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PREMIUM CLASS TRAVEL

Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel

**G A O**Accountability * Integrity * Reliability



Highlights of [GAO-07-1268](#), a report to congressional requesters

Why GAO Did This Study

Previous GAO work on widespread improper premium class travel at the Department of Defense (DOD) and the Department of State (State) have led to concerns as to whether similar improper travel exists in the rest of the federal government. Consequently, GAO was asked to (1) determine the magnitude of premium class travel governmentwide and the extent such travel was improper, (2) identify internal control weaknesses that contributed to improper and abusive premium class travel, and (3) report on specific cases of improper and abusive premium class travel. GAO analyzed bank data and performed statistical sampling to quantify the extent premium class travel was improper. GAO also performed data mining, reviewed travel regulations, and interviewed agency officials.

What GAO Recommends

To improve management and oversight of premium class travel, GAO is making three recommendations to the Office of Management and Budget (OMB), and five recommendations to the General Services Administration (GSA). They include requiring agency reporting on premium class travel including business class, clarifying specific provisions of the Federal Travel Regulations (FTR), and creating an office for central oversight of agency travel policies to help ensure adherence to federal regulations. In written comments, OMB and GSA generally agreed with GAO's findings and recommendations.

To view the full product, including the scope and methodology, click on [GAO-07-1268](#). For more information, contact Gregory Kutz at (202) 512-6722 or kutzg@gao.gov.

PREMIUM CLASS TRAVEL

Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel

What GAO Found

Breakdowns in internal controls and a weak control environment resulted in at least \$146 million in improper first and business class travel governmentwide. The federal government spent over \$230 million on about 53,000 premium class tickets from July 1, 2005, through June 30, 2006. Premium class tickets are costly—for example, a Department of Agriculture (USDA) executive flew business class from Washington, D.C., to Zurich, Switzerland, at a cost of \$7,500 compared to \$900 for a coach class ticket. Based on statistical sampling, GAO estimated that 67 percent of premium class travel was not properly authorized, justified, or both.

While business class travel accounted for 96 percent of all premium class travel, many agencies informed us that they did not track, and thus did not know the extent of, business class travel. OMB and GSA also did not require reporting of business class travel. GAO found large differences in premium class guidance governmentwide, with some agencies issuing less restrictive guidance that were tailored for executive travel. For example, the FTR allows premium class travel for flights over 14 hours if properly authorized. However, executives at the Foreign Agricultural Service frequently used “mission critical” to justify flights to Western Europe that typically lasted less than 10 hours. Other agencies, such as State and the Millennium Challenge Corporation (MCC), automatically approved premium class travel for all flights over 14 hours. GAO's analysis of flights involving destinations in the United States and Africa, the Middle East, and parts of Europe lasting 14 hours or more showed that 72 and 83 percent, respectively, of State's and MCC's flights involving these locations were in premium class. In contrast, 3 percent of all DOD's and the Department of Homeland Security's flights to the same locations were in premium class.

The examples below represent specific cases of improper and abusive use of premium class, including employees of entities not subject to the FTR that have issued policies that resulted in the purchase of costly premium class travel. For example, the U.S. Postal Service (USPS) allows all members of the board to fly first class whenever they are on business.

Examples of Improper, Abusive, and Wasteful Premium Class Travel

Agency	Cost of premium ticket(s)	Reason travel was improper or abusive
USDA	\$163,000	- Executive had subordinate authorize 25 premium class flights. - Executive used “mission critical” to justify 10 of the 25 flights lasting less than 14 hours to Western Europe.
DOD	105,000	- Executive flew premium class 15 times claiming a medical condition. - Medical condition was documentation with a note signed by a DOD employee, not a physician as required by DOD regulations.
State	46,000	Family of 8 flew premium class to relocate from Washington, D.C., to Eastern Europe. Coach tickets would have cost \$12,000.
USPS	2,200	A member of the board flew first class round trip from Washington, D.C., to Los Angeles. Comparable coach price was \$400.

Source: GAO analysis of bank data and supporting documentation.

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Abbreviations

DOD	Department of Defense
FAM	<i>Foreign Affairs Manual</i>
FAS	Foreign Agricultural Service
FDIC	Federal Deposit Insurance Corporation
FRB	Federal Reserve Board
FTR	<i>Federal Travel Regulations</i>
GSA	General Services Administration
JFTR	<i>Joint Federal Travel Regulations</i>
JTR	<i>Joint Travel Regulations</i>
MCC	Millennium Challenge Corporation
OMB	Office of Management and Budget
PCS	permanent change of station
SES	Senior Executive Service
TDY	Temporary Duty Travel
USAID	United States Agency for International Development
USDA	Department of Agriculture
USPS	United States Postal Service

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United States Government Accountability Office
Washington, DC 20548

September 28, 2007

The Honorable Carl Levin
Chairman
The Honorable Norm Coleman
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

The serious fiscal challenges facing the federal government dictate that agencies do everything they can to operate as efficiently as possible. With respect to government travel, employees on official government travel are expected to follow published guidelines related to when and how premium (first and business) class travel should be undertaken. Due to the high cost of premium class travel, the General Services Administration's (GSA) *Federal Travel Regulations* (FTR)¹ includes specific guidelines meant to restrict premium class use. For example, agencies can provide business class travel for agency mission; when an individual has a physical disability that is certified by a medical professional; or a flight is to or from a destination outside the continental United State, exceeds 14 hours, and is taken without a rest stop en route or at destination (i.e., the 14-hour rule). While travelers who meet these or a number of other criteria stated in the FTR may qualify for premium class, GSA directs agencies to evaluate each application, decide whether the circumstances warrant it, and issue specific authorization before the traveler can travel premium

¹The FTR, located in Subtitle F of Chapter 41 of the *Code of Federal Regulations*, implements both statutory and Office of Management and Budget requirements and policies for travel by federal civilian employees and others authorized to travel at government expense. In addition, three other major sets of federal travel regulations existed: (1) the Department of Defense's (DOD) Joint Federal Travel Regulations for uniformed members, (2) DOD's Joint Travel Regulations for civilian personnel, and (3) the Department of State's *Foreign Affairs Manual* and *Foreign Affairs Handbook*. These implementing guidelines are generally consistent with the GSA's guidance related to premium class travel.

class. To safeguard taxpayer's money, the regulations state that agencies are to conduct all travel as responsibly as possible. For their part, travelers are told to exercise the same standard of care in incurring expenses that a prudent person would exercise if traveling on personal business. However, in 2003 and again in 2006, we reported that weaknesses in internal controls at the Department of Defense (DOD)² and the Department of State (State)³ led to improper use of premium class travel, that is, travel that was unauthorized or unjustified. Premium class flights are of special concern because they often cost thousands of dollars more than the coach class alternatives. Subsequently, questions have arisen as to whether improper and abusive⁴ premium class travel was also occurring in other federal government agencies. This report responds to your request that we provide the results of our audit and investigative work on the use of premium class travel governmentwide.

Specifically, we (1) determined the magnitude of premium class travel governmentwide and the extent such travel was improper, (2) identified internal control weaknesses that contributed to improper and abusive premium class travel, and (3) reported on specific cases of improper and abusive premium class travel.

To determine the magnitude of premium class travel, we extracted premium round-trip airline ticket transactions from July 1, 2005, through

²GAO, *Travel Cards: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel*, [GAO-04-88](#) (Washington, D.C.: Oct. 24, 2003), and *Travel Cards: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel*, [GAO-04-229T](#) (Washington, D.C.: Nov. 6, 2003).

³GAO, *State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*, [GAO-06-298](#) (Washington, D.C.: Mar. 10, 2006).

⁴For this report, we define improper premium class travel transactions as those transactions 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 the FTR, and with DOD's and State's travel policies. We also consider transactions to be improper if premium class travel was authorized under agency policies and procedures that were inconsistent with the FTR 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](#)). We define as abusive premium class travel those transactions that may not have violated regulations, but nevertheless may involve behavior that is deficient or improper when compared with behavior a prudent person would consider reasonable and necessary given the circumstances of the travel, the cost of the travel, or both.

June 30, 2006, from the databases provided by the four banks that supplied travel cards to federal government employees—Bank of America, Citibank, JPMorgan Chase, and US Bank. We drew and tested a statistical sample of premium class travel transactions and conducted other audit work to determine the extent to which this travel was improper. We included in our statistical sample premium class transactions from all executive agencies, wholly owned federal government corporations, and independent establishments as defined by the United States Code.⁵ We excluded transactions by employees or individuals approved to travel for the legislative and judicial branches, executive entities with statutory authority over their own travel that are not subject to the FTR, and entities under treaty with the United States, and premium class travel obtained as a result of mileage upgrades because they did not result in a cost to the federal government.

To identify underlying causes contributing to improper premium class travel, we reviewed federal laws and regulations and selected agencies' implementing guidance, and interviewed agency officials on their agencies' approval processes for premium class travel. We also interviewed GSA and Office of Management and Budget (OMB) officials on their oversight of premium class travel. To identify whether variances existed in how agencies used premium class travel, we calculated the extent to which federal agencies flew premium class for flights over 14 hours to selected locations. We used data mining to identify the most egregious examples of premium class travel, including instances of high-priced or frequent premium class travel by the same individual from July 1, 2005, through September 30, 2006. This period includes an additional 3 months of data subsequent to the period included in our statistical sample. Our case studies included premium class travel by individuals from executive entities with statutory authority over their own travel that are not subject to the FTR, and also included information obtained through investigations of specific allegations regarding possible premium class travel abuse received through GAO's FraudNET hotline. Appendix I provides further detail on our scope and methodology.

