

October 2003

# TRAVEL CARDS

## Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel





Highlights of GAO-04-88, a report to congressional requesters

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## Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel

### Why GAO Did This Study

Ineffective oversight and management of the Department of Defense's (DOD) travel card program, which GAO has previously reported on, have led to concerns about DOD's use of first and business class airfares. GAO was asked to (1) identify the magnitude of premium class travel, (2) determine if DOD's key internal control activities operated effectively and provide examples of control breakdowns, and (3) assess DOD's monitoring and key elements of the control environment.

### What GAO Recommends

To reduce improper premium class travel and related DOD costs, GAO makes several recommendations for improving controls over authorization and justification, policies and procedures, and monitoring and oversight of first and business class travel.

DOD officials concurred with all of GAO's recommendations and said that some actions have already been initiated.

### What GAO Found

Breakdowns in internal controls and a weak control environment resulted in improper first and business class travel and increased costs to taxpayers. Based on extensive analysis of records obtained from Bank of America, GAO found that DOD spent almost \$124 million on about 68,000 premium class related tickets—primarily business class—during fiscal years 2001 and 2002. Each premium class ticket costs the government up to thousands of dollars more than a comparable coach class ticket. GAO's work also indicated that civilian supervisors, managers, and executives and senior military officers accounted for almost 50 percent of the premium class transactions, and for 27 of the 28 most frequent premium class travelers. GAO considers travel by high-ranking officials to be a sensitive payment area because of its susceptibility to abuse.

Breakdowns in key internal controls resulted in a significant level of improper premium class travel. GAO estimated that 72 percent of DOD's fiscal year 2001 and 2002 premium class travel was not properly authorized, and 73 percent was not properly justified.

#### Examples of Improper Premium Class Travel

Rank/grade of traveler	Cost of premium class trips	Estimated cost of coach class trips	Reason travel was improper
GS-15	\$35,000	\$7,000	Traveler approved own first class travel based on medical condition that was later determined to not meet stringent first class criteria.
Presidential appointee	68,000	17,000	First and business class travel was authorized by a subordinate using a blanket order.
GS-14 and family	21,000	2,500	The travel order authorizing relocation costs for the traveler and his family did not authorize premium class travel.
GS-15	3,300	200	First class ticket not authorized by the Secretary of Defense or designee as required.
GS-15	4,500	600	Eighteen months after the trip, the traveler's supervisor (not a medical authority) provided a note regarding a medical need as the justification for business class.

Source: GAO analysis of premium class travel transactions and supporting documentation.

Further, DOD did not have accurate and complete data on the extent of premium class travel and performed little or no monitoring of this travel. In regard to the control environment, GAO found that DOD (1) issued policies that were inconsistent with General Service Administration governmentwide travel regulations, (2) did not require military services to issue and update premium class policies to implement DOD's travel regulations consistently, and (3) did not issue guidance on how to document the authorization and justification of premium class travel. As a result of GAO's audit, DOD has begun updating its travel regulations to more clearly state when premium class travel can be authorized and to emphasize that it must only be used when exceptional circumstances warrant the additional cost.

[www.gao.gov/cgi-bin/getrpt?GAO-04-88](http://www.gao.gov/cgi-bin/getrpt?GAO-04-88).

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

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

October 24, 2003

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

The Honorable Norm Coleman  
Chairman  
Permanent Subcommittee on Investigations  
Committee on Governmental Affairs  
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 various credit card programs. In fiscal years 2002 and 2003, we issued a series of testimonies<sup>1</sup> and reports<sup>2</sup> 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 program. 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. Our audits in these areas provide 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—areas that are

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<sup>1</sup>U.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).

<sup>2</sup>U.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).

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highly vulnerable to fraud, waste, and abuse—in the federal government, a designation that continues today.<sup>3</sup>

The centrally billed accounts are used by most DOD services and units to purchase transportation services such as airline and train tickets, facilitate group travel, and pay for other travel-related expenses,<sup>4</sup> while the individually billed accounts are used by individual travelers for lodging, rental cars, and other travel expenses. For fiscal years 2001 and 2002, DOD travelers incurred \$7.1 billion in expenses on the centrally billed and individually billed travel card accounts, with about \$2.8 billion related to the use of centrally billed accounts. This report addresses the first part of your request related to controls over premium class travel charged to centrally billed accounts. Federal travel regulations define premium class travel as any class of accommodation above coach class, that is, first or business class. We plan to report to you separately on the results of our overall audit of the controls over the centrally billed account travel program.

Because DOD disburses funds directly to Bank of America under a governmentwide travel card contract for charges made to the centrally billed accounts, the use of these accounts for improper<sup>5</sup> transportation, in particular the more expensive premium class travel, results in direct increased cost to the government. Governmentwide General Services Administration (GSA) regulations and internal DOD regulations state that travelers must use coach class accommodations for official business air travel—both domestic and international—except when a traveler is specifically authorized to use premium class. The regulations also state that travelers on official government travel must exercise the same

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<sup>3</sup>U.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).

<sup>4</sup>The Air Force is an exception to this general rule. The Air Force equally uses both centrally billed and individual billed accounts for purchasing airline transportation.

<sup>5</sup>We define improper premium class travel transactions as those in which travelers did not have specific authorization to use premium class accommodations or those transactions that were properly authorized but did not provide specific justification for premium class travel that was consistent with DOD regulation or policy. We also considered transactions improper if premium class travel was authorized under DOD policy or procedures that were inconsistent with the *Federal Travel Regulation* or the guidance provided in our *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1) and our *Guide for Evaluating and Testing Controls Over Sensitive Payments* (GAO/AFMD-8.1.2).

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standard of care in incurring expenses that a prudent person would exercise if traveling on personal business. Premium class flights are not something travelers are entitled to simply because certain conditions exist. Rather, GSA and DOD require that, when possible, travelers plan their travel in advance to avoid the necessity for premium class travel.

As you requested, the objective of our audit was to assess the adequacy of internal controls over the authorization and issuance of fiscal years 2001 and 2002 premium class tickets charged to DOD's centrally billed travel accounts. Specifically, we (1) identified the extent to which DOD uses the centrally billed travel accounts to purchase premium class travel, (2) determined if DOD's key internal control activities operated effectively and provided reasonable assurance that premium class travel was purchased appropriately and identified examples of control breakdowns, and (3) assessed DOD's oversight and monitoring of the use of premium travel and key elements of the control environment.

To meet our objectives, we (1) extracted premium class transactions from Bank of America databases of charges made to DOD's centrally billed accounts for fiscal years 2001 and 2002, (2) reviewed federal laws and regulations and DOD policies and procedures on premium class travel, and (3) interviewed DOD officials on processes and procedures in place to authorize and justify premium class travel. We tested a statistical sample of premium class travel transactions and conducted other audit work to evaluate the design and implementation of key internal control procedures and activities. We used data mining to identify additional instances of improper premium class travel based on the frequency and dollar amount of premium class travel. Appendix I provides details on our scope and methodology.

We conducted our audit work from November 2002 through August 2003 in accordance with U.S. generally accepted government auditing standards, and we performed our investigative work in accordance with standards prescribed by the President's Council on Integrity and Efficiency. We received oral comments on a draft of this report from DOD, Army, Navy, Marine Corps, and Air Force officials on September 10, 2003. We addressed the comments in the "Agency Comments and Our Evaluation" section, and incorporated those comments in the final report where appropriate.

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## Results in Brief

Breakdowns in specific internal controls, ineffective oversight, and a poor control environment over the use of DOD's premium class travel resulted in

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improper first and business class travel and increased costs to taxpayers. Based on our analysis of charges made to DOD's centrally billed accounts, we found that for fiscal years 2001 and 2002, DOD spent almost \$124 million on over 68,000 airline tickets that included at least one leg of premium class service, primarily business class. The price difference between a premium class ticket and a coach class ticket ranged from a few dollars to thousands of dollars. Based on our statistical sample, we estimated that senior civilian and military employees—including senior-level executives and presidential appointees with Senate confirmation—accounted for almost 50 percent of premium class travel.

Breakdowns in key internal control activities resulted in a significant level of improper premium class travel. Specific control breakdowns included lack of (1) proper authorization of premium class travel—documentation directing the traveler to fly on official government business had to specifically mention that the individual could travel in premium class and the authorizing travel documents had to be signed by an official who was not the traveler or a subordinate<sup>6</sup>—and (2) proper justification of premium class travel—documentation had to reflect that the circumstances under which premium class travel was used were consistent with criteria set out in governmentwide and DOD regulations or policies. Our statistical sample results showed that an estimated 72 percent of DOD fiscal year 2001 and 2002 premium class travel was not properly authorized, and 73 percent was not properly justified. One example of improper travel we identified was for a DOD civilian employee and three family members who flew a combination of first and business class when they relocated from London to Honolulu. The travel order for the employee and his family did not authorize them to fly premium class, yet premium class tickets totaling almost \$21,000 were issued, compared to an estimated cost of \$2,500 for coach class tickets. Consequently, the government incurred more than \$18,000 in additional cost.

Our data mining work also determined that although frequent premium class travelers were generally authorized to travel premium class, the authorization was not properly justified. Of the 28 most frequent first and business class DOD travelers, only 3 did not receive proper authorization for this class of travel. These 3 travelers lacked proper authorization

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<sup>6</sup>Although DOD policies do not address subordinates approving their supervisors' premium class travel, we consider this to be a control weakness, as it increases the opportunity for high-ranking employees to bypass internal controls over travel.



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because they either approved their own premium class travel or had their subordinates do so. However, the 28 most frequent travelers still had a high rate of improper use of first and business class travel because their justification—often for mission requirements or medical condition—was not supported by the documentation provided or did not adhere to the governmentwide and DOD travel regulations. In other cases, the justification provided by frequent travelers was questionable because the documentation was not adequate to determine whether the transaction met DOD's criteria.

Lack of management oversight and a weak overall control environment also contributed to improper premium class travel. Specifically, DOD did not collect data on the extent of business class travel—the bulk of DOD's premium class travel—and therefore performed little or no monitoring of this type of travel. In addition, DOD's first class travel data, which DOD is required to report to GSA annually, were incomplete. As a result, DOD was not aware of the improper use of premium class travel and did not have data available to identify trends and determine whether alternate, less expensive means of transportation were available. Further, weaknesses in the control environment, primarily related to policies and procedures, exacerbated weak internal control procedures and contributed to ineffective oversight of premium class travel. Specifically, we found that DOD (1) issued policies that were inconsistent with GSA's governmentwide travel regulations, (2) did not require the military services to issue and update premium class policies that consistently implemented DOD's travel regulations, and (3) did not issue guidance on how to document the authorization and justification of premium class travel. As a result of our audit, DOD has begun updating its travel regulations to more clearly articulate the circumstances under which premium class travel is authorized. In addition, the updated regulations, in the context of lengthy travel, emphasize that premium class travel must not be common practice and that such services should only be used in exceptional circumstances.

