



Highlights of [GAO-04-825T](#), a testimony before the Committee on Governmental Affairs, United States Senate

Why GAO Did This Study

In November 2003, GAO testified on the significant level of improper premium class travel purchased with centrally billed accounts. These findings led to concerns over the Department of Defense's (DOD) overall management of the centrally billed account program. At the request of this Committee, Senator Grassley, and Representative Schakowsky, GAO performed work to determine whether DOD controls were adequate to protect the centrally billed accounts from fraud, waste, and abuse. This testimony focuses on whether DOD (1) paid for airline tickets that it did not use and did not process for refund, (2) improperly reimbursed travelers for the cost of airline tickets paid for with centrally billed accounts, and (3) adequately secured access to centrally billed accounts against improper and fraudulent use. This testimony also addresses the internal control breakdowns that led to instances of fraud, waste, and abuse and DOD's corrective actions.

In two companion reports issued today, DOD concurred with the 31 recommendations GAO made—including moving to a well-managed individually billed account program—to improve the management of unused tickets, recover the value of outstanding unused tickets, prevent and detect improper payments, reduce the risk that airline tickets are issued on invalid travel orders, and improve security over the centrally billed accounts.

www.gao.gov/cgi-bin/getrpt?GAO-04-825T.

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.

DOD TRAVEL CARDS

Control Weaknesses Led to Millions of Dollars in Fraud, Waste, and Improper Payments

What GAO Found

A weak control environment and breakdowns of key controls over the centrally billed accounts led to millions of dollars wasted on unused airline tickets, reimbursements to travelers for improper and potentially fraudulent airline ticket claims, and issuance of airline tickets based on invalid travel orders.

Problem identified	Illustrative example(s)
Unused airline tickets	
<ul style="list-style-type: none"> 58,000 airline tickets—primarily fiscal years 2001 and 2002 tickets—with a residual value of more than \$21.1 million were unused and not refunded as of October 2003 Many more tickets are partially unused with unknown residual value \$100 million in potential unused tickets from fiscal years 1997 to 2003 	<p>Some unused tickets are first or business class tickets that cost thousands of dollars:</p> <ul style="list-style-type: none"> \$9,800 round trip from Washington, D.C. to Canberra, Australia \$3,400 round trip from Washington, D.C. to San Diego, Calif.
Reimbursements to travelers for improper and potentially fraudulent airline ticket claims	
<ul style="list-style-type: none"> About 27,000 potential improper reimbursements totaling more than \$8 million identified at the Army, Marine Corps, and Navy during fiscal year 2001 and 2002 123 of 204 transactions selected for testing were improper and potentially fraudulent Air Force Audit Agency estimated that losses for the Air Force due to improper payments to be \$6.5 million over 6 years 	<p>Some travelers submitted multiple claims for tickets they did not purchase, which could be indicative of intent to defraud the government:</p> <ul style="list-style-type: none"> A GS-15 received 13 improper payments totaling almost \$10,000 but claimed he did not notice the overpayments A GS-13 repeatedly submitted false claims for airline ticket reimbursements after being told they were improper
Centrally billed accounts not adequately secured against improper and fraudulent use	
<ul style="list-style-type: none"> No verification that travel order is valid before airline tickets are charged to the centrally billed accounts and obligations recorded to pay for the airline tickets Centrally billed account numbers were compromised and used for personal gain 	<ul style="list-style-type: none"> Using a basic scheme to defraud, GAO obtained a round-trip airline ticket from Washington, D.C. to Atlanta, Ga. that was paid for by DOD A DOD traveler used a centrally billed account number to purchase over 70 airline tickets costing over \$60,000, which he resold at a discount

Source: GAO analysis of DOD data.

In some instances where the centrally billed accounts were compromised, DOD did not pay for the airline tickets because DOD disputed those charges. However, not all DOD units disputed unauthorized charges. As a result, DOD is vulnerable to paying for fraudulent charges. A major contributing factor to these problems is that DOD's travel order, ticket issuance, and travel voucher systems are not integrated, and DOD had not designed compensating procedures to reconcile data in these systems. Thus, DOD was unable to detect instances where (1) the absence of a travel voucher might indicate that an airline ticket was unused, (2) travelers improperly claimed reimbursement for tickets they did not purchase, and (3) an authorized individual did not approve the travel order submitted to obtain an airline ticket. Other causes are excessive reliance on DOD travelers to report unused tickets, inadequate voucher review, and weak centrally billed account safeguards.