⁵5 U.S.C. 104, 5 U.S.C. 105, and 31 U.S.C. 9101. Due to the difficulty of perfectly extracting transactions from all entities that should be excluded from the sample population, the possibility exists that one of these transactions could be selected. However, if transactions from entities that should have been excluded from the sample population were selected, they were replaced. See app. I for further details of our scope and methodology.

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

Results in Brief

A weak control environment and breakdowns in specific internal control procedures resulted in at least \$146 million in improper first and business class travel by executive branch agencies over the 12-month period ending June 30, 2006.⁶ Specifically, of the \$230 million the federal government⁷ spent on over 53,000 premium class airline tickets (including at least one leg of premium class travel) from July 1, 2005, through June 30, 2006, 67 percent were either not properly authorized, not properly justified, or both. According to GSA data, the government fare for business class travel⁸ is typically more than 5 times the price of coach class travel for comparable routes, with some tickets costing more than 10 times as much. First class travel can be even more costly. For example, we found that a round-trip first-class ticket from Washington, D.C., to London cost over \$12,000 compared to a business class ticket that would have about \$6,000, or a coach class ticket that would have cost less than \$800. Further, our testing indicated that senior executives (senior-level executives and presidential appointees with Senate confirmation) accounted for 15 percent of premium class travel while constituting about one-half of 1 percent of the federal workforce.

⁶The projection of improper premium class travel was the result of a statistical sample. We used lower bound estimates using the percentage of premium class transactions that were improperly authorized, justified, or both because it is more conservative both by percentage and dollars because we used a lower bound estimate. The midpoint estimate of improper travel was \$167 million.

⁷The population for governmentwide premium class travel includes premium class transactions from all executive agencies, wholly owned federal government corporations, and independent establishments as defined by the United States Code.

⁸GSA negotiates government fares for business class travel for a limited number of international routes. Consequently, we were able to compare only the coach class fare against the business class fare for these routes. Because a negotiated fare does not exist for first class tickets, we did not calculate the difference between the average coach and the average first class ticket.

The breakdowns in specific internal controls demonstrated by the instances of improper premium class travel identified through our statistical sample were exacerbated by a weak control environment. While agencies collected and reported on first class travel, agency officials informed us that they did not collect information on—and thus were not aware of the extent of—business class travel. OMB and GSA do not require reporting of premium class travel other than first class, despite the fact that we estimate that business class travel accounted for 96 percent of governmentwide premium class travel. We further found that no central oversight existed over agencies’ implementing guidance, and thus it was not surprising that inconsistent policies and procedures existed for premium class travel across the federal government. For example, some agencies had policies and procedures that permitted approving premium class travel without properly considering the final costs to the taxpayers. Specifically, State’s policies and procedures allowed foreign affairs travelers to continue to be automatically approved for premium class for all trips over 14 hours, a practice that we have previously questioned because of the increased costs to the taxpayers.⁹ Similarly, Millennium Challenge Corporation’s (MCC) policies and procedures violated the requirements of the FTR by allowing employees to fly business class without specific authorization whenever the flight exceeded 14 hours. We found that more than 70 percent of State’s and 85 percent of MCC’s over 14-hour flights to Africa, the Middle East, and selected locations in Europe were in premium class. In contrast, only 3 percent of DOD and Department of Homeland Security travel to these same locations was carried out using premium class, which resulted in millions of dollars of savings for these agencies.

Contrary to the FTR, we also found that some agencies that were required to adhere to the FTR issued premium class policies in such a way as to allow individuals to travel in first or business class because of their positions in the organization. In addition, we also found that federal entities exempt from the FTR also followed similar practices. Listed below are examples of agencies subject to the FTR and exempt from the FTR that permitted senior executives to travel premium class:

- At the Department of Agriculture’s (USDA) Foreign Agricultural Service (FAS), policies and procedures permitted senior executives to use mission

⁹State’s premium class travel could decrease in the future based on corrective actions taken by State during the period under audit based on our previous audit findings.

critical, the 14-hour rule, or both to travel premium class while non-executive employees taking the same flight flew coach class. For example, in December 2005, a FAS executive traveled from Washington, D.C., to Hong Kong and back in business class, a ticket that cost the government over \$6,900. In contrast, 11 other FAS employees did not travel in premium class, even though they were qualified to do so under the 14-hour rule. Instead, the 11 employees traveled on the same plane in coach at the cost of less than \$1,400 per ticket.

- The United States Postal Service's (USPS) premium class policy allows members of the Board of Governors to travel first class to any destination. Using this policy, a member of the board flew first class from Washington, D.C., to Los Angeles at a cost of \$2,200 compared to \$400 in coach.

Our case studies provide further illustrations of the extent and nature of improper premium class travel. In each case study below, premium class tickets cost the taxpayers tens of thousands of dollars more than their equivalents in coach class—the required class of travel with a few exceptions. Our case studies included multiple premium class trips by senior executives and costly group travel that were improper and abusive.

- A senior executive at FAS took 10 premium class trips from Washington, D.C., to Geneva, Paris, and other destinations in Western Europe from July 1, 2005, through September 30, 2006. In violation of USDA's policies and procedures, these trips were authorized by the executive's subordinate—tantamount to self-authorization. These tickets were not only improper, but because these tickets totaled more than \$62,000 compared to less than \$9,000 in coach, the \$53,000 difference between business and coach class travel was abusive.
- A group of 21 employees from the Office of the United States Trade Representative traveled from Washington, D.C., to Hong Kong to attend an international trade meeting. These tickets, which were purchased in business class, cost about \$100,000 compared to just \$32,000 if these individuals had flown coach. No document existed that authorized these employees for premium class travel, and therefore the trips were unauthorized and unjustified.
- One DOD traveler flew 15 times in premium class costing the government over \$100,000 from July 1, 2005, through September 30, 2006. According to the travel orders for these trips, the official had a medical condition that justified the majority of the trips. However, the medical justification provided by DOD was a letter signed by a DOD employee citing a non-life-changing surgery that occurred in 2001. DOD could not produce a

physician's statement documenting the traveler's need to fly premium class. According to DOD regulations, flying premium class based on a medical condition requires a physician's certification.

This report contains recommendations to OMB and GSA aimed at minimizing improper and abusive premium class travel and related governmentwide travel costs. Our recommendations address the need to (1) improve internal controls to properly authorize and justify premium class travel, including prohibiting subordinates or the travelers themselves from authorizing premium class travel, and (2) establish procedures to require compiling governmentwide data and monitoring of the extent of premium class travel, including business class. In cases where recommendations apply only to certain agencies, we are issuing separate letters to the heads of these agencies discussing specific control weaknesses we observed and the related corrective actions required. Further, we are referring all cases of improper and abusive travel we identified to the respective agency management and inspector general's office for further actions, including, if warranted, repayment of the difference between premium class and coach class travel and disciplinary actions against those who have abused premium class travel.

In written comments on a draft of this report, OMB and GSA generally agreed with our findings and recommendations. GSA stated they did not have the statutory authority to address one of our recommendations, and we modified the language of the recommendation to allow GSA to address the intent of the recommendation under its statutory authority. OMB and GSA stated that they had taken actions or will take actions to address all our recommendations.

Background

The FTR, issued by GSA, implements statutory and OMB requirements and policies for most federal civilian employees and others authorized to travel at government expense. The purpose of the FTR is to ensure that official travel is conducted responsibly and at minimal administrative expense. Unless exempt by specific legislation,¹⁰ executive agencies, wholly owned

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

government corporations, and independent establishments are expected to follow the FTR, including its promulgation related to premium class travel. DOD's uniformed servicemembers and State employees exempt from the FTR are covered by their agencies' travel regulations.

OMB's general policy related to travel is that the taxpayers should pay no more than necessary to transport government officials. Consistent with this principle, the FTR states that with limited exceptions, travelers must use coach class accommodations for both domestic and international travel. Premium class travel can occur only when the traveler's agency specifically authorizes the use of such accommodations (authorization) and only under specific circumstances (justification). Specifically, the FTR states that first class accommodation is authorized only when at least one of the following conditions exists¹¹:

- coach class airline accommodations or premium class other than first class airline accommodations are not reasonably available,
- when use of first class is necessary to accommodate a disability or other special need that is substantiated in writing by a competent medical authority,
- when exceptional security circumstances require first class travel, or
- when required because of agency mission.¹²

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

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

¹¹The FTR also allows for the traveler to upgrade to premium class accommodations at the traveler's expense or by using frequent traveler benefits.

¹² 41 C.F.R. 301-10.123.

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- premium class travel is necessary to accommodate the traveler's disability or other physical impairment, and the condition is substantiated in writing by competent medical authority;
 - premium class travel is needed for security purposes or because exceptional circumstances make its use essential to the successful performance of the mission;
 - coach class accommodations on authorized/approved foreign carriers do not provide adequate sanitation or meet health standards;
 - premium class accommodations would result in overall savings to the government because of subsistence costs, overtime, or lost productive time that would be incurred while awaiting coach class accommodations;
 - transportation is paid in full by a nonfederal source;
 - travel is to or from a destination outside the continental United States, and the scheduled flight time (including stopovers) is in excess of 14 hours (however, a rest stop en route or a rest period upon arrival is prohibited when travel is authorized by premium class accommodations); or
 - when required because of agency mission.¹³

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

¹³ 41 C.F.R. 301-10.124.

