

The Federal Travel Card

Uses, Policies and Best Practices

*Fourth Report in the AGA
Purchase/Travel Card Series*

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About the Authors and Research

Merl Hackbart, Ph.D., is professor of finance and public administration at the University of Kentucky. His previous research has focused on state financial management issues, and he has served as a consultant to the Office of Management and Budget (OMB), the Environmental Protection Agency (EPA) and the U.S. Information Agency.

Dwight Denison, Ph.D., associate professor of public and nonprofit finance, University of Kentucky, assisted in this study. The views expressed are those of the authors and not necessarily the views of AGA. AGA would also like to thank those federal officials who provided advice and guidance in conducting this research study.

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THE FEDERAL TRAVEL CARD:

Executive Summary

This report presents the findings of an AGA study and survey of travel card use by federal government departments and agencies. It is the fourth and final in a series of AGA reports on the use of purchase and travel cards by federal and state governments. It is the first research effort to address use of the travel card in the federal government. The AGA series is designed to provide a comprehensive review of the current policies and procedures regarding the use of purchase and travel cards.

Included in the study is an assessment of the major reasons for travel card use, benefits of travel card use, actual use patterns, and best policies and practices regarding the management of travel card programs. The study also included a supplementary survey and analysis of the cost savings and financial implications of the federal travel card program. The study results provide insights that other states and federal government agencies might adopt.

Travel cards have increased in popularity and use in recent years. Several factors have influenced the adoption of the travel card by federal governments over the past three decades. In addition to providing a safe and convenient means for paying employee travel expenses, the card eliminates the need for the organization to provide employee travel advances. Time and effort involved in acquiring and reconciling advances after travel has occurred takes time away from employee's main responsibilities and reduces his or her productivity. The major cost-saving benefit of travel card use for federal agencies identified by this study is the reduction in time and effort to process travel reimbursements.

Other benefits associated include:

- Facilitation of vendor discounts for federal employee airline tickets, hotels and rental cars.
- Access to vendor agreements eliminating airline travel change and cancellation charges.
- Greater flexibility for ticket refunding processes.
- Evidence of federal travel status, which may be required for certain state sales tax exemptions.

The travel card program facilitates analysis of travel patterns with various providers. This has the potential to enhance the federal government's ability to negotiate volume airline ticket discounts and price reductions for other travel services. The U.S. Department of the Treasury also benefits from travel card use by being able to invest the money that would normally be set aside for cash advances.

Background

The U.S. General Services Administration (GSA) has reported that federal employees and agencies charged \$7.6 billion of travel expenses to government travel cards in fiscal year 2006. For the same year, travel card transactions totaled approximately 41 million (see Appendix A). Federal travel card use has expanded rapidly because of the program benefits that can realize. Implementing the provisions of the Travel and Transportation Reform Act (TTRA) of 1998 (Pub-

lic Law 105-264) has also fueled card-use growth. The TTRA required federal government employees to use bank-issued travel cards for official business travel. This broad-based requirement to use travel cards was modified¹ in 2002 to exempt federal employees from mandatory travel card usage if they travel fewer than five times a year. Federal departments may, at their discretion, provide cards to employees who are not frequent travelers or require them to charge their travel expenses to centrally billed accounts. The current federal travel card program is part of the SmartPay[®] program, which provides purchase, travel and fleet cards to agencies throughout the U.S. government.²

Since the first federal agencies introduced the travel card in the 1980s, bank-issued travel cards have become the principal way to finance travel. Their use has reduced the need for federal government departments to maintain employee travel advance services. Travel cards are issued to federal government employees by banks contracted by the GSA to provide travel card services. Each federal department or agency selects one of the providers and is allowed to accept rebates from the card service providers. Such rebates are principally based on the amount of travel card billings attributable to an agency's staff. Actual rebates may vary depending on an agency's history regarding late payments, delinquencies and the number of cancelled or charged-off accounts.

In addition to rebates, the travel card program provides several other benefits to employees using the cards. Employees avoid the risk of financial hardships that may be incurred when they have to use their own funds or credit cards to finance official government travel. Employees who frequently travel may accumulate substantial travel cost liabilities, which may strain their personal credit card limits and produce cash flow problems while waiting for travel-expense reimbursement. With the federal government-issued travel card, these problems are lessened by the provision of a separate personal line of credit for employees to use to finance their business travel.

Travel cards eliminate the need for cash advances for employees who do not have the financial resources to finance their travel expenses until they are reimbursed. This also reduces the need for an agency to maintain travel advance staffs or offices. In addition to these departmental cost savings, there are cash management benefits to the federal treasury. A travel card program reduces federal travel-reimbursement processing time resulting in agency cost avoidance or productivity savings.

Federal travel card contracts may include other benefits, such as travel insurance for traveling employees, collision and damage insurance on vehicles used during travel, and lost baggage and other related travel expenses. Such provisions are normally negotiated by the GSA with bank card providers.

The use of the federal travel card is restricted to expenses related to official government travel. Among the permissible travel card charges are airline tickets, lodging expenses, rental cars, ground transportation, meals and other business

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travel expenditures such as laundry, dry-cleaning and parking. Travel cards may also be used to obtain ATM cash advances for approved federal travel. Because travel cards are issued to individual employees, card charges are considered to be a personal liability rather than a liability of the department or agency sponsoring the travel card program. Employees are expected to file travel reimbursement requests upon completion of travel and to pay their travel card balance promptly. Both standard (without restrictions) and restricted cards are provided to employees. Restrictions frequently include ATM dollar amounts, total travel expenses, card charges per cycle, Merchant Category Code (MCC) blocks and total credit limitations.

As noted, federal travel cards can also be used to authenticate federal employee eligibility for a variety of negotiated federal travel provisions, such as the elimination of airline travel change and cancellation fees. Card use can also authenticate federal employee eligibility for hotel discounts as well as state sales tax exemptions. Additionally, travel cards facilitate the processing of refunds for tickets not used by traveling federal employees.

With a travel card, the employee simply charges travel expenses to his or her travel card and files the appropriate paperwork for travel expense reimbursement after the travel is completed. Upon receiving reimbursement, the employee pays the bank that provided the employee's travel card. Inadvertent or non-reimbursable expenses that may have been charged to the business travel card are employee liabilities and are paid to the travel card bank by the employee.

The majority of federal travel cards are issued as Individually Billed Accounts (IBAs). With such accounts, the individual employee accepts liability for charges associated with his or her card. Federal agencies also use Centrally Billed Accounts (CBAs). With CBAs, the federal agency assumes liability for card charges. Some agencies use CBAs to qualify for higher rebate rates, which are tied to increased card usage.

Management of federal travel card programs is guided by government-wide regulations, GSA provider contracts and individual agency policies. Such guidelines, policies and procedures clarify employee responsibilities regarding travel cards as well as processing and reimbursement procedures.

Among federal policy guidelines associated with travel card use are those that:

- Clarify the purposes for which the travel card can be used.
- Specify which employees are eligible to use travel cards.
- Require training or knowledge about employee responsibilities prior to card issuance.
- Place limits on corporate and event expenditures.
- Ensure that federal travel cards are being used for appropriate purposes.

- Specify which department or agency is permitted to accept and/or retain travel card rebates.
- Determine how the federal agencies will choose their travel card service provider consistent with the GSA master contract.
- Determine when travel cards should be suspended or revoked.
- Set rules for internal controls and management of travel cards issued to agency employees.
- Clarify the responsibilities of agency program coordinators.

GSA and federal agencies also provide guidelines regarding reimbursement procedures for expenses charged to travel cards, travel documentation requirements and when card balance payments are due. GSA master contracts usually specify when federal employees must reimburse the issuing bank for outstanding balances. The card holder is responsible for such payments with IBAs.

