

# *The State Travel Card*

## *Uses, Policies and Best Practices*

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

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## About the Author/Researcher

**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 United States Information Agency. Dwight Denison, Ph.D., associate professor of public and nonprofit finance, University of Kentucky, assisted in this study. AGA would also like to thank the State Purchase Card and Travel Card Advisory Group for their valuable help in conducting this research study.

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# THE STATE TRAVEL CARD:

## Executive Summary

This report summarizes the findings of an AGA study of travel card use by state government departments and agencies. It is the third in a series of AGA reports on the use of purchase and travel cards by federal and state governments and the first to focus solely on use of the travel card in state 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, to assess the financial implications of purchase and travel card use and to identify policies, practices and innovative management actions that can be transferred between and among the levels of government to maximize the benefits of this payment option.

Given the diversity of state government travel card programs, this review was designed to provide an overview of current state travel card use and policies, which have increased in popularity and use in recent years. Included in the study was an assessment of the major reasons for travel card adoption and 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 an analysis of the cost savings and financial implications of state travel card programs. The results of this state travel card study provide insights regarding travel card policy and use innovations as well as management initiatives that other states and federal government agencies might adopt.

Several factors have influenced the adoption of the travel card by state governments over the past two decades. While travel cards provide a safe and convenient means for paying employee travel expenses, a major employee benefit is the elimination of the need for travel advances. Time and effort involved in acquiring advances and reconciling them later takes time away from employee's main responsibilities and reduces his or her productivity. The major cost-saving benefit of travel card use for state agencies identified by this study is the reduction of travel reimbursement processing time and effort. State departments also realize financial benefits because substantial funds no longer need to be set aside for cash advances and can instead be invested or used for other mission-related purposes.

In addition to travel card benefits realized by state employees and the processing cost savings of state agencies, state travel service providers can also benefit. Airlines, hotels, rental car agencies and other firms that provide travel services may experience simplified billing and faster payments. With the travel card, service providers usually get paid within two or three days rather than the 30 or more days it takes if traditional state travel payment processes are utilized. The travel card program also facilitates analysis of travel patterns with various providers that may enhance a states' negotiating position for tickets, such as volume discounts and price reductions for other travel services. Other implications of state travel card programs are detailed in the various sections of this report.

# USES, POLICIES AND BEST PRACTICES

## Study Background

Travel cards are issued to state government employees by banks contracted by their state to provide travel card services. There are three major purposes of state-authorized travel cards. First, travel cards are intended to reduce financial hardships that state employees may encounter by using their own money to finance travel expenses and then waiting for reimbursement. Employees may accumulate substantial travel cost liabilities that may strain their personal credit card limits and produce cash flow problems. Second, travel cards are designed to eliminate the need for cash advances for employees who require funds to go on work-related travel. Third, state travel card programs are intended to reduce reimbursement processing time, resulting in cost avoidance savings.

With a travel card, employee travel-related cash flow and credit problems can be mitigated by providing a separate dedicated line of credit for employees to use to finance their business-related travel. At the same time, employee travel cards eliminate the need for travel advances, which can reduce travel-related processing costs while providing additional agency revenue that can be invested.

State travel card contracts may include other employee benefits including travel insurance, collision and damage insurance on vehicles used during travel, and lost baggage and other related travel expenses. Such provisions are normally negotiated by the state with its bank card provider.

State travel card use is normally restricted to official state business travel expenditures. Among the permissible travel card charges are airline tickets, lodging expenses, rental cars, ground transportation, meals and miscellaneous travel expenditures. Travel card cash advances are also permitted by some states. Because travel cards are issued to the individual employee, card charges are considered to be a personal liability rather than a liability of the state department or agency sponsoring the travel card program.

With a travel card, the employees simply charge expenses to their cards and file the appropriate paperwork for reimbursement after travel is completed with the appropriate agency or department. 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 remain employee liabilities and are paid to the travel card bank by the employee. The travel card may ease the financial burden of travel expenses paid out-of-pocket by the employee, but the reimbursement process for the travel card and for out-of-pocket purchases is similar. The exception is if employees are issued a cash advance instead of using the travel card. Documentation of cash advances requires more paperwork prior to travel and still involves documentation of expenses incurred following the travel.

To manage travel-card programs, state governments establish policies and procedures to clarify employee responsibilities regarding travel cards issued to them. These policies and procedures are consistent with their card-provider contracts.

Policies are typically put in place to address the following issues:

- The purposes for which the travel card can be used;
- Which employees are eligible or required to use travel cards;
- The maximum corporate and event expenditure limits for individual cards;
- Which department or agency is permitted to accept and/or retain travel card rebates;
- Which state agency is responsible for negotiating travel card contracts as well as state requirements for such contracts; and
- The revocation of travel cards.

States often provide policy manuals or post travel-card use policies on state websites to inform employees of the guidelines. The information may include: reimbursement filing procedures, travel documentation requirements; card-use limitations and card-payment time limitations. Because employees bear the responsibility to pay the issuing bank for travel card charges, a pre-determined time schedule is usually specified in state travel card contracts.

