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DOD'S IMPROPER USE OF FIRST AND BUSINESS CLASS AIRLINE TRAVEL

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

NOVEMBER 6, 2003

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CONTENTS

	Page
Opening statements:	
Senator Coleman	1
Senator Levin	13

WITNESSES

THURSDAY, NOVEMBER 6, 2003

Hon. Charles E. Grassley, a U.S. Senator from the State of Iowa	5
Hon. Janice D. Schakowsky, a Representative in Congress from the State of Illinois	10
Gregory D. Kutz, Director, Financial Management and Assurance, accompanied by John V. Kelly, Assistant Director, Financial Management and Assurance, and John J. Ryan, Assistant Director, Office of Special Investigations, U.S. General Accounting Office	15
Hon. Charles S. Abell, Assistant Secretary of Defense (Force Management Policy), accompanied by Lawrence J. Lanzillotta, Principal Deputy Under Secretary (Comptroller), U.S. Department of Defense	26

ALPHABETICAL LIST OF WITNESSES

Abell, Hon. Charles S.:	
Testimony	26
Prepared statement	70
Grassley, Hon. Charles E.:	
Testimony	5
Prepared statement	39
Kutz, Gregory D.:	
Testimony	15
Prepared statement	48
Schakowsky, Hon. Janice D.:	
Testimony	10
Prepared statement	44

EXHIBITS

1. GAO Report to Congressional Requesters [The Honorable Charles E. Grassley, Chairman, Senate Committee on Finance; The Honorable Norm Coleman, Chairman, Senate Permanent Subcommittee on Investigations, Committee on Governmental Affairs; and The Honorable Janice Schakowsky, House of Representatives], *TRAVEL CARDS: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel,* October 2003, GAO–04–88	72
2. GAO Chart: *Defense Premium Class Travel vs. Total Travel at Selected Departments/Agencies*	122
3. GAO Chart: *Examples of Price Differences Between Premium and Coach Class Trips*	123
4. Responses to supplemental questions for the record submitted to Charles S. Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness, U.S. Department of Defense and Lawrence J. Lanzillotta, Principal Deputy Under Secretary (Comptroller), U.S. Department of Defense	124
5. Materials provided for the record by Lawrence J. Lanzillotta, Principal Deputy Under Secretary (Comptroller), U.S. Department of Defense, regarding the Business Management Modernization Program	129

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THURSDAY, NOVEMBER 6, 2003

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:02 p.m., in Room SD–342, Dirksen Senate Office Building, Hon. Norm Coleman, Chairman of the Subcommittee, presiding.

Present: Senators Coleman, Levin, and Pryor.

Staff Present: Raymond V. Shepherd, III, Staff Director and Chief Counsel; Mary D. Robertson, Chief Clerk; Kristin Meyer, Staff Assistant; Jay Jennings, Detailee, General Accounting Office; Laura Stuber, Counsel to the Minority; Gita Uppal (Senator Pryor); Patrick Hart (Senator Lieberman), and Brian McLaughlin (Senator Durbin).

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. This hearing of the Permanent Subcommittee on Investigations is called to order. Good afternoon and welcome to today's hearing.

This afternoon, we are holding this hearing to address a serious challenge to the credibility of the travel system and controls at the Department of Defense. In particular, we will focus on a system where the controls have failed, and this has led to the loss of millions of taxpayer dollars. The current system allows for abuse. It must be fixed. To paraphrase an old adage, watch the millions and the billions take care of themselves.

Our goal today is to ground the so-called high flyers, those who abuse the system, and to ensure that DOD is committed to implementing long-term solutions to this costly problem.

The fact is, many government employees are required by virtue of their job to travel great distances, and oftentimes, many employees are required to travel with great frequency. Our policy should not be to require those who must travel as part of their government job to do so in discomfort or extreme inconvenience. However, our policy must certainly ought not to be one that provides government employees with the type of travel conditions that the public reasonably feels are excessive in cost to the taxpayers.

I am pleased today to be joined by my colleague, the esteemed Senator from Iowa, Senator Chuck Grassley, and also by Congresswoman Janice Schakowsky. Welcome. We are very pleased to have you at this hearing. Their work on travel and purchase card abuses

in the Federal Government has highlighted continued abuses government-wide and has focused our attention on the need to conduct continuing Congressional oversight on these issues to ensure that they are corrected.

An investigation recently completed by the General Accounting Office found that almost three-quarters of DOD's first and business class airline travel was improper. This accounts for tens of millions of taxpayer dollars inappropriately spent by DOD. In fiscal years 2001 and 2002, DOD spent almost $124 million on over 68,000 premium airline tickets. Among DOD's 28 most frequent first and business class flyers, GAO found problems with almost all of the justifications for premium class travel. This lack of accountability cannot be tolerated. Under government travel regulations, government employees are also allowed to upgrade their accommodations by using their frequent flyer miles or paying the difference themselves.

Let me outline some of the most egregious and outrageous abuses of the system. A DOD employee flew first class on a round-trip ticket from Los Angeles to Washington, DC, for $3,253, compliments of the Federal Government. A coach fare for the same trip would have cost $238, a difference of $3,015.

Another employee flew business class on a round-trip ticket from Washington, DC, to Taiwan for $4,319 when a coach fare ticket for the same trip would have cost $1,450, a difference of $2,869.

A family of four relocated from London and Honolulu and flew first and business class nonstop at a cost to the taxpayers of $20,943. Had they simply made the effort to reduce costs and follow travel procedures, they would have saved the taxpayers $18,443.

Other cases involved a traveler who took 14 trips at a cost of $88,000 to taxpayers because he inappropriately claimed that he needed to be upgraded to first class and business class because of a medical condition.

In each of these and dozens of other cases, it appears that travel orders were either not authorized or not justified and premium-class tickets should not have been issued.

The passage of the Travel and Transportation Reform Act of 1998 brought with it the promise of millions of dollars in Federal travel savings. These savings were to be realized through Federal employees' use of Federal travel cards that would reduce the government's administrative costs and provide rebates to Federal agencies.

However, these anticipated savings will not simply materialize because we have provided Federal employees with credit cards. Realizing the full potential of these savings requires that Federal agencies and departments provide clear guidance and effective management oversight of their travel programs.

The focus of today's hearing is DOD's use of premium class travel accommodations that include first and business class travel that was paid with a travel card from a centrally billed account. Over the last 2 years, Congressional hearings and reports by the General Accounting Office and the Inspector General have highlighted continuing abuses, including individuals' late or nonpayment of travel card debt and using the card to purchase personal goods and serv-

ices or obtain improper cash advances. But today, we will focus the hearing on the use of premium class travel accommodations.

The Department of Defense's Joint Federal Travel Regulations for military personnel and Joint Travel Regulations for civilian personnel do not prohibit the use of first and business class airline accommodations, but they do require authorization by an appropriate official and justification by the traveler. Otherwise, DOD's regulations require the use of coach class accommodations for domestic and international travel.

Given the increased costs of premium class travel, DOD has very specific restrictions on the use of first and business class airline accommodations. DOD's travel regulations provide three circumstances when an employee can be authorized to travel first class and eight circumstances where an employee can be authorized to travel business class. I will have my full statement entered into the record where I walk through that.

Let me just make an observation. The DOD, I understand, has clarified its regulations with regard to the use of premium travel, and I want to commend them for their prompt attention to these issues. But I want to reiterate our deep concern for the abuses that we have noted.

As we begin this hearing, I want to reiterate my commitment to use this Subcommittee to find solutions to problems in government as well as use it as an opportunity to provide positive, constructive oversight. Where we find fraud and abuse, we must not only root it out, but we must fix it and stop it from occurring again.

This afternoon, we will hear from representatives of the General Accounting Office on their recently completed investigation of DOD's use of premium travel that was paid from a centrally billed account. We will also hear from DOD concerning the actions it has taken or plans to take to ensure full compliance with their travel regulations.

[The prepared statement of Senator Coleman follows:]

PREPARED OPENING STATEMENT OF SENATOR COLEMAN

Good afternoon and welcome to today's hearing.

This afternoon we are holding this hearing to address a serious challenge to the credibility of the travel systems and controls at the Department of Defense. In particular, we will focus on a system where the controls have failed—and this has led to the loss of millions of taxpayer dollars.

The current system allows for abuse. It must be fixed. To paraphrase an old adage—"watch the millions and the billions take care of themselves."

Our goal today is to ground the high flyers who abuse the system and to ensure DOD is committed to implementing long-term solutions to this costly problem.

The fact is, many government employees are required, by virtue of their job, to travel great distances—and often times, many employees are required to travel with great frequency.

Our policy should not be to require those who must travel as a part of their government job to do so in discomfort or extreme inconvenience. However, our policy most certainly ought not to be one that provides government employees with the type of travel conditions that the public reasonably feels are excessive in cost to the taxpayer.

I am pleased to be joined today by my colleague, the esteemed Senator from Iowa, Senator Chuck Grassley and also by Congresswoman Janice Schakowsky.

Their work on travel and purchase card abuses in the Federal Government has highlighted continuing abuses government-wide and has focused our attention on the need to conduct continuing Congressional oversight on these issues to ensure that they are corrected.

An investigation recently completed by the General Accounting Office found that almost three-quarter of DOD's first and business class airline travel was improper. This accounts for tens of millions of taxpayer dollars inappropriately spent by DOD. In fiscal years 2001 and 2002, DOD spent almost $124 million on over 68,000 premium airline tickets. Among DOD's 28 most frequent first and business class fliers, GAO found problems with almost all of the justifications for premium class travel. This lack of accountability cannot be tolerated.

Under government travel regulations, government employees are also allowed to upgrade their accommodations by using their frequent flier miles or paying the difference themselves.

Let me outline some of the most egregious and outrageous abuses of the system:

- A DOD employee flew first class on a round trip ticket from Los Angeles to Washington, DC, for $3,253 compliments of the Federal Government. A coach fare for the same trip would have cost $238, a difference of $3,015.
- Another employee flew business class on a round trip ticket from Washington, DC to Taiwan for $4,319 when a coach fare for the same trip would have cost $1,450, a difference of $2,869.
- A family of four relocated from London to Honolulu and flew first and business class non-stop at a cost to taxpayers of $20,943—had they simply made the effort to reduce costs and follow travel procedures, they would have saved taxpayers $18,443.
- Other cases involved a traveler who took 14 trips at a cost of $88,000 to taxpayers because he inappropriately claimed that he needed to be upgraded to first-class and business class because of a medical condition.

In each of these and dozens of other cases it appears the travel orders were either not authorized or not justified and premium class tickets should not have been issued.

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However, these anticipated savings will not simply materialize because we have provided Federal employees with credit cards. Realizing the full potential of these savings requires that Federal agencies and departments provide clear guidance and effective management oversight of their travel programs.

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The Department of Defense's Joint Federal Travel Regulations, for military personnel, and Joint Travel Regulations, for civilian personnel, do not prohibit the use of first and business class airline accommodations, but they do require authorization by an appropriate official and justification by the traveler.

Otherwise, DOD's regulations require the use of coach class accommodations for domestic and international travel. Given the increased cost of premium class travel, DOD has very specific restrictions on the use of first and business class airline accommodations. DOD's travel regulations provide three circumstances where an employee can be authorized to travel first class and eight circumstances where an employee can be authorized to travel business class.

For example, first class accommodations are permitted if no other class is available, or if the traveler has a handicap or physical impairment that requires the use of first class accommodations and the condition is substantiated by a competent medical authority, or if there are exceptional security circumstances.

These abuses occurred because effective management oversight was nonexistent and DOD's travel guidance was inadequate or contradictory.

Many of the abuses we will hear about today can be traced to the lack of management oversight and a lack of familiarity with DOD's travel policies and regulations. For example, DOD's first class travel records were incomplete and there were no records at all for business class travel. Without complete records, DOD can hardly be expected to conduct effective oversight.

Further, DOD has two sets of travel regulations that are augmented by DOD directives and individual service policies. The layering and multiplicity of policies and regulations have confused both travelers and officials who approve their travel. I understand that DOD has clarified its regulations with regard to the use of premium class travel and *I want to commend DOD for their prompt attention to these issues.*

As we begin this hearing, I want to reiterate my commitment to use this Subcommittee to find solutions to problems in government—as well as use it as an opportunity to provide positive, constructive oversight.

Where we find fraud and abuse, we must not only root it out, but we must fix it and stop it from occurring again.

This afternoon we will hear from representatives of the General Accounting Office on their recently completed investigation of DOD's use of premium travel that was paid from a centrally billed account. We will also hear from DOD, concerning the actions it has taken or plans to take to ensure full compliance with their travel regulations.

Our first witnesses will be Senator Charles Grassley and Congresswoman Janice Schakowsky to whom we are indebted for their tireless efforts to expose and correct travel and purchase card abuses.

Senator COLEMAN. Our first witnesses will be Senator Charles Grassley and Congresswoman Janice Schakowsky, to whom we are indebted for their tireless efforts to expose and correct travel and purchase card abuses.

With that, I will turn to my colleague, Senator Grassley.

TESTIMONY OF HON. CHARLES E. GRASSLEY,[1] A U.S. SENATOR FROM THE STATE OF IOWA

Senator GRASSLEY. Thank you, Mr. Chairman, and I am glad to be here with Representative Schakowsky, as well. First of all, thank you for that commitment you just made for the use of this Subcommittee to follow through on some of these extravagant and wasteful uses of taxpayers' money.

I think that follows on with the work that Chairman Horn did in the House over the last few years through the Government Reform Subcommittee, and now that he has retired, I am thankful that you are picking up the ball and running with it. By agreeing to hold this hearing, you are helping shine the light, the public spotlight, on the problem, and usually I find that the glare of spotlight helps bureaucrats to see the need for reform.

I think it is impossible to fully appreciate the dangers of credit card explosion until you understand that internal controls in the Pentagon are broken. Over the last 15 years, I have worked hard to understand what broken controls really mean. My concerns are reinforced by the continued stream of audits issued by the GAO and the Inspector General. These reports consistently show that sloppy bookkeeping and poor internal controls leave the Department's financial resources vulnerable to theft.

In 1997 and 1998, as Chairman of the Judiciary Subcommittee on Administrative Oversight, I conducted my own review of internal controls at Defense. I conducted an in-depth examination of several hundred transactions and I issued a report. I came away from that experience convinced that stealing money at the Department of Defense was a piece of cake. Fraudulent activity, if discovered, was detected by chance and not as a result of internal controls that are very necessary.

[1] The prepared statement of Senator Grassley appears in the Appendix on page 39.

This whole experience taught me one very important lesson: Good bookkeeping is the key to controlling money. If, on the one hand, your books of account are in shambles, as the Pentagon situation is, then it is easy to steal money. Money needs to be controlled at the transaction level. Unfortunately, that is exactly where the Department of Defense lost it. The Department of Defense transactions are not recorded in the books of account as they occur. Sometimes it takes days to make an entry, sometimes months, sometimes years, and sometimes a transaction never makes it into the books. That is why the Department of Defense books don't balance and that is why the Department of Defense cannot provide a satisfactory financial statement as required by the Chief Financial Officers Act.

So, Mr. Chairman, these vulnerabilities are the reasons for my concern about the credit card explosion. By providing direct access to the cash, credit card transactions bypass standard controls. They make it easier to steal money. That makes the independent checkers the last and only line of defense. All the evidence that we have seen so far tells me they are asleep at the switch. A credit card explosion of this magnitude in a zero-controlled environment is a recipe for disaster. It is like leaving the doors to the bank vault wide open with no guards on duty.

In the face of what I feared was an impending disaster 3 years ago, I asked the General Accounting Office to begin an in-depth examination of Defense credit card transactions. The GAO has issued at least six separate reports. The audit and investigative work done by the General Accounting Office I think is very first rate. The reports provide an unending litany of horror stories. The abuse documented by the GAO was disgraceful.

Since our first hearing on July 30, 2001, however, I feel like there has been a modest improvement. I don't know if it is accurate to say that the Department of Defense has turned the corner, but things are better I am told. For starters, the bank and the Department of Defense agreed in October 2001 to initiate a salary offset program.

Another important development involves the new Department of Defense Inspector General, Joe Schmitz. When we began our review, the Department of Defense IG was AWOL on credit card use. Under Joe Schmitz, that is changing. He has placed an Army Colonel by the name of Bill Kelly in charge of an aggressive data mining operation to help search transaction records and identify suspicious purchases. Colonel Kelly's data mining operation is helping apprehend criminals and sending them to jail.

So this is a good beginning. Once the cardholders know and understand that their transactions could be under surveillance, the abuse will come to a halt.

Last year, Senator Byrd and I teamed up on a credit card amendment on the Defense appropriations bill. Our amendment did several things. It put a lid on the total number of cards at 1.5 million. It made credit checks mandatory. It required disciplinary action for abuse and prohibited the use of credit cards in places like Bottoms Up Lounge and gambling casinos.

Drawing on my experience and the experience of the GAO and agency IGs, I recently introduced legislation that requires all Fed-

eral agencies to put in place specific safeguards and internal controls. Mr. Chairman, I believe that mandatory credit reporting is critical to curbing abuse. The checkers and overseers must also be minding the store to make sure that all charges are legitimate.

That brings us to the subject of today's hearing, the General Accounting Office's latest report on defense travel card abuse. In the last 2 years, the General Accounting Office reports that DOD employees charged $124 million on centrally-billed travel card accounts to buy 68,000 premium class airline tickets. The General Accounting Office estimates that 72 percent of the Department of Defense personnel who flew premium class on the taxpayer's dime didn't even have proper authorization to do it, much less a valid justification for why they needed to fly premium class.

Premium class travel is considered permissible for those personnel only in certain limited circumstances, for instance, if it is necessary because of a traveler's disability, coach class accommodations are not available, or the travel is to an overseas destination and at least 14 hours long.

According to the government-wide and DOD regulations, a traveler must get specific authorization to use premium class travel, and a premium class ticket should not be issued unless it is properly authorized. Unfortunately, the large majority of the time, the tickets are issued and billed to the Department of Defense travel card account with no questions asked.

So how was this allowed to happen? The General Accounting Office found that DOD performed no monitoring or oversight activities to make sure that premium class travel was authorized according to regulation. In fact, the Department of Defense does not even maintain a central accounting of premium class travel so it did not even have the basic data necessary for monitoring and oversight. In order to conduct this oversight investigation, the General Accounting Office collected data directly from the Bank of America and started from scratch.

The General Accounting Office also found that higher-ranking civilian and military officials accounted for a large part of the premium class travel. In fact, the General Accounting Office considers travel by high-ranking officials to be a sensitive payment area because of its susceptibility for abuse and non-compliance with the law. Apparently, some high-ranking bureaucrats feel they are entitled to luxury air travel. We have got people who are supposed to be public servants stretching their legs with hot towels and a cocktail, even if it costs the taxpayers thousands of dollars more.

The General Accounting Office discovered through data mining that a GS–14 relocated his family of four from London to Honolulu, flying first and business class at a cost of $20,943, despite the fact that the travel order did not authorize premium class travel. The General Accounting Office estimated that a coach fare for the same trip would have cost $2,500, so a waste of $18,000.

Using statistical sampling and data mining, GAO found other examples—a GS–15 who flew first class without authorization, costing $3,200, while a coach ticket was $238; an officer who flew business class without authorization for $1,300 when it could have cost $672; another GS–15 whose $4,500 business class ticket was au-

thorized but not properly justified, costing the taxpayers $3,955 over a coach ticket.

The General Accounting Office also identified a number of high-ranking officials who repeatedly used premium class travel without proper authorization, including Presidential appointees requiring Senate confirmation. One example that I find particularly telling has to do with 15 trips made by Assistant Secretary of Defense for International Security Policy J.D. Crouch at a cost of $70,000. While some of these flights were authorized, the justification given was that premium class travel was mission essential so that he could be ready for meetings upon arrival. However, Department of Defense regulations do not list this as a proper basis for that type of travel.

According to a summary on page 19 of the report, Mr. Crouch's assistant told the General Accounting Office that he flies premium class travel to minimize time away from the office. Yet, his assistant could not demonstrate overall cost savings by lost productivity. Mr. Crouch's assistant also apparently told the General Accounting Office that even though the flights did not exceed the 14 hours necessary to justify that type of travel, Mr. Crouch should be able to fly premium class because of the importance of his work.

Although these are the words of Mr. Crouch's assistant and not Mr. Crouch himself, this attitude is disturbing and helps to shed some light on the reason why improper premium class travel is especially prevalent among high-ranking officials.

I don't mean to pick on him. He is not the only Presidential appointee involved in this type of problem. Mr. Stenbit, the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence is also described on pages 20 and 21 of the report as having taken 17 premium class flights at the cost of $68,000, as compared with the estimated $17,000 had he flied coach. Mr. Stenbit's justification was based on an unspecified medical condition but no documentation. While the General Accounting Office review of the records indicate that no effort was made to accommodate Mr. Stenbit's needs in a coach seat for these 17 flights, he apparently flew coach at other times. Also, his travel was approved by a subordinate, which is essentially the same as not being approved.

In this case, the aide who made the reservations stated that she will seek approval of the Deputy Secretary in the future for first class travel and only schedule Mr. Stenbit for premium class travel when less-expensive alternatives are not available.

These are just examples. Of 44,000 premium class travelers, the General Accounting Office reviewed transactions by only 177 individuals, nine of whom were political appointees.

So, Mr. Chairman, leaders must lead by example. If the highest-ranking officials don't feel they need to comply with regulations, what kind of message does that send? No wonder no one in the Department of Defense seemed to notice or care that 74 percent of the premium class travel was not authorized. There is no leadership at the top.

Mr. Chairman, the General Accounting Office has made a number of excellent recommendations to the Department of Defense about how to get its house in order, but unless the Department of

Defense gets serious about internal controls and enforcement of its own regulations, we will continue to find this sort of waste. Every time we peel back another layer of abuse, we find another just below it.

While the Department of Defense has started to fix some of the problems revealed to date with purchase cards and travel cards, I see no sign that the Department of Defense has made a concerted effort to implement a positive control environment throughout the Department. The Department of Defense shouldn't wait for Chuck Grassley or Representative Schakowsky or Chairman Coleman or the General Accounting Office to undercover instances of waste, fraud, and abuse and tell them what needs to be fixed.

Make no mistake about it, I intend to keep digging, but I look forward to the day when I find nothing to report. Thank you.

Senator COLEMAN. Thank you, Senator Grassley.

Senator Grassley, I know that you are involved in some Conference Committees and some delicate negotiation. I am not sure what your timing is. What I would like to do, if I can, is just ask you one question and then turn to Congresswoman Schakowsky. I understand that you may have to leave.

First, I do want to thank both of you for your dogged determination in looking after taxpayer dollars and dealing with these issues. You noted, Senator Grassley, that the GAO has made a number of excellent recommendations to address this. I believe that the bill that you have authored, S. 1744, the Credit Card Abuse Prevention Act, covers many of these recommendations. But in the review that we have done in preparation for this hearing, we have noted that centrally billed accounts are not presently included in the definition of travel cards as it appears in the bill. Many of the abuses today focus on centrally billed accounts, so I would simply ask if you would be willing to work with this Subcommittee and work with this Chairman and others on the Subcommittee to have a more expansive definition so that we eventually cover some of the abuses that we are talking about today.

Senator GRASSLEY. The answer is absolutely yes with only this explanation of why it wasn't included, and that is because we are looking for another General Accounting Office report before we went that far. But if you know what to do and exactly what to do, or maybe by the time we get to that point it will be out. The obvious answer is, yes. I want to do whatever it takes, first, to get the bill out of committee, and second, to solve this problem, and I find it very comfortable working with the two of you and probably most everybody on this Subcommittee.

Senator COLEMAN. Thank you very much, Senator Grassley. Senator Levin, do you have any questions before Senator Grassley leaves?

Senator LEVIN. Yes. I understand that Senator Grassley has to leave. Let me just first of all commend him. I don't know of any tougher, stronger watchdog in the Senate than Senator Grassley. It has been a pleasure to work with him on a number of issues. Its always a great pleasure to hear from him and his persistence in going after waste, fraud, and abuse, wherever it is, whatever the Administration is, whatever year it takes place. He has been consistent and I admire him.

