

Travel Card Use by State and Local Government in North America:

Trends, Opportunities, and “Best Practice”

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Introduction

In recent years, due to an economic downturn and budget constraints, governmental organizations in North America have been under tremendous pressure to reduce costs while still maintaining a certain level of service. Given the situation, it is imperative for government agencies to explore the use of technologies that reduce administrative costs and improve the efficiency of their operations. The travel card is a useful tool which many government entities have already employed to support employee travel, enhance spend visibility and travel policy compliance, streamline the travel expense reimbursement process, and save administrative time. This article presents findings from recent survey research that identifies travel card program profile norms, travel card spending trends, and “best practice” use of travel cards by State and local (city and county) government entities.

Method

In December 2012, a web-based survey entitled, “2013 Corporate Travel Card Benchmark Survey” (hereafter referred to as the “Survey”), was released to 9,880 travel card program administrators at organizations that were either customers of one of 13 major card issuers or members of either the National Association of Purchasing Card Professionals, the National Institute of Government Purchasing, or the Accounts Payable Network. Two thousand two hundred and three responses were received by February 28, 2013, for a response rate of 22.3%. All major travel card-issuing brands are represented in the survey response.

A breakdown of the survey respondents by organizational type is as follows: 41% were private corporations, 29% were public corporations, 9% were not-for-profit organizations, 2% were federal government agencies, 3% were state government agencies, 9% were city and county government agencies, 6% were colleges or universities, and 1% represented school districts. This

paper will focus on the response of state and local governmental units by examining the travel card spending program norms of these groups, their past and expected future travel card spending expectations, and “best practices” in state and local government use of travel cards.

Benchmark Norms for State Agencies and Cities and Counties

Exhibit 1 shows the organizational and travel card program spending norms for both State and City/County governments that responded to the 2013 survey, in relation to the total survey sample. The Exhibit indicates that average monthly travel card spending for State government agencies is \$1,304,999, while City/County governments report \$95,060. In comparison to their local government counterparts, States report a higher travel card-to-employee ratio (19.4% versus 6.4%) and a higher capture of their travel expenses on the travel card (78% versus 69%). In addition, State card programs are more likely to “mandate” use of the State agency travel card (as opposed to allowing employees to use their personal credit cards) when compared to their local government counterparts (74% versus 57%) or the sample as a whole (66%). While smaller than State card programs, the cardholder performance measures of Cities/Counties are higher with respect to the average transaction amount (\$242 versus \$197), monthly spending per travel card (\$586 versus \$414), and monthly transactions per card (2.42 versus 2.10). The higher cardholder spending figures by Cities and Counties are, in all likelihood, a product of their more limited level of card distribution.

Both State agencies and Cities/Counties are more likely to provide their employees with cash advances for travel purposes (63% states, 65% cities and counties) when compared to the total sample (54%). Further, both government groups trail the total sample in the adoption of electronic expense management software (60%). On this key technology adoption issue, State governments are twice as likely as their municipal counterparts to move away from a paper-based reporting system (44% of States and 23% of Cities and Counties).

Exhibit 1**Travel Card Program Performance Statistics, States and State Agencies, Cities and Counties, and Total Sample, 2012***(all numbers are averages except where indicated otherwise)*

	States and State Agencies	Cities and Counties	Total Sample
Organization Statistics			
Number of employees	16,257	2,545	9,329
Age of travel card program	11.02	8.94	8.37
Program Performance Measures			
Number of plastic corporate travel cards	3,149	162	1,913
Percent of employees that travel on business more than twice per year	23.4%	11.2%	27.6%
Card-to-employee ratio	19.4%	6.4%	20.5%
Average monthly travel card spending	\$1,304,999	\$95,060	\$1,473,765
Monthly travel card transactions	6,620	393	8,599
Spending per employee	\$80	\$37	\$158
Percent of travel spending captured on travel cards	78%	69%	77%
Cardholder Activity Measures			
Monthly spending per card	\$414	\$586	\$770
Transactions per card	2.10	2.42	4.49
Spending per transaction	\$197	\$242	\$171
Active cards in a typical month	68%	66%	78%
Organizational Policies and Controls			
Percent that mandate use of travel card for travel expenses	74%	57%	66%
Percent that provide employees with “cash advances” for travel	63%	65%	54%
Expense Reporting Method			
Expense reports processed electronically (with or without travel card data pre-populating expense report)	44%	23%	60%
Expense reports are completed manually and submitted in paper format	50%	67%	33%
Other	6%	10%	7%