State travel card contracts define the various categories of cards that are included in the state's travel card program. Such programs include corporate cards and event cards that are issued to individuals, and "ghost" card accounts, which are card less or "non-plastic" accounts. Non-plastic accounts are often used for centrally billed travel expenses, such as fares or other pre-determined goods and services. The payment processes for centrally billed accounts tend to differ from corporate and event cards and are specified in state contracts. State 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.

## Objectives of the Study

The major objective of this study was to conduct a comprehensive review of state government travel card use and associated policies and procedures. The study was also designed to identify state travel card management practices that maximize the benefits of travel card programs for state employees and state government agencies. In addition, this study attempted to determine the cost savings associated with state travel card programs. This study follows on its predecessors in a planned four-part series. The first in the series is described in AGA CPAG Research Series Report No. 4, *The Federal Purchase Card: Use, Policy and Best Practice*, April 2006. The second addressed the state use of purchase cards (and included questions on integrated purchase/travel card programs) and is described in AGA CPAG Research Series Report No. 7, *The State Purchase Card: Uses, Policies and Best Practices*, February 2007. The fourth and final report addresses federal agency use of travel cards and is scheduled for release later this year.

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## State Travel Card Research Methodology

As in the other studies in the series, the primary purpose of the study was to determine and evaluate current state government travel card program policies and processes. To achieve this, a survey (see Appendix A on page 14) was prepared with the advice and support of an advisory group composed of knowledgeable state officials, The State Purchase Card and Travel Card Advisory Group.<sup>1</sup> This group helped the research team design the survey questionnaire to ensure that it focused on the travel card program issues and concerns of state program managers. As a result of the consultation with the advisory group, the survey focused on several travel issues including: 1) reasons for using the travel card, 2) current travel card use, 3) travel card use management polices, 4) cost savings and financial implications of travel card use, and 5) 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.

The advisory group of state 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 answered the survey online.

Because of the length and complexity of the survey, respondents were initially given six weeks to complete it. After some follow-up with the respondents, there were 23 responding states and two respondents from non-states: the U.S. Territory of Guam and Regina, Saskatchewan in Canada. For simplicity, we will use the term “state” to include the two non-state respondents. Of the 25 states that responded, five (Alabama, Hawaii, Michigan, New Hampshire and North Dakota) did not use the travel card. Therefore, the majority of the information presented in this report is based on the survey responses provided by the remaining 20 states, as identified in *Figure 1*, although not every survey question was answered by every respondent. It should be noted that eight of the responding states (identified in *Figure 1*) have implemented “integrated card” programs, which merge procurement and travel transactions into one card program.

## State Agency Use of the Travel Card

Most state travel card programs have been implemented over the last two decades. Early travel card programs were established by Colorado, Pennsylvania and Missouri, which implemented their programs more than 20 years ago. Use of the travel cards appears to be expanding, in that several states implemented travel card programs in recent years. For example, Arizona and Oklahoma implemented their travel card programs in 2005. The dates of travel card implementation for the responding states are listed in *Figure 1*. Over half of the respondents have travel card programs that are separate from a purchase card program, while eight states use an integrated travel/purchase card. Some of the states are experimenting with integrated programs on a

limited basis. At the present time, Iowa is undergoing a pilot project of the integrated card. New Mexico authorizes the integrated card for use in the governor’s office alone. Minnesota permits each agency to submit a proposal for integrated card use that is subject to approval by the oversight agency.

Unfortunately, it was impossible to quantify card utilization trends because most responding states were not able to provide data on the number of transactions and the total dollars charged through their travel card programs. Four states did provide card data on the total dollar value of transactions charge to travel cards as reported in *Figure 2*. Florida has a combined purchase and travel card program, and therefore the total dollar value charged to the card is much higher relative to the other states because the values reported include purchases for goods and services unrelated to travel.

States contract with a bank to provide the travel card services. These banks provide a range of services that make it easier for the states to administer their travel card programs. The length of the contract by state ranges from one to 10 years. The majority of the states have contracts from three to five years. More than half of the states combine purchase card accounts and travel card accounts in the bidding and negotiation of card contracts and rebates. The banks currently under state contract:

- Alaska: First National Bank of Alaska
- Arizona: American Express (integrated with purchase card)
- Colorado: U.S. Bank
- Connecticut: JPMorgan Chase Bank
- Delaware: PNC
- Florida: Bank of America's Visa Purchasing Card (integrated with purchase card)
- Missouri: UMB Bank
- Nevada: Citigroup
- Oklahoma: JPMorgan Chase
- Pennsylvania: PNC Bank
- Virginia: GE MasterCard
- Wyoming: UMB Bank

Survey respondents identified supplementary program services that are included in their state’s travel card contract. The most frequently included service was emergency replacement for lost or stolen cards (69 percent of respondents). Rental car insurance is included in the contracts for 54 percent of the respondents. At the present time, identity theft insurance is included in Nevada’s travel card contract with Citibank. Other benefits associated with a few state contracts are luggage, medical and legal insurance policies. None of the responding states included personal reward incentives as part of the employee’s travel card.