This report contains recommendations to DOD aimed at reducing improper premium class travel and related DOD travel costs. Our recommendations address the need to improve internal controls to provide reasonable assurance that authorization and justification for premium class travel are appropriate, monitor the extent of premium class travel, modify policies and procedures to make them consistent with GSA regulations, and issue policies prohibiting subordinates or the travelers themselves from authorizing the travelers' premium class travel. In oral comments on a draft of this report, DOD officials concurred with our recommendations to

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resolve the control weaknesses. Because two of their proposed actions represented alternative approaches to mitigate identified weaknesses, we modified those recommendations to recognize that the intent of those recommendations could be addressed in different ways.

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## Background

DOD uses a combination of governmentwide and DOD guidance as the policy and procedural foundation for incurring premium class travel. The *Federal Travel Regulation* (FTR), issued by GSA, implements statutory and Office of Management and Budget (OMB) requirements and policies for travel by federal civilian employees and others authorized to travel at government expense, including guidelines governing the use of premium class travel. The purpose of the FTR is to ensure that official travel is conducted responsibly and at a minimal administrative expense. Pursuant to various statutes, DOD issued the *Joint Federal Travel Regulations* (JFTR), which applies to uniformed service members, and the *Joint Travel Regulations* (JTR), which applies to DOD civilian personnel. The DOD travel regulation for military personnel mirrors the GSA regulation, and DOD travel regulations for civilian personnel are subject to GSA's travel regulation. In addition, each military service has issued implementing guidelines that, to varying degrees, provide additional guidance on when premium class travel is authorized.

GSA and DOD regulations authorize the use of premium class travel under specific circumstances. The JTR and the JFTR limit the authority to authorize first class travel to the Secretary of Defense, his or her deputy, or other officials as designated by the Secretary of Defense. However, while both the JTR and JFTR provide that the authority to authorize first class travel may be delegated and re-delegated, the regulations specify that the authority must be delegated to "as high an administrative level as practicable to ensure adequate consideration and review of the circumstances necessitating the first class accommodations." Further guidance is found in a DOD directive on transportation and traffic management, which specifically states that the secretaries within their military services and secretariats are the authorizing authorities for first class travel. The service secretaries may re-delegate authorizing authority for first class travel to under secretaries, service chiefs or their vice and/or deputy chiefs of staff, and four-star major commanders or their three-star vice and/or deputy commanders, but authorizing authority may not be delegated to anyone other than these officials. DOD regulations also require that authorization for premium class accommodations be made in advance of the actual travel unless extenuating circumstances or

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emergency situations make advance<sup>7</sup> authorization impossible. Specifically, the JTR and JFTR state that first class accommodation is authorized only when at least one of the following conditions exists:

- coach class airline accommodations or premium class other than first class airline accommodations are not reasonably available;
- the traveler is so handicapped or otherwise physically impaired that other accommodations cannot be used, and such condition is substantiated by competent medical authority; or
- exceptional security circumstances require such travel.

The JTR and JFTR allow the transportation officer,<sup>8</sup> in conjunction with the official who issued the travel order, to approve premium class travel other than first class. In accordance with the FTR, DOD restricts premium class travel to the following eight circumstances:

- regularly scheduled flights between origin and destination provide only premium class accommodations, and this is certified on the travel voucher;
- coach class is not available in time to accomplish the purpose of the official travel, which is so urgent it cannot be postponed;
- premium class travel is necessary to accommodate the traveler's disability or other physical impairment, and the condition is substantiated in writing by competent medical authority;
- premium class travel is needed for security purposes or because exceptional circumstances make its use essential to the successful performance of the mission;

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<sup>7</sup>First class accommodations may be used without authorization only when regularly scheduled flights between the authorized origin and destination (including connecting points) provide only first class accommodations.

<sup>8</sup>The JFTR delegates to the services the authority to determine who may approve premium other than first class travel. The service regulations call for the same authorizing official as the JTR.

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- coach class accommodations on authorized/approved foreign carriers do not provide adequate sanitation or meet health standards;
  - premium class accommodations would result in overall savings to the government because of subsistence costs, overtime, or lost productive time that would be incurred while awaiting coach class accommodations;
  - transportation is paid in full by a nonfederal source; or
  - travel is to or from a destination outside the continental United States, and the scheduled flight time (including stopovers) is in excess of 14 hours. However, a rest stop is prohibited when travel is authorized by premium class accommodations.

Both GSA and DOD regulations allow a traveler to upgrade to premium class other than first class travel at personal expense, through redemption of frequent traveler benefits. GSA also identified agency mission as one of the criteria for premium class travel. Appendix II includes more detailed information concerning the process by which DOD military and civilian personnel would properly obtain premium class airline tickets.

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## Extent of Premium Class Travel Is Significant

For fiscal years 2001 and 2002, DOD spent nearly \$124 million on over 68,000 airline tickets containing at least one leg of premium class travel.<sup>9</sup> Since DOD did not maintain centralized data on premium class travel, we extracted this information from Bank of America's fiscal years 2001 and 2002 databases of DOD centrally billed account travel, which included over 5.3 million transactions for airline tickets valued at over \$2.4 billion. Although we were able to report this aggregate information, we were unable to obtain any breakdowns of the data, such as the amount of premium class travel by military service or the amount of premium class travel used for domestic versus overseas flights. As discussed later in this report, because DOD does not obtain or maintain management information on premium class travel, it cannot monitor its proper use, identify trends, or determine alternate, less expensive means of transportation.

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<sup>9</sup>In addition to the over 68,000 premium class travel transactions purchased by DOD, DOD travelers upgraded over 3,100 coach tickets to business or first class tickets at no cost to the government.

As shown in table 1, the total dollar amount DOD spent on travel that included at least one leg of premium class airfare was about \$57 million in fiscal year 2001 and about \$67 million in fiscal year 2002. First class travel accounted for 2.4 percent of the total dollars spent for premium class travel for the 2 fiscal years, while business class accounted for the remaining 97.6 percent.

**Table 1: DOD Premium Class Travel for Fiscal Years 2001 and 2002**

	Number of transactions			Dollar amounts (in thousands)		
	2001	2002	Total	2001	2002	Total
First class	688	552	<b>1,240</b>	\$1,302	\$1,596	<b>\$2,898</b>
Business class	32,771	34,079	<b>66,850</b>	55,852	65,095	<b>\$120,947</b>
<b>Total premium travel</b>	<b>33,459</b>	<b>34,631</b>	<b>68,090</b>	<b>\$57,154</b>	<b>\$66,691</b>	<b>\$123,845</b>

Source: GAO analysis of Bank of America data.

Note: Transactions include at least one leg of premium class travel.

DOD’s premium class air travel accounts for a very small percentage of DOD travel overall.<sup>10</sup> It represents 1 percent of total DOD airline transactions and 5 percent of total DOD dollars spent on airline travel charged to the centrally billed accounts. However, to put the amount that DOD spends on premium class travel in perspective, we noted that the \$124 million DOD spent on premium class related travel during these 2 fiscal years exceeded the total travel and transportation expenses—including airfare, lodging, and meals—spent by 12 major agencies covered by the Chief Financial Officers Act of 1990, including the Social Security Administration; the Departments of Energy, Education, Housing and Urban Development, and Labor; and the National Aeronautics and Space Administration. The difference between a premium class ticket and a comparable coach class ticket can range from negligible—particularly if the traveler traveled within Europe—to thousands of dollars. In one instance, a traveler’s first class flight between Washington and Los Angeles was 14 times, or about \$3,000 more than, the price of a coach class flight.

<sup>10</sup>DOD reported almost \$10.8 billion in travel-related expenses for fiscal years 2001 and 2002 combined.

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We also found that higher-ranking civilian personnel and military officials accounted for a large part of premium class travel. Based on our statistical sample, we estimated that DOD civilian employees under the General Schedule (GS) grade GS-13 to GS-15 (supervisors and managers), Senior Executive Service (SES) (career senior executives), presidential appointees with Senate confirmation, and DOD senior military officers O-4 and above accounted for almost 50 percent of premium class travel. The remaining 50 percent in our statistical sample comprised mostly other officers, senior enlisted personnel, and technical or professional staff. We consider travel by high-ranking officials, in particular senior-level executives, to be a sensitive payment area because of its susceptibility to abuse or noncompliance with laws and regulations.<sup>11</sup>

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## Key Internal Controls Were Ineffective

Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. GAO's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999)

Significant breakdowns in key internal control activities resulted in a significant level of improper premium class travel and increased DOD travel cost. Specifically, we estimated, based on our statistical sample, that 72 percent of the DOD centrally billed travel transactions containing premium class travel for fiscal years 2001 and 2002 were not properly authorized, and 73 percent were not properly justified. (See app. I for further details of our statistical sampling test results.) Using our statistical sample and data mining results, we found numerous examples of premium class travel without authorization or adequate justification, illustrating the improper use of premium class travel and the resulting increase in travel costs. Further, we used data mining techniques to identify the most frequent users of premium class travel. Our analysis of these cases showed that almost all were senior-level employees whose travel, although properly authorized, generally was not adequately justified.

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<sup>11</sup>GAO/AFMD-8.1.2.

## Results of Statistical Sampling Work

We selected two key transaction-level controls for statistical sampling testing. As shown in table 2, we estimated that 72 percent of premium class travel was unauthorized. Because the FTR and DOD regulations provide that premium class travel must be specifically authorized, transactions that failed this test also failed the justification test. In addition, we found two transactions in our statistical sample were properly authorized but failed the justification test as they were not supported by the documentation provided or did not adhere to the FTR and DOD travel regulations.

**Table 2: Estimate of Fiscal Year 2001 and 2002 DOD Premium Class Travel Transactions That Failed Control Tests**

Control test	Estimated percentage failure rate in key internal controls <sup>a</sup>
Not properly authorized by a designated official at equal or higher rank/grade to the traveler	72
Not properly justified	73

Source: GAO analysis of DOD premium class travel transactions and supporting documentation.

Note: Our testing excluded all business class transactions costing less than \$750. We determined that many of these lower dollar transactions were covered by a blanket authorization for certain intra-European flights. Although, as discussed in this section, we did not believe the blanket authorization was valid, we eliminated these transactions from our sample to avoid possible skewing of the results.