Federal travel card master contracts also define the various categories of cards that are included in the federal government's travel card program, including corporate cards and event cards, which are issued to individuals as well as Centrally Billed Accounts (CBAs). CBAs are often used for travel expenses incurred by employees who do not travel enough to justify individual travel cards. The payment processes for CBAs tend to differ from those for corporate and event cards and are specified in card contracts. Federal travel-card contracts also clarify responsibilities of the parties in case of payment defaults and specify payment schedules for corporate, event and non-plastic accounts. Such contracts also indicate the rebate policies of the issuing bank.

Purpose of Study

The major purpose of this study was to conduct a comprehensive review of federal government travel card use and associated policies and procedures. The study was also designed to identify federal travel card management practices that maximize the benefits of travel card programs for federal government employees and federal government agencies. In addition, this study attempted to determine the cost savings associated with the travel card program.

Study Research Methodology

As stated above and as in the previous studies in the series, the primary purpose of the study was to determine and evaluate current federal government travel card program policies and processes. To achieve this, a survey (see Appendix B) was prepared with the advice and support of an advisory group composed of knowledgeable federal government officials. This group helped the research team design the survey questionnaire to ensure that it focused on the travel card program issues and concerns of federal agency program managers. The survey was organized to focus on several issues:

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- reasons for using the travel card,
- current travel card use,
- travel card use management policies and
- management practices that have been implemented to maximize program benefits.

In addition to card-use policies and procedures, respondents were asked to identify best practices and recommendations for card-use policy changes that they are considering. As a result of consultation with the advisory group, a second follow-on survey to solicit information of the financial implications of travel card use was sent following the initial survey (see Appendix C).

The advisory group of federal government officials also provided assistance by identifying the officials who would be the most appropriate respondents to the survey. AGA staff e-mailed the invitation for respondents to participate in the survey. Respondents completed the survey online.

Because of the length and complexity of the survey, respondents were initially given six weeks to complete it. Ten agencies, identified in *Figure 1*, responded. The majority of the information presented in this report is based on the survey responses provided by the 10 agencies, although not every survey question was answered by every respondent.

Figure 1: Survey Respondents, Fiscal Year (FY) of Travel Card Implementation and Travel Card Utilization

Federal Agency	Implementation Year	Percent of Employees with Travel Cards
Department of the Air Force	1995	66%
Equal Employment Opportunity Commission (EEOC)	1995	61%
Defense Contract Audit Agency (DCAA)	NA	NA
Federal Deposit Insurance Corporation (FDIC)	NA	94%
General Services Administration (GSA)	1985	76%
National Science Foundation	1988	68%
Navy Consolidated Card Program Management Division	NA	NA
Nuclear Regulatory Commission	1989	79%
Social Security Administration (SSA)	1984	32%
U.S. Department of State	1999	22%

NA = Implementation date not available

Federal Agency Use of Travel Card

Most federal travel card programs have been implemented over the last two decades. Early travel card programs were established by the Social Security Administration (SSA) and GSA over 20 years ago. The implementation dates of travel card programs for the responding federal agencies are listed in *Figure 1*. For 80 percent of respondents, policies for travel card authorization are established by agency administrative officials. For the remaining 20 percent, the policies are established through an oversight agency.

Figure 1 also shows the percentage of agency employees who have been issued travel cards. The Federal Deposit Insurance Corporation (FDIC) issues cards to the highest percentage, 94 percent, of its employees. The U.S. Department of State issues cards to the lowest percentage, 22 percent, of its employees. While the Federal Travel Regulation (FTR) standard for government agencies is to issue cards when employees travel five or more times a year, federal agencies have some discretion as to when cards are issued based on the frequency of travel. For example, most military agencies issue cards to employees that travel three or more times a year. Meanwhile, the Department of State adheres to the five trips per year rule. The FDIC respondent reports that it is mandatory for employees to use the travel card when it is required to receive vendor discounts.

Agencies receive rebates for transactions that are charged to their travel cards. The rebate rates vary on a sliding scale based on the net dollar value of card purchases and delinquency rates on both centrally and individually billed accounts. The late fees associated with delinquent accounts vary by agency depending on the contract with the bank issuing the card. Some late fees were fixed at a given amount such as \$20 or \$29, other late fees are determined as a percentage (often 1 percent) of the unpaid balances. Only one of the 10 respondents reported that their agency does not use centrally billed accounts. None of the 10 responding agencies used prepaid cards for travel purposes. A prepaid card operates like a gift certificate—a card is given a preauthorized balance and can be used until the balance reaches zero.

As travel cards interface with other travel systems, several potential benefits emerge. Seventy percent (seven of 10) of the responding agencies are using an e-travel system for completion of travel vouchers. Of those agencies with an e-travel system, just under half of them (three of seven) had integrated their travel card and e-travel systems to include electronic selection and the preparation of assignment vouchers. One agency had the capability to view transactions within the e-travel system. In general, the barriers to full integration of the travel card and the e-travel system stem from the capacity of agency software to integrate the systems. One respondent reported that budget and timing constraints prevented integration of travel transactions into the Electronic Travel Voucher Processing System (ETVPS) when first implemented in January 2000. The agency is evaluating other alternatives as a possible replacement to

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their in-house built ETVPS. Another agency was not able to fully implement its e-travel system because the vendor could not deliver a fully operational system as scheduled. One other respondent stated that the software has only recently been stable enough to allow for basic travel orders and vouchers to be processed at one pilot location; interfaces with financial management system and credit card vendors will be put in place sometime in the future.

Travel Card Implementation

Respondents were asked to indicate the importance of several factors in influencing the decision to implement their travel card program, as shown in *Figure 2*. The primary impetus was in response to government-wide directives such as Executive Orders, OMB or GSA guidelines, and the like. Another important influencing factor identified by eight respondents was to reduce administration costs of employee travel-cash advances. Seven respondents also indicated that reducing employee out-of-pocket expenses was an important consideration. Enhanced audit capability of transactions was identified as a “medium important” factor for 40 percent of the respondents, and “somewhat” or “very important” for 50 percent of the respondents.

Another benefit attributed to travel cards is that they provide verification for vendors that purchases are eligible for government discounts. Forty percent of the respondents indicated that this benefit was “very” or “somewhat” important in the decision to implement a travel card program. On the other hand, 50 percent indicated that facilitating government discounts from vendors was only slightly important, not important, or not applicable for their agency.

Card-use rebates were cited by some respondents as a financial incentive to implement a travel card program. Thirty percent of the respondents indicated that card rebates were a very important factor in implementing the travel

card program. Ironically, the same percentage also indicated that card rebates were not an important factor or not applicable. Six of eight respondents indicated that rebates were available for unrestricted use by the agency. In two agencies the rebates were earmarked for travel card administration expenses.

Travel Card Management

The administration of travel cards tends to be very centralized in seven of the 10 responding agencies. This centralization can assist in implementing policies, ensuring compliance and training employees. Three of the responding agencies administer the travel card in a less centralized manner, often motivated by geography. It is interesting to note that the auditing responsibilities are delegated to lower-level supervisors in the majority of the responding agencies. The general argument is that supervisors closer to the employees are better able to verify legitimate travel expenses and detect cases of fraud or misuse. In addition, the respondents identify the primary role of the Office of Inspector General (OIG) as one of assisting their agency with audits of the travel card program to focus on fraud, waste and abuse. However, a couple of respondents identified the OIG’s primary role as one of performing preventive reviews and advisories. Fifty percent of the agencies perform an employee credit check prior to issuing a travel card. The credit check was most frequently performed by the bank issuing the card but on occasion was contracted to a third-party investigator.

The GSA provides quarterly reports with travel card data that many agencies use for management purposes or strategic purchasing decisions. One agency respondent illustrates how this data can be used.