States may receive rebates for transactions that are charged to their travel cards. The rebate rates for the states tend to vary on a sliding scale based on the net dollar value

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**Figure 1: Survey Respondents and Fiscal Year of Travel Card Implementation**

States with Travel Card Program	
Alaska	1989
Colorado	More than 20 years ago
Connecticut	2000
Delaware	NA
Guam	Prior to 1990
Missouri	1985
Nevada	1995
Oklahoma	2005
Pennsylvania	1987
Virginia	1997
Wyoming	2002
Regina, Saskatchewan, Canada	1989
States with Integrated Travel and Purchase card programs	
Arizona	2005
Florida	1997
Idaho	NA
Iowa	2006
Minnesota	1999
New Mexico	2001
Washington	1999
West Virginia	1995
NA=Implementation date not available	

**Figure 2: Dollar Value for State Travel Card Purchases in Fiscal Years 2004 and 2005 for select States**

State	2004	2005
Florida*	260,826,232	252,335,325
Missouri	6,392,050	5,652,577
Pennsylvania**	11,391,733	13,497,561
Virginia	13,798,230	14,104,150

\*Florida has an integrated purchase/travel card and dollar values include nontravel purchases.  
 \*\*Pennsylvania values are for FYs 2003 and 2004

of card purchases and speed of payment. The lowest rebate rate reported is 50 basis points (.50 percent) for the lowest sliding scale category. The highest rebate rate reported is 119 basis points once total charges exceed the \$10 million threshold.<sup>2</sup> States with fixed rebate rates have rebates that range from 70 to 100 basis points.

The banks charge several types of fees for the services that they provide. Two common fees are late fees and ATM fees. Many of the states have negotiated an exemption for late fees on travel card accounts that are past due. Nonetheless, interest charges are usually incurred after the prescribed grace period. Banks also charge ATM fees for cash withdrawals using the travel card. The vast majority of the respondents reported ATM fees in the \$2 to \$4 range. Some states were charged ATM fees based on a percentage of the cash withdrawal amount, however, the maximum fee was capped at some amount; the highest cap reported was \$20.

## State Travel Card Implementation

The state respondents were asked to indicate the importance of several factors influencing the decision to implement a state travel card program. The most important factor identified by the respondents was the anticipated cost savings. More than 60 percent of the respondents cited it as a “very important” motivation for implementation, and another 15 percent of the respondents reported that the anticipated cost savings were “somewhat important.” Enhanced audit capability of transactions was identified as a “very important” factor for 57 percent of the respondents. About two-thirds of the respondents reported that internal management directives and government-wide directives were very important or somewhat important in deciding to implement their travel card program. Less than 40 percent of respondents indicated that card rebates were a very important factor; the same percentage indicated that card rebates were not an important factor. Another benefit attributed to travel cards is that government cards verify to vendors that purchases are eligible for government discounts. Just over half the respondents indicated that the benefit of facilitating government discounts from vendors was “very” or “somewhat” important in the decision to implement a travel card program. Another important factor identified by the respondents is that the travel card makes it more convenient for employees to travel by reducing their out-of-pocket expenses.

For the majority of the respondents with integrated card programs, the following factors were viewed as very important in the decision to implement an integrated card:

- Streamlined and simplified card administration
- Enhanced audit capability of transactions
- Reduced concerns over personal liability on travel cards
- Internal agency management directives
- Response to government-wide directives (such as gubernatorial directives or executive orders)

It is interesting to note that that personal liability concerns is an important factor for all of the respondents that

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have implemented integrated card programs. Card rebates appear to be a less important factor for implementation of the travel card.

Information on the integrated card programs was collected through the AGA study on state purchase card programs, as detailed in the second report in this series.

States use several methods for financing the administration costs associated with a travel card program. Thirty-one percent of respondents use direct or indirect appropriations from the general fund to cover the program costs, while 23 percent use agency funds. About 15 percent of the reporting states “self-finance” the program through revenues generated through the travel card program, such as card rebate revenues or service fees charged to state agencies. The remaining 31 percent utilize some alternative or combination of the funding options. The respondent from Delaware reported that they currently use agency funding but are moving toward a self-financed system.

Card use rebates were cited by some respondents as a financial incentive to implement a travel card program. The majority (63 percent) of respondents indicated that rebates were transferred to the general fund. Twenty-five percent use the rebates to finance the travel card program, and a few states apportion the rebates back to the agencies.

As indicated, travel cards are traditionally issued by the states to employees to use for travel purposes, but the employee holds personal liability for the transactions charged to the card and the timely payment of monthly bills. Half of the respondents reported that their state now has direct liability for the travel cards. The survey did not directly address this trend among states toward travel cards with institutional liability, but we speculate some factors driving that trend. First, many states are offering centrally billed cards for airfare and other travel services. These centrally billed cards may be replacing individual liability accounts, especially in states where most travel is local and relatively inexpensive. Second, the corporate liability cards may be in addition to individual liability accounts. For example, Arkansas offers three types of travel card accounts. The first type is the standard individual liability account. The second is an institutional liability card issued to individuals. The third is a centrally billed non-plastic or ghost account. The trend toward direct liability is also explained in large part by the states that have merged their travel and purchase card into an integrated program. Two-thirds of the respondents also report that their state will make direct payments to banks for eligible card payments (split disbursements) reducing the out-of-pocket expenses for the employee. Thirty percent of respondents

