South Carolina General Assembly

Legislative Audit Council

The State of South Carolina
General Assembly
Legislative Audit Council
A Study of the Proposal for
Consolidated Travel Voucher
Processing for Lump Sum Agencies
September 10, 1981

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

A STUDY OF THE PROPOSAL FOR CONSOLIDATED

TRAVEL VOUCHER PROCESSING FOR

LUMP SUM AGENCIES

The Legislative Audit Council wishes to acknowledge the assistance and cooperation of Mr. Thomas Linton and the staff of the Legislative Council in the printing of this report.

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S-573: CONSOLIDATED TRAVEL

INTRODUCTION

Concurrent Resolution S.573 of April 17, 1980, requested the Legislative Audit Council "to make a comprehensive study to determine the advantages and disadvantages to the State of bringing the processing and reimbursement of travel vouchers belonging to the Department of Highways and Public Transportation, all state-supported colleges, universities and technical education schools into the Comptroller's centralized (accounting) system and present the conclusions and recommendations of the study in a report to the General Assembly...". A copy of the Resolution is enclosed as Appendix I.

SCOPE AND METHODS

The review focused on the two concerns cited in the Resolution. The first goal was to determine whether unnecessary duplication exists and, if so, can cost-savings be achieved through its elimination? The second focus was to determine whether accountability for travel expenditures could be improved through requiring colleges, universities, technical colleges, and the Highway Department, to send their employees' individual travel reimbursement requests through the State's central accounting system for payment.

Officials from each of the agencies cited in the Resolution were interviewed by Audit Council staff. Agency travel policies and procedures, system controls, and management controls were examined and flowcharted. Data were obtained relating to the volume, cost, and time involved in processing disbursement vouchers within each agency. The

SUMMARY OF FINDINGS

Introduction

Following are summary discussions of three policy issues which emerged from the research. The recommendations relating to these issues are located at the end of the report.

Conflicts in Accounting System Policy

South Carolina's system of appropriating, budgeting and accounting is characterized by a mixture of methods and management philosophies. The Audit Council's review of "advantages and disadvantages to the State" of consolidated travel voucher processing had to take these differing operational characteristics into consideration. In addition, the system has been undergoing a series of changes during the last few years. For purposes of this report the system can be described as being made up of two kinds of state agencies: Lump Sum Agencies and Non-Lump Sum Agencies. These agency types represent two different philosophies or policies of fiscal management.

Prior to FY 79-80, the Appropriations Act line items for Lump Sum Agencies did not correspond to the major budget code categories of the accounting system used by the State Budget and Control Board. Six of the codes, Contractual Services, Supplies, Fixed Charges and Contributions, Contingencies, Equipment, and Permanent Improvements, were aggregated into one line item called Other Operating Expenses. The State Comptroller General and State Treasurer maintained these Accounts. The agencies would draw down a "Lump Sum" from the State account, credit it to their own bank account, and issue their own checks to cover expenses incurred for operations. Beginning in FY 79-80, the Appropriations Act and precise statement of legislative intent in regard to the allocation of funds for operations in Lump Sum Agencies. The State Comptroller General's Office now sets up major accounts on the State books for the Lump Sum Agencies which correspond to each of the line items in the Appropriations Act. If the Lump Sum Agencies' internal accounts also are set up to correspond to the line items, and if their lump sum withdrawals are placed into the proper accounts, a complete audit trail will be established. Without an audit trail, there can be no public accountability.

Since the changes in the format of the Appropriations Act, the State Auditor has begun to issue criticisms in management letters to Lump Sum Agencies where internal budget transfers have been made across appropriated line items without obtaining Budget and Control Board approval.

Does Unnecessary Duplication Exist?

