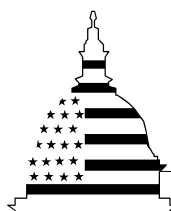


March 2004

DOD TRAVEL CARDS

Control Weaknesses Led to Millions of Dollars Wasted on Unused Airline Tickets



G A O

Accountability * Integrity * Reliability



Highlights of -GAO-04-398, a report to congressional requesters

DOD TRAVEL CARDS

Control Weaknesses Led to Millions of Dollars Wasted on Unused Airline Tickets

Why GAO Did This Study

Ineffective oversight and management of the Department of Defense's (DOD) travel card program, which GAO previously reported on, have led to concerns about airline tickets DOD purchased but did not use and for which it did not claim refunds. GAO was asked to (1) determine whether, and to what extent, airline tickets purchased through the centrally billed accounts were unused and not refunded and (2) determine whether DOD's internal controls provided reasonable assurance that all unused tickets were identified and submitted for refunds.

What GAO Recommends

- GAO makes 20 recommendations to DOD, including the following:
- evaluate the feasibility of requiring DOD personnel to purchase airline tickets with their individually billed travel cards, which would eliminate DOD's risk of paying for unused tickets;
 - implement procedures to systematically provide reasonable assurance that all unused tickets purchased with the centrally billed accounts are refunded; and
 - submit claims to the airlines to recover the \$21 million in known unused tickets—DOD might be able to recover more than \$100 million for unused tickets.

DOD concurred with all 20 of our recommendations and stated that it had taken or will take actions to address these recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-398.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9505 or kutzgd@gao.gov.

What GAO Found

Control breakdowns over the centrally billed accounts resulted in DOD paying for airline tickets that were not used and not processed for refund. DOD was not aware of this problem before our audit and did not maintain data on unused tickets. We determined, based on airline data, that DOD had purchased—primarily in fiscal years 2001 and 2002—about 58,000 tickets with a residual (unused) value of more than \$21 million that remained unused and not refunded as of October 2003. We also identified more than 81,000 partially unused airline tickets with a purchase price of about \$62 million that will require additional analysis to determine the residual value. Based on further analysis of the limited data, it is possible that DOD purchased at least \$100 million in airline tickets that it did not use and for which it did not claim refunds from fiscal years 1997 through 2003.

Fully Unused and Partially Unused Airline Tickets

Airline	Number of tickets	Residual value (dollars in millions)
American	15,877	\$4.1
Delta	15,588	6.4
Northwest	3,479	2.3
United	16,283	6.0
US Airways	6,719	2.3
Total known unused tickets	57,946	\$21.1
Potential unused tickets		At least \$100

Source: GAO analysis of airline and Bank of America data.

Although GAO asked DOD's five most frequently used airlines for fiscal year 2001 and 2002 unused ticket data, the airlines did not provide uniform, complete, or consistent responses. For example, one airline did not provide partially unused ticket data, another airline's fiscal year 2001 data covered only September 2001, while yet another airline provided data on electronic tickets dating back to November 1998. Although additional data on unused tickets may be available from the airlines' archives, our attempts to obtain additional information were unsuccessful.

DOD's unused ticket problems were caused by a flawed process that relied extensively on DOD personnel to report unused tickets to the travel offices. Although it appears that many unused tickets were processed for a refund, the internal controls DOD had in place did not detect millions of dollars of unused airline tickets. Specifically, DOD did not systematically implement compensating procedures to identify instances in which DOD personnel did not report unused tickets, or reconcile the centrally billed accounts to travel claims to determine whether airline tickets were used. Although some units had instituted a process by fiscal year 2002 to more systematically identify instances of unused tickets, the process was not implemented DOD-wide, DOD did not verify that units were consistently implementing the process, and the process could only identify unused electronic—not paper—tickets.

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Abbreviations

CTO	Commercial Travel Office
DOD	Department of Defense
DTS	Defense Travel System
GTO	Government Travel Office

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

March 31, 2004

The Honorable Norm Coleman
Chairman
The Honorable Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate

The Honorable Charles E. Grassley
Chairman
Committee on Finance
United States Senate

The Honorable Janice Schakowsky
House of Representatives

This report is a continuation of our series of reports on the Department of Defense's (DOD) management of its travel card programs. In fiscal years 2002 and 2003, we issued a series of testimonies¹ and reports² addressing problems that the Army, Navy, and Air Force had in managing individually billed travel card accounts. These testimonies and reports showed high delinquency rates and significant potential fraud and abuse related to DOD's travel card programs. Due to these concerns, you asked us to audit controls over the other major form of payment used by DOD for travel expenses—centrally billed accounts. In response to your request, we

¹U.S. General Accounting Office, *Travel Cards: Control Weaknesses Leave Army Vulnerable to Potential Fraud and Abuse*, [GAO-02-863T](#) (Washington, D.C.: July 17, 2002), and *Travel Cards: Control Weaknesses Leave Navy Vulnerable to Fraud and Abuse*, [GAO-03-148T](#) (Washington, D.C.: Oct. 8, 2002).

²U.S. General Accounting Office, *Travel Cards: Control Weaknesses Leave Army Vulnerable to Potential Fraud and Abuse*, [GAO-03-169](#) (Washington, D.C.: Oct. 11, 2002); *Travel Cards: Control Weaknesses Leave Navy Vulnerable to Fraud and Abuse*, [GAO-03-147](#) (Washington, D.C.: Dec. 23, 2002); and *Travel Cards: Air Force Management Focus Has Reduced Delinquencies, but Improvements in Controls Are Needed*, [GAO-03-298](#) (Washington, D.C.: Dec. 20, 2002).

reported³ in October 2003 that internal control weaknesses over DOD's centrally billed accounts led to millions of dollars of improper premium class travel and increased costs to taxpayers. These weaknesses provide further examples of DOD's long-standing financial management problems, which are pervasive, complex, and deeply rooted in virtually all business operations throughout the department. Such problems led us in 1995 to put DOD financial management on our list of high-risk areas, that is, areas that are highly vulnerable to fraud, waste, and abuse, a designation that continues today.⁴ In light of the internal control problems with DOD's travel card programs, you asked us to expand our work in the area of centrally billed accounts to determine (1) whether, and to what extent, airline tickets purchased through the centrally billed accounts were still unused and not refunded and (2) whether DOD's internal controls provided reasonable assurance that all unused tickets were identified and submitted for refunds.

To determine the magnitude of tickets purchased through the centrally billed accounts during fiscal years 2001 and 2002 that were unused and not refunded, we compared data on unused tickets provided by airlines (refer to app. II for information on data provided by airlines) to data provided by the Bank of America—DOD's credit card bank. The unused ticket data came from the five U.S. airlines that provided about 82 percent of the value of all airline tickets DOD purchased during this period. Although we were able to validate that the tickets the airlines had on record as being unused were tickets that DOD had purchased with its centrally billed accounts, we were unable to confirm the completeness of the population of unused tickets we received from four of the five airlines. Despite the possibility of understating the extent of the problem, we used the airline data to determine the possible magnitude of DOD's unused tickets from fiscal years 1997 through 2003. Further, we reviewed the unused ticket process to evaluate whether internal controls over the centrally billed accounts were properly designed to identify unused tickets, submit these tickets for refunds, and verify that refunds had been received. Appendixes I and II provide details on our scope and methodology.

³U.S. General Accounting Office, *Travel Cards: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel*, [GAO-04-88](#) (Washington, D.C.: Oct. 24, 2003), and *Travel Cards: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel*, [GAO-04-229T](#) (Washington, D.C.: Nov. 6, 2003).

⁴U.S. General Accounting Office, *High-Risk Series: An Overview*, [GAO/HR-95-1](#) (Washington, D.C.: February 1995), and *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003).

We performed our work from March 2003 through January 2004 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Secretary of Defense or his designee. We received written comments, which are reprinted in appendix III of this report.

Results in Brief

A lack of departmentwide controls over the centrally billed accounts resulted in DOD paying for millions of dollars of airline tickets that were not used and not processed for refund. DOD was not aware of this problem before our review because it did not maintain data on unused tickets. Our analysis of the limited data provided by DOD's five most frequently used airlines found that DOD had purchased—primarily in fiscal years 2001 and 2002—about 58,000 tickets with a residual (unused) value of \$21.1 million that remained unused and not refunded as of October 2003. In addition, three airlines had not determined the residual value of more than 81,000 partially unused tickets, that is, at least one leg had not been used, with a total purchase price of more than \$62 million. These amounts likely understate the value of fully and partially unused tickets because only two of the five airlines were able to provide us complete data on unused fiscal years 2001 and 2002 tickets as requested, and one airline did not provide any data for partially unused tickets. Based on further assessment of the limited data, we determined that it is possible that since 1997, DOD purchased more than \$100 million in airline tickets with its centrally billed accounts that it did not use and did not process for refunds. Airline representatives informed us that limitations with the way their data are maintained prevented them from providing us with complete and consistent data, and our attempts to obtain additional information were unsuccessful. Federal agencies are authorized to recover payments made to airlines for tickets that agencies ordered but did not use. While generally a 6-year statute of limitations applies to the government's ability to file an action for money damages based on a contractual right, the government also has up to 10 years to offset future payments for amounts it is owed.

Millions of dollars in unused tickets have been wasted because DOD did not have a systematic process to identify and process unused tickets. DOD's flawed process relied extensively on DOD personnel to report unused tickets to the travel offices. DOD did not systematically implement compensating procedures to identify instances in which DOD personnel did not report unused tickets, or reconcile the centrally billed accounts to travel claims to determine whether airline tickets were used. This failure to reconcile tickets that were centrally acquired to travel claims filed by

travelers resulted in DOD not being able to determine whether the airline tickets it purchased were used. Although bank data indicated that DOD received many credits to centrally billed accounts, the number and value of tickets the airlines reported as unused and not refunded demonstrated that the lack of effective internal control procedures led to a waste of scarce resources. We identified some improvements during fiscal year 2002, when a number of DOD commercial travel offices attempted to implement procedures to systematically identify unused electronic tickets within their computer reservation systems. However, this process had not been implemented DOD-wide and does not address paper airline tickets. Further, at locations where this technique was implemented, DOD's government travel offices did not have systematic procedures to verify that the commercial travel offices consistently identified all unused electronic tickets, and that all tickets that had been identified as unused resulted in a credit to the centrally billed account.