**Figure 3: Importance of Factors for Implementation of Travel Card Programs**

Travel Card Alone						
	Very Important	Somewhat Important	Of Medium Importance	Slightly Important	Not Important	Number of Respondents
Anticipated cost savings	61.5 percent	15.4 percent	0.0 percent	0.0 percent	23.1 percent	13
Enhanced audit capability of transactions	57.2 percent	14.3 percent	7.1 percent	7.1 percent	14.3 percent	14
Internal agency management directives	23.1 percent	38.5 percent	23.1 percent	0.0 percent	15.3 percent	13
Response to government-wide directives (such as gubernatorial directives or executive orders)	33.3 percent	33.3 percent	8.3 percent	0.0 percent	25.0 percent	12
Response to travel card rebates offered by card companies	38.5 percent	15.3 percent	7.7 percent	0.0 percent	38.5 percent	13
Facilitate government discounts from vendors	23.1 percent	30.8 percent	15.3 percent	7.7 percent	23.1 percent	13
Travel Card Integrated with Purchase Card						
	Very Important	Somewhat Important	Of Medium Importance	Slightly Important	Not Important	Number of Respondents
Streamline and simplify card administration	71.4 percent	14.3 percent	14.3 percent	0.0 percent	0.0 percent	7
Enhanced audit capability of transactions	57.1 percent	0.0 percent	0.0 percent	28.6 percent	14.3 percent	7
Reduce concerns over personal liability on travel cards	57.1 percent	42.9 percent	0.0 percent	0.0 percent	0.0 percent	7
Internal agency management directives	71.4 percent	14.3 percent	0.0 percent	0.0 percent	14.3 percent	7
Response to government-wide directives (such as gubernatorial directives or executive orders)	57.1 percent	0.0 percent	14.3 percent	0.0 percent	28.6 percent	7
Response to card rebates offered by card companies	28.6 percent	42.8 percent	14.3 percent	0.0 percent	14.3 percent	7

\*Note: two states, AZ and FL, with integrated cards also provided relevant responses to the travel card survey questions used to compile this table and are therefore included in this table.

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report that their state has contingent liability for cards balances in arrears. It is interesting to note that only one of the states reported that credit checks are mandatory prior to issuing an employee a travel card.

Respondents were asked to rank the degree of acceptance of the travel card among employees in their state on a scale from 1 to 5, with 5 being wide acceptance and 1 being wide refusal to use the card. The mode response was 3, indicating average acceptance of the travel card by state employees. None of the states reported widespread refusal of their employees to use the card.

## Savings and Financial Implications of State Travel Card Use

Cost savings or revenue enhancement can accrue to state governments as a result of travel card use. The potential savings available to a state government can vary depending on the travel policies and innovative actions taken to maximize card-related savings. The majority of the respondents attributed some or substantial savings to travel card use for all of the processes listed in *Figure 4*. The travel card reduces staff time in preparation of travel authorizations and processing travel transactions. Approximately 75 percent of respondents indicated that there are at least some savings resulting from the enhanced efficiencies in preparing and

**Figure 4: Source of Cost Savings or Enhanced Revenue Associated with Travel Card Use**

Travel Card Alone						
	Substantial	Some	No Savings	Savings Loss	Number of Respondents	
Reduced staff time (and cost savings) in preparation and processing of authorization	12.5 percent	62.5 percent	25.0 percent	0.0 percent	8	
Enhanced efficiencies in processing procurement transactions	37.5 percent	37.5 percent	25.0 percent	0.0 percent	8	
Enhanced efficiencies in administrative oversight and monitoring (including dispute resolution)	12.5 percent	62.5 percent	25.0 percent	0.0 percent	8	
Cost savings in finance related procedures including billing, payment and ex-post procurement audit activities	14.3 percent	57.1 percent	28.6 percent	0.0 percent	7	
Net savings in the training costs	0.0 percent	50.0 percent	50.0 percent	0.0 percent	8	
Income enhancement resulting from differing cash management practices such as petty cash requirements and float opportunities	25.0 percent	37.5 percent	37.5 percent	0.0 percent	8	
State government travel card rebates	20.0 percent	40.0 percent	40.0 percent	0.0 percent	5	
Travel Card Integrated with Purchase Card						
	Substantial	Some	No Savings	Savings Loss	Number of Respondents	
Reduced staff time (and cost savings) in preparation and processing of authorization	37.5 percent	50.0 percent	12.5 percent	0.0 percent	8	
Enhanced efficiencies in processing procurement transactions	83.3 percent	16.7 percent	0.0 percent	0.0 percent	8	
Enhanced efficiencies in administrative oversight and monitoring (including dispute resolution)	28.6 percent	57.1 percent	14.3 percent	0.0 percent	8	
Cost savings in finance related procedures including billing, payment and ex-post procurement audit activities	28.6 percent	57.1 percent	14.3 percent	0.0 percent	7	
Net savings in the training costs	28.6 percent	14.3 percent	57.1 percent	0.0 percent	8	
Income enhancement resulting from differing cash management practices such as petty cash requirements and float opportunities	42.8 percent	14.3 percent	42.9 percent	0.0 percent	8	
State government travel card rebates	14.3 percent	42.8 percent	42.9 percent	0.0 percent	5	

\*Note: two states, AZ and FL, with integrated cards also provided relevant responses to the travel card survey questions used to compile this table and are therefore included in this table.

