



Highlights of [GAO-06-298](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

STATE'S CENTRALLY BILLED FOREIGN AFFAIRS TRAVEL

Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars

Why GAO Did This Study

The relative size of the Department of State's (State) travel program and continuing concerns about fraud, waste, and abuse in government travel card programs led to this request to audit State's centrally billed travel accounts. GAO was asked to evaluate the effectiveness of internal controls over (1) the authorization and justification of premium-class tickets charged to the centrally billed account and (2) monitoring of unused tickets, reconciling monthly statements, and maximizing performance rebates.

What GAO Recommends

To improve controls over premium-class travel, systematically monitor unused airline tickets, and provide assurance of accurate and timely payment of the centrally billed accounts to maximize rebates, GAO is making 18 recommendations to State, including that it

- develop a management plan requiring audits of State's premium-class travel,
- modify international travel management center contracts to require identification and processing of unused electronic tickets,
- establish procedures to either pay or dispute transactions on the Citibank invoice, and
- urge other users of State's centrally billed travel accounts to comply with existing travel requirements.

State concurred with all 18 recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-298.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov.

What GAO Found

Breakdowns in key internal controls, a weak control environment, and ineffective oversight of State's centrally billed travel accounts resulted in taxpayers paying tens of millions of dollars for unauthorized and improper premium-class travel and unused airline tickets. State's over 260 centrally billed accounts are used by State and other foreign affairs agencies to purchase transportation services, such as airline and train tickets. GAO found that between April 2003 and September 2004 State's centrally billed accounts were used to purchase over 32,000 premium-class tickets costing almost \$140 million. Premium-class travel—primarily business-class airline tickets—represented about 19 percent of the tickets issued but about 49 percent of the \$286 million spent on airline tickets with State's centrally billed account travel cards. GAO determined that this trend continued for fiscal year 2005. GAO found that 67 percent of this premium-class travel was not properly authorized, justified, or both. Because premium-class tickets typically cost substantially more than coach tickets, improper premium-class travel represents a waste of tax dollars. The examples below illustrate premium-class travel by senior State executives that was improperly authorized by annual blanket authorizations. Most of these blanket premium-class travel authorizations were signed by subordinates who told us they couldn't challenge the use of premium-class travel by senior executives.

Examples of Improper Authorization by Subordinates of Executive Premium-Class Travel

Traveler	Grade	Number of premium-class tickets	Cost of premium-class-tickets
1	Presidential appointee	45	\$213,000
2	Senior Executive Service	26	\$104,000
3	Presidential appointee	24	\$93,600

Source: GAO.

Ineffective oversight and control breakdowns also contributed to problems with monitoring unused tickets, reconciling monthly statements, and maximizing performance rebates. Although federal agencies are authorized to recover payments made to airlines for tickets that they ordered but did not use, State failed to do so and paid for about \$6 million for airline tickets that were not used or processed for refund. State was unaware of this problem before our review because it neither monitored travelers' adherence to travel regulations nor systematically identified and processed all unused tickets. State also failed to reconcile or dispute over \$420,000 of unauthorized charges before paying its monthly bank invoice and instead deducted the amounts from its bill. Because these amounts were not properly disputed under the contract terms, State underpaid its monthly bills and was thus frequently delinquent. Handling questionable charges in this ad hoc manner sharply reduced State's eligible rebates. Overall, State earned only \$700,000 out of a possible \$2.8 million in rebates that could have been earned if it had properly disputed unauthorized charges and paid the bill in accordance with the contract.