While we identified significant weaknesses in the controls over DOD's centrally billed accounts, improved controls and management of individually billed accounts may provide DOD with options to reduce the financial exposure resulting from unused tickets that are not properly refunded. Specifically, using a well-controlled individually billed account program to pay for airline tickets would transfer responsibility for all charges to the individual cardholder, thus limiting the government's financial exposure and providing an incentive to DOD cardholders to properly identify and claim refunds for unused tickets. However, DOD would still need to improve controls over its centrally billed account structure as not all DOD travelers would have access to an individually billed account, such as new employees and infrequent travelers.

This report contains 20 recommendations for DOD to reduce the risks associated with using the centrally billed accounts to purchase airline tickets by considering the feasibility of establishing the individually billed account travel card as the primary procurement method for transportation. We also recommend that DOD take a series of immediate steps to improve controls over the centrally billed account so that in the future, it can readily identify and request timely refunds on all unused tickets. Finally, we recommend that DOD attempt to recover all tickets that are unused and not refunded. To assist DOD in claiming refunds or converting the unused tickets to future use, in December 2003, we provided DOD a list of the unused ticket information we received from the airlines. DOD has told us that it is working to recover the value of those unused and partially used tickets. In written comments on a draft of this report, DOD concurred with

all 20 of our recommendations and stated that it had taken actions or will take actions to address these recommendations.

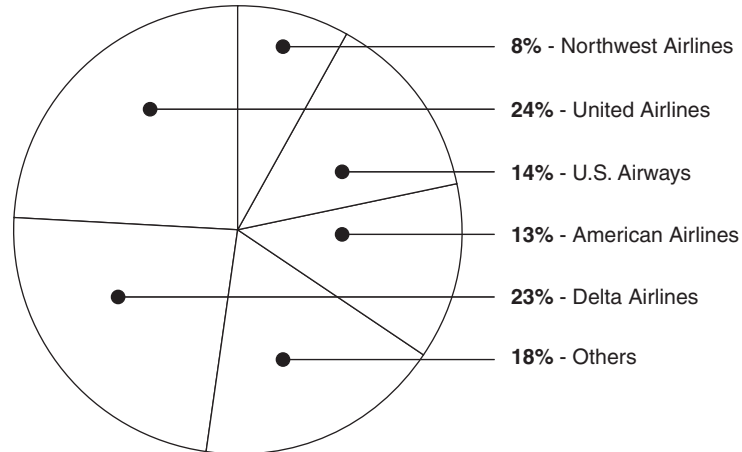
Background

The DOD centrally billed travel card program is part of a governmentwide travel card program started in 1983 with the express purpose of increasing convenience to the traveler and lowering (1) the government's cost of travel by reducing the need for cash advances to the traveler and (2) the associated administrative costs. The travel card program includes both the individually billed accounts—accounts held and paid by the individual cardholders—and the centrally billed accounts. In general, individual cardholders use the individually billed accounts to charge non-transportation-related expenses, while most DOD services and units used the centrally billed accounts to purchase transportation services such as airline and train tickets and to facilitate expenses incurred for group travel.⁵

According to Bank of America data, the net value of airline tickets charged during fiscal years 2001 and 2002 to DOD's centrally billed accounts totaled over \$2.4 billion. As shown in figure 1, five U.S. airlines—American, Delta, Northwest, United, and US Airways—together accounted for more than 82 percent of the dollar value of airline tickets purchased by DOD during fiscal years 2001 and 2002. More than 85 other airlines—both U.S. and foreign carriers—accounted for the remaining 18 percent of the value of total airline tickets DOD purchased in fiscal years 2001 and 2002. The \$2.4 billion is made up of more than \$2.6 billion in gross airline purchases net of credits totaling \$233 million, or about 9 percent of gross airline purchases. Credits related to tickets that were unused, tickets issued erroneously, and charges identified as fraudulent.

⁵The Air Force is an exception to this general rule. The Air Force uses both centrally billed and individually billed accounts for purchasing airline transportation.

Figure 1: Value of Tickets Charged to DOD's Centrally Billed Accounts by Airline, Fiscal Years 2001 and 2002



Source: GAO analysis of Bank of America data.

The airline tickets DOD purchased through the centrally billed accounts are generally acquired under the terms of the air transportation services contract that the General Services Administration (GSA) negotiates with U.S. airlines. Airline tickets purchased under this contract have no advance purchase requirements, have no minimum or maximum stay requirements, are fully refundable, and do not incur penalties for changes or cancellation. The revenue recognition policy for the airlines industry is to recognize ticket sales as a liability until the transportation is provided, that is, when the ticket is used. The terms of the air transportation services contract also provide that contract carriers are to fully refund all unused portions of any government contract fare ticket to the activity paying for the ticket, the travel management center issuing the ticket, or the individual traveler, as appropriate. Because DOD travel regulations require that federal and military travelers on official business use a contract carrier for official airline travel unless a specific exception applies, airline tickets purchased by DOD are typically fully refundable.

Federal agencies are authorized to recover payments made to airlines for tickets that agencies acquired but did not use.⁶ While generally there is a

⁶31 U.S.C. § 3726(h).

6-year statute of limitations on the government's ability to file an action for money damages based on a contractual right,⁷ the government also has up to 10 years to offset future payments for amounts it is owed.⁸ Several airlines sued GSA after it offset payments due to the airlines for the value of airline tickets that GSA claimed were unused. The court upheld GSA's authority to administratively offset the payments despite the airlines' assertion that provisions printed on the tickets themselves specified a shorter time limit in which the government could request a refund.⁹ The court further held that the government's right to refunds could not be limited by terms unilaterally imposed by the airlines.¹⁰

Millions of Dollars of Airline Tickets Were Unused and Not Refunded

As shown in table 1, data provided by five airlines and verified against Bank of America's data showed that about 58,000 tickets with a value of \$21.1 million were purchased with DOD's centrally billed accounts but were unused and not refunded. The \$21.1 million included more than 48,000 tickets valued at \$19.2 million that were fully unused, and \$1.9 million in the residual value of about 10,000 American Airlines partially used tickets,¹¹ that is, at least one leg had not been used. Based on our assessment of the limited data provided by the airlines, it is possible that since fiscal year 1997, DOD purchased more than \$100 million in airline tickets that were not used and not processed for refunds and for which DOD may be entitled to refunds or offsets against other payments to those airlines.

⁷28 U.S.C. § 2415(a).

⁸31 U.S.C. § 3716(e).

⁹*American Airlines, Inc. v. Austin*, 75 F.3d 1535 (Fed. Cir. 1996). This case was an appeal of a prior case, *American Airlines, Inc. v. Austin*, 826 F. Supp. 553 (D.D.C. 1993), in which, among other things, the court ruled that the government was not entitled to refunds for unused tickets that the government could not specifically identify.

¹⁰*American Airlines, Inc. v. Austin*, 1541.

¹¹Only American Airlines provided us the residual value of partially unused tickets.

Table 1: Known Residual Value of Fully and Partially Unused Airline Tickets, November 1998 through December 2002

Dollars in millions

Airline	Number of tickets	Residual value of tickets
American	15,877 ^a	\$4.1 ^a
Delta	15,588	6.4
Northwest	3,479	2.3 ^b
United	16,283	6.0
US Airways	6,719	2.3
Total	57,946	\$21.1

Source: GAO analysis of Bank of America and airline data.

^aIn total, American Airlines reported 24,013 tickets with residual value of more than \$6.2 million that were fully or partially unused. We excluded 8,136 American Airlines unused tickets totaling more than \$2.1 million from our analysis because either (1) less than 6 months had passed between the time the tickets were purchased and when American Airlines provided the file or (2) Bank of America data did not confirm whether the tickets were fully or partially unused.

^bResidual value of \$2.3 million represents the amount DOD paid Bank of America for those tickets. This amount differs slightly from Northwest Airlines' reported fare of \$2.1 million. Our analysis indicates that Northwest Airlines excluded taxes and fees from its reported amount of \$2.1 million.

Amount of Fully Unused Tickets Is Significant

Table 2 provides further details on the \$19.2 million identified as being fully unused. Fully unused tickets made up most of the known unused tickets value of \$21.1 million, which also included the residual value of partially unused tickets. As shown in table 2, DOD spent \$19.2 million on more than 48,000 airline tickets that were fully unused and not refunded.

Table 2: Known Residual Value of Fully Unused Airline Tickets, November 1998 through December 2002

Dollars in millions

Airline	Number of fully unused tickets	Residual value of fully unused ^a tickets
American	6,151	\$2.2
Delta	15,588	6.4
Northwest	3,479	2.3
United	16,283	6.0
US Airways	6,719	2.3
Total	48,220	\$19.2

Source: GAO analysis of airline data.

^aValues represent tickets purchased primarily in fiscal years 2001 and 2002. Of the \$19.2 million, \$2.4 million represents tickets that were not purchased during those 2 fiscal years.