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processing travel transactions. Seventy-five percent of respondents also report that there are 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, 71 percent of respondents reported some or substantial cost savings in finance-related procedures including billing, payment and ex-post procurement audit activities. Half of the respondents report that there are some savings associated with the travel card relative to traditional methods of processing travel payments. Two-thirds of respondents attribute savings to the travel card program because of differing cash management processes in petty cash balances and float opportunities.

This data on the integrated card programs was collected through the AGA survey on state purchase card use described in AGA CPAG Research Report No. 7.<sup>3</sup>

As expected, *Figure 4* shows that 60 percent of respondents realize that their card rebates produce at least some cost savings. No respondent indicated that financial losses were associated with any of these processes.

## State Travel Card Policies and Procedures

### *Travel Card Restrictions*

Travel cards are just another means for payment of travel services and, therefore, general state 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. A particular 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. Restrictions called merchant category blocks can be coded into the travel card to prevent use at unauthorized groups of merchants. To better understand the nature of the travel card policies, state respondents were asked to identify whether their card program imposes the following card restrictions (with the percent of respondents imposing the restriction in parenthesis):

- Merchant Category Code (MCC) blocks (83)
- Maximum dollar value per transaction (58)
- Monthly acquisition limits (58)
- Type of purchase limits (75)

As shown, an MCC block is the most widely used of the card restrictions. It is logical that merchant categories unassociated with travel would be blocked so as to prohibit inappropriate charges. It should be noted, however, that occasionally legitimate travel service purchases are blocked due to transaction screening errors. Such purchase blocks can lead to employee frustrations with travel cards because of the out-of-pocket expenses that must be incurred 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 states have policies limiting

the type of purchases for which it can be used. Almost 60 percent of 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. Monthly acquisition limits set a cap on the dollar amount of transactions that can be processed through the card in a given month.

The distribution of travel cards is managed by card-use authorization policies usually under the direction of the human resources department. Respondents were asked to identify the employees who were issued travel cards. In all states, the travel card was issued to state employees and not to non-government employees or contractors. There was slight variation in the frequency of cards issued to senior agency staff, staff designated by the agency director (or designee), and all agency staff. The vast majority of the respondents reported that all agency staff was “always” authorized to receive the travel card and was issued a card when the responsibilities of the employee included travel. These findings are comparable to the employee groups that are authorized to receive purchase cards as discussed in the second report in this series on state purchase card use (see End Note 2). The findings here are somewhat different in that the frequency of issuance is less for the purchase cards, presumably because fewer purchase cards are issued. Integrated purchase/travel cards appear to be issued mostly to senior agency staff, while other categories of employees are issued cards frequently or occasionally.

Despite the potential cost savings attributed to the travel card, half of the responding states make the use of travel cards optional. The other half dictate when travel card use is required. For example, Arizona requires that all airfare tickets are purchased on the card. Pennsylvania and Virginia require use of the travel card if the employee travels more than two trips a year. Alaska requires use of the travel card after four trips. None of the respondents reported that transaction value was the criteria that determined the mandatory use of the travel card. In the previous AGA report on state use of the purchase card, referenced in End Note 2, it was reported that transaction value is an important criteria in requiring use of the purchase card

### *Ensuring Appropriate Card Use*

Respondents were asked to report on the training and administrative structure of the travel card program in their state. Surprisingly, about half of the states do not provide formal training on the travel card policies. Those states that do provide training to the employee offer it at the time of or just prior to the issuance of the card. The states with integrated purchase/travel cards are those that tend to provide formalized training; those states also tend to have corporate liability for travel card accounts. The methods of providing training on travel card policies vary. Many states provide a “briefing” in person or by telephone with a travel card coordinator. Other states are using web-based tools, such as tutorials and narrated PowerPoint presentations. Most states have written manuals that are given to employees or made available on the web.

# USES, POLICIES AND BEST PRACTICES

Two-thirds of the respondents report that the administration of their travel card program is centralized in one department or agency. While administration of the travel is centralized in an agency, the number of employees responsible for the administration of the travel card program ranges from one-tenth of a full-time equivalent to 10 fulltime employees. In contrast, three-quarters of the respondents reported that the auditing function over the travel cards is performed at the agency level. The primary benefit of auditing at the agency level is that agency management usually authorizes individual card transactions and is therefore better positioned to spot inappropriate card usage.

Seventy percent of respondents have procedures and policies in place to monitor the status of an employee's travel card account. Some of the procedures include monthly review of reports with account balances and transactions and software that will monitor the status of travel card accounts. In the event that a travel card account goes into substantial arrears, the most common reaction by the state is termination the travel card account (58 percent of respondents). Because most states issue travel cards with individual liability for the charges, the policy is to let the employee settle the account. However, states with direct liability for the accounts will pay off delinquent accounts and take recourse against the employee.

## Penalties

Fraud and abuse policies also include penalties imposed on employees for inappropriate use of the travel card. The approach that a state takes in oversight and penalties will depend on whether it issues travel card accounts with individual or corporate liability. Many of the states that issue travel cards with individual liability do not generally become overly concerned over misuse because ultimately the employee will be responsible to pay the travel card balances. However, those states with corporate liability on card accounts, such as integrated purchase/travel card accounts, will be more concerned about fraud and misuse. In either case, it is important that employees understand the financial repercussions of misuse of the travel card. Illustrated below is the state of Colorado's agreement that employees read and sign prior to receiving a travel card.