Senator GRASSLEY. Thank you. Those are kind words. I appreciate it.

Senator COLEMAN. Thank you, Senator Levin. Thank you, Senator Grassley.

Congresswoman Schakowsky.

TESTIMONY OF HON. JANICE D. SCHAKOWSKY,[1] A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Ms. SCHAKOWSKY. Thank you, Chairman Coleman and Senator Levin. Before you leave, Senator, I want to thank you for your leadership and I want to associate myself with all of your remarks. We have worked together on a number of investigations. I appreciate that and hope that we can continue to do so. So thank you very much for your work.

Senator GRASSLEY. Thank you.

Ms. SCHAKOWSKY. I really appreciate the opportunity to testify before you today. I want to also acknowledge my former colleague, Representative Steve Horn, with whom I worked on issues of waste and abuse during the 107th Congress. Congressman Horn was a strong advocate of rooting out waste wherever it was found and it was a pleasure to work with him as the Ranking Democrat on his Subcommittee.

I also want to thank the General Accounting Office and its investigators who diligently perform an essential service for U.S. taxpayers by bringing to light abuses like those we are talking about today.

Before I talk about the specifics of today's report or the history of how we got here, I want to put the issue of DOD's financial mismanagement in a broader context. Of about $7 trillion in accounting entries at the Pentagon, at least 1.2 trillion—that is trillion with a "T"—were not supported by sufficient evidence to determine their validity. That is about 20 percent of all dollars at DOD and transactions.

DOD cannot locate hundreds of billions of dollars worth of military equipment, including weapons systems. It lacks a complete and reliable inventory of its environmental liabilities. In the case of some equipment, Kevlar body armor for our troops in Iraq, for example, DOD does not have enough supplies, while inventory for other items exceed the Pentagon's need by about $30 billion. DOD overpays contractors at the rate of about $1 billion a year, and that only counts what is eventually returned to the government. There may well be another $1 billion in overpayments each year that aren't caught.

If DOD were a private corporation, it would already be bankrupt or the management of the Department would be fired or under investigation.

To stop the culture of waste, fraud, and abuse at the Defense Department, we need a fundamental change. Today's report on premium class travel is just one part of a much larger problem.

For years, the Federal Government has been unable to balance its books and the single largest cause for this is financial mismanagement at the Department of Defense. DOD has an enormous

[1] The prepared statement of Ms. Schakowsky appears in the Appendix on page 44.

budget. It accounts for about half of all the discretionary spending, and despite its horrific record of waste, fraud, and abuse, DOD's budget grows every year. Until the Department of Defense can pass a financial audit and balance its books, and all signs suggest that won't happen for years, we won't be able to balance the books for the entire Federal Government.

This is the sixth hearing I have attended on government credit cards alone. Every time we ask the GAO to shed light on any aspect of DOD's financial management, scandalous abuses are uncovered. A couple of examples.

At the Naval Space Wars Research Laboratory, we found serious abuse of government purchase cards. Employees were buying Palm Pilots, Coach briefcases, Luis Vuitton bags for themselves, all at government expense. There was little accountability and the government paid all the bills. The commander of the laboratory tried to defend these purchases. Much of what had been purchased couldn't be found when GAO went looking for it. It was the Navy's policy, we were told, not to inventory items that were easily stolen.

At another installation, the cardholder was also the approving official and paid the bills. At another installation, the cardholder bought gift certificates for family members using a government purchase card but was never held accountable. Senator Grassley highlighted this case in one of his many testimonies before the Government Efficiency Subcommittee.

Working with Chairman Shays on the Government Reform National Security Subcommittee, we found that the Defense Department was selling chemical and biological protection suits on the Internet for just $2 or $3. At the same time, the Department was purchasing these suits for $300 apiece. Recently, GAO testified that over the Internet, one could buy all of the equipment needed to set up a lab to produce biological weapons from the Defense Department. This equipment was purchased in new or virtually new condition for pennies on the dollar.

We looked at the travel card program and discovered that agencies were losing hundreds of thousands of dollars in rebates because military employees were defaulting on payments owed to credit card companies. We saw no accountability. One officer was promoted, despite the fact that he had defaulted on thousands of dollars for which he was reimbursed by the government.

Today, the GAO will testify to the abuse of yet another system by DOD employees. Senior officials, some of them Presidential appointees, are taking advantage of their position and wasting taxpayer dollars, flying premium class in violation of the rules. At the same time, enlisted military personnel returning from Iraq during their brief 2-week break from the war have had to pay their own transportation within the United States. Were it not for the fact that Congress intervened, those patriot soldiers would still have to pay their own way to see loved ones before returning to combat in Iraq.

GAO found widespread abuses of premium class travel. Of the almost $124 million the DOD spends on about 68,000 premium class flights during fiscal years 2001 and 2002, 72 percent was not properly authorized and 73 percent was not properly justified. That is close to $90 million in misused taxpayer dollars for close to 50,000

flights, and while $124 million is not even a rounding error at DOD, that number is still greater than the total travel and transportation expenses spent by 12 other major agencies combined, including Social Security Administration, DOE, Education, NASA, HUD, and others.

As we have seen on other investigations, there was little or no management oversight. DOD could not even count the number of premium class flights, had no idea of the cost to the government for these flights. As you listen to GAO's testimony, you will hear again and again that DOD did not have adequate internal controls.

I expect we will also hear today from the Defense Department that they have put procedures in place to end the abuse of premium class travel. We have heard that same thing about the purchase cards and about other travel cards. When DOD heard about our investigation into the chem bio suits, they sent out a notice to stop those sales. When they learned of the laboratory equipment problems, senior DOD officials tried to get the GAO report classified. Then they told the remainder of the companies to stop selling the laboratory instruments.

The problem at DOD is indeed much larger than today's discussion. The problem is that the leadership of the Department of Defense has acted to stop abuses only when it becomes public, and then only addresses the specific case at hand. The purchase card abuses were widespread when we did our first investigation at the Space Warfare Laboratory. However, the Department did nothing to address this widespread abuse until our investigation began to uncover problems everywhere. And there is no real reason to believe that any action announced by DOD today is anything more than a band-aid.

To address this issue in a more fundamental way, I plan to introduce legislation that will prevent the Defense Department from receiving budget increases unless and until it can balance its books. Congress will, of course, always give our troops what they need. But if we want to force DOD to clean up its act, Congress has to take serious and comprehensive action. If not, we are going to spend years offering piecemeal solutions and reading countless GAO reports with similar conclusions while the entire Federal Government and taxpayers continue to pay the price.

The irony is that these problems are occurring at the Department of Defense, an institution that places a premium on discipline, the chain of command, and accountability. That makes the culture of waste, fraud, and abuse that seems to permeate all aspects of DOD's fiscal operations all the more intolerable. This has to stop. It is unfair to our soldiers and certainly to our U.S. taxpayers.

It is not enough to punish only those who abuse the system. Until we force DOD's managers to make the system-wide reforms that will end this culture of waste, fraud, and abuse, I believe that it will persist. I thank you both.

Senator COLEMAN. Thank you, Congresswoman Schakowsky. Again, thank you for your efforts in this area.

I want to thank you for putting today's hearings in the context of a larger set of issues. We can't look at this as if, OK, here is

what we have today and forget that there was a yesterday and we would like to make sure there is not a tomorrow.

And then this last observation. I had the pleasure of being the Senate author of the provision to provide payment for our military personnel coming home from Iraq so they could get from Baltimore to St. Paul, or get from Baltimore to Omaha.

Ms. SCHAKOWSKY. Thank you very much.

Senator COLEMAN. As we were working on that provision, I was struck with the irony and I was angered that on the one hand we have situations of folks living the high life, flying first class, and then we have got grunts trying to figure out a way to see their wives or moms and dads or sons and daughters. So I again want to thank you for fighting the fight here and for your work.

Senator Levin.

Senator LEVIN. I thank the Congresswoman. Say hi to my brother. [Laughter.]

Senator COLEMAN. Thank you very much, Congresswoman.

Before we introduce the next panel, I would turn to the distinguished Ranking Member, Senator Levin, for any opening remarks that he may have.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Mr. Chairman, thank you and thank you for your determined leadership in this area and so many other areas that come within the oversight responsibility of this Subcommittee. You have taken on this Chairmanship with gusto and I commend you for it.

As you pointed out, and I think both our witnesses so far have pointed out, Mr. Chairman, the weaknesses that we will see today in the DOD systems for authorizing travel are symptomatic of broader management shortcomings that we have seen to be pervasive in the Department of Defense financial management system for so long.

Just in the last couple months, we have received two reports from the DOD Inspector General, one documenting the failure of management controls for the purchase card program by Washington headquarters services, and the other Inspector General's report documenting the failure of management controls over DOD transit subsidies in the National Capital Region.

And because of these ongoing shortcomings in the Department of Defense's financial management systems, it can take more than 100 paper transactions in the contracting and disbursing systems for the Department of Defense to make a single contract payment. Because of these shortcomings, the Department of Defense's working capital funds operate on the basis of arbitrary prices that lead to perpetual problems in making the books balance. Because of these shortcomings, the Department cannot reliably account for the cost of performing work in-house for the purposes of OMB Circular A–76. Because of these shortcomings, DOD managers often have to set up separate tracking systems of their own with varying degrees of success to manage funds, to ensure that they have adequate financial reserves, and to avoid Anti-Deficiency Act violations.

What today's hearing shows is that even in those cases where the Department's financial management systems are capable of pro-

ducing useful data, it doesn't do any good if nobody is paying attention. According to the GAO report, the Department of Defense and the military services did not, one, obtain or maintain centralized management data on the extent to which military and civilian personnel used premium class accommodations for their travel; two, issue adequate policies relating to the approval of premium class; and three, require consistent justification to justify premium class.

So at a time when top Department of Defense officials are insisting that they need unprecedented new flexibility to manage the resources allocated to the Department, it is disturbing to see the continual shortcomings in the exercise of the management responsibility that they already have.

Again, Mr. Chairman, thank you for your leadership and for your convening this hearing on a very significant subject, which again, as you point out, is really symbolic and symptomatic of a deeper problem.

Senator COLEMAN. Thank you, Senator Levin. It is always a pleasure to work with you in a nonpartisan way and a bipartisan way on issues such as this.

I would now like to welcome our next panel to today's important hearing: Gregory Kutz, a Director with the Financial Management and Assurance Team at the General Accounting Office; John Kelly, an Assistant Director with the Financial Management and Assurance Team at GAO; and finally, John Ryan, an Assistant Director in the Office of Special Investigations at GAO.

As I mentioned in my opening statement this morning, GAO is here to release the results of the GAO's investigation of the Department of Defense's use and monitoring of premium airline travel during the fiscal years 2001 and 2002. The purpose of this hearing is to identify the types of abuse that you uncovered, discuss the causes, determine the magnitude of the problem and identify what corrective action is taken. I believe it is essential for us to monitor the utilization of both government-issued travel cards and centrally billed accounts to ensure that expected cost savings are realized.

I thank you again for your attendance at today's important hearing. I understand that Mr. Kutz will testify but that the other gentlemen will be here in a supporting capacity and may have something to say.

As such, before we begin, pursuant to Rule 6, all witnesses who testify before the Subcommittee are required to be sworn. At this time, I would ask you to please stand and raise your right hand.

Do you swear that the testimony you are about to give before the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. KUTZ. I do.

Mr. KELLY. I do.

Mr. RYAN. I do.

Senator COLEMAN. We will use a monitoring system today and I would ask that you limit your oral testimony to no more than 10 minutes. If your testimony goes beyond that, the written testimony will be entered as part of the record.

Mr. Kutz, I believe you will be presenting the GAO's statement this afternoon. You may proceed.

TESTIMONY OF GREGORY D. KUTZ,[1] DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE TEAM, ACCOMPANIED BY JOHN V. KELLY, ASSISTANT DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE TEAM, AND JOHN J. RYAN, ASSISTANT DIRECTOR, OFFICE OF SPECIAL INVESTIGATIONS, U.S. GENERAL ACCOUNTING OFFICE

Mr. KUTZ. Thank you, Mr. Chairman. I have testified after Senator Grassley several times and that is a hard act to follow, so bear with me.

But thank you for the opportunity to be here to discuss our audit of premium class travel at the Department of Defense.[2] This is a continuation of our series of audits of DOD's $10 billion credit card programs. Today, we will discuss the use of the centrally billed travel accounts to purchase premium class airline tickets. As you mentioned before, first and business class tickets are referred to as premium class.

The bottom line of my testimony is that control breakdowns resulted in significant improper premium class travel and increased cost to taxpayers. These results provide another example of why DOD financial management is on our list of high-risk areas, highly vulnerable to fraud, waste, and abuse.

My testimony has three parts: First, the extent of premium class travel; second, examples of improper travel; and third, the key causes of the control breakdowns.

First, based on extensive analysis of Bank of America data, we found the following for fiscal year 2001 and 2002. One-hundred-and-twenty-four million dollars was spent on 68,000 premium class airline tickets by 44,000 individuals. Premium travel represents a very small percentage of DOD's annual travel budget of $5 billion. However, premium travel at DOD is more than the entire travel budget of 12 Federal agencies. Specifically, as shown on the posterboard and the monitor, the $124 million DOD spent on premium travel was more than Labor, NASA, SSA, Energy, and EPA spent on all travel for 2001 and 2002.[3]

Based on our statistical sample, we estimate that about 50 percent of premium travel related to senior military and civilian personnel. In addition, 27 of the 28 most frequent premium class travelers were senior personnel. As Senator Grassley noted, we consider travel by high-ranking officials to be a sensitive payment area that is vulnerable to abuse.

The price difference between a premium ticket and coach ticket is generally substantial. The poster board and monitor show some examples of these price differences.[4] For these examples, premium tickets cost as much as 13 times more than a comparable coach ticket. And as you mentioned, Mr. Chairman, the cost of this trip from Los Angeles to Washington, DC, cost $3,000 more than a coach ticket.

We also identified numerous cases of improper and questionable travel, including the following. Six individuals flew premium class to a 2-day conference in Moscow, with stops in London, Brussels,

[1] The prepared statement of Mr. Kutz appears in the Appendix on page 48.
[2] See Exhibit No. 1 which appears in the Appendix on page 72.
[3] See Exhibit No. 2 which appears in the Appendix on page 122.
[4] See Exhibit No. 3 which appears in the Appendix on page 123.

and Paris. The travel order used "mission essential" as justification, but we found no evidence that this conference was mission essential.

We also found a number of trips with questionable medical condition justification. For example, one individual took 14 premium class trips using a medical condition as justification. During the same time frame and for trips of similar duration, this individual also took 31 coach class trips.

One General took 16 premium class trips that were approved by a subordinate. Allowing subordinates in the military chain of command to approve travel is not a valid control.

We also found cases where individuals approved their own travel, including a GS–15 with 11 premium class trips. Self-approval of any travel is not a valid control.

GSA and DOD regulations state that government travelers must exercise the same standard of care when spending taxpayer dollars that they would when spending their own money. We found that many of the premium tickets that we audited and investigated did not meet that standard.

Third, based on our statistical sample, we estimate that 72 percent of DOD premium class travel was not properly authorized and justified. Part of the problem was that the commercial travel offices did not properly scrutinize the requests for premium class tickets. We found that 64 percent of the tickets in our sample did not have specific premium authorization and thus should not have been issued.

Further, DOD did not have accurate data on the extent of premium travel and did little or no monitoring of this travel. As a result, DOD was not aware of the extent of improper premium travel until they saw the results of our audit. In addition, DOD's required reports to GSA on the extent of first class travel were inaccurate.

We also found that DOD's policies were inconsistent with government-wide travel regulations and did not specify how to properly document authorization and justification of transactions. In addition, the proliferation of internal DOD policies caused confusion over the appropriate circumstances for premium travel. As a result of our audit, DOD has begun updating its travel regulations to more clearly articulate the circumstances under which premium travel is authorized. The updated regulations emphasize that premium travel must only be used when exceptional circumstances warrant the additional cost.

DOD should build on these improvements and establish strong controls over this sensitive area to ensure that its travel dollars are spent efficiently. To that end, we have issued a report with 16 recommendations to the Secretary of Defense aimed at reducing improper travel. DOD has concurred with all of our recommendations.

In conclusion, DOD does not have the management controls in place to identify issues, such as improper premium travel. Secretary Rumsfeld has stated that successful business process reform could save DOD up to 5 percent of its budget, or over $20 billion annually. The millions of dollars of wasteful spending described today are a small example of those potential savings.

Oversight hearings, like the one today, are a critical component to successful reform at DOD. In addition, high-level management

focus will be needed to end the improper use of premium travel at DOD.

Mr. Chairman, this ends my statement. Special Agent Ryan, Mr. Kelly, and I will be happy to answer questions.

Senator COLEMAN. Thank you very much, Mr. Kutz.

First, just a couple of background questions. When we are talking about premium travel here, does that at all relate to—what about folks who have frequent flyer miles and use them to upgrade? Is that part of this process at all?

Mr. KUTZ. No, that would not. Premium travel as part of our report would have been only when the government paid for premium travel. It is appropriate for people to use frequent flyer miles now.

Senator COLEMAN. And premium travel includes both first class and business class, is that correct?

Mr. KUTZ. Correct.

Senator COLEMAN. There is very little difference between first and business class?

Mr. KUTZ. Sometimes they are the same.

Senator COLEMAN. I believe in going through my notes on this that there has not been the same level of documentation within the DOD for business class. Was that a definitional issue? Can you shed some insight onto the difference in terms of tracking between first class and business class?

Mr. KUTZ. They were required by GSA policy to report annually on first class travel and GSA rolls that up for all the agencies in the Federal Government and reports that to the Congress. As I mentioned in my opening statement, that report understated the extent of first class travel.

Senator COLEMAN. First class.

Mr. KUTZ. They had no information on business class travel, and what we had to do to get that information, as I believe Senator Grassley noted in his opening statement, was use data mining to go in, and when you go into the database and you look at a ticket number, there are certain characteristics in a ticket number that tell you whether it is first or business class. And so we were able to go in and get what is called Level 3 data from Bank of America and extract that information.

Senator COLEMAN. And what percentage of premium travel was first class versus what was business class?

Mr. KUTZ. It was virtually all business class. There were about 1,240, I believe, first class trips, and the other 66,000-plus were business class trips.

Senator COLEMAN. So I take it you would be very supportive of OMB and GSA requiring annual reporting of all premium travel, first class and business class, from here on in?

Mr. KUTZ. Yes, that would be a good idea.

Senator COLEMAN. Thank you. You indicated in your testimony that DOD wasn't aware. I am trying to understand what that means. Who wasn't aware? If the practice is widespread, if it has gone on, help me understand what it means not to be aware. Was it not to be aware because it wasn't reported? Was it not to be aware because folks just didn't have the data? Is there a sense that there is kind of a problem in the culture here that simply has al-

lowed this and hasn't addressed it? Can you give me your insight into that?

Mr. KUTZ. Yes. There are cultural issues, because I think there were some—there are some folks that probably did this not knowing the rules. Others probably felt they had or deserved to have the travel. But this is an issue we see across the board with DOD. There are issues of overall monitoring and the control environment, and here, it was a matter of not having the data and having three separate organizations. I think you can ask the next panel about who is going to be in charge going forward. But no one was in charge, but three groups were in charge. So at the end of the day, there was really no oversight. Again, the three groups have some culpability in that.

Senator COLEMAN. I want to get back to the difference in handling first class, which was really a very small percentage of the travel, which had the reporting requirements, which had the rules, which I believe, as I understand it, had an approval process requiring it being approved by——

Mr. KUTZ. The Secretary or the designee of the Secretary.

Senator COLEMAN. So we are talking about a very high-level person approving first class.

Mr. KUTZ. That is the government-wide requirement, yes.

Senator COLEMAN. But in terms of business class, I believe in your testimony you talked about instances where subordinates were approving travel for superiors. Would I take it then to understand that in business class, there is not a clear, uniform directive that says it has to be done by somebody at a higher level?

Mr. KUTZ. That was correct.

Senator COLEMAN. And is there——

Mr. KUTZ. Now, whether they have revised that or not, I don't know, but there was varying practices for business class travel.

Senator COLEMAN. My next question would be, do you know whether that has been corrected?

Mr. KELLY. To the best of our knowledge, we don't know if that has been corrected yet.

Senator COLEMAN. And would you be willing to offer a recommendation as to some uniform standard?

Mr. KUTZ. Right.

Senator COLEMAN. Can we do that, or is it the nature of the military that you may have somebody on site somewhere and not have somebody at that rank? Can you help me understand——

Mr. KUTZ. Yes.

Senator COLEMAN [continuing]. How we ensure the common sense thing, which is if you are going to get approval for this, it should be done by somebody at a higher level.

Mr. KUTZ. Our recommendation was that the approval should be done by someone at the same level or, preferably, a higher level, and they have concurred with that recommendation. So my belief would be that they have gone in and changed the policy.

There are two things, though. There is writing a policy and there is actually enforcing the policy, and that second part here—in some cases, what we found, that there were policies in place and people weren't following them. So they have to have two things. They have to have the valid policies and they are going to have to have an

accountability mechanism in place to make sure that even if they put a good policy in there for approval, that it is being consistently followed.

Senator COLEMAN. I just want to clear up something statistically. At one point in your testimony, you talked about 72 percent not properly authorized, and then you used a 64 percent figure.

Mr. KUTZ. The 64 percent represent—out of the 72, 64 percent had no specific documentation in the packages that went to the commercial travel office that said that they were for premium class travel, which means that someone had to have called the travel office and said, please get me a business or first class ticket, and the travel office issued it without following the appropriate policies and having the documentation.

Senator COLEMAN. Much of this report is based on sampling. Critics may come back and say, well, you took a very small sample and they may then, therefore, challenge the results. Can you talk to me a little bit about your statistical method, your confidence in the validity of what we found?

Mr. KUTZ. Right. Yes, we used statistical sampling when we test internal controls and our confidence level, we are 95 percent confident that the failure rate is 72 percent, plus or minus 5 or 10 percent. I don't know the specific details. So we are 95 percent confident that the failure rate or the breakdown in controls is between probably 65 and 75 percent.

Senator COLEMAN. I am trying to put myself in the position of some folks in DOD and kind of looking and trying to give them the benefit of the doubt. In your opinion, are the travel regulations themselves simple enough for people to understand, or is there a claim here that somehow there was confusion and there was a lack of clarity in terms of what is required? Can you help me out with your assessment of the nature of the regulations here?

Mr. KUTZ. There was a proliferation of policies out there that—a lot of times in DOD, you have got policies at the Office of the Secretary of Defense level and then each of the services will develop their own and even units within the military services will have their own policies. And here, we found that there are lots of policies out there, some inconsistent with each other, and some inconsistent with GSA's government-wide regulations.

Senator COLEMAN. But I want to get back to the culture question. Both in listening to the statements by Senator Grassley and Congresswoman Schakowsky, I get a sense that there is a cultural problem here, that common sense would dictate you save taxpayers' money. That is what we are supposed to do. You want people to fly in comfort, you don't want them to be abused, but common sense says if you can fly somewhere for coach class, you do that rather than presume, because you are a high-ranking official, you are going to automatically fly first class.

I guess I want to come back to that. Can we clean the system up? Can we take an agency as diverse, as large as the DOD—in your experience in the GAO, can we put into place some clear standards here and have the confidence level, as representatives of the taxpayers, that they can be enforced?

Mr. KUTZ. I would say yes. With respect to the prior work we did on credit cards, there has been significant progress in improving

the controls over the purchase and the individually billed travel card. For example, the delinquency rates were well over 10 percent when we first started doing our work on the individually billed travel card, and my understanding is now that they are well below 10 percent.

So DOD can make progress. These are issues that don't require new business systems, which is a whole other matter we will probably get into here. But this is pretty much people and policies and procedures and implementing them. And the interesting thing about the culture is that 50 percent of the people who took this travel were senior, but the other 50 percent were very junior, and that is almost as surprising to me as the senior people actually taking that travel.

Senator COLEMAN. But to me, it says you are building a culture——

Mr. KUTZ. Yes, you build a culture, and unless you intervene——

Senator COLEMAN [continuing]. Some people would change.

Mr. KUTZ [continuing]. They are setting a bad example for other people, probably, and they were following it.

Senator COLEMAN. Well, I do hope they can change. We will expect change. We will monitor to see that change is taking place and this is just not an exercise in you doing a report and us having a hearing. We do expect things to change.

My distinguished Ranking Member, Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman. Just to clarify a couple of the points on this business class-first class, you said there were 66,000 business class purchases, I think that was the figure——

Mr. KUTZ. A little over 66,000 and then about 1,200 first class, yes.

Senator LEVIN. Do we assume that where there were 66,000 business class that most of those were the top class that was available, or do we know what percentage where business class was purchased that there was even a higher-cost ticket, the first class ticket?

Mr. KELLY. We do not have that information. It is not collected.

Senator LEVIN. You, at one point, said that the regulations are not clear in some instances between the services, within the services. Do we know in what percentage of the cases that you looked at there was a violation of the regulation?

Mr. KUTZ. Of the current DOD or government-wide regulations?

Senator LEVIN. Or of the unit regulations or service regulations.

Mr. KUTZ. Well, certainly the 64 percent I mentioned that had no specific documentation justifying the premium would have been a violation of policy. The policy was that premium travel required specific authorization and documentation.

Senator LEVIN. And that is true across the board——

Mr. KUTZ. Across the board.

Senator LEVIN [continuing]. Every unit, every service, period?

Mr. KELLY. Yes. That is a requirement.

Senator LEVIN. On the justification side, on giving the reasons, the justifications, what percentage was there of that lacking?

Mr. KUTZ. That would have been virtually all of them, also.

Senator LEVIN. The same——

Mr. KUTZ. Yes, I would say the same, because nothing is justified unless it is authorized, first of all. The way the rules work is that even if you meet the criteria for business or first class, a lot of agencies don't allow their people to do it because they have travel constraints and they try to save the money for their budget. So it isn't an entitlement. You still have to have someone make the justification to say, we are willing to pay four or five times more for a ticket for you because you meet these criteria. So it is not really an entitlement. It is something that still needs authorization.

Senator LEVIN. So you can say with certainty what that percentage is from your sample, even though you are saying that there is a discord in the regulations between units, between services. In that regard, there is a clarity as to what is required and a clear percentage of what was not done according to regulation.

Mr. KUTZ. I would say over half of the problem here was people not following valid policies, and then the rest of it was where the policies need to be tightened up. So I think it is a combination of both. I am not sure we can precisely identify which is which, but over half of it was where there were policies in place and people were not following them, and there is no accountability system to ensure that people were doing what they were supposed to.

Senator LEVIN. Can you compare the Department of Defense in this regard with other agencies in terms of the percentage of times in which the policies or regulations were not followed?

Mr. KUTZ. No, but Mr. Ryan has some information he could share on the practices of several other agencies.

Senator LEVIN. Is this typical of agencies? Does it exceed the percentage of other agencies in terms of failure to document? Where are we on a relative basis?

Mr. KUTZ. Well, when we looked at the purchase card program, we found that DOD in some cases was the worst in the government. In other cases, they were similar to others, like the delinquency rates. But with respect to premium, we have not gone out and done other studies of this at other agencies, except Mr. Ryan has talked to some agencies. I will let him answer.

Mr. RYAN. Basically, what we tried to do is to contact the security details that were for the head of the agencies to try to find out what the secretaries were doing or the agencies. It was kind of like they told us that they try to follow all the GSA rules and regulations and the secretaries, according to the protective details, will travel coach. If they want to move up, they use their own miles. And they are saying that—the details say that is the practice that they have.

Mr. KUTZ. So we didn't go below that.

Mr. RYAN. Right.

Mr. KUTZ. We thought if we were at the Secretary level, that would have trickled down within the agencies.

Senator LEVIN. Congresswoman Schakowsky was interested in this area and I think the rest of us would be, too. The report does not give a dollar amount as to the savings that could have been achieved had the waste not occurred. However, according to Congresswoman Schakowsky's office, I understand there is some evidence that could produce a number in that regard. Are you able to give us a range of dollars that could have been saved?

Mr. KUTZ. Yes. We believe it is tens of millions of dollars a year, and I would say between $10 and $30 million would be a good estimate, because we are talking about 70 percent of $124 million, and if you kind of trickle that down to an annual savings, and you assume some of it might have been valid had someone gone through and done the right documentation, I would say $10 to $20 to $30 million a year.

Senator LEVIN. Now, on the broader financial management issues which we indicated are a backdrop for this problem and you thought you might be asked about, so here goes. Section 1004 of last year's Defense Authorization Act required the Department to establish by no later than May 1 of this year a financial management enterprise architecture for the Department of Defense and a transition plan for implementing that enterprise architecture. That requirement was consistent with commitments that had previously been made by senior Department of Defense officials. The GAO was required to follow up and determine whether or not the Department complied with the requirement.

Your report, which was issued in September, concludes that, "DOD's initial architecture does not yet adequately address the Act's requirements and other relevant architectural requirements," and I would like to ask you some very specific questions about that.

Section 1004 required that the new architecture comply with all Federal accounting, financial management, and reporting requirements. Does DOD's proposed architecture do that?

Mr. KUTZ. The May version did not. We found a significant number of requirements were not in there, hundreds of them, although there were thousands that were in there, so it was a mixed result.

Senator LEVIN. Is that something you have put in writing, what were and what weren't?

Mr. KUTZ. Yes, we did, and I would believe by now, and Mr. Lanzillotta can probably answer this, they have got those in there.

Senator LEVIN. All right. We will ask——

Mr. KUTZ. Because they are updating the architecture all the time.

Senator LEVIN. We will ask him that question, then.

Section 1004 required that the new architecture include policies, procedures, data standards, and system interface requirements that apply uniformly throughout the Department of Defense. Does the Department's proposal do that?

Mr. KUTZ. Partially, but not fully, is what our report noted.

Senator LEVIN. And do you know if they have made progress since your report?

Mr. KUTZ. I believe they have. Again, they have agreed with our recommendations and we were very specific in the kinds of things that needed to be done. So I suspect they are further along, because that was back in May.

Senator LEVIN. Do you track that?

Mr. KUTZ. No, but we are required under Section 1004 to report on this periodically and we are starting our next review of this. So we will be reporting back to you on that in May 2004.

Senator LEVIN. Section 1004 required that the transition plan include an acquisition strategy for the enterprise architecture, including specific time-phased milestones, performance metrics, and

financial and non-financial resource needs. Did their proposal do that?

Mr. KUTZ. No. That was one of the areas where we felt it fell far short of the requirement. The transition plan was actually a plan to develop a transition plan. It really did not chart what I think that the Act was looking for, which is, for all of you that are not familiar with this, there are over 2,000 business systems out there right now and the plan was intended to show how DOD is going to go from their 2,000-some systems that cost $19 billion a year to operate and maintain to the environment they see in the future, which should be several hundred systems that cost billions and billions of dollars less to operate. So they did not have that, and again, Mr. Lanzillotta can probably tell you where they are with that today.

Senator LEVIN. Section 1004 required the transition plan to include a specific schedule for phasing out legacy systems that are not consistent with the new architecture. Did the proposal do that?

Mr. KUTZ. No.

Senator LEVIN. And Section 1004 required the Department to institute an investment management process to ensure that investments in new business systems are consistent with the requirements of the new architecture. Did the Department establish an effective investment control process?

Mr. KUTZ. I would say no, but they had made a start at that, and the specifics of the Act, as I recall, are anything over $1 million that is going to be obligated is supposed to have comptroller review and approval before they enter into those transactions. They have just begun and I think they have maybe done 10 or 11 of the several hundred that might meet that criteria. So they are beginning, but they have not met that one.

Senator LEVIN. Thank you. Thank you so much.

Senator COLEMAN. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman, and I appreciate your leadership on this because this is important.

I would like to ask, if I may, some questions about perspective to try to get this in perspective. First, as I understand your previous testimony, you have not done this type of survey with other Federal agencies or other Federal departments, but is it fair to say that your impression, and probably your clear impression, is that this problem is far worse in DOD than it is in other agencies? Is that fair?

Mr. KUTZ. That would be fair. If the Secretaries of the other agencies are going coach, then I would say that is a fair statement.

Senator PRYOR. Another question I have, and it is probably in your report and I have been reading through it, it is very interesting. I have not come across the part yet that tells me what percentage—and you may have covered this in your opening statement, but what percentage of the travel is not following government guidelines that have been established? What overall percentage of the travel is the so-called problem travel?

Mr. KUTZ. Well, the premium travel is 1 percent of all travel tickets but it is 5 percent of the dollars. That gives you an idea of how many—I am not sure if that completely answers your question, but it is a small percentage of the transactions, but because

they cost four or five times more than a coach ticket, it becomes about 5 percent of all DOD travel dollars.

Senator PRYOR. Do you know, and you may not know this off the top of your head, but what the overall Defense Department travel budget is? I am sure it is complicated because——

Mr. KUTZ. It is over $5 billion.

Senator PRYOR. Five billion?

Mr. KUTZ. Yes, and the centrally billed accounts are about $1.45 billion a year.

Senator PRYOR. OK. I assume they are not having problems staying within their $5 billion travel budget?

Mr. KUTZ. I couldn't address that necessarily.

Senator PRYOR. OK. I do have another question that is raised in the report and it is just an unanswered question. Maybe I haven't gotten to the answer in the report yet. Is all of this travel for DOD employees? It seems like there may be some family travel in there. Is there any contractor travel in there? I mean, what are we talking about here?

Mr. KUTZ. I will let the gentlemen here that were involved in some of the interviews elaborate, but we found travel that was by family members as part of what is called a PCS move, Permanent Change of Station move, and again, that was a situation where I believe several of the opening statements related to a trip from London to Honolulu of a family of four——

Senator PRYOR. Right, I saw that.

Mr. KUTZ [continuing]. And it was $21,000 versus $2,500, and so that is in the population in all likelihood, a bunch of that. And one of the reasons that they were able to do that is because the travel office told the traveler that we have done that for others.

We also found that there was a commission of private sector individuals, that the government paid for them to take the trip to Moscow, I mentioned in the opening statement——

Senator PRYOR. Right.

Mr. KUTZ [continuing]. So that was not government employees.

Senator PRYOR. What about any sort of contractors or non-DOD people that are being paid for out of DOD funds?

Mr. KUTZ. In our testing, did we come up with anything?

Mr. KELLY. I don't remember seeing any contractors. We do know that sometimes wives of senior-level officials are asked to go represent the United States overseas and there are some of those situations.

Senator PRYOR. Did you find any unauthorized travel, where people should not have had the government pay for the trip, but they did?

Mr. KELLY. We did not find any examples of people taking trips when there was no travel order authorizing them to fly.

Mr. KUTZ. If it appeared to be official government business. We didn't see anything that was outside of this realm.

Senator PRYOR. Mr. Chairman, I think that is all I have right now.

Senator COLEMAN. Thank you, Senator Pryor.

Just two quick follow-up questions. I am interested in the range of dollar loss and I think, Mr. Kutz, you talked about $10 to $30 million in savings. Is that just for the years 2001 and 2002?

Mr. KUTZ. That would be for those 2 years, but I would assume that that would continue. If they are able to put these controls in place, I believe that is what would be saved going forward per year.

Senator COLEMAN. So if one were to kind of reverse at estimated dollar loss, what do you estimate the total dollar loss then to be in fiscal years 2001 and 2002?

Mr. KUTZ. Twenty to $60 million.

Senator COLEMAN. And——

Mr. KUTZ. I think what we can do, I mean, if you look forward, and in your opening statement you want to kind of track these things, we could work with you to kind of monitor this and see. If they implement the controls we are talking about here, you should see this dramatically decrease going forward.

Senator COLEMAN. And I would like to be able to see that to say there is a reason that we do what we do.

Is there anything in this process that would provide some avenues of recoupment of loss, or would that be difficult in these situations?

Mr. RYAN. I think what we decided to do is, working with your staff, we decided to refer the 44,000 people to DOD. DOD can make their mind up as to whether or not they want to recoup the money. What we are interested in doing is continue to do investigations to identify what causes these problems so that we can pass the information on, and hopefully we can get the savings that way.

Senator COLEMAN. I think that, depending on the intent of the person involved, assuming that some folks went through the system, the problem is the system didn't do the check-up.

Mr. KUTZ. Right.

Senator COLEMAN. There were travel orders here, so I am not pointing a finger on the folks. Apparently there is a system. They travel all the time. But what I am hearing today is that there wasn't the kind of follow-up, there wasn't the authorization, there wasn't the review, there wasn't the justification, there wasn't then the documenting and all the things down the line that the system should do simply weren't happening here on a consistent, regular basis, would that be correct?

Mr. KUTZ. Yes.

Senator COLEMAN. Thank you. Gentlemen, thank you very much. Senator Pryor.

Senator PRYOR. No. Thank you.

Senator COLEMAN. This panel is excused. I would now like to welcome our final panel of witnesses for this afternoon's important hearing on the Department of Defense. We have Lawrence J. Lanzillotta, the Principal Deputy Under Secretary of Defense, the Comptroller's Office, and Charles S. Abell, the Principal Deputy Under Secretary of Defense for Personnel and Readiness.

I want to thank both of you for your attendance at this afternoon's hearing and I look forward to hearing your testimony concerning the actions DOD has taken or plans to take to ensure full compliance with its travel regulations.

Before we begin, pursuant to Rule 6, all witnesses who testify before this Subcommittee are required to be sworn. At this time, I would ask you both to please stand and raise your right hand.

Do you swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. LANZILLOTTA. I do.

Mr. ABELL. I do.

Senator COLEMAN. Thank you. Mr. Abell, I understand that you will be givingn the Department's testimony today——

Mr. ABELL. Yes, sir.

Senator COLEMAN [continuing]. And Mr. Lanzillotta will be there to assist or answer any questions. As indicated before, if you have a full statement and you wish to enter that into the record and just summarize, let us know and that will become part of the record.

With that, please proceed.

TESTIMONY OF HON. CHARLES S. ABELL,[1] ASSISTANT SECRETARY OF DEFENSE (FORCE MANAGEMENT POLICY), ACCOMPANIED BY LAWRENCE J. LANZILLOTTA, PRINCIPAL DEPUTY UNDER SECRETARY (COMPTROLLER), U.S. DEPARTMENT OF DEFENSE

Mr. ABELL. Thank you, sir. Mr. Chairman, Members of the Subcommittee, my colleague and I are here today to provide the initial views of the Department of Defense in response to the draft General Accounting Office report on DOD use of premium class travel.

The GAO report questions the Department's policies, procedures, and monitoring related to our premium class travel and we are already working on some needed changes, as have been noted earlier. The Department of Defense takes very seriously any questionable spending, such as that noted in the GAO report. Any unjustified expenditure diverts funding vitally needed to sustain U.S. military operations and other pressing priorities.

For travel and every other functional area, the Department must have policies that clearly detail what is proper. We must have strong internal controls to monitor and enforce those policies. Our policies must leave no room for misunderstanding or abuse.

In addition to actions the Department is already taking in response to the GAO report's findings, I am announcing here today the formation of a task force to more fully diagnose and propose remedies for our premium class travel shortcomings. The work of this task force will benefit from the methodologies and findings of the GAO report.

Our goal will be for this new task force to be as thorough and as successful as our earlier task force on government charge cards. As with that earlier effort, we will marshal expertise and real-world experience from across the Department of Defense, to include the Office of the Inspector General, and we will invite our colleagues from the General Accounting Office. Our work will range from overarching policies to specific internal controls.

Since we are just beginning this comprehensive analysis of premium class travel today, I cannot tell you exactly how we will address all the issues raised in the GAO report. However, the Department's creation of this new task force underscores how seriously we

[1] The prepared statement of Mr. Abell appears in the Appendix on page 70.

take the type of problems identified by the General Accounting Office.

An especially important mission of the task force will be to analyze the roles played by each DOD organization involved in premium class travel, roles ranging from policy development, to authorization and travel orders, to paying the final travel bills. The Department will determine whether any changes in organizational roles are needed to strengthen internal controls and accountability for premium class travel.

We are not waiting on the task force recommendations and have already made some changes to our policies. As indicated in the GAO report, the Department has begun updating its travel regulations. Our goal again is to promulgate clear, strong policies that will enable us to manage premium class travel most effectively.

The Department expects its new regulations to state clearly that premium class travel should be used only when authorized and only when exceptional circumstances warrant the additional cost; that authorization documents must state the general condition that justifies premium class travel, for example, a substantiated medical condition; that justification of premium class travel must be consistent with criteria in government-wide General Services Administration regulations; and that travel regulations issued by DOD component organizations must be consistent with the new overarching policy.

The new regulations will include details on how to properly document authorization and justification of premium class travel. Part of this guidance will be clear direction as to who should retain documentation of each justification and for how long.

We will realize further enhancement of our ability to oversee and manage travel with the deployment of the Defense Travel System. This system was recently approved for fielding. It is operational in 24 sites already and will be totally fielded by fiscal year 2006. When this system is fielded, it will replace 43 legacy systems and give the Department a view of these types of situations in real time versus discovering problems after the fact.

In closing, over the past 2 years, the Department has undertaken a massive overhaul of its management and support activities. What we especially aim to achieve is a cohesive, comprehensive management information system that will make it much easier for us to track transactions, ensure strong internal controls, and prevent abuses and eliminate inadequately documented spending.

Finally, I want to assure you and this Subcommittee that the Department of Defense takes very seriously any indication of questionable spending. We will not tolerate any situation that wastes money needed to support our military and that undermines our strong stewardship of the public's trust and resources. Thank you, Mr. Chairman.

Senator COLEMAN. Thank you very much, Mr. Abell.

I would note that the Comptroller is not here today. The Principal Deputy Under Secretary is here. I do want to make it clear and ask, do you speak for the Department of Defense and will you assure this Subcommittee that the DOD is committed to preventing this abuse of taxpayer money?

Mr. LANZILLOTTA. Yes, I do.

Senator COLEMAN. I have to say, gentlemen, maybe it is because I am the new guy here, but I am not as cynical as some of my more seasoned colleagues. As I listened to the comments of the Congresswoman and Chairman Grassley, there is a great deal of cynicism about the Department's commitment to getting ahead of the problem, that the reaction is a response to the problem, and I do want to applaud the fact that you are putting together a task force that will diagnose and propose remedies for these premium class travel shortcomings.

But can you respond to that charge that what we get is a problem and we respond but we don't look ahead. Talk to me a little bit about how you do that.

Mr. ABELL. Mr. Chairman, I appreciate your perspective on this. The Department of Defense has its eye on many balls, and unfortunately, we don't catch all of them before they bounce off the floor. This may be one that we didn't have our eye on as much as we should.

As you have heard in previous testimony, it is a small piece of our operation. That doesn't excuse any abuse or the lack of clear, cogent direction. But I think it might explain, while we were watching bigger things, this one might have escaped our constant attention.

We also don't—haven't in the past provided our folks with clear guidance. We have handed them books of this size, sometimes out at the installation level fairly low-level folks, and said, these are the regulations. Try not to screw it up. That may be asking too much of them. We will look at some sort of decision support tool. Some have suggested a form. That strikes me as 1940's technology, but I think we can provide them some sort of decision support tool that will allow them to go through a checklist if you will, that helps them decide whether or not they have followed all the regulations, and it would also benefit all of us by providing something that could help us in the audits.

It is my strong belief that many of the unauthorized or unjustified trips were probably authorized and justified but that our recordkeeping hasn't been sufficient to be able to demonstrate that to an auditor.

Senator COLEMAN. There seemed to be a clear difference, though, in terms of recordkeeping between first class and business class and I would take it that that division will be removed and they will focus on both.

Mr. ABELL. Yes, sir. As was previously testified, there is a requirement that we report first class travel to the General Services Administration. I think our colleagues from GAO were very kind. My understanding is that the quality of our report to the GSA is probably less than we would hope, as well, and we will fix that as part of this.

Senator COLEMAN. I appreciate your candor.

How many people are employed by the Department of Defense?

Mr. ABELL. The military is about 1.4 million. We have about 800,000 reservists and another 600,000 civilian employees.

Senator COLEMAN. And how many different locations? How many worksites?

Mr. ABELL. Oh, jiminees. I do not know that number. I will tell you that it is lunchtime somewhere in the Department of Defense every hour of the day. So we are around the world a number of times.

Senator COLEMAN. I asked that because one of the things we have kind of talked about here is can you centralize travel order authority or post-travel voucher review at single locations. Will you talk to me about what centralizing this type of travel order approval would mean? How would you go about centralizing something like that, based on the diverse system that you have?

Mr. LANZILLOTTA. Mr. Abell mentioned in his testimony that the Department is in the process of fielding the Defense Travel System. When we field the Defense Travel System, it will be the unifying system across the Department of Defense for all travel orders. I believe that this system, when fielded—it is fielded at 24 locations now in pilot sites—will take care of many of the problems that we have.

One of the main things that this system will do for us, is that when a traveler comes up on the system, it will only display coach reservations. So he won't be able to make a premium travel, any type of premium travel, either business or first class. For him to do that, he will have to go through another procedure outside to get it specifically authorized and that order will be flagged and tagged so we will know at the Department level what we can do. So we will be able to do that data mining.

We are building that functionality into the system now. In the 24 pilot sites, we recognize this as a shortcoming that we needed to fix and we are in the process of fixing it.

So initially, we do have a problem. We will have to use a short-term solution of Bank of America as our credit card vendor right now to pull some data together for us so we can do the data mining techniques. In the future, we will have our own system that we will be able to go through and do it and manage it, and the purpose of our whole modernization program is to provide that type of data.

Senator COLEMAN. The task force that you announced today to diagnose and propose remedies, would they be looking at simplifying the Joint Federal Travel Regulations? Are you going to be looking at that piece of things?

And I have a second part of that. Are those regulations, are they online? Are they available worldwide? How do you folks know what the regulations are?

Mr. ABELL. They are available on paper and they are visible online, yes, sir.

Senator COLEMAN. When you say visible, does that mean somebody can——

Mr. ABELL. Yes, they can read it.

Senator COLEMAN. They are available?

Mr. ABELL. Yes, sir.

Senator COLEMAN. OK.

Mr. ABELL. The task force will look at all of those things. I don't expect that the task force will do much to simplify the Joint Travel Regulations or the Joint Federal Travel Regulations since they mirror, and we hope precisely mirror, the General Services Administration Federal Travel Regulations. What we will do to help our

folks in the field go from something like this to something that is more manageable is try to give them a decision support tool that walks them through the processes so that they don't have to rely on their memory or do extensive research every time they do this.

Senator COLEMAN. I would commend or recommend that you look at the online capacities and capabilities to allow folks to walk through that. You perhaps could simplify your system online without necessarily changing the regulations, but just make it easier for folks to process that stuff.

Mr. Lanzillotta, are you going to add something there?

Mr. LANZILLOTTA. Mr. Chairman, I would also like to maybe let the Subcommittee know, on this task force, I would like to give the results of the task force we did on the travel card and the purchase card to show the Subcommittee the type of things that the task force looked at and the type of things that we implemented to give you an idea of what we hope to do with this program.

The task force, we were able to establish a metrics program so we could monitor performance of the travel card. We were able to publish a CD that laid out the training responsibilities of card holders. We were able to begin data mining, start the data mining on the data that we could get on the purchase and now the travel card that was mentioned by, I believe, Greg on his testimony from the IG. We were able to issue better guidance or more clear guidance to our security managers. We issued disciplinary guidance applicable to the individual and centrally billed accounts.

We looked at the codes and the use of blocking merchant codes. That way, credit cards cannot be used in certain merchant areas. We looked at the credit limits and established more realistic credit limits on these cards.

We simplified the guidance. It has led to a reduced delinquency rate on our travel cards. It is now on the individual accounts about 6.3 percent and on the centrally billed accounts below 2 percent. We are getting very close to industry standards.

We implemented mandatory split disbursement for military members and we asked for mandatory split disbursement for civilian employees. Right now, it is the default solution if they don't elect it. That allows us to pay directly to the credit card. We implemented and collected approximately $42 million in delinquent dollars through that salary offset for military members. We have asked for that authority also on civilian members to help the government recoup the losses from improper charges.

[Information supplied by DOD follows:]

NOTE: DOD has inplemented salary offset for civilian employees. We are working with GSA and OPM to implement the authority to include civilian retirees in the program.

We took out and eliminated 600,000 travel cards. We looked at the established procedures, the cards that were not active or people who left DOD, to go back and make sure that we could go and close their accounts. We have been working with the bank to develop even more internal controls.

I have a similar list for the purchase card things that we have done to try to bring the Department more in line and establish these controls on these programs. I just want to assure the Committee that the Department takes this seriously and these are the

type of things that we were able to do in the travel and purchase card to show success and we plan to do the same thing in this program.

Senator COLEMAN. And I appreciate that, and I do want to reiterate that $10 to $30 million in savings may not be a lot in the perspective of a percentage of your budget, but it is sure a lot to folks that live in St. Paul or live in Crookston or live in Michigan or Arkansas. So I just want to reiterate that. We are very serious about the need to deal with the abuse and to make sure that the dollars are being saved.

Can I ask just one further question and get back to this issue between business class and first class. It was the testimony here that first class approval required, I think, first class airline accommodations at the three-star equivalent level. Business class rests with transportation officers. Can you first tell me, what is the level of a transportation officer in DOD and wouldn't it be appropriate to have all premium travel approved at the same level?

Mr. ABELL. Mr. Chairman, the first class travel is by the Secretary of Defense, the Deputy Secretary, or their designee. The premium class travel is, in the current environment, approval authority is widely decentralized. It is one of the things we will take a look at in this task force, is what level should we have premium class travel, and as Mr. Lanzillotta has testified, when the Defense Travel System comes in, it will be done offline in a—not offline, but it will be kicked over to a special authority and that would allow us to implement in an automated way, as you have suggested, this special approval authority, as well. I don't know what the right level is. We will have to figure that out.

Senator COLEMAN. I would hope, though, that we take certainly a close look at those situations where you have folks at subordinate levels making approvals of folks to expend dollars who are at a higher level. It seems to me something that is a little illogical and that, at a minimum, should be stopped.

Mr. ABELL. We have no argument with that in concept. Back to the size and scope of the Department, there will be cases where somebody somewhere has to go around the world to find their superior, but I am sure we can work out a way to make sure that there are enough internal controls in place to take care of those singular cases.

Senator COLEMAN. Thank you, gentlemen. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman, and I welcome you both. I think you were both here when I asked the GAO five questions as to the implementation of Section 1004 just a few moments ago. Did you disagree with any of the answers you heard about that, as to the level or the degree of implementation of the requirements in last year's authorization bill?

Mr. LANZILLOTTA. Generally, we agree with GAO. The only thing I would mention, Senator, is that I guess some of this is in the eyes of the beholder on how far down the architecture should go and on the transition plan. I would like to clarify, especially on the transition plan, the comments made.

When we started the architecture and the architecture that we delivered, it was an activities-based architecture throughout the Department, and to do that, we met and mapped all the activities

that are business activities down to the financial transaction area to go through with the entire Department. So it really was a massive effort.

To do that, we found out that we had 2,274 business systems that it touched. Originally, we started out—when we started the effort, we thought it was only 475 and it continued to grow as we went through and mapped it.

The transition plan that the bill called for, we have a transition plan. It may not be the same transition plan or the definitional transaction plan that the Subcommittee was expecting. What we were trying to do is we want to go through, and we have started by looking at the material weaknesses in the Department in an incremental approach to reengineer those processes. After we reengineer those processes, we want to develop a system that will take care of that reengineered process.

We couldn't, in the course of a year, develop and map out the activities and know the final solution to the architecture. So what we want to do, which I think is the most efficient way, and I think that GAO will probably agree with the approach, is we look at the material weaknesses, we engineer those processes that we need to, in order to eliminate that material weakness, and then develop a system that will take care of that.

Senator LEVIN. And when will that be developed?

Mr. LANZILLOTTA. We hope to have the first increment done and have the clean financial statements for fiscal year 2007.

Senator LEVIN. The first financial statement reflecting the new, that new architecture——

Mr. LANZILLOTTA. It would be the fiscal year 2007 statement.

Senator LEVIN. So it is going to take you 2 more years before you get that in place, a system in place? You reengineered your system——

Mr. LANZILLOTTA. To eliminate all the material weaknesses that have currently been identified.

Senator LEVIN. Does GAO know that? Have you told them it is going to be 2007 before we are going to get those kind of statements, or are they hearing that for the first time today?

Mr. LANZILLOTTA. I guess I——

Senator LEVIN. Have you heard that before? Maybe I can go back and ask the GAO. Is that an acceptable period of time? If you don't mind——

Mr. KUTZ. Well, there are two things. I mean, he is talking about getting an opinion on financial statements, I believe, versus developing a transition plan as part of the architecture. So the 2007 goal to get an opinion on financial statements is to me a little bit different than the goal to completely reengineer and modify the systems. I think that is going to take a lot longer, actually, than 2007, so I don't know if that would be——

Mr. LANZILLOTTA. For all of our systems.

Mr. KUTZ. Right, for all the systems.

Senator LEVIN. Are those timelines acceptable to you in terms of the speed with which they are being done? Can they be speeded up? Is that the first time we are going to have some decent accounting systems at the DOD and the ability to audit?

Mr. KUTZ. A lot will have to go right for 2007 to be achieved, in my view.

Senator LEVIN. Is it on target now?

Mr. KUTZ. I have not looked in detail at the plan, but we know that 2007 is the goal that the Comptroller has for an opinion on the balance sheet.

Senator LEVIN. Well, if you do look at the plan, Mr. Chairman, to tell us if it is a realistic plan. It seems like a long time off, but I guess from your perspective it is not a long time off. Given the decades that this has been brewing, maybe that is not such a long time. But if it is appropriate, Mr. Chairman——

Senator COLEMAN. Senator Levin, we will follow up and I will take that as a request from this Subcommittee. We will follow it up in writing with a very specific request to accomplish that.

Senator LEVIN. When the Comptroller was before the Armed Services Committee, he made a certain commitment that the Department, "would not fund any programs for new business management systems until we were convinced that they would all fit in with one another," so you would not have the kind of mess that the Department has with existing systems. That requirement was included in the Authorization Act last year.

But the GAO has reported that the DOD has not yet implemented an effective investment management process for selecting and controlling ongoing and planned business system investments. Until it does, DOD remains at risk of spending billions of dollars on duplicative, stovepiped, non-integrated systems that do not optimize mission performance and accountability and, therefore, do not support the Department's business transformation goals.

So my question, Mr. Lanzillotta, is are you aware of any business management systems that have been canceled or modified because of their failure to meet financial management requirements?

Mr. LANZILLOTTA. Yes, Senator, we have canceled or terminated programs that we didn't feel that were going to yield compliant systems. If I could take a minute, I could explain the Department and how we are trying to implement this guidance.

Senator LEVIN. Sure.

Mr. LANZILLOTTA. What we have done is we have taken the 2,274 systems and we divided them into seven business areas for the Department of Defense. We have created domain holders. Those are the people who own the process or own that area of the business. Mr. Abell happens to be one of our domain owners for the human resource systems. We divided those 2,274 systems into these seven areas. These domains now are responsible for reviewing these systems, not only these old systems, but also for approving new systems to make sure that they are compliant with the architecture.

So our acquisition process for IT systems is now two-phased. Not only when we get a system approved, but also it is what systems go out of the inventory. Like with Defense Travel System, when we plan to bring that on board, it will be one system and it is planning to replace 43 other systems, and those systems will be phased out.

We take those systems, the domain owner reviews their systems, and it is a huge task. It is a challenging task. They will come back and make a recommendation as to what systems should be funded

or what systems shouldn't be funded, and then we will use that as an enforcement mechanism.

Senator LEVIN. You say some systems have been canceled?

Mr. LANZILLOTTA. Yes, Senator.

Senator LEVIN. It would be useful if you just, for the record, give us some examples of that. Give us a half-a-dozen examples, not right now, just for the record, if you would, systems that have been canceled for non-compliance with that requirement.[1]

Mr. LANZILLOTTA. Sure.

Senator LEVIN. That would be great. Thank you. Thank you, Mr. Chairman.

Senator COLEMAN. Thank you, Senator Levin. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

Let me give you all my perspective on this, and that is admittedly, the dollars involved here in relative terms to DOD budget and the travel budget are small, and I think, Mr. Abell, you mentioned that in your opening statement or in one of your answers to questions. But the way I look at it is if we can't trust you on the small things, how can we trust you on the large things?

What I sense is that, if I could put this in NCAA terms, there is a lack of institutional control when it comes to these nuts and bolts, dollar issues within the DOD. I am new on this Subcommittee, but what I have heard today is the GAO looked into credit cards and found a lot of wrongdoing. You all formed a task force. Now we are looking into premium travel. You all are going to form a task force. As I understand the testimony, and I hope I am wrong, it is going to be 2007 before it is fixed. That is totally unacceptable.

I guess the question I have for you is we talked about credit cards. We talked about travel. What is next? What is next in the DOD that GAO hasn't discovered yet? How many millions are we just wasting there because of the lack of managerial control of the dollars in DOD? So my question is, what next is out there on the horizon where you think we have problems?

Mr. LANZILLOTTA. Senator, that is the whole purpose of our business modernization program. The reengineering of the systems and our processes, that is what we are trying to avoid as to what is next.

Now, referring back to Senator Levin's comment that the Department has developed this problem over a long period of time, we have put together this program and we are trying to go through, look at each of our business processes, and reengineer it using our domain process.

We have started our first increment on our material weaknesses, which are the most serious financial areas that need to be corrected. We are going through and we are not waiting on GAO to tell us what is next. We know what is wrong. It is just that we are trying to fix it by the reengineering.

It is just going to be a process that is going to take us time, 2007 seems a long way away, but I think from Mr. Kutz's testimony that he thinks that it might be a little ambitious that we get it done by 2007. But that is what we are doing to take care of the whole

[1] See Exhibit No. 5 which appears in the Appendix on page 129.

process. It is the magnitude of the problem and the scalability that we have to get our systems to handle these type of reengineering processes.

Senator PRYOR. Today we heard testimony that the DOD is wasting maybe $20 million a year, it may be $50 million a year. There is not a real firm number on how much we are wasting just in travel. What is your sense of the overall waste in the Department of Defense today? How much money are we going to save the taxpaywers when you put these new systems in and this new architecture that you are talking about and you address problems that you say you know are there.

Mr. LANZILLOTTA. Senator, at this point, I don't even know how to hazard a guess.

Senator PRYOR. Do you understand my concern? You can't even guess how much waste there is. I mean, you have no idea, and yet you come in and you ask us, hey, appropriate this money, appropriate these dollars. We look at your travel account and I don't know how much we have budgeted to the Department of Defense's travel account, but you haven't run out of money. It seems to me that if you budget right, you should have run out of money, or you should have caught this problem, because you would be looking at your budget and you know you don't have the dollars there.

It raises very serious concerns on my part about how you manage your internal affairs over there at the Department of Defense. So could you give me some sense of the scale of the problem at the Department of Defense?

Mr. LANZILLOTTA. Senator, I don't even know how to address that. The scale is we are looking at the 2,274 systems that we currently have in our business architecture and we are trying to reengineer those processes. When we find out or notice or somebody tells us or we find it that there is an area for waste, fraud, and abuse, we do take action.

Now, people say, well, you noticed a problem and you develop a task force. Well, that is right. We did. We took action. We got the problem under control.

I don't know, or if I knew that there was a problem in a particular area, I would immediately try to take action to correct that problem. When you sit down there and ask me about how much money will it save by—with one architecture—if I know there is waste, I go after it. I don't know what I don't know, and so I can't hazard a guess as to what there is. I know what has been reported. I know what we find. I don't know how much is out there. I don't know if there is anything out there. GAO may have done an excellent job and has identified it all. But we work at it.

Senator PRYOR. I understand that DOD is a very large agency, it has a very diverse mission and it's budget is complicated. I appreciate that. I really do. And I know that, like you said, you are in every time zone in the world. You have got important tasks going on all over the world and it is very dangerous at times in certain places. I am very sympathetic and understanding of that.

But at the same time, your answers today just aren't satisfactory to me. Like I said, I am just kind of waiting to see what we are going to find out next about the Department of Defense. I am glad you are being proactive and at some point, hopefully by 2007, you

will have some new systems in place. But it is very troubling to me that you can't even begin to tell us how much waste, fraud, and abuse is within your Department. It is just—I understand you don't know what you don't know, but it seems to me that you don't even have a way to measure it right now. It is such a large department that you can't even get your hands around it. Is that fair?

Mr. LANZILLOTTA. Well, Senator, that would have the assumption that there is a defined number out there of waste, fraud, and abuse, that somebody has gone out there and knows that number. It can't be measured because nobody knows.

Senator PRYOR. Well, it can be measured because if it is there, it is there. It is just you don't know how to measure it. You are not measuring it because you don't know how, is that right? You don't have the capability today to look at your internal systems and tell us how much money you are wasting at the Department of Defense, is that true?

Mr. LANZILLOTTA. We don't have the capability at the Department of Defense to go across all of our systems, and that is true that our systems are not integrated. I don't take the assumption, though, that automatically means that there is waste, fraud, and abuse.

Senator PRYOR. I am not starting with that assumption, either, but I am starting with the fact that you can't tell us what is or what isn't waste, fraud, and abuse within your own Department. That is very troubling to me as a Member of Congress who has oversight over the Department of Defense.

I mean, I think the Congress gives you all a lot of leeway. We put a lot of confidence in you as an agency and as a Department to do your mission. I don't want to say there are no questions asked on this end because we ask a lot of hard questions. But in the end, we defer a lot to the Department of Defense. It is your area of expertise and we want to be supportive and make sure that we have the best trained, best equipped military in the world to go out and do whatever the challenges are.

But then again, when you get back to look internally at the nuts and bolts type of spending at the Department of Defense, it just seems like there is not the control that is necessary. It is a very large Department, but when you have such a large and diverse Department, you need the controls and it seems to me that there are just not the controls present. Is that fair or not fair?

Mr. LANZILLOTTA. That is the purpose of the business modernization program, is to make sure that there are adequate controls on our business processes.

Senator PRYOR. But is it fair to say that you don't have the controls in place today?

Mr. LANZILLOTTA. It is fair to say that we don't have satisfactory controls on all of our processes.

Senator PRYOR. Mr. Abell, you have been awfully quiet over there. Do you have any comment on this?

Mr. ABELL. Senator, I can assure you that the issue of premium travel will be resolved long before 2007. My assurance to you is we will have it before St. Patrick's Day. But I defer—you have been asking about business management and financial controls and that is my colleague's area of expertise. I make a deal with him that I

don't do financial management and he doesn't do management of human resources.

Senator PRYOR. I do a lot of that around here myself, so I am sympathetic to that. [Laughter.]

Mr. Chairman, I would like to reserve the right to insert a few more questions for the record, but that is all I have right now.

Senator COLEMAN. Thank you. Thank you, Senator Pryor.

The record, by the way, will be held open for 21 days for any further questions and we will forward to the witnesses any questions that you, Senator Pryor, or any of the Members of the Subcommittee may have.[1]

Gentlemen, I want to thank you for appearing today. I want to say that I appreciate your candor. I would also note that we want to work with you. I do not view this as an adversarial process. This is a shining light, identifying the problem and solving it process. I think we and the Comptroller share a common bond. We want to make sure that government resources are used efficiently and that we are going to give it our best efforts to make sure that happens.

We understand the challenge facing an agency as large as the Department of Defense, but I share the concerns of my friend and colleague from Arkansas. If you take care of the little things, the big things oftentimes take care of themselves. It may not always be that way, but you have got to take care of those little things. Again, for the average citizen out there, $10, $20, or $30 million is not a little thing, but it is a big thing.

So let us commit to work together on this. We anticipate a series of other hearings relating to the Department and other issues concerning—a number of other things. I will leave it at that. We will be in touch. We will work with you on that. But again, I want to thank you for appearing here today.

With that, this hearing is adjourned.

[Whereupon, at 3:50 p.m., the Subcommittee was adjourned.]

[1] See Exhibit No. 4 which appears in the Appendix on page 124.

APPENDIX

UNITED STATES SENATOR • IOWA

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Statement of Sen. Chuck Grassley, of Iowa
Permanent Subcommittee on Investigations
Department of Defense Improper Use of First
Class and Business Class Airline Tickets
Thursday, Nov. 6, 2003

Mr. Chairman, it is an honor and a privilege for me to be invited to participate in today's hearing. I hope this marks the beginning of a long and productive relationship.

Over the past two years, I was very fortunate to participate in a series of hearings on Department of Defense (DOD) credit card abuse held before a House Government Reform subcommittee.

Today's hearing constitutes a continuation of the process started with Chairman Horn. I am so thankful that you are picking up the ball and running with it. By agreeing to hold this hearing, you too are helping to shine the public spotlight on the problem. Usually, I find, the glare of the spotlight helps the bureaucrats see the need for reform.

I think it is impossible to fully appreciate the dangers of the credit card explosion until you understand that internal controls at the Pentagon are broken. Over the last 15 years, I have worked hard to understand what broken controls really means. My concerns are reinforced by a continuous stream of audits issued by the GAO and the Inspector General (IG). These reports consistently show that sloppy bookkeeping and poor internal controls leave the department's financial resources vulnerable to theft.

In 1997-1998, as Chairman of the Judiciary Subcommittee on Administrative Oversight, I conducted my own review of internal controls at DOD. I conducted an in-depth examination of several hundred transactions. I issued a report.

I came away from that experience convinced that stealing money at DOD was a piece of cake. Fraudulent activity - if discovered - was detected by chance and not as a result of internal controls. This whole experience taught me one very important lesson: good bookkeeping is the key to controlling the money. If, on the other hand, your books of account are in shambles - as at the Pentagon today, then it's easy to steal money.

Money needs to be controlled at the transaction level. Unfortunately, that's exactly where DOD lost it. DOD transactions are not recorded in the books of account as they occur. Sometimes, it takes days to make an entry - Sometimes months - Sometimes years - and sometimes a transaction never makes into the books. That's why DOD's books don't balance, and that's why DOD cannot produce a satisfactory financial statement as required by the Chief Financial Officers Act.

Mr. Chairman, these vulnerabilities are the reason for my concern about the credit card explosion. By providing direct access to cash, credit card transactions bypass standard controls. They make it easier to steal money. That makes the independent checkers the last and only line of defense. All the evidence we have seen so far tells me they are asleep at the switch.

When we began looking at the problem over three years ago, there were close to 2 million DOD credit cards in circulation that generated almost 10 billion dollars in expenditures annually.
Although every one of those cards was issued with **NO** credit check, each was a license to spend large sums of money. Purchase cards, for example, provide authority to spend up to 100,000 dollars a month or even more.

A credit card explosion of this magnitude in a zero control environment is a recipe for disaster. It's like leaving the doors to the bank vault wide open with no guards on duty. When DOD started down the credit card road, the whole idea was to adopt the best practices of the commercial sector.

In the business sector, credit cards are a big success. They save time and money. The main reason they work so well is because the control environment in the private sector is rock solid. In corporate America, if you abuse your card, you lose it or get fired. So the thinking behind the credit card explosion was good. It's just not working very well because the control environment is poor.

In the face of what I feared was an impending disaster 3 years ago, I asked the GAO to begin an in-depth examination of DOD credit card transactions. The GAO issued at least six separate reports on DOD credit card abuse.

The audit and investigative work done by the GAO was first rate. The GAO reports provided an unending litany of horror stories. The abuse documented by the GAO was disgraceful. With the travel cards, we found DOD personnel - including senior officers and enlisted - running up huge personal bills and then refusing to pay them.

And the bank - Bank of America - had no authority to recover the money. The bank got left holding the bag. 47,000 DOD personnel had defaulted on more than $62 million in charges. The bank had to write off the delinquencies as losses. When banks write off losses, the taxpayers pay the price in lost revenue.

With the purchase cards, abuse is potentially more dangerous than with travel cards. That's because spending limits are so much higher, and the bill is a government liability.

The GAO found DOD personnel spending large sums to buy everything from household appliances, cars, computers, expensive jewelry, and the finest luggage from stores like Macy's and Nordstrom.

Even though all the purchases uncovered by the GAO were illegal, the government paid the bills in full - no questions asked. The checkers and overseers were asleep at the switch. They just rubber stamped the monthly bills: "Approved - Ready for payment." To my knowledge, none of the stolen merchandise or money was ever returned and no one was ever held accountable.

Since our first hearing on July 30, 2001, however, I feel like there has been some modest improvement. I don't know if it's accurate to say that DOD has turned the corner, but things are better, I am told. For starters, the bank and DOD agreed in October 2001 to initiate a salary offset program.

Another important development involves the new DOD IG, Mr. Joe Schmitz. When we began our review, the DOD IG was AWOL on credit card abuse. Under Joe Schmitz, that is changing.

He has placed an Army Colonel by the name of Bill Kelley in charge of an aggressive data mining operation. Data mining is nothing more than a computer program that can search through a massive pool of millions of transactions and identify and cull out suspicious purchases.
Colonel Kelley's data mining operation is a real success story. He is helping to apprehend criminals and send them to jail.

The General Services Administration is very impressed with DOD's data mining operation and is working hard to create a comparable government-wide program. So this is a good beginning. Once the cardholders know and understand that their transactions could be under surveillance, the abuse will come to a halt.

Last year, Senator Byrd and I teamed up on a credit card amendment on the DOD appropriations bill. Our amendment did several things.

It put a lid on the total number of cards in circulation at 1.5 million. It made credit checks mandatory. It required disciplinary action for abuse and prohibited the use of credit cards in places like the Bottoms Up Lounge and gambling casinos. It was adopted by the Senate on July 31, 2002.

Drawing on my experience, and the experience of GAO and agency IG's, I recently introduced legislation that requires all federal agencies to put in place specific safeguards and internal controls.

Mr. Chairman, I believe that mandatory credit checks are critical to curbing abuse. GAO data invariably shows that the worst abusers have bad credit records. The checkers and overseers must also be minding the store to make sure all the charges are legitimate.

That brings us to the subject of today's hearing: The GAO's latest report on DOD travel card abuse.

In the last two years, the GAO reports that DOD employees charged $124 million on centrally billed travel card accounts to buy 68,000 premium class airline tickets. GAO estimates that 72 percent of the DOD personnel who flew premium class on the taxpayer's dime didn't even have proper authorization to do so, much less a valid justification for why they needed to fly premium class.

Premium class travel is considered permissible for DOD personnel only in certain limited circumstances- for instance,
-if it is necessary because of a traveler's disability,
-coach class accommodations are not available in time to accomplish an urgent mission,
-or the travel is to an overseas destination and the flight is over 14 hours long.

According to government-wide and DOD regulations, a traveler must get specific authorization to use premium class travel and a premium class ticket should not be issued unless it is properly authorized. Unfortunately, the large majority of the time, the tickets are issued and billed to a DOD travel card account with no questions asked.

So how was this allowed to happen?

GAO found that DOD performed no monitoring and oversight activities to make sure that premium class travel was authorized in accordance with regulations. In fact, DOD does not even maintain a central accounting of premium class travel so it did not even have the basic data necessary for monitoring and oversight.

In order to conduct this oversight investigation, GAO collected data directly from Bank of America and started from scratch.

GAO also found that higher-ranking civilian and military officials accounted for a large part of premium class travel. In fact, GAO considers travel by high-ranking officials to be a sensitive payment area because of its susceptibility for abuse and noncompliance with laws and regulations.

Apparently, some high ranking bureaucrats feel they are entitled to luxury air travel. We've got people who are supposed to be public servants stretching their legs with a hot towel and a cocktail, even if it costs the taxpayer thousands of dollars more.

GAO discovered through data mining that a GS-14 relocated his family of four from London to Honolulu flying first and business class at a cost of $20,943 despite the fact that the travel order did not authorize premium class travel. GAO estimated that a coach fare for the same trip would have cost $2,500. That's a waste of $18,443 in taxpayer money.

Using statistical sampling and data mining, GAO found other examples of improper premium class travel such as:

- a GS-15 who flew first class without authorization at a cost of $3,253 when a coach ticket would have cost $238

- an officer who flew business class without authorization for $1,338 when a coach ticket would have cost $672

- and another GS-15 whose $4,525 business class ticket was authorized, but was not properly justified, costing the taxpayer $3,955 over the cost of a coach ticket.

GAO also identified a number of high ranking officials who repeatedly used premium class travel without proper authorization or justification, including Presidential appointees requiring Senate confirmation.

One example that I find particularly telling has to do with 15 trips made by XXXXXXX, at a cost of $70,000.

While some of these flights were authorized, the justification given was that premium class travel was "mission essential" so that he could be ready for meetings upon arrival. However, DOD regulations do not list this as a proper basis to justify premium class travel.

According to a summary on page 19 of the GAO report, XXXXXXX's assistant told GAO that XXXXXXX flies premium class travel to minimize time away from the office. Yet, his assistant could not demonstrate overall cost savings caused by lost productivity.

XXXXXXX's assistant also apparently told GAO that even though the flights did not exceed the 14 hours necessary to justify premium class travel, XXXXXXX should be able to fly premium class because of the importance of his work.

Although these are the words of XXXXXXX's assistant and not XXXXXXX himself, this attitude is disturbing and helps to shed some light on the reason why improper premium class travel is especially prevalent among high ranking officials.

I don't mean to pick on XXXXXXX. He is not the only Presidential appointee with Senate confirmation whose premium class travel practices were questioned by GAO.

XXXXXXX is also described on page 20 and 21 of the report as having taken 17 premium class flights at a cost of $68,000.That's compared with an estimated $17,000 had XXXXXXX flied coach. XXXXXXX's justification was based on an unspecified medical condition, but no documentation was provided with the travel order or the travel voucher to support this justification.

While GAO's review of the records indicated that no effort was made to accommodate XXXXXXX's needs in a coach seat for these 17 flights, he apparently flew coach at other times. Also, XXXXXXX's travel was approved by a subordinate, which is essentially the same as not being approved at all.

In this case, the aide who made the reservations stated that she will seek approval of the Deputy Secretary in the future for first class travel (as required by DOD regulations) and only schedule XXXXXXX for premium class travel when less expensive alternatives are not available.

These are just examples. Of 44,000 premium class travelers, GAO reviewed transactions by only 177 individuals, 9 of whom were political appointees.

Mr. Chairman, leaders must lead by example. If the highest ranking officials don't feel they need to comply with regulations, what kind of message does that send? No wonder no one in DOD seemed to notice or care that 74% of premium class travel was not authorized. There's no leadership at the top.

Mr. Chairman, GAO has made a number of excellent recommendations to DOD about how to get its house in order, but unless DOD gets serious about internal controls and enforces its own regulations, we will continue to find waste, fraud, and abuse throughout DOD.

Mr. Chairman, every time we peel back another layer of abuse, we find another just below. While DOD has started to fix some of the problems revealed to date with purchase cards and travels cards, I see no sign that DOD has made a concerted effort to implement a positive control environment throughout the Department.

DOD shouldn't wait for Chuck Grassley or Representative Schakowsky or Chairman Coleman and the GAO to uncover instances of waste, fraud, and abuse and tell them what needs to be fixed.

Make no mistake, I will keep digging; but I look forward to the day when I find nothing to report. Until that day, you can be assured that I will keep shining the bright light of public accountability on the lax internal controls at DOD, as well as other agencies.

**STATEMENT OF THE HONORABLE JAN SCHAKOWSKY
AT THE HEARING OF THE
SENATE GOVERNMENTAL AFFAIRS
PERMANENT SUBCOMMITTEE ON INVESTIGATION**

November 6, 2003

Thank you Chairman Coleman, Senator Levin, and members of the Subcommittee. I appreciate the opportunity to testify before you today. Let me begin by acknowledging my former colleague Representative Steve Horn with whom I worked on issues of waste and abuse during the 107th Congress. Congressman Horn was a strong advocate of rooting out waste wherever it was found, and it was a pleasure to work with him. I also want to thank Senator Grassley for his leadership. We have worked together on a number of investigations, and he can always be counted on to demand accountability.

Before I talk about the specifics of today's report, or the history of how we got here, I would like to put the issue of DOD's financial mismanagement in a broader context.

Of about $7 trillion in accounting entries at the Pentagon, at least $1.2 trillion – that's trillion with a "T" –were not supported by sufficient evidence to determine their validity -- that is almost 20 percent. DOD cannot locate hundreds of billions of dollars worth of military equipment, including weapons systems. It lacks a complete and reliable inventory of its environmental liabilities. In the case of some equipment, Kevlar body armor for our troops in Iraq for example, DOD does not have enough supplies, while inventory for other items exceed the Pentagon's needs by nearly $30 billion. DOD overpays contractors at the rate of about a billion dollars a year, and that only counts what is eventually returned to the government. There may well be another billion dollars in overpayments each year that are never caught. If DOD were a private corporation, it would already be bankrupt or the management at the Department would be fired and under investigation.

To stop the culture of waste, fraud and abuse at the Defense Department, we need a fundamental change. Today's report on premium class travel is just one part of a much larger problem.

For years the federal government has been unable to balance its books. The single largest cause for this is financial mismanagement at the Department of Defense. DOD has an enormous budget, it accounts for about half of all discretionary spending and despite its horrific record of waste, fraud, and abuse, DOD's budget grows every year. Until the Department of Defense can pass a financial audit and balance its books, and all signs suggest that won't happen for years, we won't be able to balance the books for the entire federal government.

This is the sixth hearing I've attended on government credit cards alone. But every time we ask GAO to shed light on *any* aspect of DOD's financial management, scandalous abuses are uncovered.

At the Naval Space Wars Research Laboratory we found serious abuse of government purchase cards. Employees were buying palm pilots, Coach brief cases, and Louis Vuitton bags, for themselves all at government expense. There was little accountability, and the government paid all the bills. The Commander of the laboratory tried to defend these purchases.

Much of what had been purchased couldn't be found when GAO went looking for it. It was the Navy's policy not to inventory items that were easily stolen.

At another installation, the cardholder was also the approving official, and paid the bills. At another installation, a cardholder bought gift certificates for family members using a government purchase card, but was never held accountable. Senator Grassley highlighted this case in one of his many testimonies before the Government Efficiency Subcommittee.

Working with Chairman Shays on the Government Reform National Security Subcommittee, we found the Defense Department selling chemical-biological protection suits on the Internet for just two or three dollars. At the same time, the Department was purchasing these suits for three hundred dollars a piece.

Recently GAO testified that, over the Internet, one could buy all of the equipment needed to set up a lab to produce biological weapons from the Defense Department. This equipment was purchased in new or virtually new condition for pennies on the dollar.

We looked at the travel card program and discovered that agencies were losing hundreds of thousands of dollars in rebates because military employees were

defaulting on payments owed to credit card companies. We saw no accountability. One officer was promoted despite the fact that he had defaulted on thousands of dollars for which he was reimbursed by the government.

Today, GAO will testify to the abuse of yet another system by DOD employees. Senior officials, some of them presidential appointees, are taking advantage of their position and wasting taxpayer dollars, flying premium class in violation of the rules. At the same time, enlisted military personnel returning from Iraq during their brief two week break from the war have had to pay their own transportation within the US. Were it not for the fact that Congress intervened, those patriot soldiers would still have to pay their own way to see loved ones before returning to combat in Iraq.

GAO found widespread abuse of premium class travel – of the almost $124 million DOD spend on about 68,000 premium class flights during fiscal years 2001 and 2002, 72% was not properly authorized. That's close to 90 million in misused taxpayer dollars for close to 50, 000 flights. And while $124 million is not even a rounding error at DOD, that number is greater than the total travel and transportation expenses spent by 12 other major agencies combined, including the Social Security Administration, DOE, Education, NASA, HUD, and others.

As we have seen on other investigations, there was little or no management oversight. DOD could not even count the number of premium class flights, and had no idea of the cost to the government for these flights. As you listen to GAO's testimony you will hear again and again that DOD did not have adequate internal controls.

I expect we will also hear today from the Defense Department that they have put procedures into place to end the abuse of premium class travel. We heard that about the purchase cards, and about the travel cards. When DOD heard about our investigation into the chem.-bio suits, they sent out a notice to stop those sales. When they learned of the laboratory equipment problems, senior DOD officials tried to get the GAO report classified. Then, they told the remainder companies to stop selling the laboratory instruments.

The problem at DOD is indeed much larger than today's discussion. The problem is that the leadership at the Department of Defense only acts to stop abuse when it becomes public and then only addresses the specific case at hand. The purchase card abuses were widespread when we did our first investigation at the space warfare laboratory. However, the Department did nothing to address this

widespread abuse until our investigation began to uncover problems everywhere. There is no reason to believe that any action announced by DOD today is anything more than a band-aid.

To address this issue in a more fundamental way, I plan to introduce legislation that will prevent the Defense Department from receiving budget increases unless and until it can balance its books. Congress will, of course, always give our troops what they need. But if we want to force DOD to clean up its act, Congress has to take serious and comprehensive action. If not, we will spend years offering piecemeal solutions and reading countless GAO reports with similar conclusions while the entire federal government and taxpayers will continue to pay the price.

The irony is that these problems are occurring at the Department of Defense, an institution that places a premium on discipline, the chain of command and accountability. That makes the culture of waste, fraud and abuse that seems to permeate all aspects of DOD"s fiscal operations all the more intolerable. This has to stop. It is unfair to our soldiers and to U.S. taxpayers.

It is not enough to punish only those who abuse the system. Until we force DOD's managers to make the system-wide reforms that will end this culture of waste, fraud and abuse, it will persist.

United States General Accounting Office

GAO

Testimony

Before the Permanent Subcommittee on Investigations, Committee on Governmental Affairs, U.S. Senate

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TRAVEL CARDS

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

Statement of Gregory D. Kutz
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GAO-04-229T

November 6, 2003

GAO
Accountability·Integrity·Reliability
Highlights

Highlights of GAO-04-229T, a testimony before the Permanent Subcommittee on Investigations, Committee on Governmental Affairs, United States Senate

TRAVEL CARDS

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

Why GAO Did This Study

Long-standing financial management problems, coupled with 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. At the request of this Subcommittee, Senator Grassley, and Representative Schakowsky, GAO performed work to identify problems in DOD's controls over premium class travel. This testimony focuses on (1) the extent of DOD premium class travel, (2) the effectiveness of key internal control activities and examples of improper premium class travel resulting from internal control breakdowns, and (3) DOD's control environment over premium class travel.

In a companion report being issued today, GAO made numerous recommendations—that DOD concurred with—to strengthen key internal control activities and improve the overall control environment.

www.gao.gov/cgi-bin/getrpt?GAO-04-229T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-9095 or kutzg@gao.gov.

What GAO Found

Breakdowns in internal controls and a weak control environment resulted in a significant level of improper premium class travel and millions of dollars of unnecessary costs being incurred annually. Based on extensive analysis of records obtained from DOD's credit card issuer—Bank of America, GAO found that for fiscal years 2001 and 2002, DOD spent almost $124 million on about 68,000 premium class tickets that included at least one leg of premium class service, primarily business class. To put the $124 million into perspective it exceeded the total travel expenses—including airfare, lodging, and meals—spent by each of 12 major CFO agencies. The price difference between a premium class ticket and a coach class ticket ranged from a few dollars to thousands of dollars.

Based on statistical sample testing, GAO estimated that 72 percent of DOD's fiscal year 2001 and 2002 premium class travel was not properly authorized, and that 73 percent was not properly justified. GAO estimated that senior civilian and military employees accounted for almost 50 percent of premium class travel. Further, our data mining showed that 27 of the 28 most frequent premium class travelers were senior DOD officials. The table below provides examples of unauthorized and/or unjustified premium class travel compared to what the travel would have cost using coach class tickets.

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	250	First class ticket not authorized by the Secretary of Defense or designee as required.
GS-15	4,500	600	18 months after the trip, traveler's supervisor (not a medical authority) provided a note regarding a medical need as the justification for business class.

Source: GAO.

Lack of oversight and a weak overall control environment characterized DOD's management of premium class travel. DOD and the military services (1) did not have accurate and complete data on the extent of premium class travel, (2) issued inadequate policies on premium class travel that were inconsistent with government travel regulations and with each other, (3) did not issue guidance on how to document the authorization and justification of premium class travel, and (4) performed little or no monitoring of this travel. During the course of our audit, DOD began updating its travel regulations to more clearly articulate and to make more stringent the circumstances under which premium class travel can be authorized.

Mr. Chairman, Members of the Subcommittee, Senator Grassley, and Representative Schakowsky:

Thank you for the opportunity to discuss the Department of Defense's (DOD) management of premium class travel acquired using centrally billed accounts. Our related report,[1] released today and developed at the request of this Subcommittee, Senator Grassley, and Representative Schakowsky, describes the problems we identified in DOD's controls over premium class travel. These problems are illustrative 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—those that are highly vulnerable to fraud, waste, and abuse—a designation that continues today.[2] Due to these vulnerabilities, and our identification of fraud, waste, and abuse in a series of testimonies[3] and reports[4] we issued in fiscal years 2002 and 2003 on DOD's individually billed travel cards, you asked us to audit controls over the other major form of payment used by DOD for travel expenses—centrally billed accounts.

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 procure other travel-related expenses,[5] while the individually billed accounts are used by individual travelers for lodging,

[1]U.S. General Accounting Office, *Travel Cards: Internal Control Weaknesses at the DOD Led to Improper Use of First and Business Class Travel*, GAO-04-88 (Washington, D.C., Oct. 24, 2003).

[2]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).

[3]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).

[4]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).

[5]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.

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.

Today, I will summarize our work on DOD's use of premium class travel charged to its centrally billed accounts. Federal travel regulations define premium class travel as any class of accommodation above coach class, that is, first or business class. General Services Administration (GSA) and 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. These regulations restrict premium class travel to limited circumstances. The regulations state that travelers on official government business 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. Rather, when possible, travelers are to plan their travel in advance to avoid the necessity for premium class travel.

My testimony will focus on (1) the extent of premium class travel during fiscal years 2001 and 2002—the most recently available data at the time of our work, (2) the effectiveness of key internal control activities and examples of improper premium class travel resulting from internal control breakdowns, and (3) DOD's control environment over premium class travel.

Summary

During fiscal years 2001 and 2002, DOD spent almost $124 million on over 68,000 premium class tickets that included at least one leg in premium class—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.

During those fiscal years, breakdowns in key internal controls activities at DOD resulted in a significant level of improper premium class travel. The two basic internal control activities we tested—proper authorization and proper justification—were ineffective. Based on our statistical sample, we estimated that 72 percent of all premium class tickets were not authorized

and 73 percent were not justified—and therefore improper. Because of the weaknesses we identified in the control environment and the breakdown in specific internal control activities, DOD did not detect these improper transactions. As each premium class ticket cost the government up to thousands of dollars more than a coach class ticket, unauthorized premium class travel resulted in millions of dollars of unnecessary costs being incurred annually.

A contributing factor to those excess costs was that DOD did not track premium class travel usage, design a strong control environment, or adhere to important internal control activities that provide reasonable assurance that DOD premium class travel regulations are consistent with federal travel regulations and are for authorized purposes only. DOD did not maintain adequate and accurate premium class travel data. For example, DOD's first class travel data, which DOD is required to report to GSA annually, were incomplete, and DOD did not obtain or maintain data on business class travel. Thus, DOD was not aware of the extent of premium class travel and did not have data available to identify trends and determine whether alternate, less expensive means of transportation could have been used. Other weaknesses in the area of policies and procedures exacerbated weak internal control procedures and contributed to ineffective oversight of premium class travel. In particular, DOD and the services did not issue (1) adequate and consistent policies on premium class travel, and (2) guidance on how to document the authorization and justification of premium class travel. Further, DOD had not performed audits or evaluations of premium class travel, and did not monitor training provided to travelers, authorizing officials, and commercial travel offices employees on governmentwide and DOD premium class travel regulations.

During our audit, DOD officials began to address some of the deficiencies we identified by updating the *Joint Travel Regulations* and *the Joint Federal Travel Regulations*–DOD's internal travel regulations—in April 2003 to articulate more clearly and to make more stringent the circumstances under which premium class travel can be authorized. As discussed in the report released today, DOD concurred with our recommendations to improve the overall control environment and strengthen key internal control activities.

Extent of Premium Class Travel Is Significant

As shown in table 1, DOD spent nearly $124 million on airline tickets that included at least one leg of premium class service during fiscal years 2001 and 2002. However, because DOD did not maintain centralized data on premium class travel, we had to extract these data from Bank of America's databases of DOD centrally billed account travel, which included over 5.3 million transactions for airline tickets valued at over $2.4 billion. Due to limitations in the information collected on individual transactions, we were unable to determine the amount of premium class travel by military service or the amount of premium class travel used for domestic versus overseas flights.

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

	Number of transactions	Dollar amounts (in thousands)
First class	1,240	$2,898
Business class	66,850	$120,947
Total premium travel	**68,090**	**$123,845**

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 accounted for a very small percentage of DOD travel overall[6]—about 1 percent of total DOD airline transactions and 5 percent of total DOD dollars spent on airline travel. However, to put the $124 million that DOD spent on premium class travel in perspective, the amount 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 each of 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 the price of a premium class ticket and a comparable coach class ticket can range from negligible—particularly if

[6]DOD reported almost $10.8 billion in travel-related expenses for fiscal years 2001 and 2002 combined.

the traveler traveled within Europe—to thousands of dollars. In one instance, a traveler's first class flight between Washington, D.C., and Los Angeles was 14 times, or about $3,000 more than, the price of a comparable coach class flight at the government fare.

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. GAO's *Guide for Evaluating and Testing Controls Over Sensitive Payments*[7] considers 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.

Internal Control Activities Not Effectively Implemented

Control activities occur at all levels and functions of an agency. They include a wide range of diverse activities such as authorizations, reviews, approvals, and the production of records and documentation. For first and business class travel, we tested control activities designed to provide assurance that premium class travel transactions are (1) authorized and (2) justified in accordance to the *Federal Travel Regulation* (FTR), issued by GSA to implement travel policies for federal civilian employees and others authorized to travel at government expense, and DOD's travel regulations, including the *Joint Federal Travel Regulations* (JFTR), which applies to uniformed service members, and the *Joint Travel Regulations* (JTR), which applies to DOD civilian personnel who are subject to GSA's travel regulation. These regulations generally require that premium class travel be specifically authorized in advance of travel and only under specific circumstances. (See app. I for further details of GSA and DOD premium class travel regulations.) For example, although FTR and DOD travel regulations allow premium class travel when the scheduled flight time is in excess of 14 hours, these regulations prohibit use of premium class accommodation if the traveler has scheduled rest stops.

[7]GAO/AFMD-8.1.2.

In addition to the FTR and DOD regulations, we also applied the criteria set forth in our internal control standards[8] and sensitive payments guidelines[9] in evaluating the proper authorization of premium class travel. For example, while DOD travel regulations and policies do not address the issue of subordinates authorizing their supervisors' premium class travel, our internal control standards consider such a policy to be flawed from an independence viewpoint. Therefore, a premium class transaction that was approved by a subordinate would fail the controls over authorization test. Using these guidelines, we estimated, based on our statistical sample, that an estimated 72 percent of the DOD centrally billed travel transactions containing premium class travel for fiscal years 2001 and 2002 were not properly authorized and that an estimated 73 percent were not properly justified.

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	
Not properly authorized by a designated official at equal or higher rank/grade to the traveler		72
• Premium class travel was not specifically authorized on the travel order or other supporting documentation	64	
• Travel order authorizing premium class travel was not signed	6	
• Premium class travel was authorized by a subordinate	2	
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.

As shown in table 2, an estimated 64 percent of premium class transactions did not contain travel orders that specifically authorized the traveler to fly premium class, and thus the commercial travel office—a travel agency—

[8]GAO/AIMD-00-21.3.1.

[9]GAO/AFMD-8.1.2.

should not have issued the premium class ticket. Another 6 percent of premium class transactions were related to instances where the travel order authorizing business class was not signed (left blank) or the travel order authorizing first class was not signed by the service secretary or his or her designee, as required by DOD regulations. 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. We also 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 with self-approval and reduces scrutiny of premium class requests.

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 and recent changes to DOD regulations state that in the context of lengthy flights premium class travel should only be used when exceptional circumstances warrant and alternatives should be explored to avoid the additional cost of premium class travel. As shown in table 2, an estimated 72 percent of premium class transactions were not authorized and therefore because they were not properly authorized they could not have been justified. An additional two transactions in our sample which were authorized but not justified in accordance with DOD's criteria increased our estimate of premium class transactions that were not justified to 73 percent.

Considering the significant breakdown in key internal controls, it was not surprising that our audit identified numerous examples of improper premium class travel that cost DOD significantly more than what would have been spent on a coach class ticket. Table 3 illustrates a few of the types of unauthorized and/or unjustified transactions from both our statistical samples and data mining work, along with a comparison between amounts actually paid and the comparable coach fares at that time. Without authorization or adequate justification, these cases illustrate the improper use of premium class travel and the resulting increase in

travel costs. For further details on the cases shown in table 3, as well as additional examples of unauthorized and/or unjustified transactions, please refer to the report that we released today on this subject.[10]

Table 3: Examples of Improper Use of Premium Class Travel

Traveler	Source	Grade/ rank	Itinerary	Class of ticket	Cost of premium ticket paid	Estimated cost of coach fare ticket[a]	Reason for exception
1	Data mining	GS-14[b]	One-way from London to Honolulu for a family of four for relocation purposes	First and business	$20,943	$2,500[c]	Travel order did not authorize use of premium class travel. Traveler obtained premium class tickets on the basis that these tickets were issued to other permanent change of station (PCS) moves exceeding 14 hours in total travel time. Navy policy excludes PCS move over 14 hours as a condition under which premium class travel can be authorized. Transaction failed authorization and justification.
2	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.
3	Statistical sample	GS-13	San Francisco to Tokyo, and back	Business	3,168	610[c]	Travel order authorizing the traveler to fly business class on the basis that the flight exceeded 14 hours was not signed. Transaction failed authorization and justification.
4	Statistical sample	GS-13	Tucson to Bahrain and Bahrain to Los Angeles	Business	8,308	4,966	Travel order contained authorization for traveler to fly business class on the basis that the flight lasted more than 14 hours. However, the traveler had a layover in London on both the outbound and return portions of the trip, which, per the FTR and JTR, would have precluded the traveler from traveling in premium class. Transaction passed authorization but failed justification.
5	Statistical sample	GS-15	Los Angles to Washington, D.C., and back	First	3,253	238	First Class Ticket not authorized by the Secretary of Defense or designee as required.

[10]GAO-04-88.

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Traveler	Source	Grade/ rank	Itinerary	Class of ticket	Cost of premium ticket paid	Estimated cost of coach fare ticket[a]	Reason for exception
6	Data mining	GS-15	Washington, D.C. to Amsterdam, and back	Business	4,525	570[c]	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. The traveler also flew coach on a number of trips that lasted longer than his flight from Washington D.C. to Amsterdam. The traveler admitted that he should not have traveled business class. Transaction passed authorization but failed justification.
7	Statistical sample and data mining	Political appointee	Washington, D.C. to London, then Paris to Moscow	Business	7,450	3,060[c]	Business class travel authorized on basis that travel is mission essential, which is not a DOD criterion for authorizing business class travel. Traveler was part of a group of 13 attending a conference in Moscow. Transaction passed authorization but failed justification.

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

[a]Source of estimated coach fares is GSA city pair or expedia.com.

[b]GS designates General Schedule pay schedule.

[c]Fares do not include all applicable taxes and airport fees.

Our work also included data mining to identify the individuals who traveled premium class most frequently. We identified 28 of the most frequent premium class travelers from the 68,090 premium class transactions during fiscal years 2001 and 2002. All but 1 of the 28 frequent travelers were at least GS-13 civilians or O-4 military, that is, senior DOD personnel. We found that the most frequent travelers were, in most instances, authorized to obtain premium class travel by people at the same or higher levels, with 3 of the 28 failing the authorization test because they or their subordinates authorized their travel orders. However, we determined that many of the transactions were improper because their justification was not supported by the documentation provided or did not adhere to FTR and DOD travel regulations.