Since DOD was not aware of these unused tickets, and consequently did not know their number or dollar value, we requested these data from DOD's five most frequently used airlines—American, Delta, Northwest, United, and US Airways. Although we asked each airline for consistent data on tickets purchased in fiscal years 2001 and 2002 that were unused and not refunded, we did not receive uniform, complete, or consistent responses. For example, although American Airlines and US Airways provided us with data on fully unused tickets for fiscal year 2002—tickets that were issued to DOD travelers but never traded in at a counter—they provided only partial data for fiscal year 2001. Delta Airlines provided us information on the status of all tickets DOD purchased with its centrally billed accounts during fiscal years 2001 and 2002, and guidance on how to identify those tickets that were fully and partially unused. For more detailed information on the breakdown of fully unused tickets by year, and further discussion of the types of data we received from the airlines, see appendix II.

Residual Value of Partially Unused Tickets Is Potentially Significant

In addition to the \$19.2 million in fully unused tickets, DOD failed to claim refunds on millions of dollars in airline tickets purchased with centrally billed accounts that were partially unused. As in the case of fully unused tickets, DOD was not aware of, and therefore did not maintain data on, partially unused tickets. Consequently, we had to request these data from the airlines.

Partially unused tickets are those tickets that, although used, still have residual value as only portions of those tickets were traded in for travel. A DOD ticket may be partially unused for several reasons. For instance, a ticket can be partially unused when a DOD traveler used the ticket for the outbound flight but decided to drive home with another DOD traveler. A ticket can also be partially unused if, for example, a DOD traveler who was originally scheduled to travel from Seattle to Miami and then to San Juan, Puerto Rico, was ordered to return home from Miami because of weather problems. In this case, the portion of the airline ticket from Miami to Puerto Rico was unused. While the portions that have been used represent services rendered by the airlines, the portions that are partially used have a residual value that can be claimed as a refund. Table 3 summarizes the number and purchase price of partially unused tickets, as well as the residual value of partially unused tickets where available.

Table 3: Known Partially Unused Airline Tickets, November 1998 through December 2002

Dollars in millions

Airline	Number of tickets identified as partially unused^a	Purchase price of tickets identified as partially unused^a	Residual value of tickets identified as partially unused
US Airways		Data not provided	
Partially unused tickets requiring additional analysis to determine residual value			
Delta	51,294	\$39.3	Not provided
Northwest	7,420	7.6 ^b	Not provided
United	22,823	15.2	Not provided
Subtotal	81,537	\$62.1	Not provided
Known residual value of partially unused tickets not requiring additional analysis			
American	9,726	\$5.8	\$1.9
Total	91,263	\$67.9	\$1.9

Source: GAO analysis of airline data.

^aValues represent tickets purchased primarily in fiscal years 2001 and 2002. Of the more than 90,000 tickets totaling \$67.9 million, about 8,500 tickets with total purchase price of \$5.2 million were not purchased during those 2 fiscal years.

^bPurchase price of \$7.6 million represents Bank of America data on ticket price. This amount differs from Northwest Airlines' reported fare of \$7.2 million. Our analysis indicates that Northwest Airlines excluded taxes and fees from its reported amount of \$7.2 million.

Over the entire period for which four airlines provided data on partially unused tickets—American, Delta, Northwest, and United—we identified

that more than 91,000 tickets costing about \$68 million were only partially used. Although Delta, Northwest, and United provided data that identified over 81,000 partially unused tickets with a purchase price of more than \$62 million, these three airlines informed us that their ticket data are not maintained in a format that would allow them to easily quantify the residual value of these partially unused tickets. To do so would require a complex process involving the repricing of each of the segments that made up the total purchase price—a process the airlines told us would be labor-intensive and costly. American Airlines was able to provide the residual value of its partially unused tickets—\$1.9 million. Further, US Airways did not provide us with any data on these types of tickets. As indicated by the airlines, substantial work remained to be done to derive an estimate of the residual value of partially unused tickets. For more detailed information on the breakdown of partially unused tickets by year, see appendix II.

Data Indicate That DOD May Have Millions More in Tickets That Are Unused and Not Refunded

In addition to the millions of dollars in known amounts of unused tickets or segments thereof that were not refunded, we used the limited airline data to assess that the possible magnitude of outstanding unused tickets purchased from 1997 through 2003 was at least \$100 million. As stated previously, federal agencies are authorized to recover payments made to airlines for tickets that agencies ordered but did not use. Generally a 6-year statute of limitations applies to the government's ability to file an action for money damages based on a contractual right, but the government also has up to 10 years to offset future payments for amounts it is owed. However, airline representatives told us that they were concerned about the feasibility and costs of retrieving DOD's unused ticket data from their archives.

As you requested, we used the data provided by the airlines to determine the possible magnitude of the tickets DOD purchased but did not use or claim as a refund since 1997. Using the data that the airlines provided for fiscal year 2002, we calculated the total value of fully unused tickets as a percentage of total tickets purchased using a centrally billed account. We also used the more limited data the airlines provided on partially unused tickets for fiscal year 2002 to gauge the residual value of partially used tickets as a percentage of the total purchase value of these tickets. We applied these combined results, which on a per airline basis ranged from 1.44 percent to 3.26 percent, to the total purchase value of tickets purchased with centrally billed accounts since 1997 (about \$8 billion) and found—using the lowest estimate of 1.44 percent—that it is possible DOD purchased at least \$100 million in airline tickets that were unused and not

refunded during this period. (See app. II for further information on our calculations.)

As discussed previously, DOD was not aware of, and consequently did not maintain data on, unused tickets and would therefore have to rely on the airlines to provide the relevant data needed to claim refunds. The inconsistent and incomplete responses we received from the airlines point to the difficulties in determining the total value of unused tickets. While the airlines readily provided us with at least 1 year of the data we requested, some airline representatives informed us that data on tickets purchased prior to the last 18 months have been moved to electronic archives, and retrieving data from these archives is costly and time-consuming. The process involves restoring from archives millions of records of tickets the airlines have issued before they can identify tickets purchased with the DOD centrally billed accounts that are fully and partially unused. Further, additional work would be necessary to determine the value of the unused portions of partially unused airline tickets. Finally, the airlines stated that some ticket data were not maintained electronically and that generating information related to these tickets would involve manually sifting through the airlines' ticket coupons. However, unused tickets from these 5 airlines and the more than 85 other airlines that DOD uses represent a potentially substantial government claim.

DOD Did Not Implement Effective Controls over Unused Tickets

Millions of dollars of unused tickets have not been refunded because DOD did not have a systematic process to identify and process unused tickets. Effective internal controls are the first line of defense in safeguarding assets and preventing and detecting fraud, and are an integral part of an entity's accountability for government resources. However, we found that DOD's flawed process relied extensively on DOD personnel to report unused tickets to the travel offices. DOD had not systematically implemented procedures to identify instances in which travelers failed to notify the commercial travel offices (CTO) and their commands of unused tickets, or to ensure that refunds were processed once the CTOs received notifications. Although some units had instituted a process by fiscal year 2002 to more systematically identify instances of unused tickets, the process was not implemented DOD-wide and could only be used to identify unused electronic—not paper—tickets. Further, in locations where this process had been implemented, DOD did not have systematic procedures to verify that the CTOs identified all unused electronic tickets and processed these for refunds. Because our preliminary assessment determined that current operations used to identify and process unused

tickets were flawed, we did not statistically test current processes and controls.

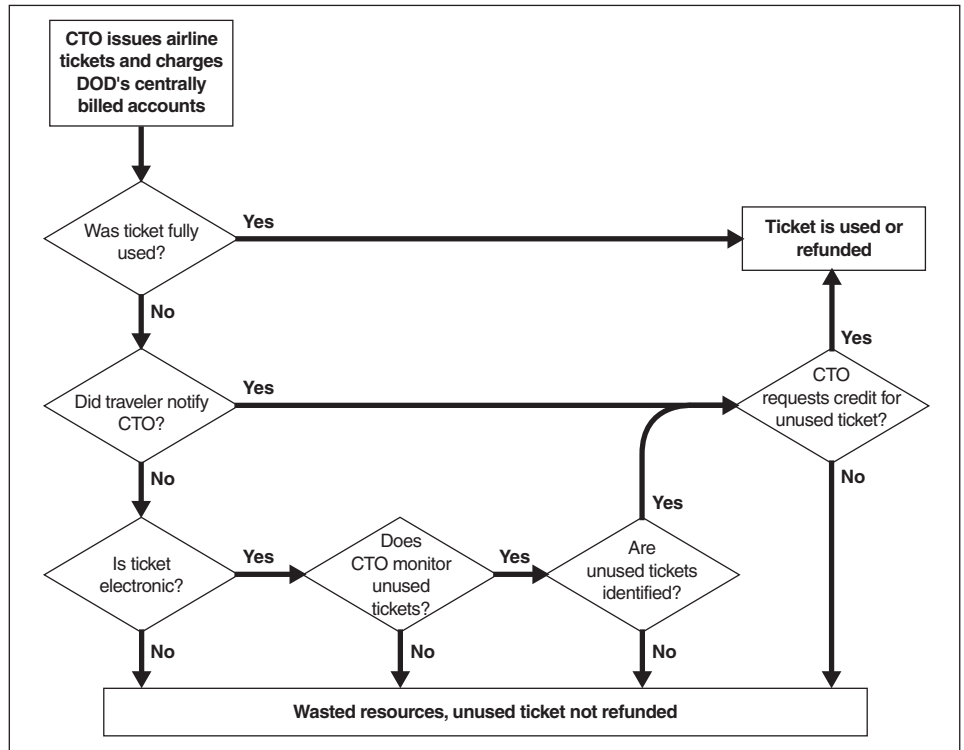
Inadequate Controls over Unused Ticket Reporting and Processing

During fiscal years 2001 and 2002, DOD relied on travelers to report unused tickets to the CTOs. DOD travel regulations state that the traveler must notify the CTO when a ticket is not used, and DOD's *Financial Management Regulations* further stipulates that it is the traveler's responsibility to return unused transportation tickets to the CTO for a refund. At some CTOs, each trip itinerary generated at the time an airline ticket was issued also contained a reminder to the traveler to return all unused tickets to the CTO. Unused ticket notification initiates a process whereby requests for refunds can be submitted to the airlines. As mentioned above, contract tickets purchased by the government are fully refundable. Timely processing of refunds ensures that scarce resources are returned to the government.

