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United States Government Accountability Office  
Washington, DC 20548

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February 29, 2008

Ambassador John J. Danilovich  
Chief Executive Officer, Millennium Challenge Corporation

Subject: Management Letter: *Recommendations for Improvements to MCC's Internal Controls and Policies on Premium Class Air Travel*

Dear Ambassador Danilovich:

On September 28, 2007, GAO issued a report detailing our findings of improper and abusive premium class travel governmentwide.<sup>1</sup> The audit was performed at the request of the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, and Senator Grassley, Committee on Finance, U.S. Senate. As part of the audit, we tested premium class transactions at the Millennium Challenge Corporation (MCC). While our report provided recommendations to the General Services Administration (GSA) and the Office of Management and Budget (OMB), the purpose of this letter is to report on specific matters identified during our audit that relate to weaknesses in internal controls at MCC. This letter contains three recommendations that warrant management's consideration.

### **Results in Brief**

We found that MCC spent about \$6.2 million in air travel from July 1, 2005, through September 30, 2006, of which about \$4.8 million included at least one leg of a premium class flight. We also found internal control breakdowns and control environment weaknesses over MCC's premium class travel. Our findings are summarized as follows:

- MCC was the most frequent user of premium class travel governmentwide. Overall, MCC spent about 77 percent of its air travel on premium class travel, compared to the overall governmentwide average of about 7 percent. On a comparative basis, we found that 83 percent of MCC's over-14-hour flights between airports in the United States and selected locations in Africa, the Middle East, and parts of Europe were in premium class. In contrast, only 3 percent of the Department of Defense's (DOD) and the Department of Homeland Security's (DHS) travel to the same locations was in premium class.

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<sup>1</sup>GAO, *Premium Class Travel: Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel*, GAO-07-1268 (Washington, D.C.: Sept. 28, 2007).

- Our statistical sampling of and data-mining work on premium class travel at MCC found that none of the 36 MCC premium class transactions we tested were properly authorized or justified.<sup>2</sup> Specifically, in premium class flights occurring prior to February 2006, MCC officials informed us that premium class authorization was provided through blanket authorizations. Flights during this period failed our control tests based on a lack of specific authorization. Further, of an additional 15 transactions occurring after February 2006 when premium class travel at MCC was supposed to be authorized on a trip-by-trip basis, we found that all 15 still failed our control tests due to lack of specific authorization and justification. According to MCC officials, specific authorization was not necessary for these trips because they were over 14 hours in length. However, the *Federal Travel Regulation (FTR)* still requires specific authorization for premium class use, even in situations where flight time exceeds 14 hours.
- We found that MCC employees improperly used the 14 hour rule to qualify for premium class travel. The FTR specified that employees qualify to use premium class travel for flights exceeding 14 hours if they had no rest stop en route or rest period at their destination. However, on 20 of the 36 flights we examined, travelers arrived at their destination on a weekend without providing documentation that they reported to work before incurring a rest period. This is in violation of the FTR. We found additional flights where the traveler arrived at a time during the day to allow for a rest period prior to reporting to work the next day.<sup>3</sup>

At the end of our discussion on each of these issues, we offer recommendations for strengthening MCC's internal controls and travel policies. We also referred to you on October 18, 2007, individuals who violated federal premium class policy for further review and appropriate action. Actions could include, if warranted, repayment of the difference between the price of coach and premium class and administrative actions.

In written comments on a draft of this management letter, MCC concurred with many of our conclusions and recommendations. However, MCC made several objections to factual findings. MCC's objections and our response are addressed below.

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<sup>2</sup>Four transactions from MCC were selected as part of our statistical sample of government premium class transactions. The remaining 32 MCC transactions we tested were selected through data mining.

<sup>3</sup>We defined a weekend arrival as a flight arriving between Friday at 2 p.m. and Sunday at 8 p.m.