DOD and State have also issued their own detailed implementing policies and procedures that cover all aspects of travel, from authorization to reimbursement to regulations for premium class. DOD issues the *Joint Federal Travel Regulations* (JFTR) for uniformed service members not covered by the FTR, and also updates the *Joint Travel Regulations* (JTR), which implements the FTR for DOD civilian employees. Similarly, State's *Foreign Affairs Handbook* and *Foreign Affairs Manual* (FAM) represent major sets of policies and procedures related to travel reimbursements to Foreign Service employees pursuant to the Foreign Service Act of 1980. With respect to premium class travel, the regulations contained in the JTR, the JFTR, and the FAM are generally consistent with the FTR.

Extent of Governmentwide Improper Premium Class Travel Is Significant

For 12 months of travel from July 1, 2005, through June 30, 2006, the government spent more than \$230 million on over 53,000 airline tickets that contained at least one leg of premium class travel.¹⁴ Using statistical sampling, we estimated that at least \$146 million of this premium class travel was unauthorized or unjustified. In addition, our statistical sample population contained a number of flights taken by government executives. Specifically, we found that senior executives (senior-level executives and presidential appointees with Senate confirmation), who constituted about one-half of 1 percent of the federal workforce, accounted for 15 percent of premium class travel.

Governmentwide Premium Class Travel Use

The government bought more than 53,000 premium class tickets totaling over \$230 million during a 12-month period from July 1, 2005, to June 30, 2006. We identified premium class tickets as any ticket that contained at least one leg of travel in first or business class. Since the government did not maintain centralized data on premium class travel, we extracted ticket information from the government credit card banks' databases of government individually and centrally billed account travel, which included over 6.1 million transactions for airline tickets valued at almost \$3.4 billion.

Although premium class travel represented less than 1 percent of the total flights taken governmentwide, the high cost of premium class tickets

¹⁴We included in our analysis premium class tickets that were acquired as a result of a purchase. Premium class accommodations obtained as part of an upgrade using frequent flyer miles represented no cost to the government and thus were not included in our analysis.

meant that premium class travel accounted for nearly 7 percent of total dollars spent on government airline travel. In some instances, the price difference between a business class and comparable coach class ticket may be negligible—particularly if the traveler traveled within Europe. However, on routes where GSA had awarded a government fare for economy and business classes, an average business class ticket in fiscal year 2006 cost more than 5 times the cost of a coach class ticket. For example, a traveler’s one-way business class ticket from Madrid to Washington, D.C., was over 7 times the price of a coach class ticket. First class tickets can be even more costly. For example, another traveler from the Federal Reserve Board (FRB) flew first class between Washington, D.C., and London for more than \$12,000, or more than 16 times the price of a coach class flight. To put the total amount spent on premium class travel into perspective, the over \$230 million the government spent on premium class travel during these 12 months exceeded the travel expenses on the government travel cards of most individual government agencies, including major executive agencies such as the Departments of Agriculture, Energy, Health and Human Services, Labor, Transportation, and the Treasury.

Premium class travel usage also varied significantly across federal agencies, both in the total amount and frequency with which premium class travel was used. Some agencies spent only a fraction of total airline expenditures on premium class, while premium class travel at other agencies was substantial. Data provided by the travel card banks showed that while DOD was the second largest user of premium class travel based on total dollars, it had substantially reduced its use of premium class travel charged to the government credit cards since 2004, following our DOD premium class audit.¹⁵ Specifically, DOD’s premium class charges decreased from more than \$124 million over fiscal years 2001 and 2002, or more than \$60 million annually, to slightly over \$23 million in the 12-month period ending June 30, 2006—about 1 percent of its air travel expenditures. In contrast, tickets bought by State for foreign affairs agency travelers continued to account for the largest portion of governmentwide premium class travel. Our data showed that the over \$140 million that State spent on nearly 30,000 premium class tickets for foreign affairs agency travelers represented over 60 percent of its total air expenditures

¹⁵ [GAO-04-88](#).

during this period.¹⁶ This amount, which is comparable to our previous finding at State, could decrease in the future based on actions taken by State based on our previous audit findings and subsequent to the data period we audited. For detailed breakdown of agencies' overall use of premium class travel, see appendix II.

Table 1 shows the results of our analysis of the frequency at which selected agencies purchased premium class tickets for flights involving airports in the United States and locations in Africa, the Middle East, and parts of Europe that likely lasted more than 14 hours. As shown, large differences existed in agencies' use of premium class flights to these locations. For example, 3 percent of DOD and Department of Homeland Security travelers flying to these locations flew premium class. In contrast, 72 percent of State's foreign affairs agency travelers and 83 percent of MCC's travelers flying to these same locations flew premium class.

¹⁶During the period under audit, State began to take corrective actions to address the recommendations we issued as part of our audit of State's premium class travel during fiscal years 2003 and 2004. Additional work needs to be performed in the future to see whether these actions resulted in a significant reduction in premium class travel.

Table 1: Selected Agencies' Use of Premium Class for 14-Hour Flights to Africa, the Middle East, and Europe

Agency	Number of premium class tickets to 14-hour locations	Total number of tickets to 14-hour locations	Percentage of tickets in premium class
Department of Homeland Security	170	6,600	3
Department of Defense	1,810	54,650	3
Department of Agriculture	230	1,060	22
United States Agency for International Development	330	1,340	25
Department of Commerce	230	800	29
Department of the Treasury	270	450	61
Department of State (for foreign affairs agency travelers)	8,870	12,270	72
Millennium Challenge Corporation	450	540	83

Source: GAO analysis of bank data.

Notes: The percentage of tickets to 14-hour locations in Africa, the Middle East, and Europe is most likely understated. Due to the lack of complete data on travel dates, we had to use a conservative methodology that likely overestimated the population of tickets that qualified as 14-hour tickets. For example, if a flight had an origin or destination in the United States and the 14-hour location in Africa, the Middle East, or Europe, we considered that flight to have been a 14-hour flight, and thus included it in the total number of 14-hour tickets. For example, if a traveler flew from Washington, D.C., to Frankfurt; spent a few days to perform work; then flew to Kuwait, we would have considered the trip to be a 14-hour trip. However, in reality, the trip from Washington, D.C., to Frankfurt was less than 14 hours, and similarly the trip from Frankfurt to Kuwait would have been less than 14 hours, and thus each trip would not have qualified as a 14-hour trip. By overestimating the total number of tickets for 14-hour locations, we are underestimating the percentage of trips to these locations that were premium class.

Key Transaction-Based Controls Are Ineffective

Of the over \$230 million in governmentwide premium class travel, we estimated that 67 percent of trips were improperly authorized, justified, or both. In all, the government likely spent at least \$146 million on premium class travel that was improper.¹⁷ As shown in table 2, we selected two key transaction-level controls—proper authorization and proper justification—for statistical sampling. Using these attribute tests, we estimated that 28 percent of governmentwide premium class travel was not properly

¹⁷Because of changes in airfares, we could not estimate with an acceptable level of statistical reliability the amount that could have been saved if these trips were taken in coach class.

authorized. Because premium class travel must first be authorized before it can be justified, transactions that failed authorization also failed justification. We also estimated, based on statistical sampling, that another 38 percent (a total of 67 percent) of premium class travel was not properly justified.

Table 2: Results of Statistical Sampling of Premium Round-trip Airline Ticket Transactions

Control test	Estimated percentage failure rate in key controls ^a
Not specifically authorized by a designated official at equal or higher rank/grade to the traveler	28
Not properly justified, authorized, or both	67 ^b
• Failed because premium class travel was not properly authorized	28
• Failed because of improper use of the 14-hour rule or other justification	38

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

Note: Our testing excluded all business class transactions costing less than \$750 because they were immaterial and frequently involved intra-European flights on airlines that offered only business class accommodation.

^aBecause 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 results as 95 percent confidence intervals (i.e., plus or minus 10 percentage points). These are the 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 of plus or minus 10 percentage points or less. In addition to percentage estimates, we also estimate the lower bound for the cost of unauthorized/unjustified premium class travel. This lower bound of \$146 million is based on the one-sided 95 percent confidence interval for our sample estimate of \$167 million spent on unauthorized premium class travel, unjustified premium class travel, or both. So, based on our sample, we are 95 percent confident that the actual amount is at least \$146 million.

^bDetail does not sum to total due to rounding.

As shown in table 2, 28 percent of governmentwide premium class travel was not properly authorized. Authorization failures fell into the following categories:

- *Blanket travel authorizations.* According to the FTR, premium class travel has to be specifically authorized. Consequently, blanket premium class authorization did not pass the specific authorization test.
- *Subordinate authorizations.* The FTR does not forbid subordinates from approving their superior's premium class travel. However, applying the

criteria set forth in our internal control standards¹⁸ and sensitive payments guidelines,¹⁹ premium class transactions that were approved by subordinates reduced scrutiny of premium class travel and amounted to self-approval, and thus would fail the control test.

- *No travel authorization.* In a number of instances, agencies were not able to provide a travel authorization corresponding to a trip in our sample.

Table 2 also shows that an estimated 67 percent of transactions failed the justification test. As the FTR requires specific authorization for all premium class travel, the 28 percent of transactions that failed the authorization test automatically failed the justification test. Thirty-six additional transactions (38 percent) failed justification, mostly due to improper use of the 14-hour rule. The failures are as follows:

- In four instances, travelers used the 14-hour rule to justify premium class travel, even though supporting documentation showed that flight time was less than 14 hours.²⁰
- In 29 instances, the traveler had a rest stop en route or rest period upon arrival at the destination city, upon returning home, or both. Travelers with rest stops en route or at destination are not qualified for premium class travel.²¹ Despite our request, agencies did not provide supporting documentation in these instances to indicate that the travelers reported to work and thus met the 14-hour criterion.

