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WASHINGTON, D.C. 20548

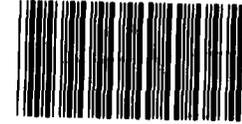
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ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

July 27, 1983

B-212269

The Honorable John O. Marsh, Jr.
The Secretary of the Army



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The Honorable John Lehman
The Secretary of the Navy

Subject: Need to Better Control and Account for
Refunds for Unused Transportation Services
(GAO/AFMD-83-83)

This report presents the results of our review of Army and Navy central systems for controlling and accounting for refunds from passenger carriers for unused transportation services. Since Air Force and Defense agency collections are handled by the Department of the Army, we are not making separate reports to those agencies.

Our work revealed the following weaknesses in processing and accounting for unused passenger tickets.

- Travelers and transportation officers were not promptly submitting unused tickets to the central refund processing centers. This unnecessarily delayed collections.
- Transportation officers were not voiding unused tickets. The tickets were therefore susceptible to misuse.
- The services were not accounting for unused ticket refund receivables. This meant that the accuracy of refunds was unknown.

BACKGROUND

Every year, through its centralized processing facilities, the Department of Defense collects millions of dollars in refunds from passenger carriers. During fiscal 1981, Defense collected about \$15 million on unused or partially used tickets and on refund applications issued by airlines. This figure can be expected to increase with Defense's transportation budget--an estimated \$574 million in 1982, which is twice what it was in 1978.

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The refund process is controlled by three centralized service organizations, or finance offices:

- The U.S. Army Finance and Accounting Center.
- The Navy Material Transportation Office.
- The Marine Corps Logistics Base.

These finance offices, acting under General Services Administration (GSA) policies and procedures, supplemented by Department of Defense guidelines, (1) receive unused or partially used tickets and airline refund applications from transportation offices in the field, (2) bill passenger carriers for refunds, and (3) refer unpaid refunds to GSA for additional collection action. Defense travelers are required by regulation to promptly turn in to their transportation officers wholly or partially unused tickets and airline refund applications (that is, documents issued by airlines when a ticket exchange results in a lower fare).

If carriers do not pay within 90 days of being billed for refunds, the finance offices are supposed to inform GSA, which then makes further collection efforts.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess Defense's centralized efforts to control and account for refunds. Our review included an examination of the services' policies and procedures for establishing, controlling, billing, and collecting refunds from passenger carriers. We did not review the Marine Corps Logistics Base, however, because in 1981 it handled less than 5 percent of the centrally processed refunds.

We visited the Army Finance and Accounting Center in Indianapolis, Indiana; the Navy Material Transportation Office in Norfolk, Virginia; the installation transportation offices at Fort Knox, Kentucky; Wright-Patterson Air Force Base, Dayton, Ohio; and Norfolk Naval Base, Norfolk, Virginia. We obtained comments from Defense officials regarding our findings and considered the comments in preparing this report.

We performed our review in accordance with generally accepted government audit standards.

MANY UNUSED TICKETS ARE RETURNED LATE

Our review of 5,650 unused tickets showed that 2,182, or 39 percent, took more than 60 days to reach the central finance offices, counting from the date of the last scheduled travel. The age of the late tickets ranged from several months to 5 years. Such delayed submissions increase the risk of loss or misuse of the tickets and result in failure to promptly collect refunds due the Government. The following table summarizes the review results.

<u>Finance office</u>	<u>Unused tickets reviewed</u>	<u>Tickets received after 60 days</u>	
		<u>Number</u>	<u>Percent</u>
ARMY (note a)			
Airline tickets	3,201	774	24
Bus tickets	<u>1,166</u>	<u>958</u>	<u>82</u>
	4,367	1,732	40
NAVY (note b)			
Airline tickets	1,203	374	31
Bus tickets	<u>80</u>	<u>76</u>	<u>95</u>
	<u>1,283</u>	<u>450</u>	<u>35</u>
Total	<u>5,650</u>	<u>c/ 2,182</u>	<u>39</u>

a/ All unused tickets received at the Army during the 6 weeks from Feb. 16 to Apr. 2, 1982.

b/ All unused tickets received at the Navy during the period Apr. 19-29, 1982.

c/ 1,306 of these, valued at \$171,851, were wholly unused. We could not readily determine the value of the partially used tickets.

During our audit, Defense took steps to remind travelers and transportation officers of their responsibility to submit unused tickets promptly. These reminders to comply with regulations should help correct the problem; however, the services need to periodically assess the extent of compliance.

MANY UNUSED TICKETS ARE RETURNED UNCANCELED

Although required to do so by Defense regulations, field installations often did not void unused tickets before sending them to the finance offices. If not voided, unused tickets are susceptible to possible misuse.

Of the 5,650 tickets we examined at the Army and Navy finance offices, 2,028 (36 percent) arrived uncanceled. Of the uncanceled tickets, 1,143 were totally unused and had a value of almost \$219,000. The remaining 885 uncanceled tickets were partially unused, and their value could not be readily determined. After we discussed this matter with finance officials they reminded transportation offices that unused tickets are required to be canceled.

FINANCE OFFICES NEED TO ESTABLISH
ACCOUNTING CONTROLS

The Army and Navy finance offices were not recording accounts receivable when requesting refunds from the carriers, even though Title 2 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies requires a systematic recording of amounts due. Without it, these offices could not tell how much carriers owed, how prompt and accurate carrier payments were, or even whether payments had been made at all. Maintaining an accounts receivable would enable the Army and the Navy to evaluate and control collection of transportation refunds.

We also saw no attempt to determine the amounts due on tickets returned to carriers or to track when refunds were due. Each of the finance offices had a manual system which identified the unused ticket sent to the carrier for a refund. When the carrier subsequently made refunds, it was in many instances difficult or impossible to relate the amount of the refund to any specific unused ticket.

We made an analysis of 4,440 airline refunds received at the Army center during the 5 weeks from February 22 through March 26, 1982. We found that only 2 of 15 carriers included in our analysis paid within 30 days (that is the length of time generally accepted by business for payment of debts). The remaining 13 carriers took between 34 and 102 days to make payment. The average payment time was 60 days. With a properly maintained accounts receivable, similar information on timeliness of payments and whether or not all amounts were collected would be readily available to management. Corrective action could be initiated as appropriate.

According to Army officials, it would be difficult for the Army to record receivables for all refunds because the value of a partially unused ticket cannot easily be determined. It takes expertise to figure complicated transportation rate structures. Since the establishment of accounts receivable would provide a basic management tool for handling millions of dollars in travel refunds, we believe it would be worthwhile for the services to develop the necessary expertise to determine amounts due from the passenger carriers.

CONCLUSIONS AND SUGGESTIONS

Unused tickets should be turned in promptly to prevent a delay in billing for and receiving refunds. Further, it is important that unused tickets be voided by the transportation officers to prevent misuse. Defense has regulations requiring both prompt handling and cancellation of unused tickets, and has reminded travelers and transportation officers of their responsibilities. Periodic reminders in the future would help alleviate the problems we found.

Accounts receivable should be established for refunds due from carriers. This would allow the Department of Defense to know how

much money is due, when it is due, and the accuracy of refunds received.

We suggest that the Army Finance and Accounting Center and the Navy Material Transportation Office

--periodically provide feedback to appropriate headquarters on unused tickets that (1) are submitted late and (2) have not been canceled, so that corrective action can be taken; and

--establish accounts receivable for refunds from carriers.

We would appreciate hearing your response to our suggestions within 60 days of the date of this letter.

We are sending copies of this report to the Secretary of Defense and the Secretary of the Air Force.



John F. Simonette
Associate Director