## Scope and Methodology

This letter is based on the work performed during our audit of the federal government's use of premium class air travel. To determine the magnitude of premium class travel at MCC, we extracted premium class transactions from July 1, 2005, through June 30, 2006, from the databases provided by Bank of America. Premium class transactions were defined as debit air travel transactions that included at least one leg of first or business class travel. Our review included charges made to both the individually billed accounts, which are travel cards assigned to individual travelers for transportation expenses, lodging, and miscellaneous expenses, and charges made to centrally billed accounts, which are travel cards assigned to the agencies and used primarily to procure transportation for travelers. During the period from July 1, 2005, through September 30, 2006, MCC had a total of nearly 2,000 air tickets totaling about \$6.2 million, of which about 750 were premium class air tickets totaling about \$4.8 million. We selected and tested a statistical sample of governmentwide premium class travel transactions, which included trips taken by MCC employees, and conducted other audit work to determine the extent to which this travel was improper.<sup>4</sup> Because first class travel at MCC was immaterial—accounting for only 5 percent of total premium class travel—we did not review the completeness of MCC's reporting of first class travel to GSA. To identify specific cases of improper or abusive use of premium class travel, we used data mining to identify instances in which individuals flew many premium class flights during the period or groups of individuals flew together in premium class. Because we included additional data provided by the bank subsequent to our selection of the statistical sample, our data-mining work was performed on data from July 1, 2005, through September 30, 2006. We audited 4 MCC transactions selected as part of our statistical sample and an additional 32 transactions selected through data mining. This represents approximately 5 percent of premium class air tickets purchased by MCC. However, because of the use of a nonrepresentative sample, it is not possible to project the extent to which MCC's premium class travel was improper. To identify underlying causes contributing to improper premium class travel, we reviewed federal laws and regulations and MCC's implementing guidance for premium class travel, and interviewed MCC officials on the processes and procedures in place to authorize and justify premium class travel. Enclosure I contains a summary of when federal regulations allow premium class travel to be authorized. We also interviewed GSA and OMB officials on their oversight of premium class travel.

We conducted our audit from July 2006 through August 2007 in accordance with U.S. generally accepted government auditing standards, and we performed our investigative work during the same period in accordance with standards prescribed by the President's Council on Integrity and Efficiency.

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<sup>4</sup>Our statistical sample included 4 transactions from MCC travelers. An additional 32 transactions were selected through data mining.

## **Frequency of Premium Class Use Highest of All Federal Agencies**

We found that MCC had the highest frequency of premium class use in all of the federal government. Specifically, about \$4.8 million of the \$6.2 million MCC spent on airline tickets was spent on tickets with at least one leg of premium class travel. In other words, despite the fact that MCC is a very small agency that is limited to 300 or fewer employees, the amount MCC spent on premium class travel represented the sixth largest premium class program in the government by total dollars.<sup>5</sup> In addition, MCC spent about 77 percent of its air travel dollars on premium class flights, far higher than the average of 7 percent governmentwide.

Our comparison of long international flights exceeding 14 hours further support our analysis that MCC used premium class on these flights more frequently compared to other agencies. Specifically, we analyzed over-14-hour flights between airports in the United States and selected locations in Africa, the Middle East, and far eastern Europe. Our analysis indicates that 83 percent of MCC's travel between these locations was in premium class. In contrast, 3 percent of DHS's and DOD's travel to the same locations were in premium class.

MCC is also the highest user of premium class travel when compared to other federal agencies that have been vested with international missions. For flights to the same locations exceeding 14 hours, 25 percent of the United States Agency for International Development's and 72 percent of the State Department's travel to the same locations were in premium class.

## **MCC Allowed Premium Class Tickets to Be Issued Without Specific Authorization**

We found that none of the 36 MCC trips that we tested in our statistical sample or through data mining had specific authorization for premium class travel. According to the *Federal Travel Regulation* (FTR), agencies must specifically authorize each premium class trip to ensure that premium class travel fits criteria defined in the FTR, that is, the use of blanket authorization for premium class travel was not acceptable. Furthermore, the FTR states that travelers on official government travel must exercise the same 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, and judicious approvals of premium class can reduce unnecessary expenses. However, MCC's use of premium class travel was not specifically authorized as follows:

- Prior to February 2006, MCC allowed employees to fly business class on blanket travel authorizations. Of the 36 trips whose supporting documentation we requested during our audit, 21 were taken during the period that a blanket

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<sup>5</sup>As specified by the MCC staffing model.

authorization policy, which allowed premium class travel on all trips exceeding 14 hours, was in effect. All of the 21 trips had legs exceeding 14 hours and were issued business class tickets on blanket travel authorizations allowing premium class travel for trips exceeding 14 hours. However, some of the trips included legs of travel of less than 14 hours that were also taken in business class. These trips cost the government more than \$180,000 and failed authorization and justification requirements.