However, DOD did not implement control procedures to systematically determine the extent to which DOD travelers adhered to the unused ticket requirements, and to identify instances in which they did not. According to bank data, DOD received credits amounting to about 9 percent of the airline tickets purchased through the CTOs during fiscal years 2001 and 2002. Although these data indicate that some DOD travelers followed the unused ticket requirements, DOD did not maintain data in such a manner as to allow the department to identify the extent of noncompliance.

Figure 2 illustrates where control breakdowns can occur if travelers do not adhere to DOD requirements and report unused tickets to the CTOs. As shown in figure 2, once a ticket is charged to the centrally billed account and given to the traveler, DOD has no systematic controls to determine that the ticket was used—or remains unused—unless the traveler notifies the CTO that the ticket was not used. If the traveler does not notify the CTO of an unused ticket, the ticket would not be refunded unless the CTO monitored the status of airline tickets issued electronically and applied for refunds on all unused tickets. Figure 2 also shows that the failure to notify the CTO of an unused paper ticket would result in the ticket being unused and not refunded. In addition, if the CTO identifies or is notified of an unused ticket but fails to process a refund, the ticket will also be unused and not refunded.

Figure 2: Possible Control Breakdowns in the Unused Ticket Process



Source: GAO analysis of the process of issuing tickets charged to DOD's centrally billed accounts.

DOD services and agencies have sometimes identified unused tickets as an indirect result of the procedures they have put in place to monitor the status of their obligations. For example, budget officials at the Department of the Navy's location in Keyport, Washington, informed us that their financial system is programmed to identify all travel orders for which corresponding travel vouchers had not been filed 5 days after travel was to have been completed. Upon identification of the missing travel vouchers, the system automatically produces a list of travelers who have not filed their travel claims. Once identified, the finance office sends an e-mail reminder to the traveler to file his or her travel voucher. According to these officials, the traveler responds by filing a voucher or notifying the finance office that the travel was canceled and, therefore, the ticket was not used. Rather than relying on the traveler to notify the CTO of the unused ticket, the finance office gives the notification so that a refund can be processed. Similarly, finance officials at Hickam Air Base regularly monitor the

accounting system for open travel orders (unliquidated obligations) and notify the appropriate resource officers to work on these unliquidated obligations. These resource officers would in turn remind the travelers to file the requisite travel vouchers or notify the CTOs of unused tickets.

However, the monitoring of open travel orders is only partially effective in identifying unused tickets, as it still relies, to a large extent, on the traveler providing notification to the CTO of canceled travel. Further, in a report issued in January 2003,¹² we noted that hundreds of millions of dollars in unliquidated obligations were not accounted for because Navy fund managers failed to follow DOD regulations that require the periodic review of unliquidated obligations exceeding \$50,000. These Navy managers cited time constraints as one of the obstacles to reviewing these unliquidated obligations. In contrast to the unliquidated obligations exceeding \$50,000 referred to in that report, travel obligations are often valued in the thousands and sometimes only in the hundreds of dollars. Consequently, it is likely that many of these smaller obligations would be of an even lower priority and therefore not reviewed.

Similarly, we found that the monitoring of open travel orders at the Air Force is not effective in identifying unused tickets. The Air Force records all travel expenses—regardless of whether they were incurred with the centrally billed accounts or by the travelers directly—as one lump sum obligation. Once a voucher is filed, or a centrally billed charge is paid, whichever is sooner, the obligation would be liquidated, and the travel order removed from the list of unliquidated travel orders. Thus, the liquidation of an obligation is dependent on either the filing of a voucher or the payment of a centrally billed account, not whether the ticket is used or unused. Consequently, like the Navy, it would be difficult for the Air Force to consistently identify unused tickets through the monitoring of open travel orders.

We also found that DOD did not have control procedures to provide assurance that tickets identified as unused were processed for refunds. At 9 of the 10 locations we visited, neither the CTO nor the government travel office (GTO) maintained centralized records of unused tickets submitted by the travelers. Without a centralized record of unused tickets, an unused ticket that had been lost or never processed for refund would not be

¹²U.S. General Accounting Office, *Defense Budget: Improved Reviews Needed to Ensure Better Management of Obligated Funds*, [GAO-03-275](#) (Washington, D.C.: Jan. 30, 2003).

detected. Therefore, neither the CTO nor the GTO could certify that all tickets turned in by the travelers were processed for refunds. We did note, however, that 6 of the 10 locations had implemented procedures to verify that unused tickets processed for refunds resulted in credits to the government.

DOD Had Not Designed Procedures to Reconcile Centrally Billed Account Tickets to Travel Claims

Our internal control standards identify reconciliation as a control activity that helps enforce management's directives and ensures that actions are taken to address risks. Reconciliation should be performed routinely so that problems are detected and corrected promptly and differences are not allowed to age, thereby becoming increasingly difficult to research. However, we found that DOD did not implement reconciliation procedures that link airline tickets purchased with the centrally billed account to travel claims submitted by travelers. Specifically, when DOD purchased an airline ticket with a centrally billed account, DOD did not implement procedures to identify whether the traveler has or has not submitted a travel voucher. A lack of a travel voucher could indicate that the ticket was unused. Without reconciling these two types of records, DOD could not obtain reasonable assurance that centrally billed account charges represent airline tickets that were eventually used.

DOD regulations require that travelers file travel claims, in the form of a travel voucher, within 5 days of the end of travel. The filing of a travel claim provides positive confirmation that the travel took place. A travel claim also represents the traveler's assertion that the transportation mode indicated on the travel order—be it air or land—was used in the performance of official duty. Only in exceptional circumstances would the filing of a travel voucher fail to provide the confirmation that an airline ticket provided to the traveler through the centrally billed account was not used. For example, mechanical problems at one airline could result in the traveler buying another ticket on a different airline with an individually billed travel card or a personal credit card. In these instances, the ticket acquired through the centrally billed account would not be used, and this could have been detected through a reconciliation process.

In addition, the positive confirmation provided by the filing of a travel voucher indicates that a DOD-wide reconciliation between travel vouchers and centrally billed account charges would lead to the identification of instances in which travel claims have not been filed for travel involving the issuance of a centrally billed airline ticket. Such identification would allow DOD to follow up with the travelers to determine whether travel was taken,

and therefore whether the ticket was used. A failure to reconcile tickets that were centrally acquired to travel claims filed by travelers resulted in DOD not being able to determine whether the airline tickets it purchased were used.

Some DOD Units Have Implemented Procedures to Identify Unused Electronic Tickets

In the period under audit, some DOD units have made improvements to its unused ticket process to compensate for the lack of internal controls over the centrally billed account program. By fiscal year 2002, some DOD units had established procedures intended to systematically identify unused electronic tickets, thus allowing DOD to obtain refunds on tickets it otherwise might have missed. At these locations, the computer systems used to reserve and purchase flights¹³ allow the CTOs to search the databases of each airline that participates in electronic ticketing. Each CTO can customize the searches to generate a list of unused electronic tickets directly from these computer reservation systems, or manually review data on the status of each electronic ticket to identify tickets that are unused.

These procedures enable the CTOs to systematically identify unused e-tickets without having to receive notification from the travelers. CTOs can process requests for refunds directly in the computer reservation systems after unused tickets are identified. This on-line capacity allows DOD to obtain timely refunds and increases the organization's ability to safeguard resources. An increasingly larger portion of all tickets issued are issued electronically—data from one large U.S. airline indicated that 69 percent of tickets issued during fiscal year 2002 and as much as 84 percent of tickets issued during fiscal year 2003 were electronic tickets. Consequently, these procedures increase DOD's ability to capture refunds on a large portion of unused tickets. This ability to independently identify unused electronic tickets, if implemented across the services consistently and properly supervised, would allow DOD to partially compensate for the lack of controls in ensuring that travelers notify the appropriate office of canceled travel.

¹³Systems from three domestic companies dominate the U.S. travel agent market: Sabre, Galileo, and Worldspan. Each computer system allows a travel agency to access participating airlines' schedules, fares, and seat availability; to make airline reservations; and to issue airline tickets. Although each computer reservation system was developed at a different airline, carriers have had to participate in each system so that all travel agents have access to an airline's flight information. These systems are required to be unbiased in providing flight listings so that some airlines are not favored over others.

However, our work found that not all locations implemented this capability during fiscal year 2002. This is partly because DOD did not incorporate a requirement for this capability into all the contracts it issued to the CTOs during fiscal year 2002. For example, the CTO at Hickam Air Base did not monitor unused tickets electronically because its contract did not require it to do so. In contrast, some locations that did not have this requirement in their contracts nevertheless implemented this capability through an agreement between the CTO and the GTO. High-level DOD officials to whom we reported the status of unused tickets informed us that they will require this capability to be a part of the new contracts issued under the Defense Travel System (DTS). The DTS is intended to be the DOD-wide travel system and replace the more than 30 travel systems currently operating within the department. However, according to a 2002 DOD Office of Inspector General report,¹⁴ “the DTS was being substantially developed without the requisite requirements, cost, performance, and schedule documents and analyses needed as the foundation for assessing the effectiveness of the system and its return on investment.” The report further noted that DOD estimated that deployment would not be completed until fiscal year 2006.

In general, we found that the GTOs at locations where the CTOs had put this process in place have not implemented control procedures to verify that the CTOs consistently identify and file for refunds on unused e-tickets. For instance, the CTOs at several locations we visited did not provide their respective GTOs with inventories of tickets they have identified as unused. Therefore, the transportation officers were unable to determine that all unused tickets were turned in for refunds. As noted above, we found that several transportation officers had procedures in place to confirm that the organization receives a credit for tickets that have been submitted for refunds. However, this process was not implemented at all locations we visited. Consequently, not all DOD units could provide assurance that all requests for refunds resulted in a credit to the government.