<sup>a</sup>The numbers represent point estimates for the population based on our sampling tests. Information about the confidence intervals for our sample estimates is presented in app. I.

## Proper Authorization Did Not Exist

Requiring premium class travel to be properly authorized is the first step in preventing improper premium class travel. The FTR requires premium class travel to be specifically authorized. DOD specifies that premium class travel must be authorized in advance of travel, unless extenuating or emergency circumstances make authorization impossible, in which case the traveler is required to request written approval from the appropriate authority as soon as possible after the travel. In addition to the FTR and DOD regulations, we also applied the criteria set forth in our internal control standards<sup>12</sup> and sensitive payments guidelines<sup>13</sup> in evaluating the proper authorization of premium class travel. For example, while DOD

<sup>12</sup>GAO/AIMD-00-21.3.1.

<sup>13</sup>GAO/AFMD-8.1.2.

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travel regulations and policies do not address subordinates authorizing their supervisors' premium class travel, our internal control standards consider such policy to be flawed; therefore, a premium class transaction that was approved by a subordinate would fail the control test. Using these guidelines, we found that transactions failed the authorization test in the following three categories: (1) the premium class airline ticket was purchased, but the authorization of premium class travel was not noted on either the travel order or on additional documentation supporting the travel order, (2) the travel order authorizing premium class travel was not signed, and (3) premium class travel was authorized by a subordinate.

**Premium class travel not specifically authorized.** Based on our statistical sample, we estimated that the travel order and other supporting documentation for 64 percent of the premium class transactions did not specifically authorize the traveler to fly premium class, and thus the commercial travel office should not have issued the premium class ticket. Further, we estimated that 5 percent of the transactions lacking specific authorization were intra-European flights covered under a blanket authorization issued in February 2002 by the U.S. Army Transportation Management Center, Europe, located in Germany. The blanket authorization permitted the commercial travel office to automatically purchase business class tickets on 65 flights between Frankfurt, Munich, or Stuttgart and other selected European cities. The blanket authorization stated that business class was authorized for these routes because it was the lowest unrestricted fare. Consequently, DOD considered these transactions to have been authorized. However, we disagree that a blanket authorization can be used for premium class travel because it is not consistent with GSA and DOD requirements that all premium class travel be specifically authorized and, wherever possible, minimized. Further, the importance of having individual authorization for premium class travel is illustrated by our independent evaluation of the 65 flights, which showed that business class tickets were not necessarily equal to or lower than the cost of unrestricted coach, as claimed in the blanket authorization. For example, according to the travel agency that served GAO, the business fare between Munich, Germany, and Tbilisi, Georgia (located near Turkey), was \$3,232 and the unrestricted economy fare was \$992, a difference of \$2,240.

**Travel order not signed.** We also estimated that 6 percent of premium class transactions were related to instances where the travel order authorizing business class was not signed at all or the travel order authorizing first class was not signed by the service secretary or his designee, as required by DOD regulations. Ensuring that travel orders are



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signed by an appropriate official is a key control to preventing improper premium class travel. If the travel order is not signed, or not signed by the individual designated to do so, DOD has no assurance that the substantially higher cost of the premium class tickets was properly reviewed and represented an efficient use of government resources.

**Premium travel authorized by a subordinate.** We estimated that 2 percent of the premium class transactions involved situations where a subordinate approved a superior's travel. Although these limited instances do not necessarily indicate the existence of a significant systemic problem, allowing subordinates to approve their supervisors' premium class travel is synonymous to self-approval and reduces scrutiny of premium class requests. Our internal control standards state that "Transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources and other events are initiated or entered into."

#### Valid Justification for Premium Travel Often Did Not Exist

Another internal control weakness identified in the statistical sample was that the justification used for premium class travel was not always provided, not accurate, and/or not complete enough to warrant the additional cost to the government. As previously stated, premium class travel is not an entitlement. In fact, recent changes to the DOD regulations state that premium class travel, in the context of lengthy flights, should only be used when exceptional circumstances warrant and that alternatives should be explored to minimize unnecessary premium class travel. In reviewing whether premium class travel was justified, we looked at whether there was documented authorization and, if there was, whether the authorization for premium class travel was supported by evidence of a valid reason. As shown in table 2, an estimated 72 percent of premium class transactions were not authorized and therefore could not have been justified. An additional 2 transactions in the statistical sample were authorized but not justified in accordance with DOD's criteria. In one instance for example, although the flight time exceeded 14 hours, the traveler had a layover in route, which should have precluded the traveler from being authorized premium class travel.

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#### Examples of Improper Use of Premium Class Travel

Table 3 contains specific examples of unauthorized travel from both our statistical samples and data mining work. The table also contains examples of premium class travel that was unjustified. Without authorization or adequate justification, these cases illustrate the improper use of premium

class travel and the resulting increase in travel costs. Following the table is more detailed information on some of these cases.

**Table 3: Examples of Improper Use of Premium Class Travel**

Traveler	Source	Grade/ rank <sup>a</sup>	Itinerary	Class of ticket	Cost of premium ticket paid	Estimated cost of coach fare ticket <sup>b</sup>	Reason for exception
1	Data mining	GS-14	One-way from London to Honolulu for a family of four for relocation purposes	First and business	\$20,943	\$2,500 <sup>c</sup>	Travel order did not authorize use of first or business class travel. Transaction failed authorization and justification.
2	Statistical sample	GS-15	Los Angeles to Washington, D.C. and back	First	3,253	238 <sup>c</sup>	Travel order did not authorize first class travel. Transaction failed authorization and justification.
3	Statistical sample	GS-13	Austin to London and from London to San Diego	Business	4,066	1,606	Travel order did not authorize business class travel. Transaction failed authorization and justification.
4	Statistical sample	GS-13	San Diego to Busan, Korea, and back	Business	3,695	2,161	Travel order did not authorize business class travel. Transaction failed authorization and justification.
5	Statistical sample	O-5	London to Lisbon, Spain	Business	1,338	672	Travel order did not authorize business class travel. Transaction failed authorization and justification.
6	Statistical sample	GS-13	Washington, D.C. to Taipei, and back	Business	4,319	1,450 <sup>c</sup>	Travel order authorizing business class travel was not signed. Transaction failed authorization and justification.
7	Statistical sample	GS-13	San Francisco to Tokyo, and back	Business	3,168	610 <sup>c</sup>	Travel order authorizing business class travel was not signed. Transaction failed authorization and justification.
8	Data mining	CW-4	Washington, D.C. to Tashkent, Uzbekistan, and back	Business	9,530	2,501	Blanket travel order authorizing premium class travel was used. Transaction failed authorization and justification.
9	Statistical sample	GS-13	Tucson to Bahrain and Bahrain to Los Angeles	Business	8,308	4,966	Business class travel authorized based on flight lasting more than 14 hours; however, traveler had rest stop en route. Transaction passed authorization but failed justification.

(Continued From Previous Page)

Traveler	Source	Grade/ rank <sup>a</sup>	Itinerary	Class of ticket	Cost of premium ticket paid	Estimated cost of coach fare ticket <sup>b</sup>	Reason for exception
10	Data mining	GS-15	Washington, D.C. to Amsterdam, and back	Business	4,525	570 <sup>c</sup>	Business class travel authorized but no justification provided on the order. Over 18 months after the trip occurred, the traveler's supervisor—not a physician—wrote a note stating that he authorized premium class based on a medical need. Transaction passed authorization but failed justification test.
11	Statistical sample	Political appointee	Washington, D.C. to London, then Paris to Moscow	Business	3,485	1,530 <sup>c</sup>	Business class travel authorized on basis that travel is mission essential, but no additional information provided. Travel was to a conference in Moscow. Transaction passed authorization but failed justification.

Source: GAO analysis of premium class travel transactions and supporting documentation.

<sup>a</sup>GS designates General Schedule pay schedule. O designates a military officer. CW designates a military chief warrant officer.

<sup>b</sup>Source of estimated coach fares is GSA city pair or expedia.com.

<sup>c</sup>Fares do not include all applicable taxes and airport fees.

- Traveler #1 is a GS-14 at the Department of the Navy; he along with three family members flew a combination of first and business class when they were relocated from London to Honolulu. The cost to the government for those four first and business class tickets was almost \$21,000, compared to an estimated total cost of about \$2,500 for four coach class tickets. An audit of the travel orders for this trip indicated that the DOD civilian employee and his family were not authorized to fly first or business class. Consequently, the traveler failed both the authorization and the justification test. Despite the lack of specific authorization, the traveler was issued premium class tickets for this trip, resulting in additional cost to the government of more than \$18,000. Upon being contacted, the traveler agreed that his travel order did not specifically state that premium class was authorized, and stated that he inquired about business class tickets from the commercial travel office because his flight lasted more than 14 hours. Based on the issuance of premium class tickets for other permanent change-in-station moves exceeding 14 hours in total travel time, the commercial travel office issued the premium class tickets to the traveler.
- Traveler #4 is a GS-13 at the Department of the Navy. In March 2002, the traveler flew business class round-trip from San Francisco to Osaka,

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Japan, where he had an overnight layover before proceeding to Busan, Korea. The travel order DOD provided us did not authorize business class travel. Further, because the traveler had an overnight layover in route to Korea, the 14-hour rule would not apply. The cost of the ticket was \$3,695, compared to an estimated cost of \$2,161 for a comparable unrestricted ticket in coach. Without authorization or valid justification, the additional \$1,534 spent on the business class ticket was improper.

- Traveler #7 is a GS-13 in the Navy. In March 2002, the traveler flew business class from San Francisco to Tokyo on a ticket costing \$3,168. Although the flight to Tokyo lasted more than 14 hours, the use of premium class travel was not properly authorized because the travel order was not signed by the appropriate official. In comparison, the estimated cost of an unrestricted government fare in coach was \$610.
- Traveler #9 was a GS-13 in the Department of the Army who flew most of his trip from Tucson to Bahrain and then from Bahrain to Los Angeles in business class, at a cost of \$8,308. The estimated cost of an unrestricted coach class ticket for the same route was \$4,966. The justification for the additional cost of the business class ticket was that the flight lasted more than 14 hours. However, the traveler stopped overnight in London at the government's expense on both the outbound and return portions of the trip. The FTR and JTR specifically prohibit premium class flights when the traveler has a rest stop en route at the government's expense.
- Traveler #10 was a GS-15 in the Department of the Navy who flew premium class from Washington, D.C., to Amsterdam and back on the basis of a medical condition. The duration of the flight each way was about 8 hours and cost \$4,525. The estimated cost of an unrestricted government fare coach class ticket for the same route was \$570. The supporting documentation provided to us included a note, written by the traveler's supervisor, that was prepared more than 18 months after the travel, stating that the traveler had a medical condition requiring the premium class ticket. However, the note was not signed by a doctor nor did it reference a medical professional who recommended the need for premium class seating. The traveler informed us that his supervisor wrote the medical note after our inquiry into his case. In addition, none of the other 9 flights taken by the traveler cited a medical condition, and the traveler flew coach class on a number of flights that lasted longer than his flight from Washington, D.C., to Amsterdam. According to the

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traveler, he never had been properly authorized to fly business class on the basis of a medical condition.