Some cases involving frequent travelers were questionable because the justification documentation was not adequate to determine whether the transaction met DOD's criteria. We found that 12 of the 28 frequent premium class travelers justified their more expensive flights with a medical condition. However, 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 time period. For example, frequent traveler 1 in table 4 took 14 premium and 31 coach class trips during fiscal years 2001 and 2002. Many of the coach class trips, for example, from Washington, D.C., to Honolulu or cities in California were similar in duration to premium class trips from Washington, D.C., to Frankfurt or Amsterdam. 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. For further details on the cases shown in table 4, as well as additional examples of travelers who frequently used premium travel, please refer to the report that we released today.[11]

able 4: Examples of Travelers Who Frequently Used Premium Travel

Traveler	Grade/ rank	Number/ cost of premium class trips	Justification provided 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 claiming medical necessity did not indicate whether premium class travel was needed on all flights or flights of certain duration	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	PAS[a]	17/$68,000	First and business class travel justified through a blanket order based on a medical condition	1. Blanket authorization was used to justify first and business class travel. 2. Premium travel was authorized by a subordinate. 3. Traveler flew in coach class on some flights. 4. Medical certification not attached to travel orders or vouchers, but a doctor's note dated 9/11/2001 was provided a month after we requested additional documentation.	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.

[11]GAO-04-88.

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Traveler	Grade/ rank	Number/ cost of premium class trips	Justification provided for premium travel	GAO's concern with premium class travel	Response by traveler or traveler's staff
3	GS-15	11/$35,000	First class travel on domestic flights justified through a certification from medical authority	Travel orders were not signed, but the official authorizing first class travel was the traveler himself. Further, 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 travel had to be approved by the Under Secretary of the Navy. Traveler is no longer authorized to fly first class based on medical condition.
4	SES[b]	10/$48,000	Claimed mission essential, so that the traveler would be ready for meetings upon arrival at destination	1. DOD travel regulations do not list mission essential as a basis to justify premium class travel. 2. Some premium class flights were less than 14 hours. 3. Business class was taken on return flights. 4. Specific justification was not always accurate, for example, justification for first class travel from Washington, D.C., to Tampa used to support first class travel from Washington, D.C., to Atlanta.	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 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.

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

[a]Presidential appointment with Senate confirmation.

[b]Senior Executive Service appointment.

Weaknesses in Internal Control Environment

GAO's *Standards for Internal Control*[12] states that a positive control environment is the foundation for all other standards. The importance of the "tone at the top" or the role of management in establishing a strong control environment cannot be overstated. However, we found that prior to us initiating this audit, DOD had not taken actions to encourage a strong internal control environment over premium class travel. Specifically, DOD and the military services did not (1) maintain adequate and accurate premium class travel data, (2) issue adequate policies related to the approval of premium travel, (3) require consistent documentation to justify premium class travel, and (4) perform audits or evaluations of premium class travel and did not monitor training provided to travelers, authorizing officials, and commercial travel offices employees on governmentwide and DOD premium class travel regulations. During the course of our work,

[12]GAO/AIMD-00-21.3.1.

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.

DOD Did Not Maintain Centralized Management Data on Premium Class Travel

The FTR requires DOD, along with all other executive and legislative branch agencies, to provide GSA annual reports listing all instances in which the organization approved the use of first class transportation accommodations. We found that the Military Traffic Management Command (MTMC), responsible for tracking DOD's first class travel, understated DOD's cost and frequency of first class travel reported to GSA. According to DOD's first class travel reports submitted to GSA for fiscal years 2001 and 2002, DOD civilian and military personnel took less than 1,000 first class flight segments[13] totaling less than $600,000. In contrast, our analysis of the Bank of America airline transaction data indicates that DOD purchased more than 1,240 tickets containing over 2,000 separate segments with first class accommodations. Our analysis also found that these first class tickets costs of about $2.9 million were almost 5 times the amount DOD reported to GSA. We found that a number of cities were omitted from DOD's first class report. For example, while DOD data indicated that no first class flights were taken into Washington, D.C., during fiscal year 2001, Bank of America data identified 88 first class flights into Washington D.C., during the same time period.

We also found that DOD did not obtain or maintain centralized data on premium class travel other than first class, i.e., 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 the Bank of America.

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.

[13]A flight segment is any portion of a ticket with a separate flight number.

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 its directives, or require the military services to revise their travel policies or implementing guidance, when DOD modified the JTR or JFTR. For example, DOD first issued the JTR in 1965 and since then has 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. In contrast, DOD Directive 4500.9, *Transportation and Traffic Management*, was last revised in 1993 while DOD Directive 4500.56, *Use of Government Aircraft and Air Travel*, was last updated in 1999. Similarly, the *Navy Passenger Transportation Manual* was last updated in 1998, the Marine Corps Order P4600.7C *Marine Corps Transportation Manual* was last changed in 1992, and while the Air Force Instruction 24-101 *Passenger Movement* was last updated in 2002, it contains some provisions that are contrary to GAO's internal control standards and sensitive payments guidelines.

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 using different language. For example,

- DOD Directive 4500.9 grants blanket authority for high-ranking officials to use premium class 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.

- 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 adopt this authorization. In contrast, DOD's policies on transportation and traffic management—DOD

Directive 4500.9—states that the use of business class on domestic travel[14] may be authorized when necessitated by mission requirements.[15]

- GSA's 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, even if the scheduled flight time is in excess of 14 hours. While DOD's JTR and JFTR that were in effect at the time of our audit should have contained the same restriction, they were silent as to whether a rest period upon arrival would exclude a traveler from traveling in premium class. Further, the services' implementing guidance is inconsistent in their application of the 14-hour rule.[16]

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

Because premium travel is to be used 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 that in every case, the substantially higher premium travel cost is warranted. 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, we found substantial inconsistencies in the documentation trail indicating that appropriate officials approved premium class travel based on inadequate documentation.

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 approves the use of premium class accommodations on a case-by-case basis and specifies that premium travel

[14]DOD Directive 4500.56, *DOD Policy on Use of Government Aircraft and Air Travel*, last updated April 19, 1999, states that all DOD travel outside the continental United States is subject to the JTR and the JFTR.

[15]DOD Directive 4500.9, *Transportation and Traffic Management*, ¶ 3.4.3.1.3, Dec. 29, 1993.

[16]The Secretary of the Army policy, last updated in March 2003, adopts the FTR "rest period upon arrival." limitations, but did not define what is considered a "rest period." The Navy's OPNAVINST 4650.15, issued in July 1998, prohibits a "rest period en route." Air Force Instruction 24-101 (March 2002) 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 Order 4600.25C does not address this matter.

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. The National Institutes of Health (NIH) requires that the traveler, when requesting premium class travel based on a medical condition, detail the nature of the disability or special need on an authorization form for employees with disabilities or other special needs. The authorization form must be signed by 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, but that resubmission is necessary to ensure that there continues to be a need for the premium class travel.

Oversight and Monitoring Needs Improvement

In general, effective oversight activities would include management review and evaluation of the process for issuing premium class travel and independent evaluations aimed directly at the effectiveness of internal control activities. Our internal control standards state that separate evaluations of control should depend on the assessment of risks and the effectiveness of ongoing monitoring procedures. As mentioned above, we consider 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 evaluations of premium class travel. The lack of effective oversight and monitoring was another contributing factor to DOD and the services' lacking knowledge of the extent of improper premium class transactions.

The lack of oversight was 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 were not adequately informed on governmentwide and DOD travel regulations concerning when premium class travel is or is not to be authorized. Thus, it was not surprising that some DOD travelers and authorizing officials were under the mistaken impression that travel regulations entitled travelers to

travel in business class when their flights exceed 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. DOD also did not verify whether CTO employees receive training in DOD premium travel regulations. A representative from one commercial travel office informed us that they issue premium class travel if premium class was requested on the travel order, even if justification for obtaining premium class travel was flawed—for example, the flight was not at least 14 hours.

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[17] and JFTR[18] to articulate more clearly and make more stringent the circumstances under 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. 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 station, and state that business class accommodations are not authorized on the return leg of travel.

Finally, in its revised regulations, 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.

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 department highly vulnerable to fraud, waste, and abuse. DOD does not have the management controls in place to identify issues such as improper use of premium class travel. As a result,

[17]JTR Change 450, April 1, 2003.

[18]JFTR Change 196, April 1, 2003.

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 appropriately 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 ensure that its travel dollars are spent in an economical and efficient manner.

Our related report on these issues released today includes recommendations to DOD. 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 premium class travel. In oral comments on a draft of this report, DOD officials concurred with our recommendations to resolve the control weaknesses.

Mr. Chairman, Members of the Subcommittee, Senator Grassley, and Ms. Schakowsky, this concludes my prepared statement. I would be pleased to answer any questions that you may have.

Contacts and Acknowledgments

For future contacts regarding this testimony, please contact Gregory D. Kutz at (202) 512-9095, John J. Ryan at (202) 512-9587, or John V. Kelly at (202) 512-6926. Individuals making key contributions to this testimony included Kris Braaten, Beverly Burke, Francine DelVecchio, Aaron Holling, Jeffrey Jacobson, Julie Matta, Sidney H. Schwartz, and Tuyet-Quan Thai.

Appendix I

GSA and DOD Premium Class Travel Regulations

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.

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." DOD travel regulations also require that authorization for premium class accommodations be made in advance of the actual travel unless extenuating circumstances or emergency situations make advance authorization impossible. DOD regulations also provide that 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. 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,[1] 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;
- 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

[1]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.

- 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, if premium class accommodations are authorized, a rest stop is prohibited.[2]

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. However, agency mission is not a DOD criterion for obtaining premium class travel.

[2]The April 2003 change to the JTR and JFTR states that premium class travel 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. 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 station, and state that business class accommodations are not authorized on the return leg of travel.

Statement of the Honorable Charles S. Abell
Assistant Secretary of Defense (Force Management Policy)
Senate Committee on Governmental Affairs
Permanent Subcommittee on Investigations
6 November 2003

Mr. Chairman, members of the committee, my colleague and I are here to provide the initial views of the Department of Defense in response to the draft General Accounting Office (GAO) report on DoD use of premium class travel.

The GAO report questions the Department's policies, procedures, and monitoring related to our premium class travel, and we already are working on some needed changes. The Department of Defense takes very seriously any questionable spending such as that noted in the GAO report. Any unjustified expenditure diverts funding vitally needed to sustain U.S. military operations and other pressing priorities.

For travel, and every other functional area, the Department must have policies that clearly detail what is proper, and we must have strong internal controls to monitor and enforce those policies. Our policies must leave no room for misunderstanding or abuse.

Task Force on Premium Class Travel

In addition to actions the Department already is taking in response to the GAO report's findings, I am announcing here today the formation of a task force to more fully diagnose and propose remedies for our premium class travel shortcomings. The work of this task force will benefit from the methodologies and findings of the GAO report.

Our goal will be for this new task force to be as thorough and successful as our earlier task force on government charge cards. As with that earlier effort, we will marshal expertise and real-world experience from across the Department to include the Office of the Inspector General and GAO. Our work will range from over-arching policies to specific internal controls.

Since we are just beginning this comprehensive analysis of premium class travel, today I cannot tell you exactly how we will address all the issues raised in the GAO report. However, the Department's creation of this new task force underscores how seriously we take the type of problems identified by the GAO.

An especially important mission of the task force will be to analyze the roles played by each DoD organization involved in premium class travel – roles ranging from policy development to authorization in travel orders to paying the final travel bills. The Department will determine whether any changes in organizational roles are needed to strengthen internal controls for premium class travel.

Updating DoD Travel Regulations

We are not waiting on the task forces recommendations and have already made some changes to our policies. As indicated in the GAO report, the Department has begun updating its

travel regulations. Our goal is to promulgate clear, strong policies that will enable us to manage premium class travel most effectively. The Department expects its new regulations to state clearly that:

- Premium class travel should be used only when authorized and only when exceptional circumstances warrant the additional cost.
- Authorization documents must state the general condition that justifies premium class travel – for example, a substantiated medical condition.
- Justification of premium class travel must be consistent with criteria in government-wide General Services Administration (GSA) regulations.
- Travel regulations issued by DoD component organizations must be consistent with the new overarching policy.

The new regulations will include details on how to properly document the authorization and justification of premium class travel. Part of this guidance will be clear direction as to who should retain documentation of each justification and for how long.

We will realize further enhancement of our ability to oversee and manage travel with the fielding of the Defense Travel System. This system was recently approved for fielding. It is operational at 24 sites already and will be totally fielded by FY 2006. When this system is fielded it will replace 43 legacy systems and give the Department a view of these types of situations in real time versus discovering these problems after the fact.

Closing

In closing, over the past two years, the Department has undertaken a massive overhaul of its management and support activities. What we especially aim to achieve is a cohesive, comprehensive management information systems that will make it much easier for us to track transactions, ensure strong internal controls, and prevent abuses and eliminate inadequately documented spending.

Finally, I again want to assure this committee that the Department of Defense takes very seriously any indication of questionable spending. We will not tolerate any situation that wastes money needed to support our military and that undermines our strong stewardship of the public's trust and resources. Thank you.

United States General Accounting Office

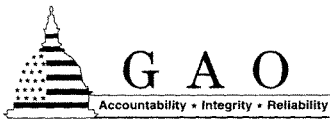
GAO

Report to Congressional Requesters

October 2003

TRAVEL CARDS

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



GAO-04-88

Permanent Subcommittee on Investigations
EXHIBIT #1

October 2003

GAO
Accountability·Integrity·Reliability

Highlights

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

TRAVEL CARDS

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.

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.

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.

Contents

Letter

		1
	Results in Brief	3
	Background	6
	Extent of Premium Class Travel Is Significant	8
	Key Internal Controls Were Ineffective	10
	Lack of Monitoring and Control Environment Weaknesses Contributed to Improper Use of Premium Class Travel	22
	Conclusions	33
	Recommendations for Executive Action	34
	Agency Comments and Our Evaluation	36

Appendixes

Appendix I:	**Objectives, Scope, and Methodology**	38
Appendix II:	**Process to Obtain Premium Class Travel**	43
Appendix III:	**GAO Contacts and Staff Acknowledgments**	45
	GAO Contacts	45
	Acknowledgments	45

Tables

Table 1:	DOD Premium Class Travel for Fiscal Years 2001 and 2002	9
Table 2:	Estimate of Fiscal Year 2001 and 2002 DOD Premium Class Travel Transactions That Failed Control Tests	11
Table 3:	Examples of Improper Use of Premium Class Travel	14
Table 4:	Examples of Travelers Who Frequently Used Premium Travel	18
Table 5:	Fiscal Years 2001 and 2002 DOD Premium Class Travel Population Subjected to Sampling	40
Table 6:	Fiscal Years 2001 and 2002 Premium Class Travel Charged to the Centrally Billed Accounts Adjusted for Coding Errors	41

Figures

Figure 1:	Sample Premium Class Authorization Form	30
Figure 2:	Sample Medical Condition Form	32
Figure 3:	Standard Process to Obtain Premium Class Travel When Multiple Classes of Service Are Available	44

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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[1] and reports[2] 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

[1]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).

[2]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).

highly vulnerable to fraud, waste, and abuse—in the federal government, a designation that continues today.[3]

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,[4] 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[5] 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

[3]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).

[4]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.

[5]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).

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.

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

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[6]—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

[6]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.

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 polices 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

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.

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

emergency situations make advance[7] 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,[8] 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;

[7]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.

[8]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.

- 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.

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.[9] 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.

[9]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	**1,240**	$1,302	$1,596	**$2,898**
Business class	32,771	34,079	**66,850**	55,852	65,095	**$120,947**
Total premium travel	**33,459**	**34,631**	**68,090**	**$57,154**	**$66,691**	**$123,845**

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.[10] 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.

[10]DOD reported almost $10.8 billion in travel-related expenses for fiscal years 2001 and 2002 combined.

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.[11]

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.

[11]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[a]
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.

[a]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[12] and sensitive payments guidelines[13] in evaluating the proper authorization of premium class travel. For example, while DOD

[12]GAO/AIMD-00-21.3.1.

[13]GAO/AFMD-8.1.2.

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

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.

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[a]	Itinerary	Class of ticket	Cost of premium ticket paid	Estimated cost of coach fare ticket[b]	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[c]	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[c]	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[c]	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[c]	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.

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Traveler	Source	Grade/ rank[a]	Itinerary	Class of ticket	Cost of premium ticket paid	Estimated cost of coach fare ticket[b]	Reason for exception
10	Data mining	GS-15	Washington, D.C. to Amsterdam, and back	Business	4,525	570[c]	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[c]	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.

[a]GS designates General Schedule pay schedule. O designates a military oficer. CW designates a military chief warrant officer.

[b]Source of estimated coach fares is GSA city pair or expedia.com.

[c]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,

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

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.

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	1. A blanket authorization was used to justify premium class travel. 2. Premium travel was authorized by a subordinate. 3. Not all premium class flights met premium class criteria.	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[a]	17/$68,000	First and business class travel justified through a blanket order based on medical condition	1. Blanket authorization was used to justify first and business class travel. 2. Premium travel was authorized by a subordinate. 3. Traveler flew in coach class on some flights.	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[a]	15/$70,000	Claimed mission essential, so that the traveler would be ready for meetings upon arrival at destination	1. DOD travel regulations do not list mission essential as a basis to justify premium class travel. 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. 3. Most flights were less than 14 hours. 4. Some premium class flights were not authorized.	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[b]	10/$48,000	Claimed mission essential, so that the traveler would be ready for meetings upon arrival at destination	1. DOD travel regulations do not list mission essential as a basis to justify premium class travel. 2. Some premium class flights were less than 14 hours. 3. Business class was taken on return flights. 4. Specific justification was not always accurate.	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.

[a]Presidential appointment with Senate confirmation.

[b]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

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

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.

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.

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

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.

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

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.

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.

The FTR[14] 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[15] 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.[16]

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

[14]This requirement was prescribed at the direction of OMB. See OMB Bulletin 93-11.

[15]A flight segment is any portion of a ticket with a separate flight number.

[16]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.

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.

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*

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,[17] *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[18] may be authorized when necessitated by mission requirements.[19]

[17]DOD Directive 4500.9, *Transportation and Traffic Management*, para. 3.4.3, December 29, 1993.

[18]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.

[19]DOD Directive 4500.9, *Transportation and Traffic Management*, para. 3.4.3.1.3, December 29, 1993.

- 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[20] adopts the FTR "rest period upon arrival" limitations, but did not define what is considered a "rest period." The Navy policy[21] prohibits a "rest period en route." The Air Force policy[22] 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[23] 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[24] 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.

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

[20]Secretary of the Army Travel Policy, para. 3.B.8, last updated on March 26, 2003.

[21]OPNAVINST 4650.15, ch. 2, enc. 1, para. 5.c (8), issued on July 7, 1998.

[22]Air Force Instruction 24-101, para. 2.7, issued March 25, 2002.

[23]Marine Corps policy guidance, issued as Marine Corps Order 4600.25C on March 15, 1978.

[24]OPNAVINST 4650.15, ch. 2, enc. 1, para. 5.c.(7), July 7, 1998.

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 JTFR 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

INDIVIDUAL TRIP AUTHORIZATION

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

EXPLANATION: _____

AUTHORIZED BY: _____

SIGNATURE OF EMPLOYEE

TITLE: _____

DATE: _____

[1]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.

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

FOR EMPLOYOEES WITH DISABILITIES OR OTHER SPECIAL NEEDS

First Class[1] ☐ PCotFC ☐

(Please check authorization requested)

NAME OF EMPLOYEE:

ORGANIZATION:

NATURE OF DISABILITY OR SPECIAL NEED:

CERTIFICATION: I CERTITY 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 AUTORITY:

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)).

[1]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.

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[25] and JFTR[26] 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.

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

[25]JTR Change 450, April 1, 2003.

[26]JFTR Change 196, April 1, 2003.

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.

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.

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.

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

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.

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

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.

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

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Appendix I

Objectives, Scope, and Methodology

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.

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.

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)

	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	
Class	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
Total	**68,090**	**$123,845**	**15,887**	**$8,149**	**52,203**	**$115,696**	**137**	**$323**

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)

	Subjected to sampling (first class and business class costing more than $750)		Subsequently determined premium less than first class		Population adjusted for coding errors	
Class	**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
Total	**52,203**	**$115,696**	**0**	**0**	**52,203**	**$115,696**

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[1] and our *Guide to Evaluating and Testing Controls Over Sensitive Payments.*[2] 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.

[1]GAO/AIMD-00-21.3.1.

[2]GAO/AFMD-8.1.2.

Appendix II

Process to Obtain Premium Class Travel

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.

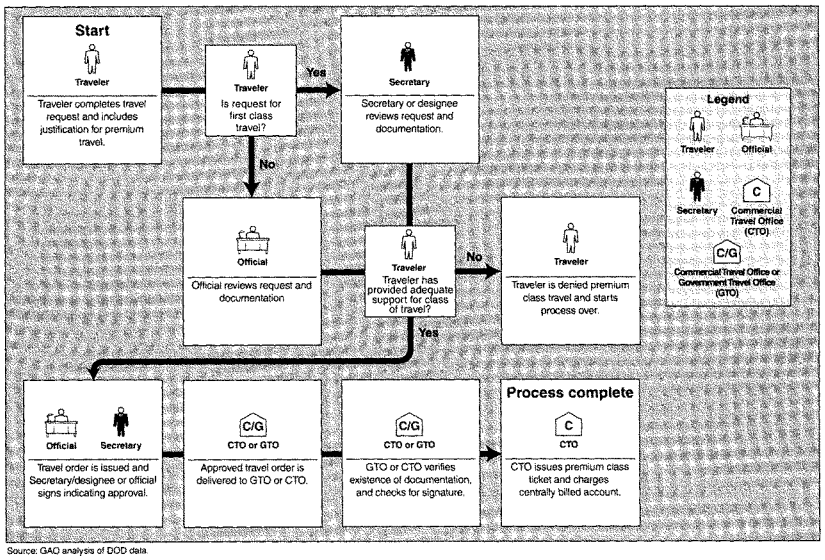
The order-signing official reviews the travel request and documentation and determines if there is adequate support for the premium travel. If the travel is properly supported and justified, then the premium class travel is approved and the official signs the travel request to generate a travel order. 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),[1] or the commercial travel office (CTO)[2] 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.

[1]The GTO is staffed by government employees who are required to monitor the activities of the commercial travel office.

[2]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.

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



Source: GAO analysis of DOD data.

Appendix III

GAO Contacts and Staff Acknowledgments

GAO Contacts

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Tuyet-Quan Thai, (206) 287-4889

Acknowledgments

Staff making key contributions to this report were Kris Braaten, Beverly Burke, Francine DelVecchio, Lisa Hansen, Kenneth M. Hill, Aaron Holling, Jeffrey Jacobson, Julie Matta, Karlin Richardson, John Ryan, Sidney H. Schwartz, and Scott Wrightson.