The travel card data most frequently used are delinquency rates. The rates are broken down by regions and headquarters

Figure 2: Importance of Factors for Implementation of Travel Card Programs

	Very Important	Somewhat Important	Of Medium Importance	Slightly Important	Not Important	Not Applicable
Reduce the administration costs of employee travel cash advances	80%	0%	0%	10%	10%	0%
Enhanced audit capability of transactions	30%	20%	40%	0%	10%	0%
Reduce employee out-of-pocket expenses	70%	20%	10%	0%	0%	0%
Response to card rebates offered by card companies	30%	10%	20%	10%	20%	10%
Facilitate government discounts from vendors	30%	10%	10%	10%	20%	20%
Provide additional detail for travel transactions	20%	30%	30%	0%	20%	0%
Agency management directives	40%	10%	10%	10%	30%	0%
Response to government-wide directives (such as Executive Orders, OMB, or GSA guidelines, etc.)	80%	10%	0%	0%	0%	10%

**Based on ten responding federal agencies.*

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components. Those regions/components that have a high delinquency percentage are identified and solutions to bring down the percentage are suggested. Follow-ups are done. The data is also used to monitor potential misuse.

Another respondent notes that his agency uses travel-card data to determine whether the travel card is used infrequently by cardholders.

The agencies also use more sophisticated analysis to do data-mining on travel data, as nearly 90 percent of the respondents reported some use of data-mining tools to analyze travel transactions. Three agencies use a commercial software program, and three agencies use a manual review of a report generated by the card provider bank. The agency respondents were asked to identify the costs of their data management activities, but the agencies indicated that direct costs were difficult to identify. One agency respondent indicated that the costs were equivalent to one-third of the cost of a full-time employee. No expensive equipment or contracts were reported as part of the data-mining activities for any of the agencies.

Agencies report the existence of several policies and procedures to ensure that the rules and regulations of the travel card program are followed. The Department of the Air Force provides oversight at all levels to ensure appropriate card use and to initiate disciplinary actions for non-use. The EEOC regularly reviews high dollar transactions each statement period and the transaction reports from their bank to monitor card use. The FDIC distributes monthly reports to appropriate administrative staff in the various divisions and offices. These individuals review activity, account status, delinquency and retail reports to ensure cards are being used properly.

Training is identified as an important factor in helping employees use the travel card appropriately. The National Science Foundation offers PowerPoint presentations and

question-and-answer sessions to all employees, and requires all new applicants to take the GSA online training. The SSA provides all its employees access to the regulations/laws concerning all travel card policy on the Division of Travel Management's website as administrative instructions. In addition, policy guidelines are issued to managers through senior staff memoranda. These memoranda are intended to be shared with all supervisory personnel. The SSA travel department also publishes periodic Travel Update newsletters advising travelers of important changes in policies or of repeated violations. The U.S. Department of State uses similar training venues and communicates regulations through an intranet website. Travel card program policies and procedures are disseminated to program coordinators and bureau executive directors throughout the department.

Delinquency

While respondents reported that the number of delinquent accounts is less than 1 percent of the total cards issued for most agencies, agencies are required to monitor travel card accounts to ensure that employees do not let individually billed accounts fall into arrears. The delinquency concerns have understandably focused on the individually billed accounts. Half of the responding agencies use split disbursements, direct payments by the agency for eligible charges to the individually billed accounts, to help reduce delinquency. The majority opinion among the agencies that use split disbursements is that it is an effective or highly effective method to reduce delinquency.

More than 75 percent of the responding agencies use payroll offsets to pay balances on delinquent individually billed accounts. Payroll offsets are used quite rarely, as most agencies invoked payroll offsets on no more than 10 accounts in the last fiscal year. The Air Force did employ a significantly

Figure 3: Source of Cost Savings or Enhanced Revenue Associated with Travel Card Use

	Substantial	Some	No Savings	Savings Loss	Number of Respondents
Reduced staff time (and cost savings) in preparation and processing of authorization	0.0%	62.5%	37.5%	0.0%	8
Enhanced efficiencies in processing procurement transactions	37.5%	37.5%	25.0%	0.0%	8
Enhanced efficiencies in administrative oversight and monitoring (including dispute resolution)	12.5%	75.0%	12.5%	0.0%	8
Cost savings in finance-related procedures including billing, payment, and audit activities	14.3%	57.1%	28.6%	0.0%	7
Net savings in training costs	0.0%	28.6%	57.1%	14.3%	7
Income enhancement resulting from differing cash management practices such as petty cash requirements and float opportunities	42.8%	28.6%	28.6%	0.0%	7
Federal government travel card refunds	14.3%	57.1%	28.6%	0.0%	7

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larger number of payroll offsets, but the total number was still less than 0.2 percent of their travel card accounts. Five of six respondents reported that payroll offsets were an effective or highly effective mechanism for lowering delinquency rates for individually billed accounts.

Respondents report that agencies are incorporating several policies and procedures to reduce the delinquency of travel card accounts. Among them are the following:

- Conduct yearly training of cardholders.
- Use data-mining and special reports to identify and resolve abuse or delinquencies.
- Implement mandatory supervisory review of travel vouchers.
- Implement payroll offset for travel card debt.
- Communicate often with the employee and the employee's supervisor when an account is delinquent.
- Send letters to card holders who are 30 to 60 days delinquent.
- Monitor accounts in arrears more than 30 days (one payment past due). Accounts are canceled if three 30-day delinquencies occur within a 12-month rolling timeframe.
- Produce monthly delinquency and questionable charge reports.
- Increased travel card education via internal websites.
- Close inactive, multiple and separated employee accounts on a periodic basis.

Fraud and Misuse

Travel cards are just another means for payment of travel services and, therefore, general federal travel policies apply to these transactions. Other methods of procuring travel services include travel vouchers, designated travel agents and reimbursement of out-of-pocket expenses.

Nevertheless, some policies are unique to the travel card. One concern is that cards should only be used for authorized travel and, therefore, travel card policies provide guidelines regarding permissible purchases and dollar value of purchases.

All of the agencies use MCC blocks, which are programmed into the travel card to prevent use at unauthorized groups of merchants. Occasionally, legitimate travel service purchases are blocked due to transaction screening errors. Such purchase blocks can lead to frustration because employees must use their own money in such situations. In cases where the travel vendors have been miscoded into a blocked category, the merchants can usually get an authorization from the card issuer to override a blocked transaction.

Given the objective of a travel card program, it is no surprise that the federal agencies limit the amount of purchases charged to the travel card. Six of seven of the respondents use dollar value limits and monthly acquisition limits. The dollar value limit establishes a cap on the value of transactions charged to the card.³ Monthly acquisition limits set an

aggregate bound on the dollar amount of transactions that can be processed through the card in a given month.

Savings and Financial Implications of Travel Card Use

There are savings and financial implications of travel card use for the federal government. The potential savings available to an agency can vary depending on the travel policies and innovative actions taken by the agency to maximize card-related savings.

The majority of respondents attributed some or substantial savings to travel card use for all of the processes listed in *Figure 3*. Approximately 75 percent of survey respondents indicated that there are at least some savings resulting from the enhanced efficiencies in preparing and processing travel transactions. Eighty-seven percent of the respondents also report that there are at least some cost savings in the administrative oversight and monitoring of the travel card compared to cash advances or typical purchase orders for travel transactions. In addition, 72 percent of the respondents reported some or substantial cost savings in finance-related procedures including billing, payment and audit activities. Sixty-two percent of the respondents report that there are some savings associated with the travel card relative to traditional methods of processing travel payments.

It is noted that more than two-thirds of the respondents attribute savings to the travel card program because of differing cash management processes in petty cash balances and float opportunities. As shown in *Figure 3*, 72 percent of the respondents indicate that card rebates produce at least some revenue enhancement.

The follow-up questionnaire asked the respondents to describe the benefits of the travel card in three general categories. One advantage is the potential investment revenues available because payments of cash advances and current payments are deferred until the travel card account is due. Second, there are material savings from vendors that are primarily accessed through payment of the travel card. Last, nonquantifiable benefits for employees include an increased sense of security because they don't have to carry large amounts of cash, or the advantage of not tying up the employee's personal line of credit for business travel.

It is beyond the scope of this research project to do a detailed analysis of the financial benefits associated with the travel card. However, some simple calculations can reveal the range of financial benefits that could be realized if the card is used more frequently.

In fiscal year 2005, the total spending on travel by the federal government was \$15.4 billion, with \$5.8 billion of that total used for airfare, lodging and car rentals. During fiscal year 2005 the total dollars charged to federal travel cards was \$6.5 billion.⁴ Thus, \$8.9 billion in travel expenses were not charged to travel cards. One advantage of the travel card is that cash flows associated with ATM cash advances and current payments can be postponed until the end of the card's billing cycle and grace period. Reimbursements to employees are also delayed, but that is not the case for cash advances or direct payments. The use of a travel

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card would postpone the payment date, and the amount could be invested for the time of the deferral and earn interest. If one assumes that some portion of the non-card expenditures were cash or check payments that could have been charged to the travel card, then we can calculate the federal government's lost interest revenues associated with the cash advances. In Appendix D, the writers have developed scenarios which show that the lost interest revenue from prepaid and current payments that could have been charged to the travel card range between \$3.9 million to \$17.1 million.⁵ However, this float benefit accrues to the U.S. Department of the Treasury and is beyond an agency or department's focus. Therefore, it may have little impact on an agency's travel card policies or its incentives to encourage card use. However, it should be a consideration for the federal government.

Financial benefits are also realized through accessing vendor discounts. While the survey did not produce aggregate estimates of discount benefits, one of the survey respondents indicated that the City Pair Program provides federal agencies with discounted airline tickets that average about 30 percent off of full coach fare prices. Additional benefits of the City Pair Program are that there are no change fees and that last-minute travel arrangements can take advantage of last seat availability at the city pair rate. For private sector companies or individuals, last-minute travel can cost \$1,000 or more for flights that with advance planning cost only a few hundred dollars. With the City Pair Program, even last-minute travel qualifies for low fares and changes are made at no additional cost. Government employees frequently must change their travel plans at the last minute. It is very difficult to estimate how much savings accrue from these arrangements but they are significant.

In 2005, one agency spent approximately \$7.6 million for domestic airfares. Assuming that full fares would have been paid in the absence of the City Pair rates accessed through the federal travel card, this agency would have paid as much as \$10.6 million for the same domestic flights. Therefore, the respondent estimates that the potential savings for

this agency could be as high as \$3 million.⁶ One reason the airlines are willing to negotiate such substantial discounts is that the travel card ensures that the tickets are purchased only for official government travel and the airlines receive payment much faster than traditional government payments, such as purchase orders and issuing checks.

The military agencies can derive a unique financial benefit from using the travel card. Processing of payment transactions for the military agencies is generally done through the Defense Finance and Accounting Service (DFAS), which charges \$44 per transaction. (DFAS charges its customers on a cost reimbursable basis and the rates change from year to year.) An employee can use the travel card to consolidate several transactions (airfare, hotel and the like) into a single transaction. The travel card can therefore reduce the processing costs of the military agencies by reducing the number of transactions that DFAS processes. It is difficult to know how much additional processing savings could be gained, because military agencies already aggressively promote the travel card. However, it is clear that if these agencies decrease their use of the travel card then the processing charges paid to DFAS would increase significantly.

It is important to note that these illustrations of potential financial benefits are not net benefit calculations, but only calculations of increased revenues and cost savings.

Other mitigating factors, such as ATM fees or interchange fees, may partially or wholly offset these benefits. This discussion also omits the financial benefits of card rebates.

Best Value Purchases

Federal agencies are concerned about obtaining the best value on the purchase of goods and services and therefore have policies that apply to all travel transactions, including travel card transactions. The agencies identified policies and procedures they impose to promote best value purchases on the travel card:

- Follow standard internal control policies and bidding processes.

Figure 4: Agency Satisfaction with Select Services Provided by Issuing Banks

	Highly Dissatisfied	Dissatisfied	Neither Satisfied Nor Dissatisfied	Satisfied	Highly Satisfied	Average Ranking
Reports	0	0	3	5	1	3.78
Electronic Billing	0	2	2	3	2	3.56
Customer Service	0	1	2	4	2	3.78
Dispute Resolution	0	0	4	4	1	3.67
Training	0	1	2	5	1	3.67
Data-mining	0	1	1	3	2	3.86

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- Require City Pair Fare for airline tickets and contracted rental car agreements.
- Negotiate reduced rate lodging accommodations for government travelers at lodging offices and local hotels.
- Use automated nightly interface between bank and the financial system with automatic disbursements to the bank within three business days following charge.
- Encourage maximum use of the travel card for official travel.
- Promote use of split disbursement.

Data Security

Respondents identified policies implemented by their agency and travel card provider to promote and maintain the confidentiality of private information associated with the travel card. The first step in security is to ensure that personal information is safeguarded in accordance with Privacy Act requirements. The FDIC does not print Social Security Numbers on any travel card reports that are distributed to administrative staff and electronic communication of account numbers with the issuing bank is encrypted. The GSA limits the number of agency travel coordinators that have access to data and they maintain employee application/personal data in a secure area. Its bank has reduced the amount of personal data in its reporting system. The U.S. Department of State limits access to online travel card data within the department. Data is secured by username and password requirements imposed by the travel card provider. The travel card provider only gives information to program participants of record after verification. Both the department and the travel card provider transmit information by uploading/downloading files on a secure website.

Employee Perceptions

Respondents were asked to rank the degree of satisfaction with the travel card of employees in their agency on a scale from 1 to 5, with 5 being highly satisfied and 1 being highly dissatisfied. The mode response was “four” indicating agency employees are satisfied with the federal travel card program. Eighty-seven percent of the respondents

reported that their agency’s employees are satisfied or highly satisfied with the travel card program. None of the agencies reported employee dissatisfaction with the card.

Despite the widespread employee satisfaction with the travel card program, agencies have considered ways to improve the benefits of the travel card for employees. The major benefits expressed by agency employees regarding the use of the travel card are listed below. The number in parenthesis is the percentage of seven respondents that identified the item as an important benefit to employees.

- Reduces out-of-pocket expenses (100 percent).
- Agency travel transactions do not use personal lines of credit (74 percent).
- More convenient reimbursement processing (27 percent).

Respondents also raised some major concerns regarding the use of the travel card. The number in parenthesis is the percentage of nine respondents that identified the item as an important concern for employees.

- Too many card rules and restrictions (89 percent).
- Potential impact on personal credit rating (78 percent).
- Fear of punishment for misuse (67 percent).
- Loss of rewards available on personal cards (67 percent).
- Resent using the government card (11 percent).

Respondents also identified travel card benefits that agency employees want but currently do not have. The number in parenthesis is the percentage of eight respondents that identified the item as an important benefit to employees.

- Personal rewards (100 percent).
- Identity theft insurance (50 percent).
- Rental car insurance (13 percent).

Future Attributes of the Federal Travel Card Program

Respondents were also asked to rank their level of satisfaction with key service aspects of their current provider. The opinions are reported in *Figure 4*. The majority is very satisfied with the services provided by the card-issuing bank as indicated by the average rankings. Respondents’

Figure 5: Important Attributes for a Future Federal Travel Card Program

	Not Important	Slightly Important	Somewhat Important	Important	Very Important	Average
Electronic billing and payment	0	0	1	2	6	4.5
Merchant acceptance	0	0	1	1	7	4.6
Zero liability for fraud	0	0	0	3	6	4.6
Reporting tools	0	0	0	1	8	4.8
Travel document control number for travel transaction	2	0	0	3	4	3.7

THE FEDERAL TRAVEL CARD:

satisfaction appears slightly higher for the reports and data-mining functions, but satisfaction with electronic billing services is slightly lower compared to the other services.

In addition, respondents were asked to rank how important several card attributes are for a future travel card program. There appears to be great enthusiasm for all the services listed as evidenced by the average rankings shown in *Figure 5*. The most important attributes are merchant acceptance, zero liability for fraud and reporting tools. Nevertheless, electronic billing and payment, and a travel document control number for travel transactions are also considered important.

Respondents were asked to identify other important attributes that should be integrated into the travel card program in the future. Data-mining capabilities and the ability to generate and manipulate travel card statistics was identified as a very important attribute of a future travel card program. Other respondents voiced the need to eliminate some of the card rules and restrictions to make the card more adaptable and flexible to meet the varied needs of travelers and administrators. They emphasized the need for a system to track a travel document number. Prepaid cards and local currency cards were suggested as potential components of a future travel card program. Several agencies affirmed that the future federal travel card program should have wider merchant acceptance and be the key to assessing vendor discounts and eligible exemptions from state and local taxes.

Another important factor identified by the respondents is excellent, dedicated customer service. Customer service improvements suggested are online account management, online billing and no fees for online payments. The ability to automatically raise and lower the available balances on travel charge cards could protect the cardholders from accidentally misusing their charge card.

It was suggested that a future travel card program incorporate changes in administration and management support. Policies and procedures can be clarified on the use and misuse of the travel card. More support from human resource staff for the employees who travel and use the card, particularly in dealing with misuse and abuse.

Federal Travel Card Policy and Use Recommendations

A major objective of the current study was to obtain recommendations from federal departments and agencies regarding adjustments to federal travel card policies that could enhance travel card use benefits. Survey respondents provided a series of such suggestions and recommendations. The recommendations included suggestions that can enhance the financial benefits of the federal travel card program as well as changes that could enhance the operational and accountability aspects of the travel card program.

Among the federal department recommendations were the following:

- Require card-issuing bank and/or travel agency to carry a third-party control number to facilitate integration of e-travel and travel card transactions.
- Include delinquencies in cardholders' credit reports.
- Define local travel in Federal Travel Regulations.
- Encourage state and local government acceptance of federal travel cards to validate eligibility for federal exemption from state and local lodging taxes.
- Establish standard procedures to enforce the use of the travel card by all employees meeting travel frequency requirements of 1998 legislation (as amended in 2002).
- Establish a government-wide, standardized procedure for collecting past due Individually Billed Account balances and report account activity.
- Negotiate card contracts with process protection against fraudulent transactions and identity theft.
- Establish online monitoring and oversight processes for card transactions.
- Use data-mining software to facilitate monitoring of travel card accounts and to identify frequently used vendors.

Agencies are required to provide training as mandated in the *2005 OMB Circular A-123, Appendix B*. Training helps ensure that federal employees understand the purposes of travel cards and the repercussions of misuse. Training should focus on the technical aspects of the program including acceptable use, employee responsibilities and the like. Many agencies are using the web effectively to enhance the efficiency and availability of such training.

Conclusions and Observations

This report has identified current travel card program policies and management practices used by some agencies that could be adopted by other federal agencies or that could become standard procedure for the government-wide travel card program in the future. The employee benefits associated with travel card use as well as federal agency cost savings contributed to the government-wide acceptance and growth of federal travel card program over the past two decades. SSA began using the travel card in 1984, followed by the GSA in 1985. The majority of the other federal departments and agencies initiated their travel card programs during the latter 1980s and 1990s. However, the passage of the Travel and Transportation Reform Act of 1998, which required that federal government employees use the travel card for official business travel, assured government-wide implementation of the travel card. The 1998 Act was modified in 2002 to exempt federal employees from using the card if they traveled less than five times per year. Most military agencies continue to issue travel cards to employees that travel at least three times per year. The size of the federal travel card program is indicated by a 2006 GSA report that indicated that more than 41 million travel card transactions had been recorded that year.

USES, POLICIES AND BEST PRACTICES

Among the travel card benefits for employees are the elimination of the need to obtain travel advances and potential financial hardships experienced when government travel expenses are charged to personal credit cards. These charges may stretch employee credit limits and have other negative financial implications. Meanwhile, the elimination of travel advance services has allowed federal agencies to close their travel advance offices, move the employees to other positions and thus realize significant cost savings. Other federal agency travel card benefits and cost savings include reductions in travel reimbursement processing costs, enhancement of travel oversight, authentication of employees for special federal employee travel discounts, the integration of travel cards with agency e-travel systems, rebates for travel card use, the provision of data that can enhance audit activities as well as improved cash management procedures.

In addition to travel card benefits realized by federal employees and the processing cost savings of federal departments and agencies, federal travel service providers can also benefit from simplified billing and faster payments. Travel service providers such as airlines, hotels and rental car agencies usually get paid within two or three days rather than waiting for centrally billed tickets or accommodations. Such payment processes may take 30 or more days under traditional federal travel payment processes. Other implications of federal travel card programs are detailed in the various sections of this report.

The federal agency travel card survey, which was part of this study, was designed to provide a comprehensive review of the federal travel card program including current travel card policies, processes, program management practices and program cost savings.

Among the findings of this survey are the following observations:

- Respondents indicated that the elimination of employee travel cash advances, the reduction of employee “out-of-pocket” expenses and response to government-wide directives (such as the 1998 Transportation Reform Act as well as other OMB or GSA guidelines and directives) were the most important factors encouraging the implementation of agency travel card programs.
- Seven of the 10 respondents indicated that the administration of travel card programs (including implementing policies, ensuring compliance and training employees) tend to be centralized while the other three respondents followed a more decentralized model due to geographic constraints.
- The majority of respondents indicated that auditing responsibilities tend to be decentralized, based on the assumption that fraud and abuse can be more easily recognized when reviewers are close to the employees using travel cards.
- Fifty percent of the respondents indicated that credit checks, typically performed by banks, were performed before individual cards were issued.

- Respondents use a variety of approaches to ensure that employees are familiar with card policies and procedures, including communication through newsletters, periodic memorandums and formal training.
- Responding agencies are required to monitor card payment delinquencies and report that card payment liability delinquency rates are less than 1 percent.
- Respondents have implemented a variety of card use limitations to guard against fraud and abuse including Merchant Category Code (MCC) blocks, dollar-value limitations and monthly acquisition limits among others.
- Respondents indicated that the principal travel card cost savings resulted from enhanced processing efficiencies, cash management enhancement, more efficient administrative oversight, reduced travel authorization time, and cost savings associated with billing, payment and procurements audit activities.
- Respondents indicated that they are especially careful to ensure confidentiality regarding private employee information that may be associated with travel card use. Consequently, they limit access to online travel card data as well as user identification information and omit personal information like Social Security numbers from monitoring reports.
- Among employee concerns regarding the use of the federal travel card were too many card rules and restrictions and the concern that travel card use could impair personal credit ratings.
- Among the suggestions for changes in future travel card programs were greater merchant acceptance of travel cards, zero liability for fraud and enhanced reporting tools.

Federal government agency efforts to enhance the efficiency of employee travel have driven the implementation of travel card programs by the various federal agencies and departments. Employee benefits and agency costs savings were major factors in decisions by federal agencies to use the travel card in the 1980s and 1990s. With the 1998 federal legislation requiring all federal agencies to use the travel card, the opportunities for agencies to streamline travel operations so that they become more efficient as well as effective have increased, and will do so even more as agencies finalize the transition from the traditional travel-financing processes to the travel card and e-travel systems.

APPENDIX A: FY 2006 FEDERAL TRAVEL CARD

Transactions and Sales

Total transactions and travel sales charged through the GSA SmartPay Federal Travel card program by agency.

Source: GSA SmartPay Travel Card Statistics at www.gsa.gov/smartpay.