- Traveler #11 was a political appointee and a member of the Commission on the Future of the United States Aerospace Industry (Commission), an organization that was almost entirely funded by DOD and for which DOD paid the cost of all airline tickets for Commission members and staff. The traveler flew business class from Washington, D.C., to London, and then traveled by rail from London to Brussels and onto Paris. In Paris, the traveler took a business class flight to Moscow to attend a 2-day conference. According to the travel order, business class travel was authorized because it was mission essential. However, the travel order did not indicate why the cost of business class travel for a trip to a conference was mission essential. Further, mission essential is not a DOD criterion for authorizing business class travel. Our data mining efforts found that DOD paid the travel of a total of 13 individuals—6 commissioners and 7 commission staff—to attend the Moscow conference after stopping off in London, Brussels, and Paris. The 6 commissioners flew business class for all of the flights, while the commission staff flew coach to London and on the return flights, and flew business class while in Europe. None of the commissioners were government employees; however, all of the staff were employed by DOD and other agencies. The average cost of the airline tickets for all 6 commissioners was about \$7,500 while the average cost of the airline tickets for the staff was about \$3,100. The official told us he authorized premium class travel for the commissioners because they were high-salaried individuals from the private sector who were donating 10 days of their time to the government with no compensation. However, neither the FTR nor the DOD travel regulations authorize premium class travel based on a person's salary or whether he or she is donating time to the government.

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## Frequent Premium Class Travelers

Our work also included data mining to identify the individuals who traveled premium class most frequently. We analyzed the 68,090 premium class transactions during fiscal years 2001 and 2002 and identified 28 of the most frequent premium class travelers. As indicated by the examples in table 4, the frequent travelers were almost all senior DOD personnel. Specifically, we found that all but 1 of the 28 most frequent travelers were at least GS-13 civilians or O-4 military officials. Although these frequent travelers were generally authorized to fly premium class by someone at the same or a higher level, we determined that many of the transactions were improper

because their justification was not supported by the documentation provided or did not adhere to the FTR and DOD travel regulations. Other cases involving frequent travelers were questionable because the justification documentation was not adequate to determine whether the transaction met DOD's criteria.

**Table 4: Examples of Travelers Who Frequently Used Premium Travel**

Traveler	Grade/ rank	Number/ cost of premium class trips	Justification for premium travel	GAO's concern with premium class travel	Response by traveler or traveler's staff
1	GM-14	14/\$88,000	Doctor's note claims medical necessity	Traveler took 45 flights—14 premium and 31 coach class trips during fiscal years 2001 and 2002. Many coach class trips were similar in duration to premium class trips.	Traveler admitted to inconsistent application of medical necessity. Traveler considered extra room in business class to be more comfortable for long flights.
2	O-8	16/\$68,000	Blanket authorization used to justify premium class	<ol style="list-style-type: none"> <li>1. A blanket authorization was used to justify premium class travel.</li> <li>2. Premium travel was authorized by a subordinate.</li> <li>3. Not all premium class flights met premium class criteria.</li> </ol>	The general's aide said that in the future he will pay closer attention to the requirements for premium class travel before obtaining premium class travel. The general's aide also said that in the future he will also get an independent authorization for premium class travel when the criteria for premium class travel are met.
3	PAS <sup>a</sup>	17/\$68,000	First and business class travel justified through a blanket order based on medical condition	<ol style="list-style-type: none"> <li>1. Blanket authorization was used to justify first and business class travel.</li> <li>2. Premium travel was authorized by a subordinate.</li> <li>3. Traveler flew in coach class on some flights.</li> </ol>	The traveler's aide said that she will get the Deputy Secretary's approval for first class travel and only schedule the traveler for first or business class when alternative seating is not available.

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Traveler	Grade/ rank	Number/ cost of premium class trips	Justification for premium travel	GAO's concern with premium class travel	Response by traveler or traveler's staff
4	PAS <sup>a</sup>	15/\$70,000	Claimed mission essential, so that the traveler would be ready for meetings upon arrival at destination	<ol style="list-style-type: none"> <li>1. DOD travel regulations do not list mission essential as a basis to justify premium class travel.</li> <li>2. Traveler submitted justification and obtained specific authorization for many trips; however, the justification was not always accurate and did not consider alternatives to the more expensive premium class travel.</li> <li>3. Most flights were less than 14 hours.</li> <li>4. Some premium class flights were not authorized.</li> </ol>	Traveler's assistant said that the traveler flies premium class to minimize his time away from the office. However, the assistant could not demonstrate a cost savings caused by lost productivity. Traveler's assistant also said that even though the flights did not exceed 14 hours, the traveler should be able to fly premium class because of the importance of the traveler's work. The traveler's assistant did not explain the reasons some premium class flights were not authorized.
5	GS-15	11/\$35,000	Medical necessity	Travel orders were not signed, but the official authorizing the travel was the traveler himself. First class travel was not authorized by the Under Secretary of the Navy, as required by Navy regulations.	Traveler told us he was not aware that first class had to be approved by the Under Secretary of the Navy. Traveler is no longer authorized to travel premium class.
6	SES <sup>b</sup>	10/\$48,000	Claimed mission essential, so that the traveler would be ready for meetings upon arrival at destination	<ol style="list-style-type: none"> <li>1. DOD travel regulations do not list mission essential as a basis to justify premium class travel.</li> <li>2. Some premium class flights were less than 14 hours.</li> <li>3. Business class was taken on return flights.</li> <li>4. Specific justification was not always accurate.</li> </ol>	The traveler said that he did not make his flight arrangements. The traveler's assistant had no explanation for why some premium class trips were not always authorized, or why the specific justification was not accurate. The traveler's assistant said that the traveler did not want to leave the day before to avoid the additional cost of a business class flight.
7	SES	13/\$56,000	Medical necessity	Medical note and Under Secretary of the Navy authorization were dated in 1993 and travel was in 2000 and 2001. Current travel order signed by a subordinate.	The traveler has retired. The individual who assisted in assembling the documentation said there was nothing more current to justify the first class travel than the 1993 doctor's note and the 1993 Under Secretary of the Navy's authorization.

Source: GAO analysis of premium class travel transactions and supporting documentation.

<sup>a</sup>Presidential appointment with Senate confirmation.

<sup>b</sup>Senior Executive Service appointment.

Our work indicated that the most frequent travelers were, in most instances, authorized to obtain premium class travel by people at the same

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or higher levels. Only 3 of the 28 most frequent travelers failed the authorization test because they or their subordinates authorized their travel orders. More often, justification provided by frequent travelers failed the justification test or the justification was not adequate to permit us to determine whether the transaction complied with the FTR and DOD travel regulations. The following provides further details on some of the cases in table 4.

- Frequent traveler #1 was a GM-14 at the Navy who took 45 round-trip flights during our 2-year audit period. The traveler flew business class on 14 international trips costing about \$88,000 but also took 31 domestic trips, in coach class, costing about \$12,000. Attached to the travel order for each trip was a doctor's certification noting that, for health reasons, the traveler needed to fly in premium class. However, we found that the medical certification did not indicate whether premium class travel was needed on all flights or flights of certain duration, but that many of the traveler's domestic trips, which he took in coach class, were almost as long as some of the international flights he took in business class. For example, the traveler regularly flew in coach class from Washington, D.C., to cities in California and, in one instance, to Honolulu. The flight times for individual legs of these trips ranged from about 5 to 7 hours. The traveler's business class flights included flights from Washington, D.C., to Frankfurt or Amsterdam. Those flights lasted about 7 hours. When we discussed the trips with this traveler, he stated that although some of the domestic flights that he took were similar in duration to the international flights, his flights to Europe were generally evening flights and the extra room provided in business class enabled him to be less confined and to be ready for meetings the next day. The traveler's discussion with us and the nature of his coach and premium travel raises questions regarding his medical need to fly business class.
- Frequent traveler # 3 is an assistant secretary of defense in Washington, D.C., who used a blanket order to authorize and justify business and first class travel based on an unspecified medical condition. We identified a total of 17 first and business class tickets for this traveler totaling nearly \$68,000. Neither the travel orders nor the travel vouchers included a physician's certification identifying the medical justification to fly first or business class. In addition, the traveler occasionally flew in coach class. About a month after we requested additional documentation for these airline tickets, DOD provided us with a letter from a physician dated September 11, 2001, requesting that the traveler be authorized to fly first class so that the traveler could stretch his legs. The records DOD



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provided concerning the 17 flights indicated that the travel office did not attempt to satisfy the traveler's need for space by reserving a bulkhead seat or purchasing two coach seats, in accordance with DOD requirements. We estimate that the total cost of these flights, if flown in coach class, would have been about \$17,000. The individual who made the premium class reservations told us that she had not been trained on the limitations associated with premium class travel. She also told us that in the future she would get the Deputy Secretary's approval for first class travel and that she would attempt to limit premium class travel to instances in which less expensive alternatives were not available.

- Frequent traveler #5 was a GS-15 in the Navy who took 11 first class flights totaling over \$35,000 from San Diego to east coast cities including Washington, D.C., during fiscal years 2001 and 2002. The traveler justified the 11 flights based on a certification from a medical authority based on his size and medical condition. However, because his first class travel was not authorized by the Under Secretary of the Navy, as required by Navy regulations, we contacted the traveler to obtain further information on his condition. We estimate that the total cost of these flights if all flown in coach class would have been about \$7,000. According to the traveler, his condition was not so severe that he would meet the stringent first class criteria of being "so handicapped or otherwise physically impaired that other accommodations cannot be used." Consequently, the traveler told us he was no longer authorized to use first class.
- Traveler #6 in table 4 was a deputy assistant secretary at DOD who flew premium class on 10 flights from September 2000 through September 2001 at a cost of approximately \$48,000. A review of the travel orders and additional documentation supporting this travel showed that the individual consistently documented the reasons he needed to fly premium class. However, sometimes the justification provided did not appear applicable to the trip in question. For example, during a 12-day period in late August 2001, the traveler flew business class from Washington, D.C., to six European cities and South Africa at a cost of over \$8,800. He then flew business class from South Africa to Atlanta, and first class from Atlanta to Washington, D.C. The documentation supporting the trip was an order, signed by the military assistant to the under secretary, that authorized the traveler to fly first class from Washington, D.C., to Tampa, Florida—destinations that are different from the itinerary in question. Both the traveler and his former secretary told us they did not recall making these flight arrangements.

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In none of the cases in our statistical sample and data mining for which authorization for premium class was given based on medical needs did DOD submit the medical certification for an informed and independent review. Our analysis found that 12 of the 28 frequent premium class travelers justified their more expensive flights with a medical condition. Further, as discussed in the examples, we identified several anomalies in the application of medical condition justification, as evidenced by travelers who used both coach and premium class accommodations during flights of similar duration and during the same period. This may indicate that additional steps should be taken to verify the validity of the medical certification. During testing, an Army official at the Traffic Management Office informed us that his office forwards all medical certifications to the Surgeon General for an opinion before recommending to the Secretary of the Army that approval be granted for first class travel. The official stated that he did not believe that he was competent to conclude on the medical certification.

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## Lack of Monitoring and Control Environment Weaknesses Contributed to Improper Use of Premium Class Travel

Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. A positive control environment is the foundation for all other standards. It provides discipline and structure as well as the climate which influences the quality of internal control. GAO's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999)

Agency internal control monitoring assesses the quality of performance over time. It does this by putting procedures in place to monitor internal control on an ongoing basis as a part of the process of carrying out its regular activities. It includes ensuring that managers and supervisors know their responsibilities for internal control and the need to make internal control monitoring part of their regular operating processes. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. GAO's *Internal Control Standards: Internal Control Management and Evaluation Tool* (GAO-01-1008G, August 2001)

DOD and the services performed no monitoring and oversight activities to obtain assurance that premium class travel was authorized in accordance with regulations. Further, during fiscal years 2001 and 2002, control environment weaknesses exacerbated already weak key internal controls

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described in the previous section. Consequently, DOD did not have an effective internal control environment, particularly in regard to policies and procedures, to provide assurance that premium class travel costs are incurred only when necessary. Specifically, we found that DOD and the military services did not (1) obtain or maintain centralized management data on the extent to which military and civilian personnel used premium class accommodations for their travel, (2) issue adequate policies related to the approval of premium travel, and (3) require consistent documentation to justify premium class travel. Until we initiated this audit, DOD's management had not provided an appropriate "tone at the top" to encourage the appropriate use of premium class travel. During the course of our work, DOD updated the JTR and JFTR in April 2003 to articulate more clearly and to make more stringent the circumstances under which premium class travel can be authorized. In addition, the updated JTR and JFTR emphasize, in the context of lengthy flights, that premium class travel must not be common practice and must only be used when exceptional circumstances warrant. The JTR and JFTR also provide examples of when premium class travel should not be authorized.

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## Monitoring and Oversight Needs Improvement

Ineffective oversight of the use of premium class travel was a key contributor to weaknesses in the overall control environment. In general, effective oversight activities would include management review and evaluation of the process for issuing premium class travel and independent evaluations of the effectiveness of internal control activities. Program monitoring provides DOD management an opportunity to obtain reasonable assurance that premium class travel is only obtained with proper authorization and justification. This is particularly important because of both the sensitivity and high cost of premium class travel. However, DOD and the services performed no monitoring and oversight activity to obtain assurance that premium class travel was authorized in accordance with rules and regulations. In addition, as mentioned previously, DOD and the services did not perform reviews to identify the extent of premium class travel. Consequently, it is not surprising that DOD and the services were not aware of the extent of improper premium class transactions.

Our internal control standards state that separate evaluations of control should depend on the assessment of risks and the effectiveness of ongoing monitoring procedures. Our *Sensitive Payments Guide* lists executive travel as a high-risk area susceptible to abuse or noncompliance with laws and regulations. However, we found no evidence of any audits or

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evaluations of premium class travel. Further, DOD's failure to adequately monitor premium class travel has resulted in an environment in which there is limited possibility that improper premium class travel will be identified.

The lack of oversight is further demonstrated by the fact that travelers, supervisors/managers, and employees at the commercial travel offices (CTO) responsible for issuing airline tickets to the travelers are not adequately informed of governmentwide and DOD travel regulations concerning premium class travel. DOD officials told us that they do not verify whether CTO employees receive training in DOD travel regulations relating to the more expensive premium class travel, and DOD does not track training provided to CTO staff on premium class travel. Thus it was not surprising that officials authorizing the travel and the travelers were not aware of the stringent regulations associated with premium class travel. For example, several DOD travelers and officials told us that they thought DOD travel regulations entitled travelers to business class travel when their flights exceeded 14 hours. These individuals were not aware that the FTR provides that, in order to qualify for business class travel, travelers have to proceed directly to work upon arriving at the duty location. In addition, several DOD travelers and officials from the government and CTOs indicated to us that the numerous CTOs with which DOD contracted did not consistently apply the premium class criteria. A representative from one CTO informed us that his office issued premium class travel if premium class was mentioned on the travel order, even if justification for obtaining premium class travel was flawed, for example, the flight was not at least 14 hours.

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### DOD Did Not Maintain Centralized Management Data on Premium Class Travel

The Military Traffic Management Command (MTMC), which is responsible for tracking DOD's first class travel, understated the cost and frequency of first class travel reported to GSA. In addition, MTMC did not track, and therefore did not know, the number of business class trips DOD travelers took during fiscal years 2001 and 2002 or the cost of these premium class trips. As a result, DOD did not have the data needed for monitoring and oversight activities or for identifying trends and determining alternate, less expensive means of transportation.

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The FTR<sup>14</sup> requires DOD, along with all other executive and legislative branch agencies, to provide GSA annual reports listing all instances in which the organizations approved the use of first class transportation accommodations. According to the first class travel reports that MTMC submitted to GSA for fiscal years 2001 and 2002, DOD civilian and military personnel took less than 1,000 first class flight segments<sup>15</sup> totaling less than \$600,000. These data are supposed to represent all first class transportation expenses, whether charged on the centrally billed accounts or the individually billed accounts. According to the individual responsible for compiling this report, the roughly 1,000 first class segments were identified in what is essentially a data call process in which MTMC personnel aggregated information provided by the CTOs on the number and cost of first class tickets they issued.<sup>16</sup>

However, our analysis of Bank of America airline transaction data indicates that both the number and cost of the first class tickets reported by DOD are significantly understated. Based on our analysis, DOD did not report more than half of fiscal years 2001 and 2002 first class segments. As shown in table 1, we found that DOD used the centrally billed accounts to purchase 1,240 airline tickets that contained at least one first class portion. These 1,240 tickets, which did not include first class tickets purchased using the individually billed accounts, contained over 2,000 separate segments with first class accommodations, compared to the less than 1,000 flight segments DOD reported to GSA. These first class tickets costs of about \$2.9 million were almost 5 times the amount DOD reported to GSA.

The differences between the first class travel that we identified and the amount DOD reported can in part be attributed to omissions in DOD's methodology for identifying first class tickets. The airlines use a variety of letter codes to identify first class fares, and we found that in extracting first class data DOD omitted several of the first class codes used by some airlines. Further, a comparison of MTMC's report and our analysis of the Bank of America transaction file showed that a number of cities were omitted from its analysis of first class travel. For example, while DOD data

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<sup>14</sup>This requirement was prescribed at the direction of OMB. See OMB Bulletin 93-11.

<sup>15</sup>A flight segment is any portion of a ticket with a separate flight number.

<sup>16</sup>The contracts between DOD services and the CTOs responsible for issuing tickets to travelers specify that CTOs provide reports to MTMC on the number and cost of first class tickets.

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indicated that no first class flight was taken into Washington, D.C., during fiscal year 2001, we found 88 first class flights into Washington, D.C., during fiscal year 2001, including first class round-trips from Washington, D.C., to Honolulu, San Francisco, Denver, St. Louis, and Los Angeles.

We also found that DOD did not obtain or maintain centralized data on premium class travel other than first class, that is, business class. Consequently, DOD did not know, and was unable to provide us with data related to, the extent of its premium class travel. As mentioned previously, we were able to obtain such data through extensive analysis and extractions of DOD travel card transactions from databases provided by Bank of America.

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## Control Environment Is Flawed by Inconsistencies in Premium Class Travel Guidance

DOD travelers must follow a complicated array of premium class travel guidance. The applicability of specific regulations depends on whether the traveler is civilian or military. For DOD civilians, GSA's FTR governs travel and transportation allowances. DOD's JTR and individual DOD and military service directives, orders, and instructions supplement the FTR. For military personnel, DOD's JFTR governs travel and transportation allowances. Individual DOD and military service directives, orders, and instructions supplement the JFTR. The executive branch policy on the use of first class travel applicable to the FTR, JTR, and JFTR is found in OMB Bulletin 93-11. When a subordinate organization issues an implementing regulation or guidance, the subordinate organization may make the regulations more stringent, but generally may not relax the rules established by higher-level guidance.

Inconsistencies have accumulated within the various premium class travel regulations because DOD did not revise DOD directives, or require the military services to revise their travel policies or implementing guidance, when it modified the JTR or JFTR. For example, DOD first issued the JTR in 1965 and since then had modified it 450 times through April 2003, including 30 modifications since October 2000. While the JFTR has had fewer modifications—196 through April 2003—the JFTR has also been modified 30 times since October 2000. Despite these changes, DOD and the services frequently have not modified their directives and guidance to reflect these changes. For example, DOD Directive 4500.9 was last revised in 1993, while DOD Directive 4500.56 was last updated in 1997. Further, the *Navy Passenger Transportation Manual* was last updated in 1998; Marine Corps Order P4600.7C, *Marine Corps Transportation Manual*, was last changed in 1992; and while Air Force Instruction 24-101, *Passenger*

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*Movement*, was last updated in 2002, it contains some provisions that are contrary to our *Guide for Evaluating and Testing Controls Over Sensitive Payments* and our *Standards for Internal Control in the Federal Government*.

The proliferation of different internal DOD regulations and a failure by DOD to clearly explain the relationship of its different regulations have created confusion for travelers and officials, as evidenced by instances, discussed previously, in which premium class travel had been inappropriately approved. Inconsistencies also exist because DOD and its components have elected to authorize the use of premium class travel in different circumstances or have described the authorization to use premium class travel using different language. For example, see the following:

- DOD Directive 4500.9,<sup>17</sup> *Transportation and Traffic Management* (last updated in 1993), contains a section establishing the authority to use premium class flights that differs in several aspects from GSA's FTR and DOD's JTR and JFTR as well as other directives issued by DOD. Specifically, DOD Directive 4500.9 grants blanket authority for high-ranking officials to use premium class travel when traveling overseas on official government business. This policy contradicts and is less stringent than the FTR, which does not cite rank as a condition for obtaining premium class travel. The JTR and JFTR (both modified in 2003) also do not cite rank as a criterion for allowing business class travel for international flights. Further, DOD's General Counsel staff told us this provision was superseded by DOD Directive 4500.56.
- GSA's FTR authorizes agencies to approve the use of first class or business class accommodations when required by an agency's mission, but neither the JTR nor the JFTR adopts this authorization. In contrast, DOD Directive 4500.9 states that the use of business class on domestic travel<sup>18</sup> may be authorized when necessitated by mission requirements.<sup>19</sup>

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<sup>17</sup>DOD Directive 4500.9, *Transportation and Traffic Management*, para. 3.4.3, December 29, 1993.

<sup>18</sup>As noted above, a subsequent DOD directive states that all DOD travel outside the continental United States is subject to the JTR and the JFTR.

<sup>19</sup>DOD Directive 4500.9, *Transportation and Traffic Management*, para. 3.4.3.1.3, December 29, 1993.

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- GSA's FTR states that premium other than first class travel may be authorized when the origin and/or destination of travel is outside the continental United States and the scheduled flight time is in excess of 14 hours. However, the FTR prohibits premium class travel if the traveler is authorized a rest stop en route or a rest period upon arrival at the duty site. In contrast, DOD's JTR and JFTR that were in effect at the time of our audit did not indicate whether a rest period upon arrival at the duty station prohibited the authorization of premium class travel. Both DOD directives on travel (4500.9 and 4500.56) do not directly address whether premium class travel is allowed if the flight exceeds 14 hours. Further, the services' implementing guidance is inconsistent in its application of the 14-hour rule. For example, the Army policy<sup>20</sup> adopts the FTR "rest period upon arrival" limitations, but did not define what is considered a "rest period." The Navy policy<sup>21</sup> prohibits a "rest period en route." The Air Force policy<sup>22</sup> states that Air Force travelers might be authorized business class accommodations if they are required to perform a full day (8 hours) of work immediately upon arrival. Finally, the Marine Corps<sup>23</sup> implementing guidance does not address this matter.
  - GSA and DOD travel regulations authorize premium class accommodations when they are paid for by a nonfederal source. However, the Navy travel policy<sup>24</sup> prohibits the use of first class accommodations even when those accommodations are paid for by a nonfederal source, such as when a professional association pays for the travel of a Navy employee.

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## DOD Does Not Have a Standard Format for Documenting Premium Class Travel

DOD and the services have not defined a standard format for documenting authorization and justification for premium class travel. Because premium travel is to be taken only on an exception basis after all other alternatives have been exhausted, the documentation for authorization and justification should be held to the highest standards to provide reasonable assurance

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<sup>20</sup>Secretary of the Army Travel Policy, para. 3.B.8, last updated on March 26, 2003.

<sup>21</sup>OPNAVINST 4650.15, ch. 2, enc. 1, para. 5.c (8), issued on July 7, 1998.

<sup>22</sup>Air Force Instruction 24-101, para. 2.7, issued March 25, 2002.

<sup>23</sup>Marine Corps policy guidance, issued as Marine Corps Order 4600.25C on March 15, 1978.

<sup>24</sup>OPNAVINST 4650.15, ch. 2, enc. 1, para. 5.c.(7), July 7, 1998.



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that in every case the substantially higher premium travel cost is warranted. In DOD's case, because authorization and justification for premium travel is not consistently documented, it does not have a documentation trail indicating that the appropriate official approved the travel order and there was adequate justification for the additional cost associated with a premium class ticket.

The JTR and JFTR state that approval for premium class travel should be obtained in advance of travel, except in extenuating/emergency circumstances that make authorization impossible, and specify the circumstances under which premium travel is to be permitted. However, the JTR and JFTR do not provide clear and consistent procedures for documenting the approval of premium class travel and the type of supporting documentation to be maintained. In contrast, other federal agencies have issued clear and consistent guidelines related to the documentation of premium class travel. For example, the Department of Agriculture (USDA) approves the use of premium class accommodations on a case-by-case basis and specifies that premium travel be approved by the under secretary except when frequent travel benefits are used. The justification must include the specific circumstances relating to the criteria, such as a medical justification from a competent medical authority, which must include a description of the employee's disability, medical condition, or special need; approximate duration of the medical condition or special need; and a recommendation of a suitable means of transportation based on medical condition or special need. In addition, USDA requires that the traveler prepare a report documenting first class travel that details the traveler's name, address, rank, dates of travel with originating and destination cities, the reason for obtaining first class travel and the costs of both the coach fare and the first class fare. As shown in figure 1, other agencies, such as the National Institutes of Health (NIH), have standard forms that travelers must complete when requesting approval for any travel other than coach class accommodations. Information required includes the traveler's identifying information, the reason for requesting premium class travel, and a comparison of the cost of premium and coach class travel. Such a form would help eliminate the failure to obtain specific authorization for premium class travel that we identified in our statistical testing.

**Figure 1: Sample Premium Class Authorization Form**

AUTHORIZATION FOR USE OF FIRST-CLASS OR PREMIUM-CLASS OTHER THAN FIRST-CLASS  
(PCotFC) TRAVEL ACCOMMODATIONS

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INDIVIDUAL TRIP AUTHORIZATION

First Class<sup>1</sup>                       PCotFC

(Please check authorization requested)

ORGANIZATION: \_\_\_\_\_

NAME: \_\_\_\_\_

GRADE: \_\_\_\_\_                      TITLE: \_\_\_\_\_

TRIP ORIGIN: \_\_\_\_\_                      TRIP DESTINATION: \_\_\_\_\_

COST:  
 FIRST-CLASS/PCotFC \_\_\_\_\_  
 COACH FARE \_\_\_\_\_  
 ADDITIONAL COST \_\_\_\_\_

CARRIER (IF FOREIGN) \_\_\_\_\_

JUSTIFICATION: Check appropriate box and provide brief explanation:

1)	<input type="checkbox"/>	Regularly scheduled flights between the authorized origin and destination points provide only First-Class or PCotFC accommodations
2)	<input type="checkbox"/>	No space is available in coach-class in time to accomplish the mission (Only PCotFC may be authorized)
3)	<input type="checkbox"/>	Security reasons
4)	<input type="checkbox"/>	Inadequate Sanitation (Only PCotFC may be authorized)
5)	<input type="checkbox"/>	Overall cost savings (Only PCotFC may be authorized)
6)	<input type="checkbox"/>	Use of Frequent Flyer Benefits (Only PCotFC may be authorized)
7)	<input type="checkbox"/>	Acceptance of Payment from a non-federal source (Only PCotFC may be authorized)
8)	<input type="checkbox"/>	Travel in excess of 14 hours (Only PCotFC may be authorized)
9)	<input type="checkbox"/>	Agency Mission

EXPLANATION:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

AUTHORIZED BY: \_\_\_\_\_

SIGNATURE OF EMPLOYEE \_\_\_\_\_                      TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

<sup>1</sup>If First-Class accommodations are requested, please provide specific medical reason why PCotFC accommodations cannot be used. If no reason is given, only PCotFC will be authorized.

Source: NIH.

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Further, we found that other agencies used a separate form to document a medical condition and to justify premium class travel. As shown in figure 2, the disabilities or other special needs form used by NIH requires detail on the nature of the disability or special need and the signature of both the employee and a competent medical authority. NIH's policies state that the medical statement should specifically address why it is necessary to use upgraded accommodations. The form also limits the authority to a period of 6 or 12 months from the initial date of approval depending on the nature of the disability or special need. In the instance of a permanent disability, NIH policy is that authorized use of premium class accommodations is valid for up to 3 years. Resubmission is necessary to ensure that there continues to be a need for the approval and to keep the authorization records current.

**Figure 2: Sample Medical Condition Form**

AUTHORIZATION FOR USE OF FIRST-CLASS OR PREMIUM-CLASS OTHER THAN FIRST-CLASS  
(PCotFC) TRAVEL ACCOMMODATIONS

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FOR EMPLOYEES WITH DISABILITIES OR OTHER SPECIAL NEEDS

First Class<sup>1</sup>                       PCotFC

(Please check authorization requested)

NAME OF EMPLOYEE:

\_\_\_\_\_

ORGANIZATION:

\_\_\_\_\_

NATURE OF DISABILITY OR SPECIAL NEED:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CERTIFICATION: I CERTIFY THAT I AM DISABLED OR OTHERWISE REQUIRE SPECIAL NEEDS SUCH THAT OTHER THAN FIRST-CLASS/PCotFC ACCOMMODATIONS CANNOT BE USED.

\_\_\_\_\_  
Signature of Employee                      Date

SIGNATURE OF COMPETENT MEDICAL AUTHORITY:  
\_\_\_\_\_

AUTHORIZED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

THIS AUTHORITY WILL EXPIRE AT EITHER SIX OR TWELVE MONTHS FROM DATE OF APPROVAL DEPENDING UPON NATURE OF DISABILITY OR SPECIAL NEED (See NIH MANUAL 1500 CHAPTER 13-00 (D)(1)).

\_\_\_\_\_

<sup>1</sup>If First-Class accommodations are requested, please provide specific medical reason why PCotFC accommodations cannot be used. If no reason is given, only PCotFC will be authorized.

Source: NIH.

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## DOD Issued New Regulations to Better Define When Premium Class Travel Is Authorized

During the course of our work, in April 2003, DOD updated the JTR<sup>25</sup> and JFTR<sup>26</sup> to articulate more clearly and make more stringent the circumstances under which premium class travel may be authorized. In addition, the updated JTR and JFTR emphasize, in the context of lengthy flights, that premium class travel must not be common practice and must only be used when exceptional circumstances warrant. They also provide examples of when premium class travel should not be authorized.

The revised JTR and JFTR better define the circumstances in which premium class other than first class travel, that is, business class, is authorized for DOD travelers on flights to and/or from points outside the continental United States when the scheduled flight time exceeds 14 hours. Most notably, the revised regulations prohibit the use of business class travel when travelers are authorized a “rest period” or an overnight stay upon arrival at their duty stations. The modified regulations now explicitly state that business class accommodations are not authorized on the return leg of travel. This is a further restriction on premium class travel; before April 2003, DOD did not expressly prohibit travelers from using premium class travel on their return trips to the United States.

Finally, in its revised regulations, DOD provides specific guidance on how the proposed use of business class accommodations should be considered by officials and travelers. DOD states that, in the context of authorizing business class accommodations for flights scheduled to exceed 14 hours, “business class accommodations must not be common practice” and that such service should be used only in exceptional circumstances. Further, DOD directs order-issuing officials to “consider each request for business class service individually.” We agree with DOD that decisions regarding the use of premium class travel should be made on a case-by-case basis and based on a preference for coach class.

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## Conclusions

The ineffective management and oversight of premium class travel provides another example of why DOD financial management is one of our “high-risk” areas, with the DOD highly vulnerable to fraud, waste, and abuse. DOD does not have the management controls in place to identify

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<sup>25</sup>JTR Change 450, April 1, 2003.

<sup>26</sup>JFTR Change 196, April 1, 2003.

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issues such as improper use of premium class travel. As a result, millions of dollars of unnecessary costs are incurred annually. Because premium class travel is substantially more costly than coach travel, it should only be used when absolutely necessary, and the standards for approval and justification must be high. During our audit, DOD began taking steps to improve its policies and procedures for premium class travel. DOD must build on these improvements and establish strong controls over this sensitive area to provide reasonable assurance that its travel dollars are spent in an economical and efficient manner.

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## Recommendations for Executive Action

We are making the following recommendations to improve internal control over the authorization and justification of premium class travel and to strengthen the control environment as part of an overall effort to reduce improper premium class travel and related DOD costs.

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## Key Internal Control Activities

Because of the substantial cost and sensitive nature of premium class travel, we recommend that the Secretary of Defense direct the appropriate under secretary of defense, assistant secretary of defense, or military service officials to direct the implementation of specific internal control activities over the use of premium travel. While a wide range of activities can contribute to a system that provides reasonable assurance that premium class travel is authorized and justified, at a minimum, the internal control activities should include the following:

- Reiterate to DOD's personnel the policy that premium class travel be authorized and justified only on a case-by-case basis.
- Require the travel offices to issue premium class tickets only if properly authorized and justified and documented accordingly.
- Prohibit the use of blanket authorization for premium class travel.

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## Overall Program Management and Environment

We recommend that the Secretary of Defense direct the appropriate under secretary of defense, assistant secretary of defense, or military service officials to establish policies and procedures to incorporate the regulations specified in GSA's FTR as well as guidance specified in our *Standards for Internal Control* and our *Guide for Evaluating and Testing Controls Over Sensitive Payments*, including the following:

- 
- 
- Develop procedures to identify the extent of premium class travel, including all business class travel, and monitor for trends and potential misuse.
  - Develop procedures to identify all first class fare codes so that DOD can prepare complete and accurate first class travel reports.
  - Develop a management plan requiring that audits of DOD's issuance of premium class travel are conducted regularly and the results of these audits reported to senior management. Audits of premium class travel should include reviews of whether commercial travel offices adhere to all governmentwide and DOD regulations for issuing premium class travel.
  - Periodically provide notices to travelers and supervisors/managers that specifically identify
    - the limitations on premium class travel,
    - the limited situations in which premium class travel may be authorized, and
    - how the additional cost of premium class travel can be avoided.
  - Provide training to travelers and supervisors/managers that identifies DOD's premium class policies and procedures.
  - Train or make training materials available to the commercial travel offices so that they may train their employees on premium class policies and procedures.
  - Require that premium class travel be approved by individuals who are at least of the same rank/grade as the travelers.
  - Specifically prohibit the travelers themselves or their subordinates from approving requests for premium class travel.
  - Use a standardized format or modify the format of the existing travel order to document the request and authorization of premium class travel. The standardized form or modified travel order should contain sufficient information to provide a clear audit trail that documents why

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the additional cost of premium class travel was a necessary expense that could not have been avoided.

- Develop a policy that articulates what constitutes adequate support to substantiate medical, disability, or special needs. Such a policy should address the length of time a medical certification is valid.
- Determine the feasibility of requiring that the medical certification for premium class travel be reviewed by an independent medical professional to verify that the medical condition justifies the additional cost of premium class travel.
- Revise DOD's directives on travel, when necessary, to ensure that they are at least consistent with, or more stringent than, GSA's travel regulations. For example, issue the update to DOD Directive 4500.9 that removes the provision authorizing certain presidential appointees and three-star and four-star generals/admirals to fly premium class on flights when flying to or from overseas destinations.
- Revise the military service directives, orders, and policies to make them consistent with the JTR and JFTR.

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## Agency Comments and Our Evaluation

On September 10, 2003, DOD, Air Force, Army, Marine Corps, and Navy officials representing the offices of the under secretaries of defense for Acquisitions Technology and Logistics, Personnel and Readiness, and Comptroller provided oral comments on a draft of this report. The officials said they agreed with the findings presented in the draft report and generally concurred with our recommendations for resolving the control weaknesses. The officials explained that because responsibility for travel program management is spread across three under secretaries, they were not yet sure who would be responsible for monitoring implementation of the recommendations.

Those DOD officials pointed out that two of our recommendations could be addressed in different ways than contemplated in the draft report. First, they said the justification for premium class travel could be documented by modifying or augmenting the existing DOD travel order rather than using a separate form. We have modified the text of these recommendations to be less prescriptive as to the corrective actions and instead focus on the intent of the recommendations for having clear, well-supported justifications and written audit trails of the authorization to spend additional funds on



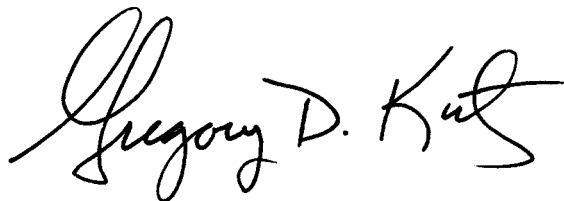
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premium class travel. Second, in regard to training commercial travel office personnel on premium class travel limitations, they expressed a preference for DOD providing training materials to the commercial travel offices so that they, rather than DOD, could train their personnel, and facilitating just-in time or other training for commercial travel office personnel.

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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](mailto:kutzg@gao.gov), John J. Ryan at (202) 512-9587 or [ryanj@gao.gov](mailto:ryanj@gao.gov), or John V. Kelly at (202) 512-6926 or [kellyj@gao.gov](mailto:kellyj@gao.gov) if you or your staffs have any questions concerning this report. Major contributors to this report are acknowledged in appendix III.



Gregory D. Kutz  
Director  
Financial Management and Assurance



Robert J. Cramer  
Managing Director  
Office of Special Investigations

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# Objectives, Scope, and Methodology

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We audited the controls over the authorization and issuance of premium class travel charged to the Department of Defense's (DOD) centrally billed travel accounts during fiscal years 2001 and 2002. Our assessment covered the following:

- The extent to which DOD uses the centrally billed travel accounts to purchase premium class travel.
- Testing a statistical sample of premium class transactions to assess the implementation of key management controls and processes for authorizing and issuing premium class travel, including approval by an authorized official and justification in accordance with regulations. We also identified other selected transactions throughout the premium class travel transactions to determine if indications existed of improper transactions.
- DOD's oversight and monitoring of the use of premium travel and key elements of the control environment, including the (1) consistency of premium class travel procedures among the services and (2) adequacy of documentation to justify the additional cost of premium class travel.

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## Magnitude of Premium Class Travel

To assess the magnitude of use of premium class travel, we obtained from Bank of America a database of fiscal year 2001 and 2002 travel transactions charged to DOD's centrally billed travel card accounts. We queried the database to isolate those transactions specifically related to airline travel. The airline industry uses certain fare and service codes to indicate the class of service purchased and provided. The database contained transaction-specific information, including the fare and service codes used to price the tickets DOD purchased. We identified the fare basis codes that corresponded to the issuance of first, business and coach class travel. Using these codes, we selected all airline transactions that contained at least one leg in which DOD paid for premium class travel accommodations. We also used these data to identify the number of transactions in which DOD purchased an entirely coach class ticket, but the transactions contained at least one segment of the ticket that was upgraded to a premium class accommodation.

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## Evaluate Effectiveness of Controls through Statistical Sampling and Data Mining

We tested a statistical sample of premium class transactions to assess the implementation of key management controls and processes for approving and issuing premium class travel, and used data mining for additional examples of transactions that illustrate improper or questionable premium class travel. The population from which we selected our transactions for testing was the set of positive debit transactions for both first and business class travel that were charged to DOD's centrally billed travel accounts during fiscal years 2001 and 2002. Because our objective was to test controls over travel card expenses, we excluded credits and miscellaneous debits (such as fees) that would not have been for ticket purchases from the population of transactions.

We further limited the business class transactions to those costing more than \$750 because many intra-European flight business class tickets cost less than \$750 and the corresponding coach class tickets were not appreciably less. By eliminating from our sample business class transactions less than \$750, we avoided the possibility of selecting a large number of transactions in which the difference in cost was not significant enough to raise concerns of the effectiveness of the internal controls. The total number of transactions excluded was 15,887, costing approximately \$8 million. While we excluded business class transactions costing less than \$750, we (1) did not exclude all intra-European flights and (2) potentially excluded nonauthorized business class flights. Limitations of the database prevented a more precise methodology of excluding lower cost business class tickets.

To test the implementation of key control activities over the issuance of premium class travel transactions, we selected a stratified random probability sample from the subset of centrally billed account transactions containing at least one premium class leg and in which the business class ticket cost more than \$750. Specifically, we selected 15 first class transactions from a population of 1,240 transactions, totaling about \$3 million, and 122 business class transactions from a population of about 51,000 transactions, totaling about \$113 million. For each transaction sampled, we requested that DOD provide us the travel order, travel voucher, travel itinerary, and other related supporting documentation. We used that information to test whether documentation existed that demonstrated that DOD had adhered to key internal controls over authorizing and justifying the premium class ticket. Based on the information DOD provided, we assessed whether a valid official approved the premium class travel and whether the premium class travel was justified in accordance with DOD regulations. The results of the samples of

these control attributes can be projected to the population of transactions at DOD only, not to individual services or locations.

Based on the sampled transactions, we also estimated the percentage of premium class travel taken by civilian supervisors, managers, and executives, or senior military officers. With this statistically valid probability sample, each transaction in the population had a nonzero probability of being included, and that probability could be computed for any transaction. Each sample element was subsequently weighted in the analysis to account statistically for all the transactions in the population, including those that were not selected. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's estimates as 95 percent confidence intervals (e.g., plus or minus 7 percentage points). These are intervals that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population. All percentage estimates from the sample of premium class air travel have sampling errors (confidence interval widths) of plus or minus 9 percentage points or less. Table 5 and table 6 summarize the population of DOD airline travel transactions containing at least one premium class leg charged to DOD's centrally billed accounts in fiscal years 2001 and 2002 and the subpopulation subjected to testing.

**Table 5: Fiscal Years 2001 and 2002 DOD Premium Class Travel Population Subjected to Sampling (Dollars in Thousands)**

Class	Total population of premium class transactions		Excluded transactions (business class costing less than \$750)		Subjected to sampling (first class and business class costing more than \$750)		Transactions tested	
	Transactions	Dollars	Transactions	Dollars	Transactions	Dollars	Transactions	Dollars
First	1,409	\$2,969	-	-	1,409	\$2,969	15	\$34
Business	66,681	120,876	15,887	\$8,149	50,794	112,727	122	289
<b>Total</b>	<b>68,090</b>	<b>\$123,845</b>	<b>15,887</b>	<b>\$8,149</b>	<b>52,203</b>	<b>\$115,696</b>	<b>137</b>	<b>\$323</b>

Source: GAO analysis of Bank of America data.

**Table 6: Fiscal Years 2001 and 2002 Premium Class Travel Charged to the Centrally Billed Accounts Adjusted for Coding Errors (Dollars in Thousands)**

Class	Subjected to sampling (first class and business class costing more than \$750)		Subsequently determined premium less than first class		Population adjusted for coding errors	
	Transactions	Dollars	Transactions	Dollars	Transactions	Dollars
First	1,409	\$2,969	(169)	(\$71)	1,240	\$2,898
Business	50,794	112,727	169	71	50,963	112,798
<b>Total</b>	<b>52,203</b>	<b>\$115,696</b>	<b>0</b>	<b>0</b>	<b>52,203</b>	<b>\$115,696</b>

Source: GAO analysis of Bank of America data.

In addition to our audit of a DOD-wide statistical sample of transactions, we also selected other transactions identified by our data mining efforts for audit. Our data mining identified individuals who frequently flew using first or business class accommodations, frequent trips to one location, and trips involving family travel. For data mining transactions, we also requested that DOD provide us the travel order, travel voucher, travel itinerary, and any other supporting documentation that could provide evidence that the premium class travel was properly authorized and justified in accordance with DOD policies. If the additional documentation provided indicated that the transactions were proper and valid, we did not pursue further documentation of those transactions. If the additional documentation was not provided or if it indicated further issues related to the transactions, we obtained and reviewed additional documentation or information about these transactions.

## Control Environment

To assess the overall control environment for premium class travel, we obtained an understanding of the travel process, including authorization of premium class travel, by interviewing officials from the Department of the Army, Department of the Navy, Department of the Air Force, and Defense Finance and Accounting Service. We reviewed applicable policies and procedures and program guidance that they provided. We visited two Army units, three Navy units, three Air Force units, and two Marine Corps units to gain an understanding of the travel process, including the management of premium class travel. We used as our primary criteria applicable laws and regulations, including GSA's *Federal Travel Regulation* and DOD's *Joint Travel Regulations* and *Joint Federal Travel Regulations*. We also used as criteria our *Standards for Internal Control in the Federal*

*Government*<sup>1</sup> and our *Guide to Evaluating and Testing Controls Over Sensitive Payments*.<sup>2</sup> To assess the management control environment, we applied the fundamental concepts and standards in our internal control standards to the practices followed by management in the areas reviewed.

We did not audit the Defense Finance and Accounting Service's centrally billed travel card payment process. We also did not audit electronic data processing controls used in processing centrally billed account transactions. The sites reviewed received paper monthly bills containing the charges for their purchases and used manual processes for much of the period we audited, which reduced the importance of electronic data processing 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 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. On August 8, 2003, we provided DOD officials with a draft of this report. We obtained oral comments from DOD, Air Force, Army, Marine Corps, and Navy officials representing the offices of the under secretaries of defense for Acquisitions Technology and Logistics, Personnel and Readiness, and Comptroller on September 10, 2003. We summarized those comments in the "Agency Comments and our Evaluation" section. We conducted our audit work from November 2002 through August 2003, in accordance with U.S. generally accepted government auditing standards, and we performed our investigative work in accordance with standards prescribed by the President's Council on Integrity and Efficiency.

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<sup>1</sup>GAO/AIMD-00-21.3.1.

<sup>2</sup>GAO/AFMD-8.1.2.

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# Process to Obtain Premium Class Travel

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The process for obtaining premium class travel begins when a DOD civilian employee or member of the military or the employee's supervisor determines that he or she needs to travel and the traveler is notified to initiate a travel request. If the traveler determines that he or she needs premium class travel, the traveler submits the travel request, along with justification for premium travel, to his or her supervisor for approval. Once the supervisor reviews the travel request, along with the required supporting documentation, such as a doctor's note supporting a specific physical condition and the necessity for premium travel, it is forwarded to the official who signs the order. For first class travel, the secretary within the military service or a designee reviews the request and justification for first class travel for consistency with DOD regulations. In the case of premium class other than first class transportation, the local transportation officer or other appropriate authority reviews the request and justification.

The order-signing official reviews the travel request and documentation and determines if there is adequate support for the premium travel. If the travel is properly supported and justified, then the premium class travel is approved and the official signs the travel request to generate a travel order. If adequate support does not exist for the class of travel requested, then the request for premium travel is denied.

The travel order is issued, signed by the official, and delivered to the government travel office (GTO),<sup>1</sup> or the commercial travel office (CTO)<sup>2</sup> acting on behalf of the government. Either the GTO or CTO verifies the existence of documentation and checks for an authorizing signature. The CTO then issues the premium class ticket and charges the centrally billed account. The CTO is not supposed to use the centrally billed account to purchase a premium class ticket until the traveler or the official provides the CTO with a signed travel order authorizing the premium class travel. Figure 3 provides a graphic description of the process to obtain premium class travel.

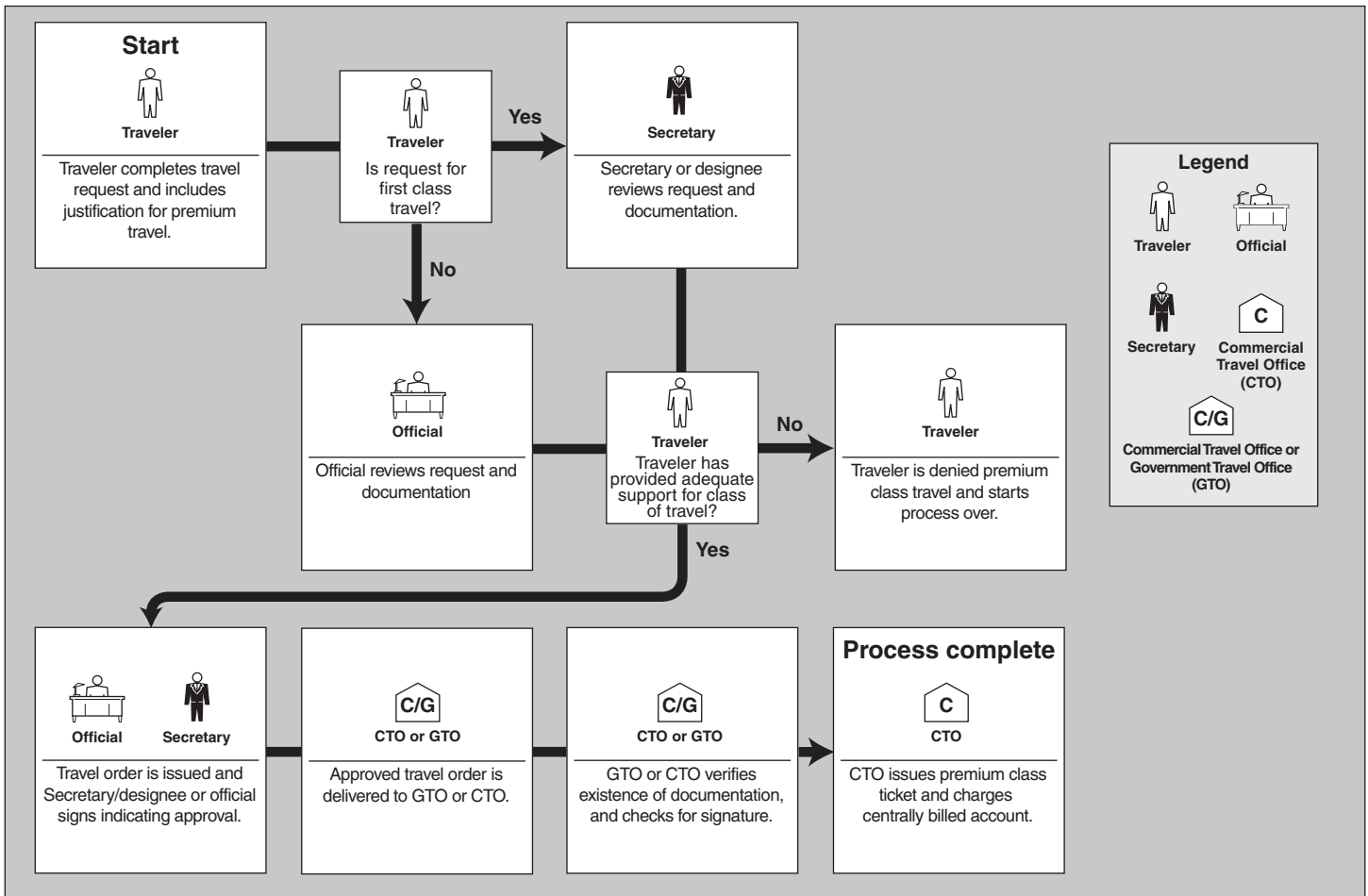
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<sup>1</sup>The GTO is staffed by government employees who are required to monitor the activities of the commercial travel office.

<sup>2</sup>The CTO is staffed by employees of a company that has been contracted to serve as a travel agency for DOD or the military service.

**Appendix II  
Process to Obtain Premium Class Travel**

**Figure 3: Standard Process to Obtain Premium Class Travel When Multiple Classes of Service Are Available**



Source: GAO analysis of DOD data.



# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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