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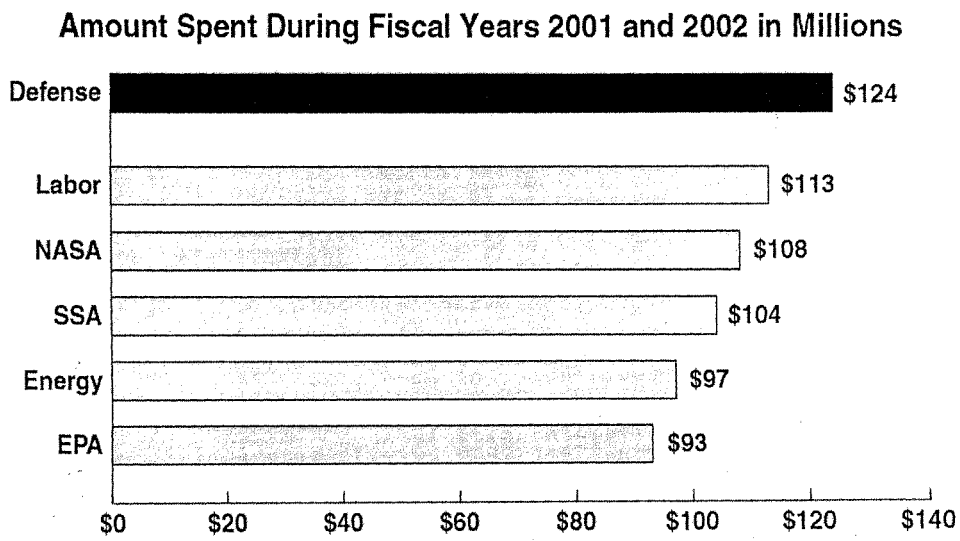
Permanent Subcommittee on Investigations
EXHIBIT #2

GAO
Accountability * Integrity * Reliability

Defense Premium Class Travel vs. Total Travel at Selected Departments/Agencies



Source: Defense—Bank of America Data, Other Departments—the President's Budget

GAO
Accountability * Integrity * Reliability

Examples of Price Differences between Premium and Coach Class Trips

Itinerary	Government paid	Cost of coach trip
London to Honolulu (one way–family of 4 transfer)	$21,000	$2,500
Washington, DC to Amsterdam	4,500	600
Washington, DC to San Jose	4,100	500
San Diego to Washington, DC	3,400	700
Los Angeles to Washington, DC	3,300	250

Source: Bank of America Data and GSA government fares.

Permanent Subcommittee on Investigations
EXHIBIT #3

RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD
SUBMITTED TO

CHARLES S. ABELL
Principal Deputy Under Secretary of Defense for Personnel & Readiness
and

LAWRENCE J. LANZILLOTTA
Principal Deputy Under Secretary (Comptroller)
U. S. Department of Defense

QUESTIONS SUBMITTED BY SENATOR NORM COLEMAN
Chairman, Permanent Subcommittee on Investigations:

1. **Within DOD, who has lead responsibility for implementing the recommendations in GAO's report, Travel Cards Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel?**

   The Office of the Under Secretary of Defense (Personnel and Readiness) will head the task force formed to review the use of first and business class travel.

2. **What actions will DOD take to recover any inappropriate expenditures for first and business class travel that were identified by GAO?**

   The Department will review the cases using Directives in place at the time of travel and determine appropriate action. The DoD Task Force is currently reviewing the GAO concerns and recommended actions with regard to misuse of premium class travel to include inappropriate expenditures.

3. **Will the DOD IG take lead responsibility for all travel-related audit requirements within DOD?**

   The DoD IG will be part of the task force. The issue of audit requirements will be reviewed as part of the task force.

4. **What are the names, ranks and organizational affiliations of the members of the task force?**

   The task force will begin meeting in December 2003. The task force overall chair will be from the Office of the Under Secretary of Defense for Personnel and Readiness. The director will be Colonel Virginia Penrod, Director of Military Compensation, Personnel and Readiness with assistance from the Per Diem Travel and Allowance Committee Director, Mr. Steve Westbrook.

Permanent Subcommittee on Investigations
EXHIBIT #4

The task force will also include, but not necessarily be limited to, members from the Comptroller's Office (to include Defense Finance and Accounting), Acquisitions, Technology and Logistics, the Inspector General's office, Washington Headquarters Services Director, Administration and Management, and the Services.

5. **What are the time frames for completion of the Task Force's mission?**

Our goal is to have the task force report completed by the end of March 2004.

6. **What impediments exist to centralizing travel order approval authority for first and business class airline accommodations at a single location for DOD officials at the SES level or above?**

The issue isn't so much that there are impediments, but what is the appropriate approval level to ensure individuals follow our policies. We have no argument with the concept of changing the levels. Determining the right authority is one of the objective of the task force.

7. **Are contract travel offices (CTOs) required in their contracts to verify (1) that travel orders are signed, (2) that they are not signed by the person seeking travel authorization, and (3) that the travel order specifically states that first or business class airline accommodations are authorized? Under what circumstances are CTOs liable to reimburse the government for first or business class travel that was not properly authorized and/or justified?**

Each Service operates individual contract travel offices. Part of the Task Force charter will be to review each Services procedure for issuing premium class travel to include CTOs. The Joint Travel Regulation and Joint Federal Travel Regulation has been strengthened to require justification for first or business class travel in the travel order.

8. **Do you agree or disagree with the following statement. The most effective way to prevent future abuse of premium class travel is to recover the funds from the individual or organization that was responsible for making the expenditure. If you disagree, please identify the most effective way to prevent future abuse.**

It would be premature to answer this question at this time. The Task Force will review the abuses and determine the best method of prevention.

9. **When do you expect to have the Defense Travel System (DTS) fully implemented?**

All 11,000 sites are scheduled to be operational by the end of FY 2006.

10. Will DOD retain ownership and control over DTS when it is fully developed? If no, are there contractual provisions that will compensate DOD for the sale or use of DTS within or outside of DOD? If yes, will DOD provide DTS to all current and future contract travel offices?

Yes, the Government has unlimited perpetual rights to use DTS throughout DoD. At the end of the contract, the Government will receive the software source code for future competitions. When fully implemented, DTS will be the single TDY travel system for DoD.

11. Will DOD procure eTravel through a sole source contract or competitive bidding? If DOD plans to use a sole source contract, please provide a rationale and justification for this approach? If there is more than one eTravel system available, will DOD competitively test all systems to identify the system that is most effective, efficient and economical prior to awarding a contract for such services?

No, DoD will not procure eTravel for TDY travel. The eTravel program is GSA's initiative to provide a standardized travel system to the non-DoD government agencies. DTS and GSA meeting quarterly with OMB and have identified common performance metrics that will enable the federal government to gain efficiencies in travel management activities. The eTravel program does not address the entitlements of the uniformed services, financial system integration and DoD security requirements. GSA currently has no plans to incorporate the additional functionality necessary to support DoD requirements.

The two offices are also collaborating on the consolidation of travel data to enable more extensive data mining activities.

12. Will the DTS incorporate automated checks of travel orders and vouchers to identify potential fraud and misuse of travel cards?

DTS incorporates automated checks that require travelers to justify any deviation from DoD travel policy. This justification must be reviewed and approved by appropriate officials before the travel order or voucher can be approved. Post payments audits are conducted and appropriate actions are taken, as necessary, to correct deficiencies.

Travel card providers and the PMO-DTS are working together to determine the detailed requirements and policy necessary to implement, control and manage the activation/deactivation of travel cards based on the approval of travel authorization.

✧ ✧ ✧

RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD
SUBMITTED TO

CHARLES S. ABELL
Principal Deputy Under Secretary of Defense for Personnel & Readiness
and
LAWRENCE J. LANZILLOTTA
Principal Deputy Under Secretary (Comptroller)
U. S. Department of Defense

QUESTIONS SUBMITTED BY SENATOR MARK PRYOR:

1. **What is DoD's process for performing monitoring and oversight activities to ensure that premium class travel is authorized in accordance with the appropriate regulations?**

   Agencies provide reports to GSA on all first class travel. The base level travel office monitors local use and cost of premium class travel. The DoD task force on premium class travel will review how to strengthen internal controls of the overall travel program.

2. **How are DoD travelers, supervisors / managers, and employees at the commercial travel offices (CTO) informed of government-wide and DoD travel regulations concerning premium class travel?**

   All Services and DoD agencies receive updates to the JTR/JFTR from the Per Diem Travel And Transportation Allowance Committee (PDTATAC). References are available on the PDTATAC website; http://www.dtic.mil/perdiem/. The Services and other government agencies are responsible for disseminating this information. The Task Force will review this overall process. As I testified, we will develop a decision support tool to help local travel offices ensure appropriate approval processes are followed when premium travel is requested.

3. **Please explain what a "blanket order" is?**

   An order issued to a traveler who regularly and frequently makes trips away from the permanent duty station within certain geographical limits for a specific time period in performance of regularly assigned duties. The "blanket order" is an efficient, money saving means to preclude processing trip-by-trip order for personnel whose duties require extensive travel.

   a. **In what circumstances would DoD normally issue a blanket order?**

      For mission essential travel as described above. Blanket orders are typically issued for 90 day periods and do not cover premium travel.

b. **Why does DoD Directive 4500.9, *Transportation and Traffic Management*, grant blanket authority for high-ranking officials to use premium class travel when traveling overseas on official government business?**

A change to DoD Directive 4500.9 that removed all authorization or reference to blanket authorization was issued 17 November 2003.

4. **What measures is DoD taking to hold individuals who abused these travel privileges accountable for their actions?**

The Department will review the cases using Directives in place at the time of travel and determine appropriate action.

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Senate Committee on Governmental Affairs
Hearing Date: November 6, 2003
Subject: DoD's Improper Use of First and Business Class Airline Travel

(The information follows):

Defense Business Management Modernization

The Department of Defense has embarked upon an agency-wide effort to transform its business processes and the information systems that support them. The goals of the transformation effort, the Business Management Modernization Program, include: creating a more agile and efficient business infrastructure, providing managers with the best management information in the shortest time possible, and affirming the quality of financial information by attaining unqualified audit opinions. A key element of our transformation strategy is the aggressive management, and reduction, of the Department's extensive systems portfolio. Specific examples of systems reduction that have, or will, occur include:

- Defense Travel System (DTS) will replace approximately 40 travel, and related financial management systems (or modules),
- Defense Integrated Human Resource Management System (DIHMRS) will replace 88 human resource systems,
- Attached is a list of 238 business systems that have been eliminated or replaced since the beginning (approximately) of the Department's business transformation program.

Permanent Subcommittee on Investigations
EXHIBIT #5

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
1	800	800 series		Replaced	Executive Business Information System	EBIS	ACC/FIN
2	1960 Batch Input	ATEC Batch Input		Terminatd			SPB
3	AACA	Army Airlift Clearance Authority		Replaced	Financial & Air Clearance Transportation System	FACTS	LOG
4	ACTS	Automated Computation Travel System		Replaced	Reserve Travel System	RTS	ACC/FIN
5	ADANS	AMC Deployment Analysis System		Replaced	Consolidated Air Mobility Planning	CAMPS	LOG
6	AFCAS	AF Casualty Accountability Sys Casualty Log Program		Replaced	Defense Casualty Information Processing System	DCIPS	HRM
7	AFCIMS	Air Force Claims		Terminated			LOG
8	AFCLIMS	Air Force ROTC Financial Information Management System		Replaced	Student Management System	SMS	ACC/FIN
9	AFES	Automated Financial Entitlements System	70	Replaced	Defense Procurement Pay System	DPPS	ACC/FIN
10	AFMIS	NCSS Panama City Automated Financial Management Info System	163	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
11	AFSF	Air Force Stock Fund Accounting & Reporting System	610	Replaced	Defense Departmental Reporting System	DDRS	ACC/FIN
12	AHRS - Super Server	Army Human Resource System-Super Server	20400	Replaced	Standard Installation/Division Personnel System - 3	SIDPERS-3	HRM
13	AICS	Dahlgren Asset/Material	100	Replaced	NSWC Standard System	CAS	ACC/FIN
14	ALM	Air Load Module		Terminated			LOG
15	ALTAIR	Automated Labor, Time & Attendance Input & Reporting System		Replaced	SIGMA	SIGMA	ACC/FIN
16	AMADS	Army Master Address System		Replaced	Logistics Integrated Database	LIDB	LOG
17	AMAS	AvFuels Management Accounting System	13	Terminated			ACC/FIN
18	AMEDDPASS	Army Medical Department Property Accounting System		Terminated			LOG
19	AMMIS	Army Maintenance Management Information System		Terminated			LOG
20	AMMOLOGS	Ammunition Logistics System		Terminated			LOG
21	AMS	Asset Management System		Replaced	FutureAMS (COTS)	FutureAMS	LOG
22	AMS(MTMC)	Asset Management System (Military Traffic Command)		Replaced			LOG

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
23	AMSS	Ammunition Management Standard System		Terminated			LOG
24	APCS	Automated Purchase Card System	3293	Replaced	US Bank Customer Automation and Reporting Environment	CARE	ACC/FIN
25	APPS	Ammunition Prepositioning Planning System		Terminated			LOG
26	AQUIS	Air Quality Information System		Terminated			LOG
27	AR	MSC Accounts Receivable		Terminated	Military Sealift Command's Financial Management System	MSCFMS	ACC/FIN
28	ARBUCS-RDTE	Army Research Development Acquisition Budget Update Computer System		Terminated			SPB
29	ARCSIP	Automated Requirements Computation System, Initial Provisioning		Replaced		SESAME/SAP	LOG
30	ARIL	Automatic Return Items List		Replaced	Logistics Integrated Database	LIDB	LOG
31	ARS	Automated Reconciliation System	226	Replaced	Standard Contract Reconciliation Tool	SCRT	ACC/FIN
32	A-SAACONS	Army Standard Automated Army Contracting System	750	Replaced	Standard Procurement System	SPS	ACQ
33	ASIFCS	Airlift Services Industrial Fund Integrated Computer System		Terminated			LOG
34	ASMCP	ASIMIS Structural Modification Control Program		Terminated			LOG
35	ATA	ASIMIS Teleprocessing Applications System		Terminated			LOG
36	ATAV	Army Total Assest Visibility		Replaced	Logistics Integrated Database	LIDB	LOG
37	ATS	ATS Time Keeping		Replaced	SIGMA	SIGMA	ACC/FIN
38	AWS	Automated Warehouse System	4300	Replaced	Distribution Standard System	DSS	ACC/FIN
39	Bankcard Access DB	Bankcard Access Database		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
40	Bankcard Cash Distribution	Bankcard Cash Distribution - FOXPRO		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
41	BAPF	Budget Annual Planning Figure	30	Replaced	Budget Analysis Evaluation Reporting System - Field Level	BAERS-FL	ACC/FIN
42	BART	Department Budget and Report Tracking		Replaced			ACC/FIN
43	BCAS	BCAS (AF and USMC) Base Contracting and Administration System		Replaced	Standard Procurement System	SPS	ACQ

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
44	BCP	Bank Card Process		Replaced	Accounting Systems Interfaces	ASI	ACC/FIN
45	BDI - Bankcard Receipts	Business Data Input Bank Card Receipts		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
46	BDI - Bankcard Transfers	Business Data Input Bank Card Cost Transfers		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
47	BDI - Batching	Business Data Input Daily Batching of Transactions		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
48	BDI - EBMS	Travel/Financial Transaction Interface		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
49	BDI - Funds Data Input	Business Data Input Funds Data Input		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
50	BDI - Labor Cost Transfers	Business Data Input Labor Adjustments		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
51	BDI - Labor Error Corrections	Business Data Input Labor Error Corrections		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
52	BDI - Non Labor Cost Transfers	Business Data Input Non-labor Cost Transfers		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
53	BDI - PRR	Business Data Input Procurement Requests Router		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
54	BDI - Service Center	Business Data Input Service Center Cost		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
55	BDI - Utilities	Business Data Input Queries		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
56	BDI Cash Transfers	Business Data Input Cash Transfers		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
57	BES	Budget Execution System	212	Replaced	SIGMA	SIGMA	ACC/FIN
58	BITS	Budget Information Tracking System		Terminated			SPB
59	B-MISM	Budget - MACOM Internal Support Management		Replaced	RM Online		SPB
60	BUDGET PREP	Budget Preparation		Replaced	SUBMEPP BUD PREP		ACC/FIN
61	CABS	CNET Automated Budget System	335	Replaced	CNET Automated Resource Information System	CARIS	ACC/FIN
62	CADFIRS	Consolidated Aircraft Division Financial Information Reporting System		Replaced	SIGMA	SIGMA	ACC/FIN
63	CAEMS	Computer-Aided Embarkation Managment System		Replaced	Integrated Computerized Deployment System	ICODES	LOG

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
64	CALM	Computer Aided Load Manifesting	778	Terminated	Automated Air Load Planning System	AALPS	LOG
65	CAMIS	Commercial Activities Mgmt Information System (Web Based)	243	Repalced	Defense Commercial Activities Mgmt Information System	DCAMIS	HRM
66	CAPS II	Consolidated Aerial Port System II		Replaced	Global Air Transportation Execution System	GATES	LOG
67	CARRYOVER	Carryover		Terminated			ACC/FIN
68	CARS	Civilian Automated Referral System	66	Replaced	Web-based Referral		HRM
69	CARS	Dahlgren Requisition	100	Replaced	NSWC Standard System	ILSMIS	ACC/FIN
70	CART(D301)	Configuration and Requirements Traceability		Terminated			LOG
71	CAS - Dahlgren	Cost Accounting System - Dahlgren		Terminated			ACC/FIN
72	CAS - NEWPORT	Contract Analysis System		Terminated			ACC/FIN
73	CAS-B	Combat Ammunition System -Base Level		Terminated			LOG
74	CAS-C	Combat Ammunition System - Command		Terminated			LOG
75	CAS-D	Combat Ammunition System Deployable		Terminated			LOG
76	CASMIS	Central Acquisition and Sustainment MIS		Terminated			ACQ
77	CASSS	Dahlgren Funding	50	Replaced	DOD Standard Financial System	DIFMS	ACC/FIN
78	CASSS	Dahlgren Travel	50	Replaced	NSWC Standard System	CTS	ACC/FIN
79	CBS-X	Continuing Balance System Expanded		Replaced	Logistics Integrated Database	LIDB	LOG
80	CCCS	CNET Course Costing System	168	Replaced	CNET Automated Resource Information System	CARIS	SPB
81	CCD	Category Code Directory	10	Replaced	internet Navy Facility Date Store (Category Code module)	INFADS	I&E
82	CCEP	Comprehensive Clinical Evaluation Program	665	Replaced	Deployment Health Care Center	DHCC	HRM
83	CCSS	Commodity Command Standard System		Terminated			LOG
84	CDDB	Central Demand Data Base		Replaced	Logistics Integrated Database	LIDB	LOG
85	CERPS	Centralized Expenditure Reimbursement Processing System	1427	Replaced	Defense Cash Accountability System	DCAS	ACC/FIN

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
86	CIF	Central Issue Facility		Replaced	Logistics Integrated Database	LIDB	LOG
87	CISIL	Centralized Integrated Systems for International Logistics		Replaced		CEMIS	LOG
88	CLBAD	Comptroller Local Billing - Aircraft Division		Terminated			ACC/FIN
89	CMAPS	Contract Maintenance Accounting and Production System		Terminated			LOG
90	CMOS	Cargo Movement Operations System		Replaced	Transportation Coordinator Automated Information for Movement System II	TC-AIMSII	LOG
91	CMS/TOMS	Cargo Management System/Terminal Offload Management		Terminated			LOG
92	COARS	Command on-line Accounting & Reporting System	552	Replaced	Defense Departmental Reporting System	DDRS	ACC/FIN
93	COINS	Contractor Invoice System	0	Replaced	Vendor Pay Invoice System	VPIS	ACC/FIN
94	COMPAS	Command Projects Administration System	1400	Terminated	electronic Projects	eProjects	I&E
95	CPD	Central Processing Distribution	127	Replaced	Defense Medical Logistics Standard Support	DMLSS	HRM
96	CPRRS	Civilian Personnel Resource Reporting System	1	Replaced	Work Year Personnel Cost	WYPC	ACC/FIN
97	CREF	Customer Request Evaluation Form	350	Replaced	electronic Projects	eProjects	I&E
98	CRS	CFO Reporting System		Replaced	General Accounting and Financial - Reengineering	GAFS-R	
99	CWPS	Common Workload Planning	857	Replaced	SIGMA	SIGMA	ACC/FIN
100	DACS	DeCA Automated Coupon System		Replaced	COUPONS	COUPONS	ACQ
101	DAMMS-R	Department of Army movements managemetn system - Redesign		Terminated			LOG
102	DAMPC	Department of the Army Master Project Code		Replaced	Logistics Integrated Database	LIDB	LOG
103	DBMS	Defense Business Management System		Replaced	Modern Defense Civilian Personnel Data System	DCPDS	HRM
104	DD-127	Central Procurement Workloading Report		Terminated			LOG
105	DENMIS	Dental Management Information System	100	Replaced	Dental Common Access Sys	DENCAS	HRM
106	DES	Distribution Execution System		Replaced	Logistics Integrated Database	LIDB	LOG
107	DESEX	Defense Emergency Supply Expert System		Replaced	Stock Control System	SCS	LOG

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
108	DIFMS/AD	Defense Industrial Financial Management System/AD	2496	Replaced	SIGMA	SIGMA	ACC/FIN
109	DIFMS/WD	Defense Industrial Financial Management System/WD	784	Replaced	SIGMA	SIGMA	ACC/FIN
110	DIREP	Discrepancy Reporting System		Replaced	Logistics Integrated Database	LIDB	LOG
111	DJAS	Defense Joint Accounting System		Terminated			
112	DMEP	Depot Maintenance Equipment Program System	308	Terminated			LOG
113	DMEPS(G017)	Depot Maintenance Equipment Program		Terminated			LOG
114	DM-HMMS	Depot Maintenance-Hazardous Material Management System	241	Terminated			LOG
115	DMLSSAMSA	Defense Material Logistics Standard System Assemblage Management Stand Alone		Terminated			LOG
116	DMPCS	Depot Maintenance Production Cost System	566	Repalced	Defense Industrial Financial Management System	DIFMS	LOG
117	DMRIS	Defense Medical Regulating Information System		Replaced	TRANSCOM Regulating and Command and Control Evacuation System	TRAC2ES	LOG
118	DODAAD	DoD Address Directory		Replaced	Logistics Integrated Database	LIDB	LOG
119	DOHRS	Defense Occupational Health Readiness System		Terminated			LOG
120	DPPS	Defense Procurement Pay System		Terminated			
121	DQARS	Distribution Quality Assurance Reporting		Terminated			LOG
122	DR REAL	Desk Top Resource for Real Estate		Transitioned	Planning Resources for Infrastructure Development and Evaluation	PRIDE	I&E
123	DRIS	Deficiency Reporting Information System		Terminated			LOG
124	D-SACONS	Defense Standard Automated Contracting Systems		Replaced	Standard Procurement System	SPS	ACQ
125	DSDS	Defense Standard Disbursing System		Terminated			
126	DSERTS	Defense Site Environmental Resotration Tracking System		Terminated			LOG
127	DSS	Decision Support System		Terminated			SPB
128	E&C	Expenditures and Collections		Terminated			LOG
129	EAGLEPIMS	Parts Information Management System		Terminated			LOG

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
130	ECP	Exceedance Counter Program		Terminated			LOG
131	EDSS	Equipment Distributing Scheduling System		Terminated			LOG
132	EFTS	Electronic Funds Transfer System					ACC/FIN
133	EIC	End Item Code		Replaced	Logistics Integrated Database	LIDB	LOG
134	EOPDB	Equipment Oriented Publication Data Base		Replaced	Logistics Integrated Database	LIDB	LOG
135	EOQBC	Economic Order Quantity Buy Budget Computation System		Terminated			LOG
136	EOQDDB	Economic Order Quantity Depot Data Base (EOQ DDB)		Terminated			LOG
137	EPS	Electronic Paperwork System		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
138	ERPS	Equipment Release Priority System		Replaced	Logistics Integrated Database	LIDB	LOG
139	ESCRS	Environmental security Corporate Reporting System		Terminated			LOG
140	ETADS	Enhanced Transportation Automated Data System		Replaced	Financial & Air Clearance Transportation System	FACTS	LOG
141	ETS - SSC SD	Expenditure Tracking System		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
142	FACTS	Funds and Cost Tracking System	2100	Replaced	SIGMA	SIGMA	ACC/FIN
143	FBS	Film Billing System	2	Replaced	SIGMA	SIGMA	ACC/FIN
144	FDL	Financial Data Load		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
145	FIMS	Financial Information Management System - SPAWAR	550	Replaced	SAP FIMS+	FIMS+	ACC/FIN
146	FIMS/FIRS	Financial Information Management System - Financial Information Reporting System	166	Replaced	Warehouse Analytical Reporting	WARS	ACC/FIN
147	FIMS/FSS	Financial Information Management System Funding Subsystem	160	Replaced	SIGMA	SIGMA	ACC/FIN
148	FIMS/LUSS	Financial Information Management System Labor Update Subsystem	40	Replaced	SIGMA	SIGMA	ACC/FIN
149	FIMSMR	Financial Information Management System Management Reporting	20	Replaced	Warehouse Analytical Reporting	WARS	ACC/FIN
150	FIN - NSWC - IH	Financial Data Query Module	1	Terminated	N/A		ACC/FIN