Fiscal Year 2006	Bank	Total Transactions	Travel Sales	Average Transaction
Agency for International Development	Citi**	32,308	\$16,604,387	\$514
Appalachian Regional Commission	Citi	1,682	246,793	147
Bonneville Power Administration	Citi	36,964	10,174,209	275
Consumer Product Safety Commission	BoA**	2,181	385,202	177
Corporation for National Service	BoA	30,305	4,259,989	141
Department of Agriculture	BoA	1,542,170	204,848,228	133
Department of Commerce	Citi	352,542	71,397,856	203
Department of Defense Independent Agencies	BoA	1,538,550	291,215,856	189
Department of the Air Force	BoA	9,956,741	1,340,962,837	135
Department of the Army	BoA	8,032,671	1,536,375,991	191
Department of the Navy	BoA	6,193,922	1,105,952,710	179
Department of Education	BoA	59,768	8,649,213	145
Department of Energy	BoA	274,451	41,562,773	151
Department of Health and Human Services	US**	573,744	119,166,943	208
Department of Housing and Urban Development	JMPC**	93,911	13,930,575	148
Department of Homeland Security	Citi	3,086,375	635,920,127	206
Department of Interior*	BoA	566,464	56,027,005	99
Department of Justice	JMPC	2,122,290	246,727,842	116
Department of Justice/ATF*	BoA	54	5,610	104
Department of Labor	Citi	355,136	52,964,411	149
Department of State	Citi	262,282	245,010,872	934
Department of Transportation	Citi	856,058	133,717,126	156
Department of Treasury	Citi	1,089,978	188,293,080	173
Department of Veterans Affairs	Citi	543,741	85,037,047	156
Environmental Protection Agency	BoA	302,687	43,157,720	143
Equal Employment Opportunity Commission	BoA	18,179	2,202,897	121
Executive Office of the President	US	384	-31,352	(82)
Farm Credit Administration	BoA	5,235	676,146	129
Federal Deposit Insurance Corporation	BoA	98,205	16,836,883	171
Federal Emergency Management Agency	JMPC	155	29,653	191

APPENDIX A: FY 2006 FEDERAL TRAVEL CARD

Transactions and Sales, *continued*

Fiscal Year 2006	Bank	155Total Transactions	Travel Sales	Average Transaction
Federal Labor Relations	Citi	2,135	139,011	65
Federal Mediation and Conciliation Service	Citi	10,073	990,796	98
Federal Trade Commission	Citi	13,421	1,648,480	123
General Accounting Office	BoA	76,217	10,226,759	134
General Services Administration (GSA)	Citi	132,689	25,058,986	189
Government Printing Office	Citi	2,736	525,770	192
International Trade Commission	Citi	3,283	394,704	120
Library of Congress	Citi	39,543	1,943,769	49
National Aeronautics and Space Administration	BoA	293,528	57,418,525	196
National Credit Union Administration	BoA	44,368	6,097,734	137
National Endowment for the Humanities	Citi	3,060	434,243	142
National Labor Relations Board	Citi	15,267	1,061,290	70
National Science Foundation	BoA	62,621	13,276,088	212
Nuclear Regulatory Commission	Citi	74,767	13,403,743	179
Office of Personnel Management	BoA	46,705	9,437,011	202
Overseas Private Investment Corporation	JMPC	3,312	2,297,478	694
Railroad Retirement Board	Citi	7,488	525,450	70
Securities Exchange Commission	Citi	48,149	6,029,870	125
Small Business Administration	BoA	222,936	62,221,330	279
Smithsonian Institution	Citi	55,711	10,393,263	187
Social Security Administration	Citi	174,770	33,042,563	189
U. S. Courts	Citi	196,104	22,174,847	113
U. S. Postal Service	Citi	575,800	101,662,889	177
U. S. Senate	BoA	22,757	3,213,822	141
U. S. Tax Court	Citi	1,279	282,477	221
Miscellaneous		750,205	704,594,481	939
Program Total		40,908,057	\$7,560,804,007	\$185

* The Department of the Interior and Justice/ATF have an Integrated Card Program. IBA Integrated is included in Travel Figures. CBA Integrated is included in the Purchase Report (Spend and Transactions).

**The banks are Citibank, Bank of America, U.S. Bank and JP Morgan Chase.

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

March 2006

Survey Respondent Identification:

Agency/Department: _____

Respondent Name: _____

Address: _____

Title: _____

E-mail: _____

Phone: _____

NOTE: We use the term Agency in this survey to refer to your agency or department.

Federal Travel Card Program

1. a. How many total employees were in your agency at the end of FY 2005? _____

b. What was your agency's annual travel budget in FY 2005? _____

c. Does your agency currently use the Travel Card for purchasing travel services? ___ Yes ___ No

d. What bank (or banks) do you contract with to administer Travel Card services?

e. Provide the following information from the current contract:

Rebate rate: _____

Late fee: _____

ATM fee: _____

f. How many active and inactive Travel cardholders did you have in your agency in FY 2005?

Active: _____

Inactive: _____

g. How many full-time equivalent (FTE) employees does your agency currently have to administer and supervise the Travel card program? _____

2. In what Fiscal Year was the Travel Card first authorized for use in your agency? _____

3. Who sets the policy for Travel Card use authorization in your agency?

___ Oversight agency

___ Administrative official

___ Other (please explain) _____

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

4. Please indicate which agency employees are authorized to use the Travel Card using the scale that:
1=never, 2=occasionally, 3=frequently, 4=always

- 1 2 3 4 Senior Agency staff
- 1 2 3 4 Staff designated by Agency Director (or designee)
- 1 2 3 4 All Agency staff
- 1 2 3 4 Other, (please explain) _____

5. Does your agency use centrally billed card accounts for travel? Yes No

6. Does your agency use pre-loaded travel cards (cards issued to individuals on which an amount is loaded prior to travel). Yes No

If Yes, please highlight the cards' use and benefit to your agency.

7. a) Is your Department utilizing an e-travel system for completion of travel vouchers? Yes No

b) If Yes, are travel card transactions integrated into the e-travel system?

- a. Full integration - electronic selection and assignment to vouchers
- b. Partial integration - viewable within the e-travel system
- c. Not integrated

8. Please describe the issues preventing full integration or challenges experienced during integration of the e-travel system.

Not Applicable

9. On a scale from 1 to 5, with 5 being very important, please rank the importance of the following factors in your Agency's decision to implement a Travel Card program. (circle appropriate ranking)

- 1 2 3 4 5 Reduce the administration costs of employee travel cash advances
- 1 2 3 4 5 Enhanced audit capability of transactions
- 1 2 3 4 5 Reduce employee out-of-pocket expenses
- 1 2 3 4 5 Response to card rebates offered by card companies
- 1 2 3 4 5 Facilitate government discounts from vendors
- 1 2 3 4 5 Provide additional detail for travel transactions
- 1 2 3 4 5 Agency management directives
- 1 2 3 4 5 Response to government-wide directives (such as executive orders, OMB, or GSA guidelines, etc.)
- 1 2 3 4 5 Other, (please explain) _____

10. What federal government policies and regulations could be changed to make the Travel Card program more effective?

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

11. How are rebate revenues used?

- Travel Card administration
- Unrestricted agency use
- Other (*please explain*) _____

12. What is the criterion for mandatory Travel Card use in your agency? (i.e. how is Frequent Traveler defined?)

- a. All Agency travel.
- b. Frequency of travel – please indicate trips per year _____
- c. Transaction cost exceeds threshold limit (please provide limit _____)
- d. Other (*please explain*) _____

13. How is mandatory Travel Card use enforced?

- a. Denial of travel funds
- b. Disciplinary action
- c. Other (*please explain*) _____

14. Are the administration responsibilities for the Travel Card administration centralized with your Agency?

Yes No

15. Are the auditing responsibilities for the Travel Card centralized with your Agency?

Yes No

If Yes, how many full time equivalent employees does your agency employ for the auditing of the Travel Card? _____

16. What is the role of the Office of Inspector General in assisting your agency with audits of the Travel Card program (mark all that apply)?

- a. Focus on fraud, waste, and abuse in the program
- b. Perform preventive reviews and advisories
- c. Other (*please explain*) _____

17. Please identify and describe the restrictions that your agency has utilized to promote appropriate use of the Travel Card:

- Merchant Category Code (MCC) blocks. Describe: _____
- Maximum dollar value per transaction. Describe: _____
- Maximum account balance restrictions. Describe: _____
- Other restrictions (*please explain*) _____

18. Is a personal credit check performed prior to issuance of a travel card? Yes No

If Yes, who performs the credit check?