- MCC officials told us that in February 2006, MCC established a policy requiring specific authorization for travel on a trip-by trip basis. However, our review of an additional 15 premium class trips taken after February 2006 showed that the travel authorizations for all 15 trips did not specifically authorize premium class travel. MCC officials we spoke to believed the trips were proper because they exceeded 14 hours. However, the FTR requires specific authorization, even for trips that meet criteria for justification. Consequently, none of these 15 trips were properly authorized, and therefore none were justified.<sup>6</sup> These 15 improper trips cost the government more than \$110,000.

### **MCC's Policy and Procedures for Trips Exceeding 14 Hours Does Not Follow Federal Regulations**

We also determined that MCC did not properly apply the 14-hour rule when authorizing travel or issuing premium class tickets. According to MCC representatives we interviewed, the MCC agent automatically issued business class tickets for all employees on trips exceeding 14 hours unless the traveler requested otherwise. However, these trips violated the FTR and therefore were improper.

The FTR specifically states that in order to qualify for premium class travel for flights lasting 14 hours or more, the traveler could not have a rest period en route or a rest period upon arrival.<sup>7</sup> On the basis of our analysis of the FTR and interviews of GSA officials, we determined that if a flight arrived at its destination by evening, at such a time that the traveler was provided a reasonable opportunity to get a night of rest before working, this constituted a rest period and therefore made the traveler ineligible for premium class. Similarly, if a traveler returned home in the evening or on a weekend, and did not provide evidence that he or she reported directly to work, we concluded that the premium class trip was not justified. However, as discussed previously, because these trips were not specifically authorized, there was no assurance that the travel authorizing officials knew whether the traveler had a rest period upon arrival. As a result, we found multiple instances where MCC employees flew business class, but also had a rest period upon arrival at their destination or once they arrived home. Specifically,

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<sup>6</sup>We considered an unauthorized trip to automatically be unjustified; authorized trips were then tested to see if they were justified.

<sup>7</sup>The FTR defines a rest period as not in excess of 24 hours, but does not define a minimum period that defines a rest period.

we found that for 20 of the 36 trips we examined, the traveler arrived home on a weekend without evidence of going to work.<sup>8</sup> We also found other trips where travelers arrived at their destinations on weekday afternoons and likely received rest periods before going to work. For example:

- One MCC traveler flew first and business class from Washington, D.C., to Port Villa, Vanuatu—a trip exceeding 14 hours and costing \$12,000. On the trip to Port Villa, the traveler arrived on a Saturday night without evidence of working before taking a rest period. On the return trip, the traveler arrived back in Washington, D.C., on a Saturday night, and therefore the traveler had a reasonable opportunity for rest before work. In addition, no documents were provided to show that business class was specifically authorized in advance of the trip. The trip included a reasonable opportunity for rest upon arrival at both the destination and back home, making the trip ineligible for business class according to the FTR.

In our governmentwide audit, we found that internal policy can contribute to an overall control environment that substantially restricts premium class travel. For example, DOD’s travel policy states that premium class flights over 14 hours would be approved only if the travel is so urgent that it can not be postponed, nor can alternatives be found to reduce the cost. As a result, only 3 percent of DOD’s trips exceeding 14 hours were taken in premium class during our audit period. MCC could save money by adopting a similar policy toward 14-hour travel. DHS provides another example of restraint on approving 14-hour trips for premium class; like DOD’s, only 3 percent of DHS’s trips exceeding 14 hours were in premium class during our audit period. Additionally, when possible, travelers plan their travel in advance to avoid having to use premium class travel out of necessity. Attention to these details would likely identify some 14-hour trips that, by allowing extra time for a rest period or rest stop, alternatively could be taken in coach.

In response to our audit, MCC officials noted on the travel documents that, “additional supporting documentation was not required because itinerary shows that flight time was in excess of 14 hours.” MCC’s policy and procedures and subsequent inadequate documentation to support the travel transactions shows poor internal controls.<sup>9</sup> Thus, there are no mechanisms for management to assure that business class travelers are not taking a rest stop or rest period, therefore making these trips with insufficient oversight. This lack of scrutiny facilitates improper use of premium class travel, and creates unnecessary travel costs at taxpayer expense.

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<sup>8</sup>We defined a weekend arrival as a flight arriving between Friday at 2 p.m. and Sunday at 8 p.m.

<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (November 1999).