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
151	FINTRACK	Financial Tracking System		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
152	FIRMS	Fire Information Resource Management System	750	Replaced	various COTS packages		I&E
153	FIRS	Financial Inventory Reporting System	25	Replaced	Material Financial Control System	MFCS	ACC/FIN
154	FIS 213	Financial Information System 213		Replaced	SIGMA	SIGMA	ACC/FIN
155	FISS	Financial Information Support System		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
156	FMIS	Financial Management Information System	150	Replaced	Budget Analysis Evaluation Reporting System	BAERS-FL	ACC/FIN
157	FMIS	Paradox FMIS	600	Replaced	FIM	FMIS2K	ACC/FIN
158	FMP	Force Modernization Program File		Replaced	Logistics Integrated Database	LIDB	LOG
159	FMS	Dahlgren Financial Management	800	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
160	FMS Time	FMS Timekeeping System	83	Replaced	SIGMA	SIGMA	ACC/FIN
161	FMS-MTMC	Financial Management System (Military Traffic Management Command)		Replaced	Financial Management System (is Army)	FMS	ACC/FIN
162	FORCE	Force Integration		Replaced	Logistics Integrated Database	LIDB	LOG
163	FOSAMS	Fleet Optical Scanning Ammunition Marking System		Terminated			LOG
164	FOSTR	Funds Off Station Transfer Request	180	Replaced	SIGMA	SIGMA	ACC/FIN
165	FT	Fuel Transactions	1	Replaced	Computerized Utility Billing Integrated Control	CUBIC	ACC/FIN
166	GFET	Government Furnished Equipment Tracking		Replaced	Military Sealift Command's Financial Management System	MSCFMS	ACC/FIN
167	GFGL	General Fund General Ledger (Departmental)	24	Replaced	Defense Departmental Reporting System	DDRS	ACC/FIN
168	GME-MS	Garrison Mobile Equipment - Management System		Terminated			LOG
169	GODS II	General Officer Data System II	32	Replaced	Senior Leader Career Management System	SLCMS	HRM
170	GTS	Government Transportation Payment System	319	Replaced	Defense Procurement Pay System	DPPS	ACC/FIN
171	HAF Merit	Headquarters Air Force Merit Promotion System	77	Replaced	Modern Defense Civilian Personnel Data System Suite	DCPDS	HRM
172	IATP	Individual Aircraft Tracking System		Terminated			LOG

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
173	IDTT	Inactive Duty Training Travel	123	Replaced	New Order Writing System	NOWS	SPB
174	IFAS	Industrial Fund Accounting System (for ISAG AF and Army)	792	Replaced	Defense Working Capital Accounting System	DWAS	ACC/FIN
175	IFBGS	Interdepartmental Fund Billing Group System	87	Replaced	Defense Cash Accountability System	DCAS	ACC/FIN
176	IFCDRS	Industrial Fund Centralized Disbursement Reimbursement System	312	Replaced	Defense Cash Accountability System	DCAS	ACC/FIN
177	IFGL	Industrial Fund General Ledger		Replaced	Defense Industrial Financial Management System	DIFMS	
178	IFMS	Integrated Financial Management System		Replaced	MOMENTUM		ACC/FIN
179	ILSMT	Integrated Logistics Support Management Tracking	2	Replaced	SIGMA	SIGMA	SPB
180	IMACs	Interservice Material Accounting and Control System	206	Terminated			LOG
181	I-MACS	Interservice Material Accounting and Control System		Replaced	Asset Tracking Logistics and Supply System II+	AtlassII+	LOG
182	IMAGE	Installation Management Gateway	260	Terminated	Not replaced		I&E
183	IMMM	Integrated Materiel Management Model		Terminated			LOG
184	IPCS	Interim Purchase Card System		Replaced	SIGMA	SIGMA	ACC/FIN
185	IPMS	Information Processing Management System	1081	Terminated			LOG
186	IRDMIS	Installation Restoration Data Management Information System		Repalced		ERIS	SPB
187	IRMAS	Information Resource Management Automated System	5	Replaced	Excel Spreadsheet		ACC/FIN
188	ITRAM	International Traffic Management System		Replaced	Global Air Transportation Execution System	GATES	LOG
189	ITTS	Information Technology Tracking System	143	Replaced	SIGMA	SIGMA	ACC/FIN
190	JCALS/JTMS	Joint Computer-Aided Acquisition & Logistic Support- JTMS		Terminated			LOG
191	JFAST	Joint Flow and Analysis System for Transportation		Terminated			LOG
192	JIT	Just in Time System		Replaced	Accounting Systems Interfaces	ASI	ACC/FIN
193	JTAV (Client)	Joint Total Asset Visibilty (Client)		Replaced	Logistics Integrated Database	LIDB	LOG
194	KDSS	Keystone Decision Support System		Terminated			LOG
195	KNCARS	Korean Civilian Automated Referral System		Replaced	Web-based Referral	None	HRM

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DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
196	KSS	Korean Subsistance System		Terminated			LOG
197	Labor Cost Transfers	Labor Cost Transfers (Foreign National Indirect Hire)		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
198	LDS	Labor Distribution System	1	Replaced	WEB-LDS (WEB-BASED Labor Distribution System)	WEBLDS	ACC/FIN
199	Legacy DCPDS/PPI	Legacy Defense Civilian Personnel Data System/Personnel Processes	15000	Replaced	Modern Defense Civilian Personnel Data System	DCPDS	HRM
200	LIF	Logistics Intelligence File		Replaced	Logistics Integrated Database	LIDB	LOG
201	LLHRP	Service Loads and Life History Recorder		Terminated			LOG
202	LOGTAADS	The Army Authorization Documentation System		Replaced	Logistics Integrated Database	LIDB	LOG
203	LSDS	Labor Standard Data System		Terminated			LOG
204	MAD	Medical Anchor System		Terminated			LOG
205	MAGIC	Master Activity General Information Code	25	Replaced	internet Navy Facility Date Store (Activity module)	iNFADS	I&E
206	MALT	Master Accounting Lookup Table	11	Replaced	SIGMA	SIGMA	ACC/FIN
207	MAMCS(G004H)	Maintenance Actual Material Cost System		Terminated			LOG
208	MBMCS(G035A)	Depot Maintenance Budget and Management Cost System		Terminated			LOG
209	MC ACA			Replaced	Financial & Air Clearance Transportation System	FACTS	LOG
210	MCP	Military Construction Programming	35	Replaced	Internet Navy Facility Date Store (MCP/IPL modules)	iNFADS	I&E
211	MDEP Dictionary	MDEP Dictionary		Terminated			SPB
212	MDSS II	MAGTF Deployment Support System II		Replaced	Transportation Coordinator Automated Information for Movement System II	TC-AIMSII	LOG
213	MEDSS	MTMC Enterprise Decision Support System		Terminated			LOG
214	MFMS	Missile Fuels Management System		Replaced	Fuel Automated System	FAS	ACC/FIN
215	MIMS	Maintenance Information Management System		Terminated			LOG
216	MIS	Management Information System (Carderock)		Replaced	Defense Industrial Financial management System	DIFMS	ACC/FIN

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
217	MLDCS(G037G)	Maintenance Labor Distribution and Cost System		Replaced	Depot Maintenance Accounting and Production System	DMAPS	LOG
218	MMDF	Maintenance Master Data File		Replaced	Logistics Integrated Database	LIDB	LOG
219	MMDS	Modification Management Database System		Terminated			LOG
220	MP	Major/Minor Cost System		Replaced	Defense Industrial Financial management System	DIFMS	ACC/FIN
221	MPS	Material Processing System	643	Terminated			LOG
222	MRDB	Material Returns Data Base		Replaced	Logistics Integrated Database	LIDB	LOG
223	MRIS	Materiel Readiness Information System		Replaced	Asset Tracking Logistics and Supply System II+	AtlassII+	LOG
224	MRS	Material Reporting System		Replaced	SIGMA	SIGMA	ACC/FIN
225	MSC LCIS	Military Sealift Command Local Check Issue System		Replaced	Military Sealift Command's Financial Management System	MSCFMS	ACC/FIN
226	MSCFMIS	Military Sealift Command Financial Management Information System		Replaced	Military Sealift Command's Financial Management System	MSCFMS	ACC/FIN
227	MSLS	Military Shipping Label System		Replaced	Cargo Movement Operations System	CMOS	LOG
228	MTMC FMS	Military Traffic Management Command Financial Mgmt System	797	Replaced	Military Sealift Command Financial Management Information System	MSCFMIS	ACC/FIN
229	MTP	Manage to Payroll	91	Replaced	SIGMA	SIGMA	SPB
230	NAC	USAMMC NAC		Terminated			LOG
231	NAETS	Naval Air Environmental Tracking System		Terminated			LOG
232	NALIS (OCONUS)	Air Logistics Information System		Replaced	Joint Air Logistics Information System	JALIS	LOG
233	NAOMIS	Namy Materiel Transportation office Operations Management Information System		Terminated			LOG
234	NATDS	NAVMTO Automated Transportation Data System	206	Replaced	Defense Transportation Payment System	DTRS	ACC/FIN
235	NAY	USAMMA NAY		Terminated			LOG
236	NFADB	Navy Facility Assets Database	200	Replaced	Internet Navy Facility Date Store (Facility module)	iNFADS	I&E
237	NGB-NGPA BUDGET	NGB Budget Builder for NGPA Appropriations		Terminated			SPB

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DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
238	NGB-OMNG BUDGET	NGB Budget Builder for OMNG Appropriations		Terminated			SPB
239	NGUAGE	NGUAGE	50	Replaced	SIGMA	SIGMA	ACC/FIN
240	NIFMAS	Navy Industrial Financial Management Accounting System	873	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
241	NIFMAS WD	Naval Industrial Fund Management & Accounting System		Replaced	SIGMA	SIGMA	ACC/FIN
242	NOMIS	Naval Ordnance Management Information System	344	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
243	NSWC/CD FS	NSWC Carderock Division Financial System	101	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
244	NSWC/DD FMS	NSWC Dahlgren Division Financial Management System	334	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
245	OFD	Outgoing Funding Documents		Replaced	SIGMA	SIGMA	ACC/FIN
246	OTS(D174)	Overtime Tracking System		Terminated			LOG
247	P2ADS	P2ADS (POLLUTION PREVENTION ANNUAL DATA SUMMARY)		Terminated			LOG
248	PAM	Performance Asset Management	6906	Terminated			LOG
249	PBG_CIV	Program Budget Guidance_Civilians		Terminated			SPB
250	PC TRANS			Replaced	Flight Management System	FMS	LOG
251	PCAD	Property, Custody, & Depreciation System		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
252	PCLSAR	(Inactive) PC- Logistics Support Analysis Record		Terminated			LOG
253	PCS	Purchase Card System		Replaced	Military Sealift Command's Financial Management System	MSCFMS	ACC/FIN
254	PD Library	Position Description Library	32	Replaced	Fully Automated System for Classification	FASCLASS	HRM
255	PDS	Air Force Personnel Data System	7000	Replaced	Military Personnel Data System	MilPDS	HRM
256	PEI-STRAT	Principal end Item Stratification		Terminated			LOG
257	PER DIEM	Per Diem		Replaced	Military Sealift Command's Financial Management System	MSCFMS	ACC/FIN
258	PER-DSS-CIVFORS	Personnel Decision Support System, Civilian Forecasting System		Terminated			SPB

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
259	PER-DSS-MPA-FMS	Personnel Decision Support System, Military Personnel, Army Financial Management System		Terminated			SPB
260	PIC	Personnel Information Carrier		Terminated			LOG
261	PIDCREATE	PIDCREATE		Replaced	SIGMA	SIGMA	ACC/FIN
262	PIE	Property Item Extract		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
263	PMBITS	Program Manager Budget Information Tracking System		Terminated			SPB
264	PMS	Projected Maintenance System		Terminated			LOG
265	POCS	Project Order Control System	425	Replaced	Defense Industrial Financial management System	DIFMS	LOG
266	POM DSS	POM Decision Support System		Terminated			SPB
267	PPIA	Prompt Pay Interest Application		Terminated			ACC/FIN
268	PPRS	Personnel Placement Referral System	77	Replaced	Modern Defense Civilian Personnel Data System Suite	DCPDS	HRM
269	PRAMS	Passenger Manifest and Reservation System		Replaced	Global Air Transportation Execution System	GATES	LOG
270	PREPO AIS/FILE 85	Preposition Planning and Execution AIS		Terminated			LOG
271	PRODS	PCS Reservation/Obligations Database System	106	Replaced	Standard Accounting and Reporting System	STARS	ACC/FIN
272	PROPERTY (TCOA)	TRADOC Property Book System		Terminated			LOG
273	PST	Filepro Predetermined Tally Sheets	1	Replaced	Maximo	Maximo	ACC/FIN
274	PTAMS	Pipeline Tracking Analysis and Metrics System		Terminated			LOG
275	PVIS	Plant Validation and Inventory System		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
276	RAMP	Reportable Asset Management Process	913	Terminated			LOG
277	RASFIARS	Retail Army Stock Fund Inventory Acctg and Reporting System	209	Replaced	Standard Army Financial Inventory and Acct System	STARFIARS	ACC/FIN
278	RBL	Readiness Based Leveling	471	Terminated			LOG
279	RBTP	Reserve Billet Training Plan		Replaced	New Order Writing System	NOWS	ACC/FIN

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DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
280	RCAPS-CARGO	REMOTE CONSOLIDATED AERIAL PORT SYSTEM - CARGO		Replaced	Global Air Transportation Execution System	GATES	LOG
281	RCAPS-PASSENGER	REMOTE CONSOLIDATED AERIAL PORT SYSTEM - Passenger		Replaced	Global Air Transportation Execution System	GATES	LOG
282	RCIRS	Recoverable Consumption Item Requirement		Terminated			LOG
283	RDEC	Requirements Data Exchange Card		Terminated			SPB
284	REQVAL	Requistion Validation System		Replaced	Logistics Integrated Database	LIDB	LOG
285	RESFMS	Reserve Financial Management System	1886	Replaced	New Order Writing System	NOWS	ACC/FIN
286	RF	Cost Reporting System		Replaced	Executive Business Information System	EBIS	ACC/FIN
287	RIC	Routing Indicator Code Master		Replaced	Logistics Integrated Database	LIDB	LOG
288	RIDB	Readiness integrated Data Base		Replaced	Logistics Integrated Database	LIDB	LOG
289	RIMS	Realtime Integrated Management System	303	Replaced	Defense Industrial Financial Management System	DIFMS	ACC/FIN
290	RIMS-OM	Reserve Integrated Management System-Order Writing	122	Replaced	New Order Writing System	NOWS	SPB
291	RIS	Retail Item Stratification	548	Terminated			LOG
292	RMF Database	Resource Management Database		Replaced	SIGMA	SIGMA	ACC/FIN
293	RMM	Resource Management Model		Terminated			SPB
294	RPM/FHS	Real Property Maintenance/Family Housing System	75	Repalced	USMCmax (previously known as MAXIMO) and Marine Corps Automated Housing System	USMCmax and MCHAS	I&E
295	RQVAL	Requisitions Validation		Terminated			SPB
296	RSTARS(MP)	RSTARS(MP)--Reserve Personnel System	1300	Replaced	Navy Standard Integrated Personnel System	NSIPS	HRM
297	SABS	State Automated Budget System		Repalced		AFCCS/RM Online	SPB
298	SACM	Security Assistance Case Management		Terminated			SPB
299	SAMS-1	Standard Army Maintenance System - 1		Terminated			LOG
300	SAMS-2	Standard Army Maintenance System - 2	192	Terminated			LOG

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DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
301	SAPAS	Standard Army Procurement Appropriation System	253	Replaced	Standard Operations and Maintenance Army R&D System	SOMARDS	ACC/FIN
302	SARTS(A203)	Source Approval Request Tracking System		Terminated			LOG
303	SCC	Service Cost Center		Replaced	Accounting Systems Interfaces	ASI	ACC/FIN
304	SDS	SDS--Navy Personnel System	22400	Replaced	Navy Standard Integrated Personnel System	NSIPS	HRM
305	SDS	STARS Download System	145	Replaced	SIGMA	SIGMA	ACC/FIN
306	SDT	Second Destination Transportation	15	Terminated			ACC/FIN
307	SEMMP	Systems and Equipment Modification		Terminated			LOG
308	SEPS	STARS Electronic Payroll System		Replaced	ECS	ECS	ACC/FIN
309	Service Center Fees	Service Center Fees - FOXPRO Database		Replaced	Cabrillo - SAP Enterprise Resource Planning System	Cabrillo SAP ERP	ACC/FIN
310	SES1	Senior Executive Service Management	35	Replaced	Senior Leader Career Management System	SLCMS	HRM
311	SFPS	Shore Facilities Planning System	50	Replaced	internet Navy Facility Date Store (Planning module)	iNFADS	I&E
312	SHELF LIFE	Shelf Life Management Report		Terminated			LOG
313	SIDPERS-3	Standard Installation/Division Personnel System - 3	50300	Replaced	Standard Installation/Division Personnel system-2/ASIMS	SIDPERS-2-ASIMS	HRM
314	SLAM	Support List Allowance Master File		Replaced	Logistics Integrated Database	LIDB	LOG
315	SMDC-BE	Space and Missile Defense Command - Budget Execution		Terminated			SPB
316	SOF	Status of Funds System	920	Replaced	Defense Departmental Reporting System	DDRS	ACC/FIN
317	SPVI	Subsistenance Prime Vendor Interpreter		Terminated			LOG
318	SS03	Inventory Control Replenishment Review		Replaced	Stock Control System	SCS	LOG
319	SSMR	Storage Space Management Reporting		Terminated			LOG
320	SSSCD	Special Support Stock Control and Distribution		Terminated			LOG
321	STARFIARS	Standard Army Financial Inventory Acctg and Reporting System	39	Replaced	Wholesale Logistics Modernization Program	WLMP	ACC/FIN
322	STE	Special Tools and Special Test Equipment (ST/STE) Process		Terminated			LOG

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DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
323	SUL	Small Unit Logistics		Replaced	Common Logistics Command and Control System	CLC2S	LOG
324	SUMMIT	Support Utility For Materiel Management Information Technology		Terminated			LOG
325	TAEDP	(Inactive) Total Army Equipment Distribution Program		Replaced	Logistics Integrated Database	LIDB	LOG
326	TALPS	T-AVB Automated Load Planning System		Replaced	Integrated Computerized Deployment System	ICODES	LOG
327	TAMIS	Training Ammunition Management Information System		Replaced	Total Army Materiel Maintenance System	TAMMS	LOG
328	TAMIS	Training Ammunition Management Information System		Replaced	Global Decision Support System	GDSS	LOG
329	TAMMS	Total Army Materiel Maintenance System		Replaced	Logistics Integrated Database	LIDB	LOG
330	TASYS	Time and Attendance Reporting System	1970	Replaced	Time and Attendance System - DMAPS	TAA-DMAPS	ACC/FIN
331	TC-ACCIS	Transportation Coordinator's Automated C2 Information System		Replaced	Transportation Coordinator Automated Information for Movement System II	TC-AIMSII	LOG
332	TC-AIMS (MC)	Transporation Coordinators Autotomated Information System		Replaced	Transportation Coordinator Automated Information for Movement System II	TC-AIMSII	LOG
333	TCCB	Telephone Calling Card Billing		Terminated			ACC/FIN
334	TCS	Travel Cost System	174	Replaced	SIGMA	SIGMA	ACC/FIN
335	TD/CMS(E)	Technical Data/Configuration Management System(Enhanced)		Terminated			LOG
336	TDB	Transportation Data Base		Replaced	Logistics Integrated Database	LIDB	LOG
337	TDMS	Technical Data Mmanagement System		Replaced	Cash Reconciliation System	CRS	LOG
338	Team UP	Test, Evaluation, Analysis and Management Uniformity Plan	659	Replaced	Standard Operations and Maintenance Army R&D System	SOMARDS	ACC/FIN
339	TEAPS	Training Execution and Planning		Replaced			SPB
340	Telecash	Telecash	1	Replaced	Windows And Not DOS Application	Wanda	ACC/FIN
341	TIMA	Tool Inventory Management Application		Terminated			LOG
342	TIPS	Training Information Processing System	55	Replaced			ACC/FIN
343	TMPS	Transportation Motor Pool System		Terminated			LOG

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DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain
344	TOPS	Travel Order Process System	100	Replaced	SIGMA	SIGMA	ACC/FIN
345	TRAD	Transportation Routing and Document System		Terminated			LOG
346	TUFMIS	Tactical Unit Financial MGMT Information System	134	Replaced	Standard Army Financial Inventory and Acct System	STARFIARS	ACC/FIN
347	TURBOSIRS	TURBO-Supply Issue and Recovery System		Replaced	Visibility Info Storage Tool for Ammunition	VISTA	LOG
348	UADPS E&F	Uniform Automated Data Processing System E&F	2190	Replaced	Material Financial Control System PX02/04	MFCS PX 02/04	ACC/FIN
349	UBS	Utility Billing System	1	Replaced	Computerized Utility Billing Integrated Control	CUBIC	ACC/FIN
350	UCARS	USAREUR Automated Referral System		Replaced	Web-based Referral		HRM
351	UDL	Universal Download	133	Replaced	Defense Cash Accountability System	DCAS	ACC/FIN
352	UDPMS	Defense Material Utilization & Disposition Program Management System	562	Terminated	Stock Control System	SCS	LOG
353	UDRS	Unmatched Disbursements Reconciliation System		Replaced	Standard Contract Reconciliation Tool	SCRT	ACC/FIN
354	UICP G03	Uniform Information Processing Center Application G03	9	Replaced	Material Financial Control System	MFCS	ACC/FIN
355	UIT	Unique Item Tracking		Replaced	Logistics Integrated Database	LIDB	LOG
356	UMMF	Updated Mark Master File		Replaced	Logistics Integrated Database	LIDB	LOG
357	UMV	Unit Movement Visability		Replaced	Logistics Integrated Database	LIDB	LOG
358	VAMOSC	Visibility and Management of Operating Support Costs		Replaced	Air Force Total Ownership Cost	AFTOC	ACC/FIN
359	WIC	Work Input Control (Maximo)	245	Replaced	electronic Projects	eProjects	I&E
360	WOLF	Work Order Logistics File		Replaced	Logistics Integrated Database	LIDB	LOG
361	WRAP	War Reserve Automation Process		Terminated			LOG
362	WSMIS-SPRO	WSMIS -- Shop Processing (SHOP PRO)		Terminated			LOG
363	WSS	Warehouse Support System		Replaced	Storage, Retrieval, Automated Tracking, Integrated System	STRATIS/CMATS	LOG
364	WYP	Work Year Planning		Replaced	SIGMA	SIGMA	ACC/FIN
365	EP	Express Purchase		Replaced	Citidirect		ACC/FIN

* Please see the definition of cost on the last page.

DOD Business System Terminations and Replacements
(Five Years Prior to 11/03)

	Systems Terminated						
Seq.	Acronym	Name	Cost * ($000)	Reason for Termination	Replacing System(s)	Acronym	Domain

Domain Key

Acronym	Name
ACC/FIN	Accounting and Finance
ACQ	Acquisition
HRM	Human Resource Management
I&E	Installation and Environment
LOG	Logistics
SPB	Strategic Planning and Budgeting
TI	Technical Infrastructure

Costs Defined - In those instances where a system was under development at the time of termination we have provided investment values. If a system was operational at the time of retirement we attempted to identify the sustainment cost for its final year of operation. Costs are not reported for those systems that incorporated their overall operating costs into budgets for larger corporate entities - as a result of this incorporation we lost the capablity to track specific systems costs. Additionally, records containing the pertinent costs for systems terminated years ago are not available. Also, the identification of amounts spent on many of the systems is problematic in that they were developed and fielded over decades.

* Please see the definition of cost on the last page.