¹⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

¹⁹GAO, *Guide for Evaluating and Testing Controls Over Sensitive Payments*, [GAO/AFMD-8.1.2](#) (Washington, D.C.: May 1993).

²⁰State specifies that premium class flights can be justified if the most expeditious routing is more than 14 hours. Consequently, if the traveler obtained premium class flight by taking a routing that is not the most expeditious, we failed the transaction.

²¹The FTR states that a rest period en route or upon arrival would invalidate the need for premium class travel. Our interview with GSA officials further confirmed that if a flight arrived at its destination (either on the outbound or return) by the evening, at such a time that the traveler was provided a reasonable opportunity to get a night of rest, the traveler had a rest stop on arrival and should not be entitled to premium class travel for that particular itinerary. Similarly, DOD policy states that the 14-hour rule can only be used to justify a trip when the trip was so unexpected that the traveler was unable to have a rest en route or at destination. DOD policy also states that travelers are ineligible for business class accommodations if an “overnight rest period occurs at the TDY location before beginning work.”

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- In three instances, the premium class flights failed justification because the agency did not provide us with supporting documentation required by the agency's own premium class policy as justification for premium class travel.

Executive Premium Class Use

Our *Sensitive Payments Guide*²² states that senior government executives are subject to intense scrutiny in the event of "any impropriety or conflict of interest, real or perceived, regardless of how much money, if any, is involved." According to the guide, travel by high-ranking officials, for example members of the Senior Executive Service (SES), generals, admirals, and political appointees, is a sensitive payment area because it poses a high level of risk of impropriety. However, our sample indicated that high-ranking officials, including SES (career senior executives) and presidential appointees, were using premium class travel at a higher rate than other federal employees. These high-ranking officials made up about one-half of 1 percent of the federal workforce yet accounted for 15 percent of premium class travel in our sample population.²³

As stated previously, we consider premium class authorizations that were signed by subordinates to be tantamount to self-authorization. This is particularly true when travel by government executives is authorized by subordinates. Nevertheless, we found that some premium class flights taken by executives we looked at were approved by subordinates of the travelers. For example, a presidential appointee at the Department of the Treasury (Treasury) took 12 trips during the audit period that were authorized by a subordinate.

Our data mining also found instances in which senior executives used mission critical as justification for trips that did not qualify for premium class under the 14-hour rule. Frequently, those trips were authorized by subordinates, and the frequency of abusive travel by executives indicates that in these cases premium class was used as a perquisite for certain

²² [GAO/AFMD-8.1.2](#).

²³ The government does not collect information on air travel by rank/grade. Consequently, there is no empirical evidence to document the rate at which government executives travel. Therefore if government executives traveled more frequently than other government employees, this higher use of premium class travel would not be statistically significant. However, if government executives accounted for 15 percent of governmentwide air travel, the average number of tickets a government executive would use would be 69 round-trip tickets per year, or more than 1 round-trip ticket per week.

senior executives. For example, a senior executive at USDA took 25 premium class trips totaling \$163,000 from July 1, 2005, through September 30, 2006. Fifteen of the 25 trips, taken to destinations in Asia and Africa, were justified using the 14-hour rule. The remaining 10 trips to Western Europe were justified using mission critical as the criterion. All of this executive's premium class authorizations were not properly authorized because they were signed by a subordinate.

Ineffective Oversight and Internal Control Weaknesses Contributed to Improper and Abusive Premium Class Travel

A weak control environment further exacerbated breakdowns in specific controls that led to at least \$146 million in estimated improper premium class travel. Many agencies did not capture data related to business class travel, and therefore did not know the extent of premium class travel. Further, premium class policies and procedures existed that allowed potential abuse of premium class travel. We also found that several government entities, such as USPS, the Federal Deposit Insurance Corporation (FDIC), and FRB, which have their own pay structures and are exempt from the FTR, issued premium class travel guidance that was less restrictive. Consequently, while premium class travel at these agencies was properly authorized and justified according to the agencies' own policies, many of the trips were taken at increased costs to the taxpayers.

Lack of Monitoring and Oversight Exists over Premium Class Travel Use

The FTR²⁴ requires all executive branch agencies to provide GSA annual reports listing all instances in which the organizations approved the use of first class transportation accommodations, which GSA then forwards to OMB. However, agencies are not required to report on the use of premium class other than first class, despite the fact that business class travel accounted for nearly 96 percent of premium class travel governmentwide during the 12-month period under audit. We also found that OMB, GSA, and many agencies did not collect data on, and therefore were not aware of, the extent governmentwide use of premium class travel prior to our audit.

We found that business class travel is not tracked at the agency level even though it accounts for almost all premium class travel. Officials at several agencies we interviewed generally informed us that they did not track, and thus were not aware of, the extent of their business class travel. Agency

²⁴This requirement was prescribed at the direction of OMB. See OMB Bulletin 93-11.

officials also cited the lack of a business class reporting requirement as one of the reasons why they did not track business class travel. For example, officials at USDA and Treasury were not aware of the extent of business class travel at their respective agencies. Without knowing how much they spent on premium class travel, agencies cannot effectively manage their travel budgets so that they can prudently safeguard taxpayers' dollars.

We also found that neither OMB nor GSA obtained the data needed to track premium class travel other than first class governmentwide. As a result, the government did not have adequate data with which to identify the extent of any abusive travel in the federal government. Further, without all premium class data, OMB and GSA did not have the means to determine whether agencies are adhering to OMB's requirements that the taxpayers pay no more than necessary to transport government officials. As a result of similar GAO findings,²⁵ in early 2006 State responded to GAO's recommendations by issuing a directive requiring officials at the department to track business class travel.²⁶

GSA officials informed us that they did not know of any legislative impediment to requiring reporting on business class travel, though they expect that the amount of data would be much more extensive than for first class. GSA officials pointed to a decline in the use of first class travel since OMB started requiring reporting for this class of travel. They told us that the scrutiny associated with reporting requirements may have caused some agencies to restrict first class travel.

Weak Control Environment Exists with Respect to Premium Class Policies and Procedures

We found that no single agency, neither GSA nor OMB, has the central responsibility for oversight of premium class policies across federal agencies. Neither GSA nor OMB currently reviews agency policies regarding premium class travel. GSA officials informed us that agencies are expected to manage premium class travel and that they should be provided flexibility to do so. GSA officials saw their role as advisory, that is, they would generally advise when asked as to whether a particular agency was required to follow the FTR, or whether premium class travel could be authorized in specific situations. Officials at GSA informed us

²⁵GAO-06-298.

²⁶We have not performed work to determine the results of the implementation of this policy.

that they did not make determinations as to whether an agency implementing guidance adhered to the spirit of the FTR. Similarly, OMB does not oversee agencies' implementing guidance on premium class travel.

Without central oversight, it is therefore not surprising that we found different interpretation and implementation of premium class policies governmentwide. Some agencies, such as DOD, have made policy changes designed to limit the use of premium class travel consistent with the spirit of the FTR. Other agencies, however, have implemented the travel regulations in ways that allow more frequent use of premium class travel. For example, FAS's and Treasury's policies allowed employees to use "mission critical" or "exceptional circumstances" as criteria for premium class travel less than 14 hours. In December 2005, in one instance, a FAS executive traveled from Washington, D.C., to Hong Kong and back in business class, a ticket that cost the government over \$6,900. However, 11 other FAS employees traveled in coach class at a cost of less than \$1,400 per ticket, despite the flight lasting over 14 hours. Data mining we performed at these agencies found that the mission critical criterion is typically used by senior executives to justify less than 10-hour trips to Western Europe. Allowing senior officials to define their travel as mission critical can have a substantial effect on overall travel costs. A department travel policy allowing officials to justify their travel as mission critical contributed to FAS spending nearly \$2 million (about 30 percent) of its total air dollars on premium class tickets, with a large proportion going to fund executive premium class travel. We also found that while the FTR requires physician's certification for premium class travel based on disability, it did not require annual recertification. Consequently, we found an instance where the doctor's note for a non-life-changing illness was dated 3 years prior to the authorization for premium class travel.

The variance in implementing guidance we observed was an important factor in explaining the variances in the use of premium class governmentwide, as shown in table 1. Specifically, we found that premium class travel was taken less frequently at agencies where existing policies and procedures emphasized the importance of minimizing excess travel costs. For example, DOD's travel policy states that premium class flights over 14 hours would be approved only if the travel is so urgent that it can not be postponed or if alternatives did not exist. In contrast, MCC officials informed us that its procedures permitted automatically providing travelers with premium class for trips over 14 hours, without necessarily requiring specific authorization. A comparison between these two agencies' use of premium class travel to the same locations found that

MCC travelers flew to these locations in premium class 83 percent of the time, compared to DOD's use of premium class travel to the same locations only 3 percent of the time.

Agencies Exempt from the FTR Incurred Costly Premium Class Travel

Our audit of premium class travel by selected agencies that are exempt from the FTR found premium class policies that allowed more permissive use of premium class travel, resulting in higher travel costs to the government. For example, we found that some of these agencies' policies allowed business or first class travel for flights less than 14 hours, and other agencies' policies allowed premium class travel based on an individual's position in the organization. For example:

- At USPS, members of the Board of Governors are allowed to travel first class whenever they fly. For example, a member of the Board of Governors flew first class from Baltimore to San Francisco and back at a cost of \$1,900 when a coach class ticket would have cost \$500. USPS also allows all other officers to travel in business class overseas, regardless of the length of the flight.
- At FRB, all members of the board are allowed to travel business class for all international flights and all domestic flights exceeding 5 hours. In addition, there are limited instances in which FRB permits the use of first class. For example, a member of the Board of Governors of the Federal Reserve System and another FRB employee flew first class from Washington, D.C., to London and back at a cost of \$25,000. Comparable business class tickets would have cost \$12,000 and coach class tickets would have cost \$1,500.
- At FDIC, employees are allowed to travel premium class for international flights over 6 hours. For example a deputy director of FDIC flew business class from Washington, D.C., to London and back at a cost of \$7,200 while a coach class ticket would have cost \$800.