Past and Future Growth Trends

Even during a challenging economic recovery in North America, 56% (51%) of State (City/County) government agencies reported an increase in travel card spending from 2010 to 2012. The cumulative growth rate over that time period was 5.3% and 4.6% for State and

City/County governments, respectively. By comparison, travel card spending among Federal government agencies declined by 7% during the same period.

Going forward, a similar percentage of respondents expect higher travel card spending by 2015, with 56% (51%) of State (City/County) governments expecting an increase. However, while a similar number of respondents in each group expect increases, the growth rate is significantly different. State governments expect 3.5% growth and City/County governments expect 7.2% growth by 2015 over 2012 travel card spending levels. By contrast, Federal government agencies expect a continuing decline of about 2% in travel card spending by 2015.

The Impact of Travel Cards

The use of travel cards in an organization brings about a variety of benefits. One key benefit is enhanced spend visibility. Unlike situations where the employee uses his or her personal card or receives a cash advance, the agency receives travel spending data from the card issuer which can be aggregated and analyzed for discount negotiations and monitored and mined to ensure compliance with travel policy and more easily detect fraudulent behavior. Further, when combined with electronic expense reporting software, travel cards allow for a 43% reduction in the time required and cost of processing an expense report.¹ In addition to cost savings, travel card data can be used as leverage to lower prices for airfare, lodging, and auto rental. Depending on the agreement with and capabilities of the card issuer, travel cards also incorporate cash back rebates, travel-related insurance services, and fraud protection, among other value-adding features.

Of particular interest to State and local government, the use of travel cards allows for a decrease in other costly payment methods, such as cash advances. State and local government respondents to the survey reported a median administrative cost of \$55 to process one cash

¹ Responses to the survey showed that organizations using a paper-based expense reporting method had a \$40.05 administrative cost to process a report, while organizations using an electronic expense report with pre-populated travel card data had an average administrative cost of \$22.88 per report.

advance for travel. Thus, given the average number of cash advances issued in 2012 by these organizations (53), it costs an average of \$3,000 annually just to issue cash advances, a fraud-vulnerable activity rendered unnecessary with the use of travel cards.

“Best Practices” for State and Local Government Entities

A principle goal of this survey was to increase our insight into the drivers that push the transactions to the travel card and how that shift translates into benefits (cost savings, spend visibility, and improvements in efficiency) for the card-using organization. To better understand these drivers, we identified “best practice” (hereafter, BP) travel card programs as those that have reported at least one top quartile (and no bottom quartile) metric across three key travel card program performance measures, including:

- monthly travel card spending per employee,
- the percentage of all travel spending paid with travel card (“Capture”), and
- annual travel card spending as a percent of the organization’s travel budget.

The three criteria measure the spread of travel card use throughout an organization, and how well the organization has met their potential in terms of capturing travel spending on the travel card. For comparison, a second “needs improvement” (hereafter, NI) group is also assembled from State and City/County government respondents. This group is the reverse image of BP, to wit: card programs in which at least one of the three performance metrics is found to be in the bottom quartile (and none in the top quartile). The activities of this group will be used to define underperforming government travel card programs. Both groups were assembled using a stratified sample based on employee count, annual operating budget, and travel budget and then combined into one group to ensure proper comparability.

Exhibit 2 reveals that, despite being similar in terms of headcount, budget, and age of card program, BP State and City/County governmental organizations report:

- a significantly higher card-to-employee ratio (20.8% versus 8.4%),

- monthly travel card spending that is three times higher (\$627,385 versus \$202,385),
- a significantly higher capture of travel spending on travel cards (87% versus 34%),
- more active cards (70% active cards in a month versus 57%), and
- a significantly higher travel card spend per employee (\$182 versus \$58).