*I understand that in the event of willful or negligent default of these obligations, the (Department/Agency) shall take any recovery and/or disciplinary action deemed appropriate that is permitted by law. Furthermore, upon notification of my transfer from the (Department/Agency), termination of employment, suspension or cancellation of my card privileges, I agree to notify my (Department/Agency) travel compliance designee and to promptly return my card to my agency.*

The state of Florida issues a travel card with corporate liability and therefore is more explicit in the repercussions of misuse of the card.

*I agree that, should I violate the terms of the Agreement, I will be subject to disciplinary action up to and including termination of employment and that I will reimburse the State of Florida for all incurred charges and any costs related to the collection of such charges. Additionally, any such charges that I owe the State may*

*be deducted from any money which would otherwise be due and owing me, including salary or wages, in accordance with Rule 69I-21.004, FAC.*

The penalty associated with misuse of the travel card varies depending upon the level of violation. The majority of the states responding will suspend the travel card account if the employee is irresponsible with the card. Some agencies have implemented a policy that bars employees from cash advances for travel if their card has been suspended. Travel expenses will then be paid for out of pocket and reimbursed. For more grievous violations, the employee may be fired and could be prosecuted for criminal conduct.

Travel card monitoring policies span a wide spectrum, from none to all of the travel card transactions. Approximately 46 percent of responding states do not have formal policies requiring travel card transactions to be monitored. Twenty-seven percent of the responding states are required to monitor 100 percent of travel card transactions. The other 27 percent of responding states are required to monitor up to half of the travel card transactions.

Respondents report that computer software can be an important aid in the oversight of the travel card accounts. Just over 40 percent of the respondents use data mining software to monitor travel card accounts. Florida has developed its own data mining software internally. The majority of the states that use data mining software are using a commercially developed product such as Pathway Net or InfoSource. Many states have been successful in including the costs of the data mining software as part of their travel card provider contract.

## Best Value Purchases

State governments are concerned about obtaining the best value on the purchase of goods and services and therefore have policies that apply to all travel transactions. The states identified policies and procedures they impose to promote best value purchases on the travel card.

- Follow standard internal control policies and bidding processes.
- Compare pricing to non-card purchases.
- Offer multiple payment options to vendors.
- Use state-approved or preferred vendors.
- Negotiate volume discounts with vendors.
- Promote appropriate card usage where rebates apply.

## State Travel Card Policy and Use Recommendations

In addition to identifying current state travel card policies, this study sought recommendations that would enhance the value of the travel card for other states. The recommendations included suggestions for enhancing the financial benefits of state travel card programs as well as program adjustments that state survey respondents found improved the operational aspects of their travel card program.

# THE STATE TRAVEL CARD:

Recommendations for enhancing state travel card financial benefits focus on expanding travel card use and ensuring that state agencies maximize potential program benefits. Some examples:

- Enhance state travel card financial benefits by ensuring rebates and rebate policies are part of travel card contract renegotiations.
- Enhance state travel card financial savings and benefits by expanding the number of agencies using the travel card program in the various states.
- Ensure travel card programs are being efficiently operated by providing adequate training for personnel authorized to use the travel card (such training should focus on the technical aspects of the program including acceptable use, employee responsibilities etc.). Respondents also recommended use of Web resources to make training effective and cost efficient. Such training efforts would ensure that state employees understand the purposes of travel cards and the financial repercussions of misuse.
- Promote employees' use of travel cards over other methods of payment by educating employees about the benefits of ancillary services available through the travel card contract.
- Ensure travel card programs are being operated efficiently and effectively by restricting card authorizations to those employees who travel often.
- Negotiate card contracts with process protection against fraudulent transactions (including the mining of transactions based upon patterns of use and authorized purchases).
- 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.
- Establish a state website that provides user information regarding the travel card to supplement training activities and efforts.

## Conclusions and Observations

The use of state travel cards expanded significantly during the last decade. This pattern of expanded travel card use mirrors the expansion of purchase card use by state and federal agencies previously reported in AGA Reports Nos. 4 and 7. As expected, the principal reason cited by state survey respondents for adopting the travel card was the anticipation of reduced travel reimbursement processing costs. While only one state, responding to this survey, indicated that it had conducted an analysis of cost savings attributable to the travel card, survey responses indicated that state administrators perceive that substantial savings are being realized as a result of reduced time involved in processing travel transactions, including authorizations and cash advances and processing bill payments. They also indicated that the travel card benefits included enhancements in administrative oversight, in follow-up activities and in improved cash management.

This review indicates that states are using travel cards in two ways. The more traditional option is the individual travel card account that is issued with personal liability for the transactions charged to the card. The primary purpose of the personal liability card is to provide the employee with access to credit that can be used to cover travel expenses and therefore reduce out-of-pocket expenses to be reimbursed. Some states have made it more convenient for the employees to service their personal liability travel card by offering split disbursements so approved charges on the travel card can be paid directly to the card account.