Case Studies of Improper and Abusive Premium Class Travel Highlight Extent and Nature of Control Breakdowns

To illustrate the effects of control breakdowns, we also data mined premium class travel data provided by the banks. Based on these techniques, and our statistical sampling, we found numerous examples of premium class travel without authorization or adequate justification. Further, we used data mining 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, even when properly authorized, generally was not adequately justified. We also identified cases where groups of individuals traveled in premium class together to a single

location. However, in the instances we examined, we found no justification showing that all members of the group needed to travel in premium class. Given the high cost of premium class tickets, unnecessary premium class group trips can be very costly to the government.

Examples of Improper and Abusive Use of Premium Class Travel

Table 3 contains specific examples of abusive travel from both our statistical sample and data mining, all of which were unauthorized, unjustified, or both. These cases illustrate the improper and abusive use of premium class travel. Following the table is more detailed information on some of these cases.

Table 3: Examples of Improper and Abusive Premium Class Travel

Traveler	Agency	Grade/rank/title ^a	Itinerary	Cost of ticket	Estimated cost of coach ticket ^b	Reason for exception
1	State	Special agent	Washington, D.C., to Sydney and back	\$12,200	\$2,200	- Travel order did not provide specific authorization for business class travel. - Transaction failed authorization and justification.^c
2	USDA	Presidential appointee	Washington, D.C., to Geneva and back	7,500	1,000	- Premium class travel authorization was signed by a subordinate. - Travel was to Geneva, a flight lasting 10 hours. - Flight was justified using the "exceptional circumstance" criterion. - Agency policy specifically prohibits the use of this criterion to justify flights to Western Europe. - Transaction failed authorization and justification.
3	USDA	SES	Washington, D.C., to Zurich and back	7,500	900	- Premium class travel authorization was signed by a subordinate. - Flight was justified using the "exceptional circumstance" criterion. - Agency policy specifically prohibits the use of this criterion to justify flights to Western Europe. - Traveler flew to London in business class and had a one-night stopover in London before returning home. - Transaction failed authorization and justification.

Traveler	Agency	Grade/rank/ title ^a	Itinerary	Cost of ticket	Estimated cost of coach ticket ^b	Reason for exception
4	State	GS-14	Washington D.C., to Tel Aviv and back	6,300	1,500	• Most direct route for this flight, as required by agency regulations, is less than 14 hours. • Flight, including a lengthy layover, was justified using the 14-hour criterion. • Transaction passed authorization but failed justification.
5	Transportation ^d	Presidential appointee	Washington, D.C., to Seoul and back	6,200	1,300	• Blanket travel order authorizing premium class was used. • Transaction failed authorization and justification.
6	MCC	Assistant general counsel	Washington, D.C., to Tbilisi and back	7,000	1,200	• No specific authorization exists for premium class travel. • Transaction failed authorization and justification.
7	Education ^e	GS-13	Washington, D.C., to Athens and back	5,400	1,500	• Business class travel authorized based on flight exceeding 14 hours. • Portions of the flight were in first class and unauthorized. • Using most direct route, trip would have lasted 12 hours. • Transaction failed authorization and justification.
8	DOD	E-6	Cairo to Washington, D.C.	5,400	800	• Travel was in first class, which was not specifically authorized on the travel order. • DOD claimed that the first class price was the same as coach. However, our work showed that the government rate from Cairo to Washington, D.C., is less than one-sixth the cost of the first class ticket purchased. • Transaction failed authorization and justification.
9	State	FO-02	Washington, D.C., to Tel Aviv	3,200	700	• Premium class travel authorized because trip exceeded 14 hours. • Travel took place as part of a permanent change of station move, where the traveler did not have to report immediately to work. • Transaction passed authorization but failed justification.

Traveler	Agency	Grade/rank/ title ^a	Itinerary	Cost of ticket	Estimated cost of coach ticket ^b	Reason for exception
10	DOD	GS-13	El Paso, Texas, to Washington, D.C., and back	2,200	800	• Business class travel authorized because of traveler's medical condition. • Medical condition was documented by a doctor's note over 3 years old. • Transaction passed authorization but failed justification.

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

Note: Amounts rounded to the nearest hundreds.

^aRank/grade/title includes rank/grade information from the General Schedule, State, and DOD.

^bSource of estimated coach fares is GSA city pair or expedia.com. Fares do not include applicable taxes and airport fees.

^cSubsequent to the date of this transaction, State changed its policy to forbid the use of blanket travel authorizations for premium class travel. This policy was designed to prevent transactions like the one in this case study.

^dDepartment of Transportation.

^eDepartment of Education.

- Traveler #1 is a special agent with State who flew premium class from Washington, D.C., to Sydney, Australia, and back at a cost of more than \$12,000, more than five times as much as a comparable coach class ticket of \$2,200. The authorization provided as part of the travel order applied to a different trip. Despite repeated requests, State did not provide us with the proper support for the premium class travel. Consequently, the trip failed both authorization and justification.
- Traveler #3 is a member of the SES at USDA's FAS, who flew business class from Washington, D.C., to Zurich and back. The total cost of the business class ticket was \$7,500, compared to \$900 in coach. The travel orders authorizing premium class travel were signed by the traveler's subordinate and thus failed the authorization criteria. Further, despite the flight taking less than 14 hours, including a layover, the traveler used the exceptional circumstances criteria, permitted under FAS policy to enable "a senior policy/program official to more effectively carry out the agency mission involving critical trade negotiations, market development, and sales efforts, or sensitive meetings," to justify the premium class travel. However, FAS policy specifically prohibits the use of business class for travel to destinations in Western Europe. In addition, on the return trip, the traveler took a one-night stopover in London on a Saturday after flying in premium class and then proceeded to Washington the next day.

Frequent Travelers

Our data mining of premium class travel from July 1, 2005, through September 30, 2006, found additional examples of abusive premium class travel taken by frequent premium class travelers, often executives. As mentioned previously, some trips taken by executives were approved by their subordinates and were therefore improperly authorized. In addition, trips taken by frequent travelers that were unauthorized and unjustified cost the government up to \$100,000 or more per traveler during the 15-month period we audited. More detailed information about some of the cases follows table 4.

Table 4: Examples of Abusive Activity by Frequent Premium Class Travelers

Case study	Agency	Rank/ grade	Number of tickets	Total cost of tickets	Details
1	USDA	SES	25	\$163,000	- All premium class travel was authorized by a subordinate of the traveler. - In 10 of the 25 trips, traveler used “exceptional circumstances” criterion to justify traveling premium class to locations in Western Europe where flight time is less than 14 hours. However, agency policy specifically forbids business class flights to Western Europe. - The traveler’s Western Europe trips cost more than \$62,000 in premium class compared to less than \$9,000 in coach class. - On the remaining trips lasting over 14 hours, traveler did not provide documentation justifying the use of the exceptional circumstances criterion, as required by agency policy, or that work was conducted upon arrival, as required by the FTR.
2	Treasury	Presidential appointee	21	129,000	- Traveler claimed that trips lasting less than 10 hours were mission critical. - Traveler’s subordinate authorized 12 of the 21 trips. Another 7 trips were not specifically authorized. - Nineteen trips failed authorization and consequently justification.
3	DOD	Presidential appointee	15	105,000	- Premium class generally justified through a medical condition. - The only evidence of the medical condition is a note signed by a peer of the traveler, not a physician. - DOD’s policy states that premium class travel can only be authorized for medical reasons if a competent authority certifies that a medical need exists and premium class is necessary.

Case study	Agency	Rank/ grade	Number of tickets	Total cost of tickets	Details
4	African Development Foundation	SES	10	56,000	- Tickets accounted for seven trips, some of which were authorized for premium class travel, while others were not. - Of the three properly authorized trips, two were justified with "special need." However, the foundation was not able to provide documentation of what constituted the traveler's special need.
5	Education	GS-15	9	42,000	- The traveler took several premium class trips that were authorized after the travel had already occurred. - One trip was justified using the 14-hour criterion; however, the trip was under 14 hours. - Other premium class trips were taken without specific authorization.

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

- Traveler #2 was a presidential appointee from Treasury who bought 21 tickets in premium class at a total cost to the government of \$129,000. Seven premium class tickets were not specifically authorized, and 12 were authorized by a GS-12 subordinate and were therefore improper. Further, the traveler took three trips in first class despite being specifically authorized for business class travel. Treasury's implementing guidance provides for premium class travel on trips that are mission critical. We found that on trips of less than 10 hours, the traveler claimed to be preparing briefing materials or reviewing materials en route that justified the use of the mission-critical criteria.
- Traveler #3 bought 15 premium class tickets costing the government over \$100,000 from July 1, 2005, through September 30, 2006. According to the travel orders for these trips, the official had a medical condition that justified the majority of the trips. However, the only documentation of the traveler's medical condition was a note signed by a peer of the traveler at DOD. According to DOD regulations, flying premium class based on a medical condition requires a physician's certification. However, DOD could not produce a physician's statement documenting the traveler's need to fly premium class.