Even if the CTOs can identify all e-tickets, they cannot independently identify nonelectronic tickets. Nonelectronic tickets are typically used for international travel because many non-U.S. carriers do not issue electronic tickets. International travel can sometimes make up as much as 25 percent

¹⁴U.S. Department of Defense, Office of the Inspector General, *Allegations to the Defense Hotline on the Management of the Defense Travel System*, Report No. D-2002-124 (Arlington, Va.: July 1, 2002).

of the total dollar value of a unit's travel. Given the inability to identify unused paper tickets, and weaknesses in the control procedures over the CTOs, the reconciliation procedures we discussed previously will still need to be established to match purchases made with centrally billed accounts to travel vouchers that have been filed. Unless DOD establishes a procedure to verify whether all airline tickets are used, it will not have reasonable assurance that airline tickets purchased through the centrally billed account are used or refunded.

Improvements in Management of the Individually Billed Accounts Provide DOD Options to Minimize Unused Ticket Risks

In a series of testimonies¹⁵ and reports¹⁶ issued in fiscal years 2002 and 2003, we addressed problems that the Army, Navy, and Air Force had in managing the individually billed account travel cards. These testimonies and reports showed high delinquency rates and significant potential fraud and abuse related to DOD's individually billed travel card program. However, recent improvements to the individually billed program point to the possibility of using this program as the principal means of acquiring tickets, thereby reducing the government's risk of losses from unused tickets arising from the use of centrally billed accounts.

In response to our testimonies and reports on the individually billed accounts, the Congress took actions in the fiscal year 2003 appropriations and authorization acts¹⁷ requiring (1) the establishment of guidelines and procedures for disciplinary actions to be taken against cardholders for improper, fraudulent, or abusive use of government travel cards; (2) the denial of government travel cards to individuals who are not creditworthy; (3) split disbursements¹⁸ for travel cardholders; and (4) offset of delinquent

¹⁵[GAO-02-863T](#) and [GAO-03-148T](#).

¹⁶[GAO-03-169](#), [GAO-03-147](#), and [GAO-03-298](#).

¹⁷Department of Defense Appropriations Act, 2003, Pub. L. No. 107-248, 116 Stat. 1519 (2002), and the Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107-314, 116 Stat. 2458 (2002).

¹⁸Split disbursement is a process in which DOD pays the travel-card-issuing bank directly for charges incurred on the travel card and claimed on the travel voucher. Additional money owed to the traveler is deposited directly into the traveler's bank account. Split disbursements are required of all military and civilian personnel. See also the National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136, § 1009, 117 Stat. 1392, 1587 (2003), 10 U.S.C. § 2784a.

travel card debt against the pay or retirement benefits of DOD civilian and military employees and retirees.

In response, DOD has implemented many of the legislatively mandated improvements—most notably the implementation of split disbursements and salary offsets and the reduction in the numbers of individuals with access to the travel cards. According to Bank of America, the delinquency rates we noted in our prior reports at the Army, Navy, and Air Force have decreased. For example, the delinquency rate at the Navy had decreased from an average monthly delinquency rate of about 11 percent during fiscal year 2002 to an average monthly delinquency rate of less than 7 percent in fiscal year 2003. Similarly, during that same period the Army’s average monthly delinquency rate decreased from about 14 percent to an average monthly delinquency rate of about 9 percent.

The benefits of using a well-controlled individually billed account program as the principal mechanism for acquiring airline tickets are twofold. First, in the individually billed account program, the cardholder is directly responsible for all charges incurred on his or her travel card. In contrast, improper charges to centrally billed accounts that are not detected and disputed or authorized charges, such as airline tickets that are not used, result in direct financial losses to the government in the amount of the face value of the tickets. Second, with the use of individually billed accounts to purchase tickets, DOD travelers have greater incentive to turn in unused tickets because they are responsible for paying the ticket charges. The use of individually billed cards to acquire airline tickets would therefore help to limit the government’s financial exposure.

However, the use of the individually billed accounts to acquire airline tickets would only minimize, not eliminate, the necessity of implementing internal controls over the centrally billed account program. DOD would still need to maintain a centrally billed account structure to purchase airline tickets for travelers who have been denied individually billed accounts, infrequent travelers whose individually billed credit cards have been canceled, and new employees who have not yet acquired individually billed accounts.

Conclusion

The millions of dollars wasted on unused airline tickets provides another example of why DOD financial management is one of our “high-risk” areas, with DOD highly vulnerable to fraud, waste, and abuse. In implementing the centrally billed component of the travel card program, DOD relied on a

weak process that depended on travelers reporting all unused tickets to CTOs. Although many DOD travelers informed the CTOs of unused tickets as required, the lack of specific internal control procedures to identify instances in which the travelers did not do so resulted in DOD paying for thousands of airline tickets that were not used and not processed for refunds. During fiscal year 2003, some DOD units began implementing procedures to more systematically identify unused airline tickets, and in fiscal year 2004, DOD started working to recover from the airlines the value of unused tickets we identified. DOD must build on these improvements and establish controls over unused tickets to improve its ability to control costs and ensure basic accountability over scarce resources. In addition, DOD should take immediate actions to recover the outstanding value of tickets that were fully or partially unused and not refunded.

Recommendations for Executive Action

To improve the management DOD's travel resources, we are making the following 20 recommendations to DOD officials.

To decrease the risks associated with the use of the centrally billed accounts, we recommend that the Secretary of Defense evaluate the feasibility of the following two actions:

- establishing the individually billed account travel card as the primary payment mechanism for transportation expenses, and
- limiting the use of the centrally billed account travel card to procuring transportation expenses for those employees without access to individually billed accounts, such as new employees who have not yet obtained individually billed account travel cards and employees who do not qualify for the use of individually billed account travel cards, and for other situations in which the use of an individually billed travel card is not practical.

To enable DOD to systematically identify future unused airline tickets purchased through the centrally billed accounts, and improve internal controls over the processing of unused airline tickets for refunds, we recommend that the Secretaries of the Army, Air Force, and Navy and the heads of DOD agencies direct the appropriate personnel within services and agencies to take the following nine actions:

-
- evaluate the feasibility of implementing procedures to reconcile airline tickets acquired using the centrally billed accounts to travel vouchers in the current travel system;
 - modify existing CTO contracts to include a requirement that the CTOs
 - establish a capability to systematically identify unused e-tickets in their computer reservation systems,
 - identify all unused tickets based on specified criteria before the unused ticket data are removed from the computer reservation systems,
 - maintain daily schedules that identify unused tickets and how long they have been unused,
 - routinely provide the GTOs with unused ticket reports,
 - routinely process refunds for tickets identified as unused, and
 - submit to the GTOs all requests for refunds that have been processed;
 - require the GTOs to routinely compare unused tickets processed by the CTOs to the credits on the Bank of America invoice; and
 - require either the GTOs or the units responsible for monitoring the CTOs' activities to determine whether the CTOs are consistently implementing the procedures to identify unused tickets and process these tickets for refunds.

To enable DOD to more effectively monitor unused tickets under the DTS, we recommend that the Secretary of Defense direct the appropriate personnel to take the following four actions:

- use the DTS to remind travelers to claim refunds on all unused tickets,
- include in future contracts issued for the DTS, a requirement that the CTOs establish the capability to
 - systematically identify unused tickets and

-
- process these tickets for refunds, and
 - establish, in the DTS, a capability to routinely match travel vouchers to tickets issued through the centrally billed accounts.

To recover outstanding claims on unused tickets, we recommend that the Under Secretary of Defense (Comptroller) initiate the following five actions:

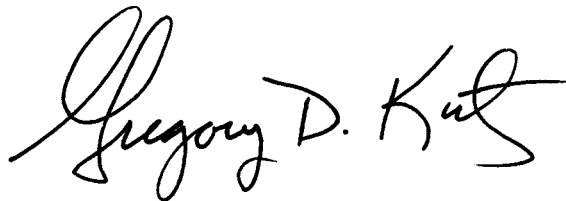
- immediately submit claims to the airlines to recover the \$21 million in fully and partially unused tickets identified by the airlines and included in this report;
- calculate, with the assistance of the airlines, the residual value of the partially unused tickets identified by the airlines and included in this report; and
- work with the five airlines identified in this report and other airlines from which DOD purchased tickets with centrally billed accounts to
 - identify the feasibility of determining the recoverability of other fully and partially unused tickets purchased with DOD centrally billed accounts,
 - determine the value of the unused portions of those tickets, and
 - initiate actions to obtain refunds.

Agency Comments and Our Evaluation

In written comments on a draft of this report, which are reprinted in appendix III, DOD concurred with all 20 of our recommendations and stated that it had taken actions or will take actions to address these recommendations. For example, with respect to actions already taken, DOD stated that it has implemented, in the DTS, a capability to routinely match travel vouchers to tickets issued through the centrally billed accounts. This capability is currently being tested at certain pilot sites. With respect to actions under way, DOD had submitted claims to the airlines on February 26, 2004, to recover the \$21 million in fully and partially unused paper and electronic tickets identified by the airlines, and stated that it will work with the airlines from which it purchased tickets through the centrally billed accounts to identify the feasibility of determining the recoverability of other fully and partially unused tickets.

As agreed with your offices, unless you announce the contents of this report earlier, we will not distribute it until 30 days from its date. At that time, we will send copies to interested congressional committees; the Secretary of Defense; the Under Secretary of Defense, Comptroller; the Secretary of the Army; the Secretary of the Navy; the Secretary of the Air Force; and the Director of the Defense Finance and Accounting Service. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact Gregory D. Kutz at (202) 512-9505 or kutzg@gao.gov, John J. Ryan at (202) 512-9587 or ryanj@gao.gov, or John V. Kelly at (202) 512-6926 or kellyj@gao.gov if you or your staffs have any questions concerning this report. Major contributors to this report are acknowledged in appendix IV.