The more recent trend is to offer travel cards with corporate liability. A travel card with corporate liability holds the state agency accountable for all card balances. There are clearly more incentives for misuse of a corporate-backed travel card, so the accounts require diligent oversight. One advantage of issuing corporate liability travel cards is that the state may be able to negotiate better terms and lower fees in the bank vendor contract. A second is that the state may be able to negotiate better card rebates and better utilize rebate revenues. Eight states responding to the survey have integrated the travel card with the purchase card, which generally requires that travel cards carry corporate liability. As states are able to encourage employees to use a travel card, the state will benefit from the potential efficiencies in the processing and payment of travel transactions.

Other more specific conclusions drawn from this study include the following:

- The major benefits of travel card programs include: 1) increased agency performance due to speed of service delivery (quicker processing of transactions), 2) improved relationships with vendors due to faster payments and 3) more effective negotiations with vendors resulting from better transaction history.
- States use a variety of methods for financing the costs associated with travel card programs (31 percent use general fund appropriations while 23 percent use agency funds).
- States employ MCC blocks to ensure that travel cards are being used appropriately.
- Most of the states have taken seriously their policies regarding the use of the travel card as well as ensuring that employees understand their responsibilities regarding card use. Training is an important component of state travel card program management.

This study suggests that the states have implemented several innovative policies and procedures to maximize the benefits of travel card programs. Continued innovations and the sharing of "best practices" will further enhance the benefits of state travel card programs.

# USES, POLICIES AND BEST PRACTICES

## End Notes

1. The State Purchase and Travel Card Advisory Group consisted of the following members: **Glen B. Gainer, III**, State Auditor, State of West Virginia, Chair; **Lenora Kingston**, State Travel Manager, Department of Personnel and Administration, State of Colorado; **Terry Mason**, Manager of Portal Accounting, Division of Accounting, Department of Finance and Administration, State of Tennessee; **Sam M. McCall**, CGFM, City Auditor, Tallahassee, Florida; **D. Clark Partridge**, CGFM, State Comptroller, State of Arizona; **Thomas J. Sadowski**, CGFM, Director, Office of Administration, Division of Accounting, State of Missouri; **Patricia A. O'Connor**, NASC Association Director, NASACT; and **Patricia Knight**, formerly with NASACT.

2. This rebate applies to a state travel card, but the rate also applies to the purchase card because the contract for the travel and purchase cards in this state were negotiated together.

3. AGA CPAG Research Series: Report No. 7, *The State Purchase Card: Uses, Policies and Best Practices, Second Report in the AGA Purchase/Travel Card Series*, issued February 2007.

# APPENDIX A: TRAVEL CARD SURVEY

## Association of Government Accountants State Government Travel Card Survey

### Survey Respondent Identification:

State: \_\_\_\_\_

Department: \_\_\_\_\_

Respondent Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

E-mail: \_\_\_\_\_

Phone: \_\_\_\_\_

### State Travel Card Program

1. Do any agencies in your state use the Travel Card for purchasing travel services? \_\_\_\_ Yes \_\_\_\_ No

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

b. How frequently are contracts negotiated with banks? \_\_\_\_\_

c. Provide the following information from the current contract

Rebate rate \_\_\_\_\_

Late fee: \_\_\_\_\_

ATM fee: \_\_\_\_\_

d. What benefits are included with your Travel Card contract?

i. Travel accident insurance

ii. Rental car insurance

iii. Identity theft insurance

iv. Emergency replacement

v. Personal rewards

vi. Other (please explain) \_\_\_\_\_

2. In what Fiscal Year was the Travel Card first authorized for use in your state? \_\_\_\_\_

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

a. State legislature

b. Oversight agency

c. Administrative official

d. Other (please explain) \_\_\_\_\_

4. Please indicate the nature of your state's Travel Card use authorization:

a. Authorization included all state agencies

b. Authorization was restricted to specific agencies

c. Authorization was limited to certain individuals (i.e., procurement officers)

d. Authorization included all permanent state personnel

e. Other (please explain) \_\_\_\_\_

# APPENDIX A: TRAVEL CARD SURVEY

5. On a scale from 1 to 5, with 5 being very important, please rank the importance of the following factors in your state'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 Internal agency management directives
  - 1 2 3 4 5 Response to government-wide directives (such as gubernatorial directives or executive orders)
  - 1 2 3 4 5 Other (please explain) \_\_\_\_\_
- 

6. How are the administrative costs of the Travel Card program funded in your state?

- a. General fund
- b. Agency funds
- c. Self funded (through rebates, fees, etc.)

7. How are rebate revenues used?

- a. Travel Card administration
- b. Unrestricted agency use
- c. Reverts to the state general fund
- d. Other (please explain) \_\_\_\_\_

8. Do Travel Cards have:

- a. Individual liability -- please answer the following
  - i. Does state make direct payments to banks for eligible card payments? (Y/N)
  - ii. Does the state have contingency liability for cards? (Y/N)
- b. Corporate liability
  - i. Does state require credit checks for individuals holding a corporate liability Travel Card? (Y/N)

9. What is the criterion for mandatory Travel Card use in your organization?

- a. More than 2 trips per year
- b. More than 5 trips per year
- c. Transaction cost exceeds threshold limit (please provide limit \_\_\_\_\_)
- d. Travel Card use is optional
- e. Other (please explain) \_\_\_\_\_

10. Does your state have procedures and policies in place to monitor the status of an employee's Travel Card account? \_\_\_No \_\_\_ Yes