Abusive Premium Class Travel by Groups

We also found that some agencies' policies and procedures allowed abusive travel by groups of employees—sometimes as many as 20 employees or more. In particular, we found several instances where groups of employees traveled to overseas destinations to attend meetings, conferences, or trade negotiations. In one instance, a group trip in premium class resulted in about \$200,000 in increased costs to the American taxpayers.

We also found instances where State and Department of Justice (Justice) authorized employees and their families to travel premium class in permanent change of station (PCS) moves. As reported previously,²⁷ while State believed such practice to be necessary because it improves employee morale, we question the need to provide premium class travel for PCS. In particular, we note that although federal and State regulations allow premium class travel if the flight is over 14 hours without a rest stop, DOD had issued regulations prohibiting premium class travel for PCS, unless for physical handicap or medical reasons. Specifically, DOD had determined that premium class travel is permitted only for flights over 14 hours if and only if the Temporary Duty Travel (TDY) purpose/mission is so unexpected and urgent it cannot be delayed or postponed, and a rest period cannot be scheduled en route or at the TDY site before starting work. This decision is consistent with the prudent traveler's principle and with DOD's new guidelines on the 14-hour rule, issued in early 2006. Table 5 contains specific examples of premium travel by group travelers. More detailed information about some of the cases follows the table.

Table 5: Examples of Abusive Activity by Group Travelers

Case study	Agency	Number of people	Total cost of tickets	Comparable coach class pricing	Details
1	State	32	\$293,000	\$124,000	• From January 2006 through June 2006, 32 agents traveled from Washington, D.C., to Liberia in premium class for the purpose of providing security protection for a foreign head of state. • Five travelers had no authorization for premium class use. • Three trips had duplicate tickets without evidence of a refund. • Seventeen travelers arrived home on Saturday after traveling in premium class without evidence of reporting for duty before a rest period.
2	United States Trade Representative	21	99,000	31,000	• A group of 21 employees of the United States Trade Representative traveled premium class in December 2005 to Hong Kong for an international trade meeting. • None of the transactions were authorized for use of premium class travel and were therefore not justified.

²⁷ [GAO-06-298](#).

Case study	Agency	Number of people	Total cost of tickets	Comparable coach class pricing	Details
3	USDA	8	50,000	8,000	- A group of eight USDA employees traveled from Washington, D.C., Baltimore, or Atlanta to Geneva to attend a ministerial conference. The longest flight lasted less than 11 hours. - All traveled using FAS's budget. - FAS policy prohibits the use of business class travel on Western European flights.
4	State	8	46,000	12,000	- A family of eight was authorized to travel premium class from Washington, D.C., to Eastern Europe as part of a PCS move. - Federal and State travel regulations allow premium class travel if the flight is over 14 hours without a rest stop. However, PCS moves typically involve a rest stop en route or a rest stop at destination, and thus should not necessitate premium class travel. - Prior to 2002, State policy prohibited the use of premium class accommodations for PCS travel even when the duration of the travel exceeded 14 hours. However, in 2002, State eliminated that prohibition.
5	Justice	9	35,000	4,000	- Nine Justice travelers flew under 14 hours one-way from cities in the United States to Frankfurt or back in premium class. - Flights were justified as being over 14 hours based on the travelers' transferring to military aircraft in Frankfurt and continuing travel. - Justice provided no documentation for military air travel taken by any travelers. - Two flights were not authorized for premium class.
6	Justice	5	22,000	6,000	- A family of five was authorized to travel from St. Louis to Sydney as part of a PCS move. - All members of the family traveled premium class. - PCS moves typically involve a rest stop en route or a rest stop at destination, and thus should not necessitate premium class travel.

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

- Case study 1 relates to a group of 32 agents who took 40 premium class trips from Washington, D.C., to Liberia to provide security protection to a foreign head of state from January 1, 2006, through June 15, 2006. We found five trips that had no authorization for the travelers to fly in premium class, and three trips that had duplicate tickets covering at least part of the traveler's itinerary. In addition, we found that 17 travelers arrived back in the United States on Saturday afternoon after flying in business class. There was no evidence any of the travelers went to work before taking a weekend rest period.

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- Case study 2 involves a group of 21 travelers from the United States Trade Representative Office within the Executive Office of the President. The travelers each flew from Washington, D.C., to Hong Kong in December 2005 in business class to attend a World Trade Organization meeting at a total cost to the government of nearly \$100,000. The travelers ranged in grade from GS-9 to SES. None of the travelers were authorized to fly premium class, and therefore the use of premium class was improper. According to GSA's city pair contract for this itinerary, the tickets would have cost about \$31,000 in coach class.

As shown in table 5, the differences between premium and coach class travel are made even more striking the larger the size of the group that is approved to travel premium class. The high cost of premium class travel by groups necessitates close scrutiny of whether it is absolutely necessary for the whole group to travel in premium class. Even a mix of premium class and coach class accommodations would represent significant savings to the government as opposed to everyone traveling premium class. As such, we are referring all cases of improper and abusive travel we identified to the respective agency management and inspector general's office for possible administrative actions to be taken against employees who abuse premium class travel use and repayment of the difference between premium class and coach class travel.

Conclusions

With the serious fiscal challenges facing the federal government, agencies must maximize their ability to manage and safeguard valuable taxpayers' dollars. Recognizing the high cost of premium class travel, GSA and federal agencies have issued a series of policies providing that such travel should be taken as a last resort. However, our audit shows that some federal agencies and other federally related entities did not adhere to this policy. In fact, some entities appeared to provide premium class as a perquisite to senior-level executives. Individuals that abusively use premium class travel at taxpayers' expense should be held accountable for the taxpayer dollars they waste. We are encouraged that DOD has taken steps to significantly curtail unnecessary use of premium class travel, potentially saving millions of dollars. Going forward, it will be important for other agencies to follow DOD's lead and take steps to restrict the use of premium class travel to only truly exceptional circumstances.

Recommendations for Executive Action

We are making the following eight recommendations to improve internal control over the authorization and justification of premium class travel and to strengthen monitoring and oversight of premium class travel as part of an overall effort to reduce improper and abusive premium class travel

and related government travel costs. We will also issue separate letters to USDA, MCC, Treasury, and FRB on actions needed to address specific control weaknesses we identified through our audit.

We recommend that the Director of OMB:

- Instruct agencies that premium class travel requests for their senior-level executives must be approved by someone at least at the same level as the traveler or an office designated to approve premium class travel for all senior-level executives.
- Establish policies and procedures to initially require all federal agencies to collect data on the use of all premium class travel, including business class, and submit the information to GSA annually until a risk-based framework is developed.
- Using the premium class data collected by GSA, consider developing a risk-based framework containing requirements as to:
 - Reporting business class travel to GSA. For example, OMB might want to consider only requiring entities to report business class travel when business class travel exceeds a percentage of total travel.
 - Performing audits of premium class travel programs, including a review of executive travel.

We recommend that the Administrator of GSA take actions necessary to help agencies comply with the FTR governing the use and reporting of premium class travel, including the following:

- Require that agencies develop and issue internal guidance that explains when mission criteria and the intent of that mission call for premium class accommodations.
- Require agencies to define what constitutes a rest period upon arrival.
- Require that the physician's certification related to medical requirements for premium class travel be updated annually unless the physical impairment is a lifelong impairment.
- Establish an office for travel management within GSA to review agency policies and procedures, identify areas where agency policies and procedures do not adhere to federal regulations, and issue

recommendations to agencies to bring their policies and procedures into compliance.

- Based on the premium class data collected from agencies, determine if the government should
 - clarify guidance concerning authorizing premium class travel only when less costly means of transportation are not practical and
 - limit the use of premium class travel for PCS moves to those necessary as a result of physical handicap, medical reasons, or security reasons, or if the trip is taken at no additional cost to the government.

Agency Comments and Our Evaluation

In written comments on a draft of this report, OMB concurred with our recommendations and stated that it is important to educate and remind federal travelers of the policies and regulations that govern federal travel to ensure that the most economic means of travel are used when conducting the government's business. OMB stated that it is working with GSA to require that premium class travel for senior-level executives be approved by someone at the same level as the traveler, or by an office specifically authorized to approve premium class travel. OMB further stated that GSA is preparing agency guidance for collecting and reporting premium class travel, and that OMB will begin working with GSA and agencies to develop a risk-based reporting and review framework consistent with Appendix A to OMB Circular A-123.

In written comments on a draft of this report, GSA concurred with many of our findings and recommendations and said that it will use a number of the report's findings to improve the FTR to ensure enhanced accountability and control of the use of premium class travel accommodations by federal employees. GSA said that these improvements will include requiring agencies to designate premium class approving officials, requiring agencies to develop internal definitions of mission critical and rest periods, and requiring physician's notes to be updated unless the physical impairment is a lifelong impairment. GSA will also be collecting business class travel data from agencies starting in fiscal year 2008.

GSA did suggest that one of our recommendations could be addressed in a different way than contemplated in the draft report. GSA pointed out that it does not have clear statutory authority to establish central oversight

offices for travel management. To address the intent of the recommendation, GSA informed us that with OMB support, it created the Center for Policy Evaluation and Compliance. GSA stated that the Center for Policy Evaluation and Compliance will seek to identify areas within agencies' policies and procedures that are not consistent with governmentwide standards. The center will be responsible for suggesting improvements to agencies. We have modified the language of this recommendation to adhere to GSA's current statutory authority and keep the intent of our original recommendation, which is that GSA takes a proactive role in reviewing agency policies and procedures for possible discrepancies with the FTR.

GSA's and OMB's comments are reprinted in appendixes III and IV.

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 of this report to the Director of OMB and the Administrator of GSA. We will make copies available to others upon request. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-6722 or kutzg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.

A handwritten signature in black ink, reading "Gregory D. Kutz". The signature is fluid and cursive, with the first name "Gregory" being the most prominent part.

Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations

Appendix I: Objectives, Scope, and Methodology

To assess controls over the authorization and issuance of governmentwide premium class travel, we used premium class travel transactions charged to the federal government's centrally billed and individually billed accounts during the 12-month period ending June 30, 2006.

Magnitude of Premium Class Travel and the Extent Such Travel Was Improper

To assess the magnitude of use of premium class travel, we obtained from Bank of America, Citibank, JP Morgan Chase, and U.S. Bank government travel charge card databases that contained travel transactions charged to the federal government for the 12 months ending June 30, 2006. The databases contained airline transactions and nonairline transactions charged to both the centrally and individually billed travel card accounts. We queried the databases to identify transactions specifically related to travel. The databases also contained transaction-specific information, including the passenger name, the ticket price, and the fare and service codes used to price the tickets 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 the federal government paid for premium class travel accommodations. We excluded from our audit premium class travel accommodations obtained as a result of upgrades, as these tickets did not result in costs to the federal government.

As you requested, our audit covered premium class usage at executive federal agencies and federally related entities. The population under audit consists of transactions by travelers approved to use the government travel card, except for employees and individuals whose travel was approved by legislative or judicial entities and entities covered by treaty with the U.S. government. Agencies included in the audit include executive agencies as described in the *Federal Travel Regulations* (FTR), including Chief Financial Officers Act agencies, other major executive agencies, independent federally related establishments, and wholly owned government corporations. As further detailed below, we performed statistical sampling on these entities to assess their internal controls and adherence to the FTR. However, to determine whether incidences of costly premium class travel occurred at other federally related entities, we expanded our data mining to premium class transactions of mixed corporations, such as the Federal Deposit Insurance Corporation, and other establishments specifically exempt from the FTR, such as the United States Postal Service.

We tested a statistical sample of premium class transactions to assess whether premium class travel was properly authorized and properly

justified, and to project the results of these tests to the population of governmentwide premium class travel. The population from which we selected our transactions for testing was the set of debit transactions for both first and business class travel that were charged during the 12 months ending June 30, 2006. Because our objective was to test controls over travel card expenses, we excluded transactions where half or more of the ticket had been refunded. While these trips may not have been properly authorized or justified, the amounts credited back to the government may have been for the premium class portion of the ticket. We also excluded refunded ticket transactions and miscellaneous debits (such as fees) that would not have been for ticket purchases from the population of transactions we reviewed.

We further limited the business class transactions to those costing \$750 or more because many intra-European flight business class tickets cost less than \$750 and are for flights for which there is only a single premium class cabin. 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 about the effectiveness of the internal controls. While we excluded business class transactions costing less than \$750, we (1) did not exclude all intra-European single cabin flights and (2) potentially excluded unauthorized business class flights costing less than \$750. Limitations of the database, specifically a lack of visibility between single- and multicabin aircraft, prevented a more precise methodology of excluding lower-cost business class tickets. For security reasons, we did not include in our projection or data mining selections premium class transactions related to agency-identified sensitive assignments and secretive details.

To test the implementation of key control activities over the issuance of premium class travel transactions, we selected a random probability sample from the subset of centrally billed and individually billed account transactions containing at least one premium class segment and for which the business class ticket cost at least \$750. We initially selected 192 premium class travel transactions. Seventy-nine transactions were excluded because they were out of the scope of the sample.¹ The final sample size of reviewed, in-scope transactions was 96, totaling about

¹Specifically, transactions were excluded because they were paid for by agencies that were not part of the scope of our work, such as some government corporations or entities not subject to federal regulations governing premium class travel, or were not paid for by the U.S. government.

\$391,000. We overselected initially because of the difficulty of perfectly extracting transactions from all government corporations and establishments that should be excluded from the sample population. For each sample transaction, we requested that the entities provide the travel authorization, travel voucher, travel itinerary, and other related supporting documentations demonstrating justification for premium travel arrangements. We also requested information on the rank or grade of the traveler. Based on the information provided, we assessed whether premium class travel was properly authorized and whether the premium class travel was justified in accordance with the FTR or other applicable travel regulations. If, after repeated requests, the entities did not provide us with the supporting documentation, we concluded that the premium class travel was improper. The results of the samples of these control attributes can be projected to the population of transactions governmentwide, not to any particular individual executive agency, federal corporation, or independent federally related entity.

Based on the sampled transactions, we also estimated the percentage of premium class travel taken by federal executives, that is, presidential appointees or members of the Senior Executive Service. With this statistically valid probability sample, each transaction in the population had a 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 results as 95 percent confidence intervals (i.e., plus or minus 10 percentage points). These are the 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 of plus or minus 10 percentage points or less. In addition to percentage estimates, we also estimate the lower bound for the cost of unauthorized/unjustified premium class travel. This lower bound of \$146 million is based on the one-sided 95 percent confidence interval for our sample estimate of \$167 million spent on unauthorized premium class travel, unjustified premium class travel, or both. So, based on our sample, we are 95 percent confident that the actual amount is at least \$146 million.

Underlying Causes of Improper and Abusive Premium Class Usage

We performed a limited assessment of the control environment over premium class travel by obtaining an understanding of the premium class travel authorization and ticketing process at selected agencies. We interviewed officials from the General Services Administration (GSA), Department of Defense (DOD), Department of State (State), Department of Agriculture, and Millennium Challenge Corporation. We also reviewed applicable policies and procedures and program guidance that they provided. We used as our primary criteria applicable laws and regulations that address governmentwide premium class travel, including the Office of Management and Budget's (OMB) mandated controls as implemented by GSA's FTR; DOD's *Joint Federal Travel Regulations* and *Joint Travel Regulations* for uniformed members and civilian personnel, respectively; as well as State's *Foreign Affairs Manual* and *Foreign Affairs Handbook*, which govern travel of U.S. members of the Foreign Service. We also used as criteria our *Standards for Internal Control in the Federal Government* and our *Guide to Evaluating and Testing Controls over Sensitive Payments*. Finally, we conducted "walk-throughs" of the travel process at selected agencies and federally related entities. We also interviewed GSA and OMB officials on their oversight of premium class travel.

To determine the frequency with which agencies used premium class travel for flights exceeding 14 hours, we identified airport codes in Africa, the Middle East, and far eastern Europe that would necessitate flights of 14 hours or more if traveling from the United States.² We analyzed the banks' databases to extract flights involving locations in the United States with the selected airports. We then compared the premium class flights to these locations to all flights taken to these locations governmentwide and for selected agencies.

Data Mining Improper and Abusive Premium Class Travel

In addition to our audit of a governmentwide statistical sample of transactions, we also selected other transactions identified by our data-mining efforts for audit. Our data mining identified additional examples of premium class travel by senior-level executives, individuals who frequently travel using premium class accommodations, and premium trips involving groups with four or more people. For this nonrepresentative data-mining selection, we also requested that the entities provide the

²We did not include in our analysis airports in Asia and South America because some flights to Asia from cities in the West Coast of the United States would not meet the 14-hour criteria and likewise for flights from and to South America.

travel authorization, travel voucher, travel itinerary, and other related supporting documentations demonstrating justification for premium travel arrangements. If the documentation was not provided, or if it indicated further issues related to the transactions, we obtained and reviewed additional documentation about these transactions.

Data Reliability

We assessed the reliability of the data provided by the four travel card banks by (1) performing various electronic testing of required data elements, such as transaction amounts and account numbers; (2) reviewing financial statements of the four banks for information about the data and systems that produced them; and (3) interviewing officials knowledgeable about the data at the four banks. In addition, we verified that totals from the databases agreed with the total travel card activity provided to and published in GSA data on travel, in totality and for selected agencies. We determined that data were sufficiently reliable for the purposes of our report.

We conducted our audit work from July 2006 through August 2007 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.

Appendix II: Background

Overall, government travel is managed as part of GSA's SmartPay program. The SmartPay program began in 1998 as a way to streamline purchasing, as well as providing an expeditious way to pay for travel expenses. Under this program, banks provide travel cards to government agencies and applicable employees for travel purposes. Travel cards provided directly to the agencies are known as the centrally billed accounts, and are typically used to purchase transportation services such as airline and train tickets, facilitate group travel, and pay for other travel-related expenses. The individually billed accounts, provided directly to individual travelers, are used for lodging, rental cars, and in many agencies for transportation services.

Four banks provide travel cards under the SmartPay program: Bank of America, Citibank, JP Morgan Chase, and U.S. Bank. According to GSA data, Bank of America and Citibank handle over 94 percent of SmartPay travel card transactions. In the 12 months ending June 2006, total GSA SmartPay travel card purchases totaled about \$6.9 billion. Nearly \$3.4 billion of the total travel card purchases were for airline travel. Premium class flights accounted for over \$230 million, or 7 percent, of the total spent on airline travel.

Subsequent to our selection of the statistical sample, the banks provided us with additional data related to premium class travel in the 3 months from July 1, 2006, through September 30, 2006. Our analysis of the additional bank data indicates that premium class travel usage stayed consistent among federal agencies. Table 6 provides information on the premium class travel of selected agencies from July 1, 2005, through June 30, 2006.