## **Recommendations for Executive Action**

To reduce improper premium class travel, we recommend that the Chief Executive Officer of the Millennium Challenge Corporation implement improved internal controls over the use of premium class travel. While a wide range of activities can contribute to a system that provides reasonable assurance that premium class travel is properly authorized and justified, at a minimum the internal control activities should include the following:

- require specific authorization for the use of premium class, to be documented and retained with travel orders;
- enforce FTR regulations prohibiting premium class travel if the trip was over 14 hours and the traveler had a rest stop at destination or a rest stop en route; and
- prohibit the use of premium class air travel on weekend arrivals, except in cases where a traveler documents that he or she will report immediately to work upon arrival before incurring a rest period.

## **Agency Comments and Our Evaluation**

In written comments on a draft of this management letter, which are reprinted in enclosure II, MCC said it concurred with many of our conclusions, including that MCC needed to specifically justify, as well as authorize, each premium class trip, and needed to clarify its policy to ensure that premium class travel is used only in those cases where a rest stop is not feasible for business or medical reasons. However, MCC made several objections to our methodology and factual findings, which we have addressed below.

MCC objected that we did not mention policy changes designed to limit premium class travel. However, the reason we did not address changes made to MCC's premium class policies and procedures is because we consider the changes made by MCC ineffective in addressing the MCC internal control weaknesses we found. Specifically, MCC says that it eliminated the use of blanket orders authorizing premium class travel in February 2006, and that all trips taken after February 2006 were specifically authorized for business class travel in its e-travel system by appropriate supervisors. However, while we found signed authorizations for all trips taken after February 2006, none of the trips contained specific authorization for the use of premium class on the authorization itself or in the notes section of the authorization.

MCC objected that it had provided us a corrected spreadsheet that was not reflected in our management letter. However, we disagreed with the corrections they suggested, thus their suggestions were not incorporated into our management letter. Among the corrections MCC suggested were that some travelers arriving on weekends were justified for premium class travel use, that

premium class trips taken on blanket authorizations were specifically authorized, and that one premium class return trip was justified because it was the only flight available. However, our control tests define blanket premium class travel as not specifically authorized, and MCC provided no documentation supporting the rest of their assertions. Therefore, we did not incorporate their suggested changes.

MCC also disagreed with our statement that all 15 of the transactions we examined that occurred after February 2006 failed our control tests for specific authorization and justification. However, this assertion is incorrect. While all 15 of the transactions had travel orders signed off on by supervising officials, which was an improvement from the past use of blanket travel orders authorizing the use of premium class travel, none of the 15 travel orders specifically authorized premium class travel. Further, MCC provided no additional evidence that a supervisor approved the use of premium class travel subsequent to the travel order.

MCC asserted that the FTR does not require an agency to seek or provide documentation that travelers arriving home on a weekend did not incur rest periods before reporting to work. However, agencies need to provide assurance that all travelers using premium class travel are in compliance with FTR requirements, including the requirement that a rest stop does not exceed 24 hours. We considered that the transaction failed the control test if there was not some evidence that travelers arriving on weekends did not report to work before incurring a rest period. We repeatedly found that MCC travelers, arriving on weekends after traveling in premium class, who would be reasonably expected to have rest stops before reporting to work. Agencies need to document that travelers have certified that they did not incur rest periods in situations where they would be reasonably expected to do so. For example, the authorization form could be amended, without undue burden, to include a box where a traveler and his/her supervisor could certify that a rest period was not being incurred by a traveler traveling in business class.

We disagree with MCC's assertion that a lack of per-segment costs, and the inclusion of some coach class legs in ticket prices, significantly affected our premium class estimates. Our calculation of premium class travel was conducted on a governmentwide scale. As we expressed in previous meetings with MCC officials, since the government credit cards banks and most agencies do not collect information on the cost of airline flights by individual segments of travel, it was not reasonable for us to calculate this amount for certain agencies but not others. However, our analysis of MCC's premium class flights by segment shows that 85 percent of the legs on MCC's premium class flights had premium class service codes, while just 9 percent had coach class service codes<sup>10</sup>. Further, the inclusion of coach class legs among premium class tickets should not have significantly affected premium class estimates, for MCC or the government. For

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<sup>10</sup> The remaining 6 percent of flight legs had codes that could have been either premium or coach, depending on the airline.



example, we examined the itinerary of an MCC traveler who flew coach class from Washington to New York, then business class from New York to Johannesburg. The cost for the coach portion of the trip was slightly over \$100, according to GSA's city-pair contracts, as opposed to over \$5,000 for the business class portion. For that itinerary, the coach class portion was about 2 percent of the total ticket.

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This report is intended for use by the management of MCC. We are sending copies to the Honorable Carl Levin and the Honorable Norm Coleman, Chairman and Ranking Member, Permanent Subcommittee on Investigations, Senate Committee on Homeland Security and Governmental Affairs, and the Honorable Charles Grassley, Ranking Member, Senate Committee on Finance. Copies will be made available to others upon request. The report is also available at no charge on GAO's homepage at <http://www.gao.gov>. If you or your staff have any questions concerning this letter, please contact me at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

Sincerely yours,

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large, stylized initial "G".

Gregory D. Kutz  
Managing Director, Forensic Audits and Special Investigations

Enclosures—2

## **GSA Regulations Governing Premium Class Travel Use**

The *Federal Travel Regulation* (FTR), issued by the General Services Administration (GSA), implements statutory and Office of Management and Budget (OMB) requirements and policies for most federal civilian employees and others authorized to travel at government expense. The purpose of the FTR is to ensure that official travel is conducted responsibly and at minimal administrative expense. Unless exempt by specific legislation,<sup>11</sup> executive agencies, fully owned government corporations, and independent establishments are expected to follow the FTR, including its promulgation related to premium class travel. The Department of Defense's uniformed servicemembers and Department of State employees exempt from the FTR are covered by their agencies' travel regulations.

OMB's general policy related to travel is that the taxpayers should pay no more than necessary to transport government officials. Consistent with this principle, the FTR states that with limited exceptions, travelers must use coach class accommodations for both domestic and international travel. Premium class travel can occur only when the traveler's agency specifically authorizes the use of such accommodations (authorization) and only under specific circumstances (justification). Specifically, the FTR states that first class accommodation is authorized only when at least one of the following conditions exists:<sup>12</sup>

- coach class airline accommodations or premium class other than first class airline accommodations are not reasonably available,
- when use of first class is necessary to accommodate a disability or other special need that is substantiated in writing by a competent medical authority,
- exceptional security circumstances require first class travel, or
- when required because of agency mission.<sup>13</sup>

The FTR authorizes premium class accommodations other than first class (e.g., business class) when at least one of the following conditions exists:

- regularly scheduled flights between origin/destination points provide only premium class accommodations, and this is certified on the travel voucher;
- coach class is not available in time to accomplish the mission, which is urgent and cannot be postponed;

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<sup>11</sup>A number of federal agencies are exempt from the FTR. For example, the United States Postal Service (USPS) is exempt through 5 U.S.C. 104 and 5 U.S.C. 5701. The Federal Reserve Bank also claimed exemption from the FTR under section 10 of the Federal Reserve Act, which provides that "employment, compensation, leave, and expenses" of board employees are "governed solely by the provisions of the Federal Reserve Act." Both USPS and the Federal Reserve Bank use their respective exemptions to promulgate their own travel policies.

<sup>12</sup>The FTR also allows for the traveler to upgrade to premium class accommodations, at the traveler's expense or by using frequent traveler benefits.

<sup>13</sup>41 C.F.R. 301-10.123.

- 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;
- 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;
- 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 en route or a rest period upon arrival is prohibited when premium class accommodations are authorized); or
- when required because of agency mission.<sup>14</sup>

As specified above, employees traveling in premium class have to meet both authorization and justification to qualify, meaning that employees who, for example, traveled premium class on a trip exceeding 14 hours would violate the FTR if they traveled premium class without receiving specific authorization to do so. Agencies subject to the FTR have generally issued internal policies and procedures to clarify and implement the premium class travel provisions of the FTR. When issuing implementing policy, agencies have to follow executive branch policy, which specifies that a subordinate organization seeking to establish implementing regulations or guidance may make the regulations more stringent but not relax the rules established by higher-level guidance. For example, an agency’s implementing policy related to premium class travel because of disability can require that the traveler provides medical certification that is updated annually, but cannot waive the requirement that a certification by a competent medical authority be provided.

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<sup>14</sup>41 C.F.R. 301-10.124.