If Yes, please describe: \_\_\_\_\_

# APPENDIX A: STATE TRAVEL SURVEY

**11. What action, if any, is taken when an employee's Travel Card account is in arrears?**

- a. Card suspension
- b. Paycheck deduction
- c. Change in employment status (*probation or termination*)
- d. Other (*please explain*) \_\_\_\_\_

**12. Is mandatory Travel Card use enforced systematically through**

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

**13. What is the degree of acceptance of the Travel Card among employees in your organization? Rank on a scale of 1 to 5 with 5 being wide acceptance and 1 being wide refusal to use the card.**

1 2 3 4 5

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

- a. Debit/prepaid cards
- b. Cash
- c. Central billing or payment
- d. Nothing
- e. Other (*please explain*) \_\_\_\_\_

**15. What limitations has your state imposed on Travel Card holders?**

(*In your response, please indicate the frequency of such limitations as follows: 1 = never, 2 = occasionally, 3 = frequently, 4 = always*)

- 1 2 3 4 Merchant category blocks
- 1 2 3 4 Maximum dollar value per transaction
- 1 2 3 4 Maximum account balance restrictions
- 1 2 3 4 Type of purchase limits
- 1 2 3 4 Credit checks on users
- 1 2 3 4 Other restrictions, please describe:  
\_\_\_\_\_

**16. Please indicate which state 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 Non-government employees
- 1 2 3 4 All Agency staff
- 1 2 3 4 Other, please describe:  
\_\_\_\_\_

# APPENDIX A: STATE TRAVEL SURVEY

17. How frequently is training on Travel Card policies required for the card holder?

- a. Prior to issuance
- b. At time of issuance
- c. Once after time of issuance
- d. Occurs regularly for all card holders

18. What methods are used to provide this training?

---

19. Are the administrative responsibilities for the Travel Card administration centralized in one agency or department?

- a. No
- b. Yes . If yes, how many full time equivalent employees does your state employ for the administration of the Travel Card? \_\_\_\_\_

20. Are the auditing and control responsibilities for the Travel Card centralized in one agency or department?

- a. No
- b. Yes. If yes, how many full time equivalent employees does your state employ for the auditing and control of the Travel Card? \_\_\_\_\_

21. What penalties are imposed as a deterrent against Travel Card abuse?

---

22. Does your state utilize a data mining tool to review travel transaction reports?

- a. No (*please skip to the next question*)
- b. Yes (*please answer the following questions*)
  - i. Is the data mining tool your states uses

- 1. Developed internally
- 2. A commercial software program (*please identify* \_\_\_\_\_)
- 3. A card provider report or reports subject to manual review
- 4. A card association filtering tool
- 5. Other \_\_\_\_\_

ii. What is the annual cost for data mining efforts (*including internal costs*)? \_\_\_\_\_

23. If no data mining tool is used, what percent of transactions are required to be monitored regularly for misuse/abuse?

- a. 0 to 25 percent
- b. 25 to 50 percent
- c. 100 percent
- d. Other \_\_\_\_\_
- e. No requirement

# APPENDIX A: STATE TRAVEL SURVEY

24. Please indicate changes in your state'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).

25. What does your state do, in addition to standard procurement regulations, to ensure that Travel Card transactions provide the "best value to government"?

- a. \_\_\_\_\_
- b. \_\_\_\_\_

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

\_\_\_\_\_  
(Attach additional sheet if necessary)

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

\_\_\_\_\_  
(Attach additional sheet if necessary)

28. Please describe insights ("lessons learned" or "best practices") by your state regarding the use of the Travel Card which might benefit other states or agencies of the federal government:

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:

29. Please describe Travel Card policy changes (regarding use, transaction limits, and other policies) that your state would recommend for other states or federal government agencies

a. "Use" policy change recommendations:

b. "Limit" policy change recommendations:

# APPENDIX A: STATE TRAVEL SURVEY

c. **Other** recommendations:

30. **Cost savings and/or revenue enhancement can accrue to state governments as a result of Travel Card use. State government Travel Card savings could vary depending on procurement practices and innovative actions taken by the states 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      State government Travel Card refunds
- 1 2 3 4      Other *(please explain)*: \_\_\_\_\_

31. **This section requests information regarding your state’s Travel Card transactions for the past five fiscal years as available.**

Annual number of TRANSACTIONS:		Annual DOLLAR value of sales:	
FY	Travel Card	FY	Travel Card
2000	_____	2000	_____
2001	_____	2001	_____
2002	_____	2002	_____
2002	_____	2002	_____
2004	_____	2004	_____
2005	_____	2005	_____

32. **In this question, we would like you to estimate the potential for expanded use of the Travel Card in your state. Please indicate for FY 2005 the total dollar value and number of travel transactions using the Travel Card and the dollar value and number of transactions eligible for Travel Card use but processed through some other payment method (i.e. number of travel advances).**

- a.
- |                         | Travel Card | Travel Card Eligible |
|-------------------------|-------------|----------------------|
| Total dollar value:     | _____       | _____                |
| Number of Transactions: | _____       | _____                |

b. What were the major reasons that the Travel Card was not used instead of the alternative payment method?

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

33. **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.



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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](http://www.agacgfm.org)  
[agamembers@agacgfm.org](mailto:agamembers@agacgfm.org)