Each of the agencies examined has comprehensive travel reimbursement procedures. Most employ a travel authorization form which must be approved by various management personnel before a trip can be taken. After appropriate internal review and approval of a travel reimbursement request, the institution issues the employee a check for reimbursement of travel expenditures incurred during authorized travel. In accordance with the Fiscal Accountability Act (Sections 1-1-910 through 1-1-1010 of the 1976 Code as amended), each of these agencies submits a quarterly report to the Legislative Audit Council showing expenditures made for the travel of each employee. Beginning in FY 81-82, in accordance with the Model Procurement Code (Act 148, of 1981), these reports will go to the Comptroller General. There is no duplication of these procedures at post audit process as to whether abuse or poor management has occurred. Program evaluations and management reviews examine the efficiency, effectiveness, and economy of management and operations. A review of a travel reimbursement request at the State level can be expected to add little, if any, improvement to managerial accountability for the expenditure of travel monies. Accountability at the State level is established through a system whereby it can be readily determined that one or both of the following has ocurred: (1) the expenditures violate a rule or regulation of the Budget and Control Board; (2) the expenditures made were contrary to or in excess of the provisions in the Appropriations Act.

As for the first criterion, each of the agencies examined uses the travel rules published by the Budget and Control Board as the basis for its internal system of travel rules and policy. Because the pre-audits and review at the agency level are looking for adherence to the same rules, an additional review at the State level could be expected to add only minimal improvement in accountability.

The second criterion can be met if the line items in the Appropriations Act are in enough detail. As long as the Act's line item detail corresponds to at least the major budget codes of the State's accounting system, and agencies are required to obtain State approval to make transfers across line items, auditors can establish whether agencies are in compliance with the Appropriations Act.

Conclusion

Based on the review of the current procedures for travel reimbursements, State budgeting and appropriating, the Audit Council concludes

(Please Furnish Original Attached to This, with Six Carbon Copies Loose)

S 573 APPENDIX I

Title To Conform

Concurrent Resolution

By Mr. Harris P. Smith

APR 17 1980

A Concurrent Resolution

TO REQUEST THE COMPTROLLER GENERAL, IN COORDINATION WITH THE STATE TREASURER AND STATE AUDITOR, TO IMPLEMENT A CENTRALIZED SYSTEM FOR PROCESSING AND REIMBURSEMENT OF TRAVEL VOUCHERS FROM EMPLOYEES IN LUMP SUM AGENCIES WITH THE FIRST PHASE OF IMPLEMENTATION TO BEGIN AS SOON AS PRACTICABLE, BUT NOT BEFORE JULY 1, 1979.

IN THE SENATE

	DATE	ORDERED
Introduced	JUN 12 1979	Without Reference N.C. Harris Smith
Considered	JUN 15 1979	Adopted

2 2 1980

the Senate

tion of Mr. Harris P. Smith

d to the amendments made by the House of

sentatives and a message was sent to the House

rdingly. ~~Ordered that the title be changed to~~ ~~conform and the Act enrolled for ratification~~

~~of an Act and the Act enrolled for ratification~~

James P. Fields, Jr., Clerk of the Senate

SENT TO HOUSE

By Order of the Senate

Clerk

IN THE HOUSE

	DATE	ORDERED
Introduced	JUN 19 1979	W&M
Considered	APR 03 1980	FAV. WITH AMDT.
	APR 17 1980	@ + APR 17 1980

E 4-1-80

Favorable with amendment 4/1/80 W&M

CONCURRED IN
as Amended
and RETURNED to SENATE
By Order of the House

Lois T. Shealy

Clerk

IN THE SENATE

House Amendments agreed to and a message sent accordingly

Concurrence of House RECEIVED AS INFORMATION

Clerk

Copies Sent to

Sen. Ronald Russell(?) 4/30/80

those in Lump Sum agencies; and

Whereas, the Lump Sum agencies maintain automated systems for the processing of travel vouchers, reimbursement, and reporting of travel expenditures; and

Whereas, the General Assembly wishes to eliminate unnecessary and costly duplication, and improve present levels of accountability, efficiency and effectiveness; and

Whereas, centralization of the management of travel voucher processing and reimbursement will facilitate the State's ability to monitor and place appropriate limits on unnecessary travel as the growing fuel shortage may require; and

Whereas, centralization of the management of travel voucher processing and reimbursement will facilitate conversion to the Statewide Accounting and Reporting System; and

Whereas, the Department of Corrections, the Department of Mental Health and the Department of Mental Retardation as Lump Sum agencies currently maintain internal systems for processing of travel vouchers, reimbursement, and reporting of travel expenditures. Now, therefore,

Be it resolved by the Senate, the House of Representatives concurring: