



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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PERSONNEL AND
READINESS

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT & COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT & COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT & COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Reduction of Centrally Billed Accounts

The Defense Travel Steering Committee (DTSC), our executive level governance authority for travel, has approved the use of the Individually Billed Account (IBA) as the primary payment mechanism for all travel costs.

Greater use of the IBA will mitigate problems associated with unused airline tickets and improper payments; reduce efforts to reconcile and pay Centrally Billed Account (CBA) invoices; bring DoD practices in line with GAO recommendations; and facilitate the transition to the new travel card contract (SmartPay2®) in November 2008. DTSC approval requires the following actions:

- Use the IBA for all travel expenses to include transportation costs for all who are eligible to receive a card.
- Restrict CBA transportation accounts to the purchases of air, rail, and bus tickets ONLY for travelers who are not eligible for IBAs.
- Conduct Component-level reviews of all active CBA card accounts and close all noncompliant accounts.

If you have any questions, please contact Ms. Nina Richman-Loo of the Defense Travel Management Office at (703) 696-6953 or nina.richman-loo@dtmo.pentagon.mil.

A handwritten signature in black ink, appearing to read "William J. Carr".

William J. Carr
Acting Deputy Under Secretary
(Military Personnel Policy)



Highlights

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

Why GAO Did This Study

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

What GAO Recommends

GAO makes 20 recommendations to DOD, including the following:

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

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

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

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

DOD TRAVEL CARDS

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

What GAO Found

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

Fully Unused and Partially Unused Airline Tickets

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

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

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

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

GOVERNMENT TRAVEL CARD PROGRAM CENTRALLY BILLED VS. INDIVIDUALLY BILLED ACCOUNTS

In the Government Travel Card Program, there are two types of travel cards: the Individually Billed Account (IBA) and the Centrally Billed Account (CBA). Both IBAs and CBAs can be used to obtain more favorable government travel rates (such as the GSA city pair rates for air fares) and tax exemption.

The IBA is a travel card issued to an individual Service member or DoD employee. The individual uses the IBA to pay the expenses of their official travel. Use of the IBA for any other purpose is considered misuse and is subject to administrative and/or disciplinary action. All charges placed on the IBA are the responsibility of the individual cardholder. There are two types of IBAs:

- A standard travel card for individuals with favorable credit scores.
- A restricted card (with lower cash and credit limits) for those with low credit scores or no credit history.

The CBA is a travel account issued to a DoD activity. The DoD activity uses the CBA to purchase transportation for official travel. All charges placed on the CBA are the responsibility of the DoD activity. CBAs are subject to the provisions of the Prompt Payment Act of 1982, which include the payment of interest if the DoD activity fails to pay the amount due within 30 days. There are two types of CBAs:

- A transportation account is a cardless account issued to a government transportation office for use in purchasing transportation, to include airline, bus and rail tickets.
- A unit travel card is a card that may be issued to an individual or unit for group travel only when it is cost effective and in the best interest of the mission. Unit cards are appropriate for groups of travelers such as new recruits, prisoners and foreign nationals participating in an official DoD-sponsored program or activity.

Credit limits on CBAs are based on the mission requirements of the unit.