- a. The Department
- b. The card-issuing bank
- c. OPM
- d. A contracted source
- e. Other

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

19. If credit checks are not conducted, what alternative analysis of credit worthiness is used?

- a. Review of personnel file
- b. Self certification form
- c. Use of prior credit reporting information
- d. No alternative in use

20. To what extent does your agency use travel card data for travel management purposes or strategic purchasing decisions? Please specify.

21. a) Does your agency utilize a data mining tool to review travel transaction reports?

- No (please skip to the next question)
- Yes (please answer the following questions)

b) Is the data mining tool your agency uses?

- a. Developed internally
- b. A commercial software program (please identify _____)
- c. A card provider report or reports subject to manual review
- d. A card association filtering tool
- e. Other, (please explain) _____

c) What are the annual costs for data mining efforts (including both direct agency and outsourcing costs)?

22. If no data mining tool is used, what percent of transactions are reviewed regularly to detect fraud or misuse?

_____ %

23. How many FTEs did your agency have who are dedicated to the administration of the Travel Card in FY 2005?

24. What is the average grade level of these FTEs? _____

25. Does your agency currently have sufficient resources to administer the Travel Card program? Yes No

If not, how many additional full time equivalent employees would you need to manage the Travel Card program?

26. What were the non salary costs to administering the Travel Card in FY 2005? _____

27. What is the percentage of cards suspended for delinquency in FY 2005?

Individually Billed cards: _____ %

Centrally Billed cards: _____ %

28. What specifically has your agency done to drive down delinquency rates over the past 5 years?

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

29. What do you feel is the optimal, attainable level of delinquency for card accounts?

Individually Billed cards: _____%

Centrally Billed cards: _____%

30. Does your agency use split disbursement? ____ Yes ____ No

If Yes, on a scale from 1 to 5, with 5 being very effective, please indicate the effectiveness of split disbursement in lowering delinquency rates for individual billed cards:

1- Non Effective 2 3 4 5 - Very Effective Not Applicable

31. Does your agency use payroll offset debts to collect individually billed Travel Card delinquencies?

____ Yes ____ No

If Yes, what was the number of accounts processed in FY05 and the cost of administrating the offset program per account?

Number of accounts processed: _____

Administration cost per account: _____

32. On a scale form 1 to 5, with 5 being very effective, please indicate the effectiveness of payroll offset in lowering delinquency rates for individual billed cards:

1- Non Effective 2 3 4 5 -Very Effective Not Applicable

33. How does your agency assure that the regulations/laws requiring the use of the travel card for employee travel are followed? _____

34. Please identify or estimate the proportion of agency travel costs which charged to personal credit cards instead of the federal government sponsored travel cards?

Percent charged on personal cards: _____

Total agency travel costs (FY2005): _____

35. What policies have your agency and your travel card provider implemented to promote and maintain the confidentiality of private information associated with the travel card.

36. Please indicate changes in your Agency's Travel Card policies and the reasons for such changes that have been implemented since initial authorization.

Travel Card policy changes	Year & reason for change
1. _____	_____
2. _____	_____

Note: If more changes occurred during the period than can be reported here, please attach additional sheet(s).

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

37. What does your agency do, in addition to standard procurement regulations, to insure that Travel Card transactions provide the “best value to government”?

- a. _____
- b. _____

38. Please indicate directives, procedures, and management practices implemented by your agency to detect and prevent Travel Card fraud and/or misuse.

39. Has the Travel Card program impacted the performance of your Agency (relative to the achievement of their mission, enhancing their outcomes, improving the speed of their service delivery or influencing confidence in your agency’s financial management practices and procedures)? If so, please describe those impacts.

40. Please describe insights (“lessons learned” or “best practices”) by your agency regarding the use of the Travel Card which might benefit other Federal Agencies or States:

a. Insights regarding the overall Travel Card program which, if adopted, would improve the efficiency and benefits of the overall card program:

b. Insights regarding the Travel Card program which, if adopted, would enhance the efficiency and benefits of the program for individual agencies:

41. Please describe Travel Card policy changes (regarding use, transaction limits, and other policies) that your agency would recommend for other Federal Agencies or States:

a. “Use” policy change recommendations:

b. “Limit” policy change recommendations:

c. Other recommendations:

42. Cost savings and/or revenue enhancement can accrue to an agency as a result of Travel Card use. Federal government Travel Card savings could vary depending on procurement practices and innovative actions taken by an Agency to maximize card related savings. Please indicate the degree to which the following items contribute to cost savings or enhanced revenues realized by your Agency as a result of Travel Card use:

(1=substantial savings, 2=some savings, 3=no savings, 4=savings loss)

- | | |
|---------|---|
| 1 2 3 4 | Reduced staff time (and cost savings) in preparation and processing of travel authorization |
| 1 2 3 4 | Enhanced efficiencies in processing travel transactions |
| 1 2 3 4 | Enhanced efficiencies in administrative oversight and monitoring (including dispute resolution) |
| 1 2 3 4 | Cost savings in finance related procedures including billing, payment and ex-post audit activities |
| 1 2 3 4 | Net savings in the training costs |
| 1 2 3 4 | Income enhancement resulting from differing cash management practices such as cash advance requirements and float opportunities |
| 1 2 3 4 | Federal government Travel Card refunds |
| 1 2 3 4 | Other, (please explain) _____ |

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

43. a. Not all travel expenditures are processed through the Travel Card. What are the major reasons that the Travel Card is not used instead of an alternative payment method?

b. Please identify alternatives to the Travel Card in use in your organization.

- Travel order with travel advance
- Debit/prepaid cards
- Cash
- Central billing or payment
- Nothing
- Other, (please explain) _____

c. What is the average cost per event for the alternative being used?

44. What is your perception of your agency employees' overall satisfaction with the Travel Card program? Rank on a scale of 1 to 5 with 5 being very satisfied and 1 being very unsatisfied.

1 2 3 4 5

45. What are the major benefits expressed by your employees regarding the use of the travel card?

- a. Reduces out of pocket expenses
- b. Agency travel transactions do not use personal lines of credit
- c. More convenient reimbursement processing
- d. Other, (please explain) _____

46. What are the major concerns raised by your employees regarding the use of the travel card?

- a. Potential impact on personal credit rating
- b. Fear of punishment for misuse
- c. Loss of rewards available on personal cards
- d. Too many rules and restrictions
- e. Other (please explain) _____

47. What travel card benefits would your Agency employees want to have but are not currently available?

- a. Travel accident insurance
- b. Rental car insurance
- c. Identity theft insurance
- d. Emergency replacement
- e. Personal rewards
- d. Other, (please explain) _____

APPENDIX B: FEDERAL TRAVEL CARD SURVEY

48. What is your level of satisfaction with the following service aspects from your current provider on a scale of 1 to 5 with 5 being complete satisfaction and 1 being completely dissatisfied?

- 1 2 3 4 5 Reports
- 1 2 3 4 5 Electronic billing
- 1 2 3 4 5 Customer service
- 1 2 3 4 5 Dispute resolution
- 1 2 3 4 5 Training
- 1 2 3 4 5 Data-mining

49. On a scale from 1 to 5, with 5 being very important, please rank how important the following attributes are for a future travel card program? What are key attributes for a future card program?

- 1 2 3 4 5 Electronic billing and payment
- 1 2 3 4 5 Merchant acceptance
- 1 2 3 4 5 Zero liability for fraud
- 1 2 3 4 5 Reporting tools
- 1 2 3 4 5 Travel document control number for travel transaction
- 1 2 3 4 5 Other, *(please explain)* _____

50. What other travel card services would you like for banks and card associations to offer your agency?

51. Do you have other suggestions or recommendations about the use of Travel Cards that were not covered in this survey? If so, please discuss here.

Thank you very much for participating in this study.

APPENDIX C: FOLLOW-UP COST SAVINGS SURVEY

October 2006

I. Administrative Savings Associated with the use of the Federal Travel Card:

The use of the federal Travel Card may reduce the amount of processing time and effort involved in administering and overseeing federal employee travel. For example, making a cash advance generally requires at minimum a transaction to advance the cash and one to follow up or reconcile the advance. When travel advances are charged to the travel card, these transactions are eliminated.

