comment on the draft report. If you have any questions, please feel free to contact me.

Sincerely,



Robert S. Walton, III
Executive Director

See comment 3.

See p. 11.

The following are GAO's comments on FTC's letter dated October 3, 1994.

GAO Comments

1. With respect to FTC's concern that the draft report's title appeared to focus on the few negative aspects of our review, we modified the title to reflect that FTC and Commerce generally complied with requirements but some improvements are needed.
2. We disagree with FTC's contention that the potential for "double charging" does not exist. FTC said that the traveling employee would not receive a receipt for a travel-related expense paid in-kind by a nonfederal source and would, therefore, not have the documentation needed to charge the government for the same expense. Our review of FTC trips in 1993 found that employees had been able to obtain receipts for in-kind expenses for three of the trips. In addition, Commerce proposed in its comments that employees obtain receipts for in-kind expenses to better document travel expenses. While it appears that the employees can obtain receipts for some in-kind expenses, we believe that FTC's practice of obtaining a letter from the nonfederal source citing expenses to be paid is a sufficient internal control against an employee's double charging the government.
3. While it is true that there is no evidence that travelers inaccurately report in-kind payments received from nonfederal sources, there is also little evidence that they reported accurately. There were no receipts for 25 of the 28 trips by FTC employees in fiscal year 1993 that involved in-kind expenses. Nevertheless, we withdrew our draft recommendation regarding the verification letter, deferring to FTC's and Commerce's views that the added administrative burden may outweigh the benefit of improved controls over accurately reporting the receipt of in-kind expenses.

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