Table 6: Premium Class Flights Governmentwide and at Selected Agencies from July 1, 2005, through June 30, 2006

Agency/department	Total amount of premium class tickets (in millions)	Percentage of expenditures in premium class	Total number of premium class tickets purchased	Percentage of air tickets that were premium class
Governmentwide	\$232.9	7	53,100	<1
Department of State	142.4	61	29,700	25
Department of Defense	23.1	1	7,600	<1
Department of Homeland Security	10.0	5	3,000	<1
Department of the Treasury	6.9	10	1,400	<1
Department of Commerce	5.2	13	1,000	2
Millennium Challenge Corporation	3.8	77	600	38
United States Agency for International Development	3.2	27	600	8
Department of Agriculture	3.1	4	700	<1

Source: GAO analysis of government credit card data.

Appendix III: Comments from the Office of Management and Budget



THE CONTROLLER

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 21 2007

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

Dear Mr. Kutz:

We appreciate the opportunity to comment on the Government Accountability Office's (GAO) draft report entitled, "Premium Class Travel: Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel." The Office of Management and Budget (OMB) is committed to ensuring that agencies follow proper procedures when considering the use of premium class travel. Additionally, we believe that it is important to educate and remind Federal travelers of the policies and regulations that govern Federal travel to ensure that the most economic means of travel is used when conducting the government's business.

OMB concurs with GAO that agencies must meet the regulatory requirements for using premium class travel, including the implementation of internal control checks to ensure that such travel is appropriately authorized and justified. Management's responsibility for implementing and evaluating the effectiveness of these controls is consistent with the requirements of OMB Circular A-123, which provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

Critical to the successful implementation of a strong control environment is to understand the root cause of breakdowns in internal controls so that appropriate corrective actions can be implemented. GAO makes an important distinction between errors that occur in the authorization of premium class travel and situations where no adequate justification for premium class travel is present. As agencies review their internal control environments, it will be important for them to consider this distinction when they prioritize improvements to their processes.

2

Below are OMB's responses to the two recommendations included in the draft report:

Instruct agencies that premium class travel requests for their senior-level executives must be approved by someone at least at the same level as the traveler, or by an office designated to approve premium class travel.

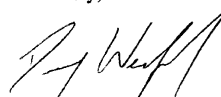
OMB agrees with this recommendation and is working with GSA to incorporate this requirement into the Federal Travel Regulation (FTR). OMB will issue a letter to agencies informing them that this requirement will soon be clarified as part of the next FTR amendment. Further, OMB is coordinating with the General Services Administration (GSA) to determine if other policy or regulatory updates are needed in this area.

Establish policies and procedures to initially require agencies to collect data on the use of all premium class travel, including business class, and submit the information to GSA annually, until a risk-based framework is developed.

OMB also concurs with the recommendation. GSA is preparing agency guidance for collecting and reporting premium class travel. In addition, OMB will begin working with GSA and the agencies to develop a risk-based reporting and review framework. Using a risk-based approach to establishing internal controls is consistent with Appendix A to OMB Circular A-123.

Thank you again for the opportunity to respond to GAO's draft report. We look forward to the continued collaborative efforts between OMB and GAO to ensure that financial stewardship of Federal dollars is given the highest priority.

Sincerely,



Danny Werfel
Acting Controller

Appendix IV: Comments from the General Services Administration



GSA Administrator

September 20, 2007

The Honorable David M. Walker
Comptroller General
of the United States
Government Accountability Office
Washington, DC 20548

Dear Mr. Walker:

The General Services Administration (GSA) appreciates the opportunity to review and comment on the draft report, "Premium Class Travel: Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel" (GAO-08-XXXX). The Government Accountability Office recommends that GSA take actions necessary to help agencies comply with the Federal Travel Regulation (FTR) governing the use and reporting of premium class travel.

We agree with many of the draft report's findings and recommendations and will use a number of the report's findings to improve the FTR to ensure enhanced accountability and control of the use of premium class travel accommodations by Federal employees.

Specific comments on each of the report's recommendations are enclosed. If you have any questions, please contact me. Staff inquiries can be directed to Mr. Kevin Messner, Acting Associate Administrator, Office of Governmentwide Policy, at (202) 501-0563.

Cordially,

A handwritten signature in black ink, appearing to read "Lurita Doan".

Lurita Doan
Administrator

Enclosure

cc: Gregory Kirtz, Managing Director of Forensic Audits and
Special Investigations

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
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**Government Accountability Office (GAO) Draft Report
“Premium Class Travel: Internal Control Weaknesses Governmentwide Led to
Improper and Abusive Use of Premium Class Travel”
GAO-08-XXXX
General Services Administration
Comments to the Recommendations**

Recommendation 1: GAO recommends that GSA amend the Federal Travel Regulation (FTR) to require agencies to develop and issue internal guidance that explains when mission criteria and the intent of that mission call for premium class accommodations.

GSA Response: GSA agrees with this recommendation. Accordingly, GSA will amend the appropriate provisions of the FTR to require that agencies develop and issue internal policies to determine what factors go into an agency's decision(s) and what criteria meets the agency's mission to justify premium travel. Additionally, GSA will require agencies' internal policies to clearly designate/identify those individuals who have the authority to authorize/approve premium class accommodations. We believe that there is no one in a better position to determine the necessity of premium class travel than the approving official of the traveler. However, approval chains are an administrative matter that should be left to the individual agencies and should not be regulated by GSA. Finally, GSA will work with agencies to ensure that their internal policies on premium class travel are integrated and enforced via their E-Gov Travel Service, through which employees should be making all of their travel arrangements.

Recommendation 2: GAO recommends that GSA amend the FTR to require agencies to define what constitutes a rest period upon arrival.

GSA Response: GSA concurs with this recommendation. Agencies are in the best position to define what constitutes a rest period as they have the necessary first hand knowledge of travelers' needs and specific requirements of the mission needed to determine if a rest period is warranted. Accordingly, GSA will amend the appropriate provisions of the FTR to ensure that agencies internally define what constitutes a rest period in the course of TDY within their internal travel policies. However, it should be noted that it is possible that the changes that GAO believes are needed to ensure appropriate accountability and control could actually result in a greater expense to the Government. For example, agencies will have to carefully balance and consider the costs of having the employee arrive to the TDY location a day early in order to ensure that the employee is rested (i.e., extra day of per diem allowances, lost productivity while employee is out of the office longer), versus the cost of premium accommodation fare if the flight is more than 14 hours. In other words, agencies' internal regulations must ensure that trade-offs should be considered and properly evaluated.

2

Recommendation 3: GAO recommends that GSA amend the FTR to require that the physician's certification related to medical requirements for premium class travel be updated annually unless the physical impairment is a lifelong impairment.

GSA Response: GSA concurs with the recommendation to require annual certifications of physical impairment, unless such impairment is lifelong. Accordingly, GSA will amend the appropriate sections of the Federal Travel Regulation to add an annual certification for physical impairments that are not lifelong.

Recommendation 4: GAO recommends that GSA establish a central oversight office for travel management with authority over agency travel policies and programs to help ensure adherence to the FTR and effective management of travel spending.

GSA Response: While GSA has clear statutory authority to promulgate Governmentwide travel regulations, GSA does not have similar authority over agencies' internal travel policies and programs. Similarly, GSA does not have authority to require that agencies' establish central oversight travel management offices within their organizations.

Nevertheless, GSA has taken steps, with the support of the Office of Management and Budget (OMB), to take an active consultative role with regards to agencies' internal travel policies. GSA's Office of Governmentwide Policy has created the Center for Policy Evaluation and Compliance. The Center works collaboratively with GSA's travel policy experts, OMB, other GSA offices, and other Federal agencies to identify opportunities for Governmentwide improvements in travel and transportation. The Center undertakes projects to review agencies' internal policies and practices in the areas of travel, relocation, personal property management, aircraft management, motor vehicle management, mail management, and transportation management. While agencies' participation is voluntary, the Center seeks to identify areas within agencies' policies and practices which are not consistent with Governmentwide regulatory and statutory standards. In addition, the Center offers suggestions for improvement to participating agencies based on its research.

Thus, this specific recommendation may already be implemented through self-policing means.

Recommendation 5: GAO recommends that, based on the premium class data collected from agencies, GSA should determine if the Government should:

- Clarify guidance concerning authorizing premium class travel only when less costly means of transportation are not practical; and

3

- Limit the use of premium class travel for permanent change of station moves to those necessary as a result of physical handicap, medical, security reasons, or if the trip is taken at no additional cost to the government.

GSA Response: Currently, in accordance with the FTR, agencies are required, on a fiscal year basis, to report the use of first class travel accommodations to GSA. An e-mail data call has already been sent out to agencies reminding them that their first class travel data for fiscal year 2007 is due to GSA by December 3, 2007. In addition, this year's data call for first class travel information informed agencies that, starting with fiscal year 2008, GSA will also be collecting business class travel data, as well as, first class accommodation data. Furthermore, GSA has formed a working group among Federal travel managers that will work in the coming months to transform the current First Class Travel Report into a Premium Class Travel Report.

Finally, GSA is already drafting proposed amendments to the FTR to include:

- Reporting the use of business class travel accommodations along with first class travel accommodation beginning in fiscal year 2008.
- Restricting the use of premium class travel for permanent change of station travel.
- Blanket approval of premium class accommodations will be prohibited with the exception for those individual(s) with a lifelong disability that has been documented by a competent medical authority or a special need that has been determined in accordance with internal agency policies.

The Federal travel community is already aware of these coming changes and so far support has been very positive.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Gregory D. Kutz, (202) 512-6722 or kutzg@gao.gov

Acknowledgments

In addition to the contact above, Tuyet-Quan Thai, Assistant Director; Beverly Burke; Sunny Chang; Paul Desaulniers; Leslie Jones; John Kelly; Barbara Lewis; Mark Ramage; John Ryan; Lindsay Welter; and Scott Wrightson made key contributions to this report.

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