1. What is the average number of transactions per travel event reduced when an employee in your department uses the Travel Card instead of a cash advance?

- none
- 1 to 2
- 3 or more

2. Please discuss your department's experience regarding the reduction of staff time and effort (both for administrative and traveler staff) resulting from the use of the federal Travel Card:

3. Please discuss the cash management and revenue enhancement benefits that your department has experienced as a result of using the federal Travel Card. Please quantify where possible.

4. DFAS (Defense Finance and Accounting Service) processes travel for the various defense department offices for a fee of \$39 per travel payment transaction. Assuming DFAS sets fees based on cost recovery, then \$39 approximates their costs of processing such a transaction. Your department's travel processing costs may be different from DFAS due to different travel demands and processing requirements.

Please indicate your department's average cost of processing a travel payment transaction.

- less than \$10
- \$10 to \$39
- \$40 to \$60
- more than \$60

II. Department Staff Benefits and Implications

1. One of the potential benefits associated with the use of the federal Travel Card is that it facilitates access to vendor travel discounts such as the City Pair airfares negotiated by GSA. Please describe and/or provide examples of your department's experience regarding vendor discounts which have resulted from the use of the federal Travel Card. Please quantify as possible.

APPENDIX C: FOLLOW-UP COST SAVINGS SURVEY

2. Another potential benefit of federal Travel Card use is that it eliminates the time and effort that employees devote to obtaining to cash advances, reduces the amount of cash that an employee must carry on trips, facilitates changes in trip plans and simplifies the reimbursement for travel expenditures. Please elaborate on benefits that your department's employees realize in using the federal travel card, please quantify where possible.

a. Employee cash advance benefits: _____

b. Employee travel reimbursement benefits: _____

c. Other employee benefits: _____

III. Overall savings estimate

We recognize that there are few if any detailed and quantified studies of the savings resulting from the usage of the federal travel card. But considering the items above and other factors, we would appreciate your best estimate of the savings. For purposes of this question we wish to you to estimate the savings from a typical domestic trip that would involve a travel advance, airfare, lodging and car rental. Please consider the savings that are direct as well as those which indirectly make travel easier for the traveler.

For such a typical trip, estimated savings are

___ none

___ \$1 to \$39

___ \$40 to \$60

___ \$60 to \$80

___ over \$80

APPENDIX D: POTENTIAL INTEREST REVENUE

Appendix D: Potential Interest Revenue from Travel Card Float

The initial survey respondents identified several advantages to the travel card and the study team thought it would be useful to send a follow-up questionnaire to solicit additional information on the card benefits. The questionnaire was sent to the same group of potential respondents as the first survey. Responses were received from four agencies: Department of Energy, Federal Deposit Insurance Corporation, Equal Employment Opportunity Commission and Small Business Administration. The respondents had a difficult time responding to specific cost and benefit questions because it is difficult to fully quantify the benefits and costs associated with the travel card without detailed analyses, and none of the respondents had conducted a cost-benefit analysis of their travel card program. However, their responses to the survey combined with feedback from the advisory group motivated the calculation of the opportunity costs of the interest revenues obtainable through the use of the travel card.

In fiscal year 2005, the total spending on travel by the federal government was \$15.4 billion, with \$5.8 billion of that total used for airfare, lodging and car rentals. During fiscal year 2005, \$6.5 billion was charged to federal travel cards.⁷ Thus, \$8.9 billion in travel expenses was not charged to travel cards. One advantage of the travel card is that cash advances and current payments can be postponed until the end of the card's billing cycle and grace period. Employee reimbursements are also delayed, but that is not the case for cash advances or direct payments. The use of a travel card would postpone the payment date, and the amount could be invested by the Treasury Department for the time of the deferral and earn interest. If one assumes that some portion of the non-card expenditures were cash or check payments that could have been charged to the travel card, then one can calculate the federal government's potential lost interest revenues associated with cash advances.

The analyses of the scenarios below show that the lost interest revenue from prepaid and current payments that could have been charged to the travel card range between \$3.9 million and \$17.1 million.⁸ Note that this float benefit accrues to the U.S. Treasury and is beyond an agency's or department's focus. Therefore, it may have little impact on an agency's travel card policies or their incentives to encourage card use.

The percent column in the table shows two scenarios for 20 percent and 50 percent of the \$8.9 billion in non-card travel expenditures that were cash advances and current payments that could be reasonably shifted to the travel card. Specifically, it shows the potential interest if 20 percent (or 50 percent) of the non-card payments could have been shifted to the travel card to take advantage of the deferred payment for 20, 25, 30 or 35 days. If 20 percent of the non-card travel expenditures are for cash advances or direct payments that could reasonably be shifted to the travel card, then the investment revenue earned for a 20-day deferral would be \$3.9 million. If the deferral period is longer, then the investment earnings would naturally increase. Under the assumptions of a 4 percent annual return, 20-day deferral and 20 percent potential shift to the travel card, then the \$3.9 million reported in the table is the forfeited interest revenue that would have been generated if the travel card had been used for those transactions. Furthermore, if the federal government is running deficits, then the interest amounts represent interest savings on funds that did not have to be borrowed.

It is important to note that these illustrations of potential financial benefits are not net benefit calculations but only calculations of increased revenues and cost savings. Other mitigating factors, such as ATM fees or interchange fees, may partially or wholly offset these benefits. This discussion also omits the financial benefits of card rebates.

Potential Interest Revenues From Travel Card Float

Percent*	Potential Investment	Lost interest revenue** by deferral period in days			
		20	25	30	35
50%	4,445,648,371	9,743,887	12,179,859	14,615,830	17,051,802
20%	1,778,259,349	3,897,555	4,871,943	5,846,332	6,820,721

* Percent of non card travel expenditures in fiscal year 2005 (\$8.9 billion) in cash advances or current payments that is assumed to be feasible to have been charged to travel cards.

** Assumes an annual investment return of 4%.

FROM TRAVEL CARD FLOAT

End Notes

1. Federal Travel Regulation Final Rule, *Federal Register*, September 13, 2002. GSA has the responsibility to issue implementation guidelines under the TTRA and those guidelines were amended in 2002.

2. Details about the SmartPay program can be found at www.gsa.gov/smart_pay in Program Statistics/GSA SmartPay Travel Card Statistics.

3. For example, the SSA has both a standard and restricted credit limit for travel cards. It establishes a credit limit of \$10,000. However, individual bureaus can set additional limits based on monthly spending. Furthermore, accounts that are not used within a 12-month period are deactivated or that inactive cards are reduced to a credit limit of \$1.

4. Spending numbers reported in *Government Executive.com*, "Federal travel spending: Up, up and away," by Daniel Pulliam, September 1, 2006, and charge data reported in GSA SmartPay Travel Card Statistics FY 2005.

5. If the federal government is running deficits then the interest amounts represent interest savings on funds that did not have to be borrowed.

6. As noted, this estimate is based on one respondent's information. The research team via e-mail requested and received GSA estimates of the average airfare discount through the City Pair Program. The GSA reports the average discount for domestic airfare to be 44 percent off the lowest published full economy fares and 28 percent lower than average full economy fares purchased by large corporations. Therefore, this agency's estimate of a discount of 30 percent falls within the range of average discount rates provided by GSA.

7. Spending numbers reported in *Government Executive.com*, "Federal Travel Spending: Up, Up and Away" Daniel Pulliam, September 1, 2006, and charge data reported in GSA SmartPay Travel Card Statistics FY 2005.

8. If the federal government is running deficits then the interest amounts represent interest savings on funds that did not have to be borrowed.



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Government
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Association
of Government
Accountants

2208 Mount Vernon Avenue
Alexandria, VA 22301

PH: 703.684.6931
TF: 800.AGA.7211
FX: 703.548.9367

www.agacgfm.org
agamembers@agacgfm.org