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Objectives, Scope, and Methodology

Pursuant to a joint request by the Chairman and Ranking Minority Member of the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs; the Chairman of the Senate Committee on Finance; and Representative Schakowsky, we audited the controls over unused airline tickets purchased through the Department of Defense's (DOD) centrally billed accounts. Our assessment covered the following:

- the extent of tickets charged to the centrally billed accounts that are unused and not refunded and
- whether DOD's internal controls provided reasonable assurance that all unused tickets were identified and submitted for refunds.

To assess the magnitude of tickets charged to the centrally billed accounts that are unused and not refunded, we obtained from Bank of America databases for fiscal years 2001 and 2002 travel transactions charged to DOD's centrally billed travel card accounts. The databases contained transaction-specific information, including ticket fare, ticket number, name of passenger, date and destination of travel, and number of segments in each ticket. We reconciled these data files to control totals provided by Bank of America and to data reported by the General Services Administration as DOD's centrally billed account activities. We also requested that the five airlines that DOD used most frequently provide us with data relating to tickets DOD purchased during fiscal years 2001 and 2002 that were unused and not refunded. These five airlines—American, Delta, Northwest, United, and US Airways—together accounted for more than 82 percent of the value of total airline tickets DOD purchased. To obtain assurance that the tickets the airlines reported as unused represented only airline tickets charged to DOD centrally billed accounts we compared data provided by the airlines to transaction data provided by Bank of America. Because DOD does not track whether tickets purchased with centrally billed accounts were used, we were unable to confirm that the population of unused tickets that the airlines provided was complete, that is, it included all DOD tickets that are unused and not refunded.

While the five airlines provided data on unused tickets that allowed us to identify which tickets were unused and not refunded, they did not provide uniform or consistent data, and their data did not always cover the same periods. Specifically, all five airlines provided data that enabled us to determine the total purchase price of fully unused tickets, and four of the five airlines provided data that enabled us to determine the total purchase price of partially unused tickets. Only one airline provided us the unused

value (residual value) of partially unused tickets. Further, while all five airlines provided us information on fiscal year 2002 fully unused tickets, the data they provided on fully unused tickets covered from 1 to over 4 years. In addition, only four airlines provided partially unused ticket data, and the data they provided similarly covered from 1 to over 4 years. For further details on the type of data received, and our calculations of the value of fully unused and partially unused tickets, see appendix II. We also reviewed relevant statutes and court decisions related to the period of time federal agencies are allowed to claim refunds and apply administrative offsets to goods and services they purchased but did not receive.

To assess controls over unused tickets, we obtained an understanding of the travel process by reviewing DOD's travel regulations and interviewing officials from the Departments of the Army, Navy, and Air Force. We visited two Army units, three Navy units, three Air Force units, and two Marine Corps units to confirm our understanding of the travel process. We also interviewed DOD officials at the government travel offices and representatives of the commercial travel offices to obtain an understanding of the process used to identify unused tickets and claim refunds on those tickets. To assess the internal controls over unused tickets, we applied the fundamental concepts and standards set forth in our *Standards for Internal Control in the Federal Government*¹ to the practices followed by these units to manage unused tickets. Because we determined that controls over unused tickets were ineffective, we did not assess or design statistical sampling tests to test these controls.

We briefed DOD managers, including DOD officials in the Office of the Under Secretary of Defense (Comptroller), the Defense Finance and Accounting Service, and the Office of the Inspector General; Army officials in the Office of Deputy Chief of Staff for Logistics; Navy officials in the Office of the Assistant Secretary of the Navy for Financial Management and Comptroller; Air Force officials in the Office of the Deputy Chief of Staff for Installation and Logistics; and Marine Corps officials in the Office of Deputy Chief of Staff for Installations and Logistics concerning the results of our work. On December 19, 2003, we provided DOD officials with a partial list of fully and partially unused tickets we received as of that date. On February 10, 2004, we requested comments on a draft of this report from the Secretary of Defense or his designee. We conducted our audit

¹U.S. General Accounting Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

Appendix I
Objectives, Scope, and Methodology

work from March 2003 through January 2004, in accordance with U.S. generally accepted government auditing standards.

Known Value of Fully and Partially Unused Tickets and Potential Magnitude of Control Weaknesses

To determine whether design flaws in controls over purchasing tickets using DOD centrally billed accounts resulted in a significant loss of federal tax dollars, we contacted DOD's five most frequently used airlines and requested that they identify tickets DOD purchased with a centrally billed account that had not been used or refunded as of the date of our request. While those airlines did not provide consistent data concerning unused tickets, they did provide information sufficient to allow us to determine the unused value of some of their fully unused tickets and the original purchase price of some of the partially unused tickets. In addition, one airline provided information on the unused value of at least some of its partially unused tickets. Using the ratios of the known value of unused tickets to total tickets purchased, we were able to assess the potential magnitude of tickets purchased with DOD centrally billed accounts that were not used or refunded since 1997—the first year for which centrally billed account information is available from the General Services Administration.

Types of Data Provided Differed Substantially between Airlines

We asked DOD's five most frequently used airlines—American, Delta, Northwest, United, and US Airways—to provide information on tickets purchased by DOD with centrally billed accounts during fiscal years 2001 and 2002 that had not been used or refunded. As shown in table 4, while all the airlines generally provided complete data on fiscal year 2002 fully unused tickets, the airlines did not provide uniform, complete, or consistent responses to our request for fiscal year 2002 partially unused tickets, or for fully or partially unused ticket data for fiscal year 2001. In addition, some airlines provided some information on fully and partially unused tickets that were purchased in fiscal years 2003, 2000, and 1999.

**Appendix II
Known Value of Fully and Partially Unused
Tickets and Potential Magnitude of Control
Weaknesses**

Table 4: Type of Data Provided by the Airlines

Airline	Type of data	Period covered
American	<ul style="list-style-type: none"> • Value of fully unused tickets • Purchase price of partially unused tickets • Unused value of partially unused tickets 	<ul style="list-style-type: none"> • Tickets purchased in the 13-month period from September 2001 through September 2002^a
Delta	<ul style="list-style-type: none"> • Status of all tickets issued to DOD 	<ul style="list-style-type: none"> • Tickets purchased during fiscal years 2001 and 2002
Northwest	<ul style="list-style-type: none"> • Value of fully unused tickets • Purchase price of partially unused tickets 	<ul style="list-style-type: none"> • Tickets purchased in fiscal years 2001 and 2002^b
United	<ul style="list-style-type: none"> • Value of fully unused tickets • Purchase price of partially unused tickets 	<ul style="list-style-type: none"> • Electronic tickets: tickets purchased from November 1998 through December 2002 • Paper tickets: tickets purchased primarily^c from April 2002 through December 2002
US Airways	<ul style="list-style-type: none"> • Value of fully unused tickets 	<ul style="list-style-type: none"> • Tickets purchased in the 15-month period from July 2001 through September 2002

Source: GAO analysis of airline data.

^aAmerican Airlines also provided data on tickets purchased from October through December 2002 that were still unused. We excluded 8,136 American Airlines unused tickets totaling \$2.1 million from our analysis because either (1) less than 6 months had passed between the time the tickets were purchased and when American Airlines provided the file or (2) Bank of America data did not confirm whether the tickets were fully or partially unused.

^bNorthwest Airline's file included 88 tickets that were issued in fiscal 2000 that were included in fiscal year 2001 Bank of America statements.

^cUnited Airlines provided information on 9,702 paper tickets; 413 of those paper tickets were purchased prior to April 2002.

While American, Delta, Northwest, and United provided some data on partially unused tickets, US Airways did not provide any. Further, as noted in table 4, while American, Delta, Northwest, and United provided data on the total purchase price of tickets that were partially unused, American Airlines was the only airline that also provided data on the unused value of its partially unused tickets. Table 4 also shows that there were inconsistencies among the airlines when it came to providing data on unused tickets purchased before, during, and after fiscal year 2002. The airlines cited difficulties with accessing their historical files as the reason for not being able to fully respond to our request. The airlines pointed out that to provide additional information, they would have had to access information that had been stored in archived computer files, and in some instances, the computer files had been eliminated and the only documentation that remained were paper records of the flights.

Known Unused Value of Fully and Partially Unused Tickets

As shown in table 5, airline data showed that DOD used centrally billed accounts to purchase about 58,000 tickets with a value of \$21.1 million that were unused and not refunded. The \$21.1 million included more than 48,000 tickets valued at \$19.2 million that were fully unused and about 10,000 partially unused tickets (i.e., at least one leg had never been used) that had an unused value of about \$1.9 million. Due to differences in the data provided by the airlines, we used three primary methods to identify the number and value of tickets that are fully unused. Three airlines—Northwest, United, and US Airways—provided us with data files that identified a ticket as being fully unused and its purchase price. For these airlines, we calculated the unused value of fully unused tickets by totaling the purchase price of each of the fully unused tickets. American Airlines provided us a file containing fully unused and partially unused tickets. To separate partially from fully unused, we used Bank of America data. Delta Airlines provided us with data on the status of each airline ticket DOD purchased using the centrally billed accounts during fiscal years 2001 and 2002 and guidance on how to determine whether a ticket is fully used, partially unused, or fully unused. To identify fully unused Delta tickets from Delta databases, we first identified tickets reported by Delta that matched Bank of America data of how many ticket legs were purchased, then we used the guidance Delta provided to identify its fully unused tickets. Once we identified these tickets, we derived the unused value of fully unused Delta Airlines tickets by totaling the purchase price of each of the fully unused tickets, similar to the methodology we used for the other four airlines.

