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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

TRANSPORTATION AND CLAIMS DIVISION

B-153862

No C-

74-0136

SEP 20 1973



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The Honorable Michael P. Balzano, Jr.
Director, ACTION 349

Dear Mr. Balzano:

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2 / In two prior reports on the Peace Corps' administrative processing and control of unused passenger tickets, we stated that the Peace Corps was not (1) obtaining refunds for some of the tickets issued to prospective trainees who did not report to their training sites, (2) reducing the backlog in processing unused tickets for refund, or (3) accounting for refunds or unused tickets according to standards and principles set forth by the Comptroller General. We were promised corrective actions after each report.

We reviewed the operations of ACTION to determine if it had taken corrective measures. We examined the files at ACTION headquarters and talked with officials responsible for unused passenger tickets and related refund practices.

UNUSED TICKET CONTROLS AND PROCEDURES
AGAIN FOUND INADEQUATE

In our latest review, we found that ACTION had

- at least \$75,000 worth of unused tickets, ranging in age from a few weeks to 2 years, and many refund applications and exchange orders that had never been returned to carriers;
- almost \$3,800 in carrier refund checks that had not been deposited;
- not sent refund applications to carriers for tickets lost by volunteers; and
- not forwarded to GAO, as required for its audit of transportation payments, information on about 4,500 tickets on which nearly \$800,000 had been refunded by the carriers.

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Background

The procedures for procuring, using, paying, and handling passenger tickets for official Government travel are different from most other types of procurement.

Government agencies use transportation requests (GTRs) to procure tickets from common-carrier transportation companies. Once the GTR is given to the carrier in exchange for passenger tickets, it is billed to the agency involved. The agency is required by law (49 U.S.C. 66) to pay the bill before GAO's audit. Therefore, certifying and disbursing officers are not liable for overcharges caused by incorrect fares (31 U.S.C. 82g). Any unused tickets involved with a particular GTR are handled separately to expedite payment of the original bill.

When an agency does not use a ticket and requests a refund, it must forward the ticket to the carrier on Standard Form (SF) 1170, "Redemption of Unused Tickets." Copies of the form are provided to the agency. After receiving the ticket, the carrier will determine its value, annotate the original SF 1170, and return it with a check to the agency. The agency should annotate its records, deposit the check, and immediately forward the original SF 1170 to GAO. If the carrier does not refund the money within 3 months after it has been requested, it is essential that the agency promptly forward the case and a copy of the SF 1170 to GAO for consideration of further collection.

Tickets not returned for refund

We found over \$75,000 worth of refundable, unused tickets in ACTION's files awaiting processing. Most of the tickets were procured in 1971 and 1972, but several dated back to 1965 and 1966.

Rules applying to refunds on unused tickets vary among carriers. Most airline tickets are valid for 1 year from date of purchase. Some air carriers in the United States will make refunds provided applications are made within 1 year after the tickets expire; others limit the time to 6 months. International carriers generally will not make refunds if applications are made more than 30 days after the tickets expire.

We found nearly 300 unused tickets, portions of unused tickets, and other documents having unknown monetary value that should have been forwarded to the carriers for refund. ACTION has lost its entitlement to some of these refunds because it did not forward the tickets and documents within the time specified.

In other instances ACTION lost refunds because, as far as we could determine, travelers did not return unused tickets, although they had expired and were not valid for travel. The following example illustrates this problem.

In 1965 ACTION paid \$1,205 for a round trip ticket from Katmandu, Nepal, to Seattle via Tokyo. The traveler arrived in Seattle in December 1965 and exchanged the Seattle-to-Tokyo portion of the return ticket for a ticket to Tokyo via San Francisco and Honolulu. The traveler used the San Francisco-to-Honolulu ticket for personal travel and eventually returned to San Francisco where he attempted to use the balance of the ticket together with personal funds to return to Katmandu. The carrier refused to honor the ticket because it had expired in 1966. ACTION paid \$661.50 for another GTR to cover the travel from San Francisco back to Katmandu. If the traveler had returned his unused ticket, ACTION could have recovered about \$600 by submitting the ticket to the carrier within the prescribed time.

Refund checks not deposited

We found \$3,796 in carrier refund checks that had not been deposited into ACTION's accounts. The checks ranged in age from a few weeks to more than a year. We could not associate many of the checks with refund applications nor could we establish any valid reason why the checks had not been deposited.

Refund application for lost tickets not forwarded to carriers

When ACTION's transportation branch determines a ticket lost, it prepares refund application forms. The forms are periodically forwarded to the Division of Accounting where they are entered as receivables and forwarded to the carrier for refund. We found completed forms, ranging in age from a few weeks to many months, that had not been sent to the carrier.

Refund applications for lost tickets must be filed within 30 days after the tickets have expired. In some cases the carrier had refused to refund because applications had not been filed within the time limit. We could not collect on these tickets.

Refunds and claims not forwarded to GAO

Our report of December 8, 1971, pointed out that uncollected refund claims against carriers were not being forwarded to GAO for collection. These claims were still not being forwarded to us at the time of our current review.

We found about 4,500 completed claims on which carriers had refunded nearly \$800,000. Many of the claims covered tickets procured in 1967 and 1968. We did not include these refunds in our audit and cannot collect further on insufficient refunds which could have been collected.

Related matters

Several factors contributed to the mishandling of unused tickets and related refunds. When we began our review, ACTION had not assigned anyone to handle unused tickets. When a person was assigned to handle them, the operation was not properly supervised because no one was available who fully understood it. At ACTION's request, one of our auditors instructed and assisted an ACTION employee in processing the unused tickets and refund checks.

Another factor contributing to mishandling was the accountability system. We could not obtain old applications for refunds which we found until the agency's computer system processed them. This caused an additional delay in processing even though most of the forms were already several years old.

ACTION's records also contained duplicate receivables which were not cleared from the system when refunds were received. This happened because unused tickets were sent to the wrong carrier as the following example illustrates.

ACTION issued a GTR to American Airlines for a group of Peace Corps volunteers. American issued the tickets and was paid for them. Before the trip, some of the travelers exchanged their tickets for tickets issued by Pan American World Airways. ACTION submitted the unused tickets to Pan American for refund and set up a receivable for them. Pan American, recognizing that ACTION had paid American Airlines for the tickets, properly forwarded them to American, and American promptly refunded. Credit was given to American Airlines for the refund, but the receivable against Pan American remained on the record. The receivable should have been established against American Airlines and the tickets forwarded to them.

AGENCY CORRECTIVE MEASURES

We discussed our findings with ACTION officials in March 1973. They recognized the deficiencies and began to correct them.

In July 1973, ACTION asked us to review its corrective measures. We found that it had issued written instructions for handling and controlling unused tickets and for forwarding documentation to GAO. It had also assigned full-time personnel to carry out the instructions.

CONCLUSIONS

In our opinion, ACTION is now properly

- processing unused passenger tickets, refund applications, and exchange orders,
- depositing carrier refund checks,
- sending refund applications to the carrier for tickets lost by volunteers, and
- forwarding information to GAO as required for its audit of transportation payments.

Sincerely yours,



T. E. Sullivan
Director