Importantly, BP organizations are also more likely to:

- have a policy that mandates agency travel card use for travel expenses (83% of BP organizations and 52% of NI organizations), and
- invest in and use electronic expense reporting software (39% of BP organizations and 27% of NI organizations).²

It is also noteworthy that BP organizations are less likely to issue cash advances for travel (43% for BP versus 58% for NI), and are more likely to receive discounts on airfare (21% versus 17%), lodging (48% versus 32%), and auto rentals (41% versus 33%) than their “needs improvement” State and City/County government counterparts. The use of the travel card for these purposes is important in increasing efficiency and decreasing administrative costs for the organization.

² Figures include expense reporting software that may or may not pre-populate the expense report with travel card data.

Exhibit 2
Organizational and Travel Card Program Differences between the State and Local Government Best Practice and Needs Improvement Groups
(all numbers are averages except where indicated otherwise)

	State and Local Government Best Practice	State and Local Government Needs Improvement
Organization Statistics		
Number of employees	3,448	3,465
Age of travel card program	9.29	9.06
Annual organizational budget	\$675,603,515	\$672,708,546
Annual travel budget	\$5,892,411	\$5,858,594
Program Performance Measures		
Number of plastic corporate travel cards	718	290
Percent of employees that travel on business more than twice per year	22.5%	15.4%
Card-to-employee ratio	20.8%	8.4%
Average monthly travel card spending	\$627,385	\$202,385
Monthly travel card transactions	2,279	1,048
Spending per employee	\$182	\$58
Percent of travel spending captured on travel cards	87%	34%
Annual travel card spending as a percent of travel budget	83.7%	41.8%
Cardholder Activity Measures		
Monthly spending per card	\$874	\$699
Transactions per card	3.18	3.62
Spending per transaction	\$275	\$193
Active cards in a typical month	70%	57%
Organizational Policies and Controls		
Percent that mandate use of travel card for travel expenses	83%	52%
Percent that provide employees with “cash advances” for travel	43%	58%
Expense Reporting Method		
Expense reports processed electronically (with or without travel card data pre-populating expense report)	39%	27%
Expense reports are completed manually and submitted in paper format	58%	67%
Other	3%	6%
Discounts: Percent of Organizations that Receive Discounts on:		
Airfare	21%	17%
Lodging	48%	32%
Auto rentals	41%	33%

Other Recommendations for State and Local Government Entities

In addition to higher card distribution and organizational mandates to use the travel card, other decisions and policies within a State or City/County government unit further differentiate BP from NI programs. By engaging in specific activities, BP government entities get greater value from their travel card programs. Those activities are discussed below.

Increasing Spending Limits

BP State and City/County government entities provide their employees with higher per transaction and monthly spending limits when compared to NI counterparts. The average per transaction limit for a BP state and local government entity is \$3,022, but only \$2,315 for a NI entity. Similarly, the average monthly spending limit for the BP group is \$6,955, while \$5,894 for the NI group.

Training and Communication Policies

BP State and City/County government entities are more likely than NI counterparts to:

- provide employees with a copy of travel card use policies (96% versus 87%),
- have mandatory initial training requirements for new cardholders (79% versus 70%) and supervisors who approve spending (68% versus 57%), and
- have a website that answers card questions (75% versus 59%).

Control Policies

BP State and City/County government entities are also more likely than their NI counterparts to have policies:

- requiring a credit check of employees prior to giving them a card (7% versus 3%),
- cancelling cards of infrequent travelers (54% versus 43%), and
- conducting data mining of travel card transactions to identify potential policy violations or travel card misuse (86% versus 72%).

Conclusion

The purpose of this paper was to present survey research findings that identify the trends related to travel card use as a tool to streamline the travel process in state and local government entities. Survey responses indicate that, although the economy has been weak in recent years, growth in both State and City/County government travel card spending has been in-step with the rest of the North American market between 2010 and 2012. Going forward, we find that most states, cities, and counties expect higher spending by 2015, with the expected growth rate in travel card spending over 2012 levels higher among states (7.2%) than their City/County counterparts (3.5%).

Responses indicate that there are several “best practices” operating in state and local government units, including: policies mandating travel card use, increased card distribution, use of electronic expense reporting software, increased spending limits, and diminished use of cash advances. The use of travel cards have been effective in streamlining travel costs, saving administrative time and expense, and providing convenience and safety to employees.