**Appendix II
Known Value of Fully and Partially Unused
Tickets and Potential Magnitude of Control
Weaknesses**

Table 5: Known Value of Unused Tickets by Airline

Dollars in millions

Airline	Number of tickets identified as fully unused			Unused value of fully unused tickets		
	Fiscal year		Total	Fiscal year		Total
	2002	2001		2002	2001	
Known value of fully unused tickets						
American ^a	5,806	345	6,151	\$2.1	\$ 0.1	\$2.2
Delta	8,441	7,147	15,588	3.3	3.1	6.4
Northwest	1,640	1,839	3,479	1.1	1.2	2.3
United ^b	5,682	4,044	9,726	2.3	1.3	3.6
US Airways ^c	4,933	1,786	6,719	1.8	0.5	2.3
Total fiscal years 2001 and 2002			41,663			\$16.8
Other time period ^d	--	--	6,557	--	--	2.4
Total value of fully unused tickets	--	--	48,220	--	--	\$19.2
Known value of partially unused tickets						
American ^a	9,159	567	9,726			\$1.9
Known value of fully and partially unused tickets						
Total value of fully and partially unused tickets	--	--	57,946	--	--	\$21.1

Source: GAO analysis of airline data.

^aPartial fiscal year 2001 data include September 2001 only.

^bUnited Airlines did not provide data on the number and value of paper tickets purchased prior to April 2002 that were unused and not refunded.

^cPartial fiscal year 2001 data include data from July 2001 through September 2001.

^dTickets purchased in fiscal year 2003 and prior to fiscal year 2001.

Partially Unused Tickets

We could not determine the total unused value of partially unused tickets for the five airlines we reviewed. Only American Airlines calculated the unused value of the partially unused tickets it identified. Three airlines—Delta, Northwest, and United—provide the original purchase price of the partially unused airlines tickets, and US Airways did not provide any information on partially unused tickets. To determine the number and total purchase price of partially used tickets purchased with DOD centrally billed accounts for which DOD did not claim a refund, we followed the same methodology used to derive the number and purchase price of fully unused tickets. For example, to derive the total purchase price of partially unused American, Northwest, and United tickets, we added the purchase

Appendix II
Known Value of Fully and Partially Unused
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price of each of the partially unused tickets.¹ For Delta Airlines, we applied the guidance Delta representatives provided to identify partially unused tickets, then added the purchase price of each of these tickets to derive the total. As shown in table 6, our analysis of partially unused tickets indicated that DOD travelers did not use all of the segments on more than 91,000 tickets DOD purchased with centrally billed accounts.

Table 6: Partially Unused Ticket Number and Value

Dollars in millions

Airline	Number of tickets identified as partially unused			Purchase price of tickets identified as partially unused		
	Fiscal year			Fiscal year		
	2002	2001	Total	2002	2001	Total
American ^a	9,159	567	9,726	\$5.5	\$0.3	\$5.8
Delta	29,483	21,811	51,294	22.9	16.4	39.3
Northwest ^b	3,283	4,137	7,420	3.2	4.4	7.6
United ^c	10,319	3,962	14,281	8.2	1.8	10.0
US Airways	^d	^d	^d	^d	^d	^d
Total fiscal years 2001 and 2002			82,721	\$39.8	\$22.9	\$62.7
Other time period ^e	--	--	8,542	--	--	5.2
Total, partially unused	52,244	30,477	91,263	\$39.8	\$22.9	\$67.9

Source: GAO analysis of airline data.

^aPartial fiscal year 2001 data include September 2001 only.

^bPurchase price of \$7.6 million represents Bank of America data on ticket price. This amount differs from Northwest Airlines' reported fare of \$7.2 million. Our analysis indicates that Northwest Airlines excluded taxes and fees from its reported amount of \$7.2 million.

^cUnited Airlines was not able to provide complete data on the number and value of paper tickets that were purchased prior to April 2002 but were not used or refunded. Consequently, the number and value of partially unused United tickets are understated by the number and value of paper tickets purchased prior to April 2002 that were partially unused, not refunded, and not provided.

^dData not provided.

^eTickets purchased in fiscal year 2003 and prior to fiscal year 2001.

¹As previously discussed, US Airways did not provide us data on partially unused tickets.

Possible Magnitude of Unused Tickets Purchased with Centrally Billed Accounts

During the period from fiscal year 1997 through 2003, DOD spent about \$8 billion on airline tickets purchased using centrally billed accounts. To assess the potential magnitude of fully and partially unused airline tickets purchased using centrally billed accounts since 1997—the first year that centrally billed account information is available from the General Services Administration—we used known information related to fiscal year 2002 fully and partially unused tickets and applied that information to the tickets purchased from fiscal years 1997 through 2001 and in fiscal year 2003. We used fiscal year 2002 data because it was the only year for which the airlines provided us fairly complete data. This assessment indicates that the unused value of fully and partially unused tickets purchased from fiscal year 1997 to fiscal year 2003 with DOD centrally billed accounts could be at least \$115 million.

The magnitude of fully unused tickets could be at least \$53 million. As shown in table 7, the percentage of fully unused tickets (unused ticket value as a percentage of total ticket sales) in fiscal year 2002 for DOD’s five most frequently used airlines ranged from 0.66 percent for United Airlines to 1.11 percent for American Airlines and US Airways.

Table 7: Fiscal Year 2002 Fully Unused Ticket Ratios

Dollars in millions

Airline	Value of fully unused tickets	Value of tickets purchased through DOD’s centrally billed accounts	Value of fully unused tickets as a percentage of the value of all ticket purchases ^a
American	\$2.1	\$189.1	1.11
Delta	3.4	334.0	1.01
Northwest	1.1	104.8	1.01
United	2.3	344.8	0.66
US Airways	1.8	159.5	1.11
Total	\$10.7	\$1,132.2	--

Source: GAO analysis of data provided by Bank of America and the airlines.

^aDifferences due to rounding of the value of fully unused tickets and the total value of tickets purchased through DOD’s centrally billed accounts.

The substantially lower ratio for United Airlines is attributed to the fact that fully unused ticket data from United Airlines did not include complete data on paper tickets purchased during the first 6 months of fiscal year 2002. If data on fully unused paper tickets were available, the ratio of fully

Appendix II
Known Value of Fully and Partially Unused
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Weaknesses

unused tickets for United Airlines would be higher. To be conservative, we applied the lowest percentage of the value of fully unused tickets (United Airlines ratio of 0.66 percent) to the value of all airline tickets that DOD purchased from fiscal years 1997 through 2003 (\$8 billion). If the ratio of the value of fully unused tickets to the total value of tickets purchased with a centrally billed account in fiscal year 2002 was consistent since 1997, the magnitude of value of fully unused tickets could be at least \$53 million.

The potential magnitude of the unused value of partially unused tickets could increase the unused ticket value by at least \$62 million. To arrive at this assessment, we used the data provided by the airlines on partially unused tickets for fiscal year 2002 to calculate the estimated unused value of partially unused tickets for each of the four airlines that provided partially unused ticket data. The first step was to estimate the unused value of partially unused tickets for each of the four airlines. We accomplished this by multiplying the total value of partially unused tickets by the fiscal year 2002 American Airlines ratio of the unused value of partially unused tickets to the total purchase price of those tickets.² We then divided the estimated unused value of the partially unused tickets for the four airlines by the total fiscal year 2002 ticket sales for those airlines. As shown in table 8, if the American Airlines' experience can be extrapolated to the other airlines, the unused value of partially unused tickets ranges from .78 percent to 2.25 percent of total purchases.

²As reported previously, the airlines informed us that to calculate the residual value of partially unused tickets, each segment would have to be repriced. However, for the purpose of assessing the range of possible residual value, we used American Airlines data because American Airlines was the only airline that provided us with that type of data.

**Appendix II
Known Value of Fully and Partially Unused
Tickets and Potential Magnitude of Control
Weaknesses**

Table 8: Analysis of Fiscal Year 2002 Partially Unused Ticket Ratios

Dollars in millions

Airline	Purchase price	American Airlines unused value ratio^a (percentages)	Estimated unused value of fiscal year 2002 tickets	Total fiscal year 2002 purchases	Estimated unused value as a percentage of total purchases^b
US Airways	^c	^c	^c	^c	^c
American	\$ 5.5	32.73	\$1.8	\$189.1	0.95
Delta	22.9	32.73	7.5	334.0	2.25
Northwest	3.2	32.73	1.0	104.8	0.95
United ^d	8.2	32.73	2.5	344.8	0.78
Total	\$39.8	--	\$12.8	\$972.7	--

Source: GAO analysis of Bank of American and airline data.

^aThis is the ratio of the unused value of American Airlines partially unused tickets to the total purchase price of American Airlines partially unused tickets in fiscal year 2002.

^bDifferences due to rounding.

^cNot provided.

^dThe United Airlines ratio of purchase price of partially unused tickets as a percentage of total purchases is understated because, as mentioned previously, the information United Airlines provided us did not include complete data on paper tickets that were purchased prior to April 2002 but were not used or refunded. Consequently, the purchase price for United Airlines is understated by the value of paper tickets that were purchased prior to April 2002 but were partially unused, not refunded, and not provided. In contrast, the total purchases column includes all data.

Again, to be conservative, we applied the lowest ratio of unused value of partially unused tickets (United Airlines ratio of 0.78 percent) to the \$8 billion of all airline tickets that DOD purchased from fiscal years 1997 through 2003. If the ratio of the unused value of partially unused tickets to the total value of tickets purchased with centrally billed accounts in fiscal year 2002 was consistent since 1997, the magnitude of unused value of partially unused tickets could be at least \$62 million.