Enclosure II

Comments from the Millennium Challenge Corporation



**MILLENNIUM  
CHALLENGE  
CORPORATION**  
REDUCING POVERTY THROUGH GROWTH

February 22, 2008

Mr. Gregory Kutz  
Managing Director, Forensic Audits and Special Investigations  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Kutz:

This letter responds to your draft Management Letter: Recommendations for Improvements to MCC's Internal Controls and Policies on Premium Class Air Travel sent to MCC on February 8, 2008. I was surprised and concerned to see that this draft Management Letter makes no mention of the policy changes we brought to GAO's attention in our August 20, 2007, meeting with Scott Wrightson, and subsequently forwarded to GAO in our December 5, 2007, letter to you.

At the August 2007 meeting and in our December 2007 letter, MCC provided GAO with documented changes in our travel policy, including changes to limit the use of premium class travel to those instances where there is a mission critical justification for such travel, or where a legitimate medical condition or disability requires it. In implementing these changes to our travel policies and procedures, we have in many cases gone beyond the requirements of the Federal Travel Regulations (FTR) in order to conserve our travel resources for those cases where the use of premium class travel has a significant impact on the ability of our hard-working staff to accomplish their mission. I am re-submitting this revised policy to you with this letter.

Also, in your initial draft, GAO made a number of factual errors, which are repeated in the February 8, 2008, draft. The new draft states correctly that before February 2006, MCC used a blanket travel authorization, and therefore did not properly authorize or justify premium class travel. However, the statement that "of an additional 15 transactions occurring after February 2006 when premium class travel at MCC was supposed to be authorized on a trip-by-trip basis, we found that all 15 still failed our control tests due to lack of specific authorization and justification" is simply incorrect. While MCC agrees that these 15 trips did not have separate and specific justifications, all 15 were specifically authorized in MCC's e-travel system by appropriate supervisors for business class travel. We explained this at the August 2007 meeting with GAO, yet the assertion that these trips were not properly authorized is repeated in the most recent draft Management Letter without any additional factual basis.

Furthermore, when reviewing the spreadsheet provided by GAO on the trips in question, MCC uncovered a number of factual errors, and in our December 2007 letter we provided you with a corrected version of your spreadsheet. However, in this draft Management Letter, GAO again has failed to correct these facts with the documentation MCC provided, which included MCC's revised Travel Policy and the corrected spreadsheet.

Mr. Gregory Kutz  
Page 2

We also continue to question the assertion from GAO that a number of trips “violated the FTR and therefore were improper” because MCC did not document that a rest stop did not occur over a weekend. The FTR does not require an agency to seek or provide such proof, and it is neither administratively feasible nor reasonable for GAO to ask an agency to document for every premium class trip that a rest stop did not occur. In effect, GAO is asserting with no evidence that MCC is “guilty” of combining rest stops with premium class travel and asking MCC to prove its “innocence.”

Finally, in our August 2007 meeting, GAO acknowledged that it counts entire round-trip flights as “premium class” even if only one segment in one direction of the trip was actually flown in a premium class. MCC made clear at that point that we can provide segment by segment data showing the actual travel flown in a premium class, but there appeared to be no interest on the part of GAO on using this data because certain other agencies cannot provide their data on as detailed a basis. As a result, MCC believes that GAO has significantly overstated the actual amount of MCC travel that has taken place in premium classes, and is ready to provide our data to GAO so that it can develop a more accurate estimate.

Despite these inaccuracies in the GAO draft Management Letter, MCC agreed with many of the report’s conclusions, including that MCC needed to specifically justify, as well as authorize, each premium class trip, and needed to clarify our policy to ensure that premium class travel is used only in those cases where a rest stop is not feasible for business or medical reasons. We have shared our revised policy with you and do so again with this letter. We have also attached a document describing in more detail the steps that MCC has taken to ensure full compliance with the FTR. I hope that the final Management Letter will reflect the corrections we are again urging you to make in your characterization of MCC’s past premium class travel, as well as the policy changes we have made in response to GAO’s recommendations. Please do not hesitate to contact me at (202) 521-3723 with any specific questions you may have regarding our approach to premium class travel.

Sincerely,



Michael Casella  
Acting Vice President  
Administration and Finance

Enclosures:

- (1) Travel Policies and Procedures (Revised 11-29-07)
- (2) GAO Audit Referral Letter - MCC Corrections (Rev 11-19-07)
- (3) MCC FTR Compliance Fact Sheet

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