To determine the possible total magnitude of the value of airline tickets DOD purchased with centrally billed accounts that were unused and not refunded, we added the minimum value of potential fully unused tickets to minimum value of potential partially unused tickets. As a result, we determined that it was possible that DOD had purchased at least \$115 million in tickets that were unused and not refunded.

Comments from the Department of Defense



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



FEB 24 2005

Mr. Gregory D. Kutz
Director
Financial Management and Assurance
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Kutz:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft Report, "DoD Travel Cards: Control Weaknesses Led to Millions of Dollars Wasted on Unused Airline Tickets," dated February 10, 2004, (GAO Code 192106/GAO-04-398). The DoD concurs with the 20 recommendations in the draft report and is already taking action to correct the noted deficiencies.

The Department appreciates the opportunity to comment on the draft report. My staff point of contact is Ms. Jacqueline Jenkins. She may be reached by email: jacqueline.jenkins@osd.mil or by telephone at (703) 697-8282.

Sincerely,

Dov S. Zakheim

Enclosure:
As stated

GAO DRAFT REPORT DATED FEBRUARY 10, 2004
GAO-04-398 (GAO CODE 192106)
"DoD TRAVEL CARDS: CONTROL WEAKNESSES LED TO
MILLIONS OF DOLLARS WASTED ON UNUSED AIRLINE
TICKETS"

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense evaluate the feasibility of establishing the individually billed account travel card as the primary procurement mechanism to paying for transportation expenses. (p. 23/GAO Draft Report)

DoD RESPONSE: Concur. The Department will evaluate the feasibility of establishing the individually billed account travel card as the primary procurement mechanism to pay for transportation expenses. The estimated completion date is June 15, 2004.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense evaluate the feasibility of limiting the use of the centrally billed account travel card to procure transportation expenses for those employees without access to an individually billed account, such as new employees who have not yet obtained an individually billed account travel card, employees who do not qualify for the use of an individually billed account travel card, and other situations in which the use of an individually billed travel card is not practical. (p. 23/Draft Report)

DoD RESPONSE: Concur. The Department will evaluate the feasibility of limiting the use of the centrally billed account travel card to procure transportation expenses. The estimated completion date is June 15, 2004.

RECOMMENDATION 3: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to evaluate the feasibility of implementing procedures to reconcile airline tickets acquired using the centrally billed accounts to travel vouchers in the current travel system. (p. 23/GAO Draft Report)

DoD RESPONSE: Concur. The Defense Finance and Accounting Service (DFAS) will evaluate the feasibility of reconciling airline tickets purchased on centrally billed accounts to travel vouchers in the current travel system with the appropriate personnel within the DoD Components. The estimated completion date is May 31, 2004.

RECOMMENDATION 4: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to modify existing commercial travel office (CTO) contracts to include a requirement that the CTO put in place a capability to systematically identify unused e-tickets in their computer reservation system. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) will issue a memorandum requiring each DoD Component to review and modify existing CTO contracts to include a requirement that the CTO put in place a capability to systematically identify unused paper and e-tickets in their computer reservation system. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation (DTR) DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 5: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to modify existing commercial travel office (CTO) contracts to include a requirement that the CTO identify all unused tickets based on specified criteria before the unused ticket data is removed from the computer reservation system. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs the DoD Components to modify existing CTO contracts to include a requirement that the CTO identify all unused tickets based on specified criteria before the unused paper and e-ticket data is removed from the computer reservation system. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 6: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to modify existing commercial travel office (CTO) contracts to include a requirement that the CTOs maintain an aged daily schedule of all unused tickets. (p. 23/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs DoD Components to modify existing CTO contracts to include a requirement that the CTOs maintain an aged daily schedule of all unused paper and e-tickets. The

Appendix III
Comments from the Department of Defense

memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 7: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to modify existing commercial travel office (CTO) contracts to include a requirement that the CTOs routinely provide the government travel offices (GTOs) with unused ticket reports. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs the DoD Components to modify existing CTO contracts to include a requirement that the CTOs routinely provide the GTOs with unused paper and e-ticket reports. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 8: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to modify existing commercial travel office (CTO) contracts to include a requirement that the CTOs routinely process refunds for tickets identified as unused. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs the DoD Components to modify existing CTO contracts to include requirement that the CTOs routinely process refunds for paper and e-tickets identified as unused. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 9: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to modify existing commercial travel office (CTO) contracts to include a requirement that the CTOs submit to the GTOs all requests for refunds that have been processed. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs the DoD Components to modify existing CTO contract to include a requirement that the CTOs submit to the GTOs all requests for refunds that have been processed. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 10: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to routinely compare unused ticket processed by the CTOs to the credits on the Bank of America invoice. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs the DoD Components to routinely compare unused paper and e-tickets processed by the CTOs to the credits on the Bank of America invoice. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 11: The GAO recommended that the Secretaries of the Army, Air Force, and Navy, and the heads of DoD agencies direct the appropriate personnel within their chain of command to require either the government travel office or the unit responsible for monitoring the CTOs' activities to determine whether the CTO is consistently implementing the procedures to identify unused tickets and process these tickets for refunds. (p. 24/GAO Draft Report)

DoD RESPONSE: Concur. The USD(AT&L) will issue a memorandum that directs the DoD Components to require either the GTO or the unit responsible for monitoring the CTOs' activities to determine whether the CTO is consistently implementing the procedures to identify unused paper and e-tickets and process these tickets for refunds. The memorandum will be issued by March 31, 2004. Additionally, USTRANSCOM will review existing requirements for unused tickets procedures defined in the Defense Transportation Regulation DoD 4500.9 and coordinate appropriate changes with the DoD Components. The estimated completion date for the update of the DTR Part I (Passenger Movement) is the fourth quarter fiscal year 2004.

RECOMMENDATION 12: The GAO recommended that the Secretary of Defense direct the appropriate personnel to use the Defense Travel System (DTS) to remind travelers to claim refunds on all unused tickets. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. A system change request was submitted to the DTS contractor to include an on-line notice to travelers (on both the authorization and voucher processes) to return any unused tickets for refund.

RECOMMENDATION 13: The GAO recommended that the Secretary of Defense direct the appropriate personnel to include in future contracts issued for the Defense Travel System, a requirement that the CTO put in place the capability to systematically identify unused tickets. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. In February 2004, a requirement for the CTO to report unused tickets was included in the DTS Travel Services Contract Solicitations. The Defense Travel System currently has a manually generated report to identify approved authorizations where a travel settlement voucher has not been filed. However, it does not alert the approving official. The DTS Program Management Office will generate a system change request (SCR) to enhance and monitor unused tickets and the submission of travel settlement vouchers to include "flagging" capability. The DTS Program Management Office will define the requirements and submit the SCR no later than March 31, 2004.

RECOMMENDATION 14: The GAO recommended that the Secretary of Defense direct the appropriate personnel to include in future contracts issued for the Defense Travel System, a requirement that the CTO put in place the capability to process unused tickets for refunds. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. In February 2004, a requirement for the CTO to process unused tickets for refunds was included in the DTS Travel Services Contract Solicitations.

RECOMMENDATION 15: The GAO recommended that the Secretary of Defense direct the appropriate personnel to establish in the Defense Travel System, a capability to routinely match travel vouchers to tickets issued through the centrally billed accounts. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. The DTS centrally billed account reconciliation module includes the capability to match travel vouchers to tickets. This reconciliation module is currently being tested at certain pilot sites. It should be noted that this capability is applicable only if DTS is used end-to-end (i.e., tickets are obtained through DTS and DTS centrally billed account reconciliation module is used to certify payment).

RECOMMENDATION 16: The GAO recommended that the Under Secretary of Defense (Comptroller) immediately submit claims to the airlines to recover the \$21 million in fully and partially unused tickets identified by the airlines and included in this report. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS will submit claims to the airlines to recover the \$21 million in fully and partially unused paper and e-tickets identified by the airlines in the report. The estimated completion date is February 27, 2004.

RECOMMENDATION 17: The GAO recommended that the Under Secretary of Defense (Comptroller) calculate, with the assistance of the airlines, the residual value of the partially unused tickets identified by the airlines and included in this report. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS will calculate, with the assistance of the airlines, the residual value of the partially unused paper and e-tickets identified in the report. The estimated completion date is June 30, 2004.

RECOMMENDATION 18: The GAO recommended that the Under Secretary of Defense (Comptroller) work with the five airlines identified in the report and other airlines from which DoD purchased tickets through the centrally billed accounts to identify the feasibility of determining the recoverability of the other fully and partially unused tickets purchased with DoD centrally billed accounts. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS will work with the five airlines identified in the report and other airlines from which DoD purchased tickets through the centrally billed accounts to identify the feasibility of determining the recoverability of the other fully and partially unused paper and e-tickets purchased with DoD centrally billed accounts. The estimated completion date is June 30, 2004.

RECOMMENDATION 19: The GAO recommended that the Under Secretary of Defense (Comptroller) work with the five airlines identified in the report and other airlines from which DoD purchased tickets through the centrally billed accounts to determine the value of the unused portion of those other fully and partially unused tickets purchased with DoD centrally billed accounts. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS will work with the five airlines identified in the report and other airlines from which DoD purchased tickets through the centrally billed accounts to determine the value of the unused portion of those other fully and partially

unused paper and e-tickets purchased with DoD centrally billed accounts. The estimated completion date is June 30, 2004.

RECOMMENDATION 20: The GAO recommended that the Under Secretary of Defense (Comptroller) work with the five airlines identified in the report and other airlines from which DoD purchased tickets through the centrally billed accounts to initiate actions to obtain refunds of other fully and partially unused tickets purchased with DoD centrally billed accounts. (p. 25/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS will work with the five airlines identified in the report and other airlines from which DoD purchased tickets through the centrally billed accounts to initiate actions to obtain refunds of other fully and partially unused paper and e-tickets purchased with DoD centrally billed accounts. The estimated completion date is August 31, 2004.

GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

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