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AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

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Office of Audits

November 2014

**Audit of the Bureaus of Near Eastern
Affairs and South and Central Asian Affairs
Compliance With Federal and Department
Premium Class Air Travel Policies**

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PREFACE

This report is being transmitted pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared as part of the Office of Inspector General's (OIG) responsibility to promote effective management, accountability, and positive change in the Department of State (Department) and the Broadcasting Board of Governors.

This report addresses whether Bureau of Near Eastern Affairs and the Bureau of South and Central Asian Affairs complied with Federal and Department premium class air travel policies during FYs 2012 and 2013. The report is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

OIG contracted with the independent public accountant Kearney & Company, P.C., to perform this audit. The contract required that Kearney and Company perform its audit in accordance with guidance contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Kearney & Company's report is included.

Kearney determined that the Bureaus did not fully comply with premium class air travel policies and requirements and that the Department understated its use of premium class air travel.

OIG evaluated the nature, extent, and timing of Kearney & Company's work; monitored progress throughout the audit; reviewed Kearney & Company's supporting documentation; evaluated key judgments; and performed other procedures as appropriate. OIG concurs with Kearney & Company's findings, and the recommendations contained in the report were developed on the basis of the best knowledge available and were discussed in draft form with those individuals responsible for implementation. OIG's analysis of management's response to the recommendations has been incorporated into the report. OIG trusts that this report will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of the individuals who contributed to the preparation of this report.

A handwritten signature in blue ink, appearing to read "Norman P. Brown".

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**Audit of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs Compliance
With Federal and Department Premium Class Air Travel Policies**

Office of Inspector General
U.S. Department of State
Washington, D.C.

Kearney & Company, P.C. (Kearney) has performed an audit of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs compliance with premium class travel requirements. This performance audit, performed under Contract No. SAQMMA09D0002, was designed to meet the objective identified in the report section titled “Objective” and further defined in Appendix A, “Scope and Methodology,” except where specific limitations were noted.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We communicated the results of our performance audit and the related findings and recommendations to the U.S. Department of State Office of Inspector General.

We appreciate the cooperation provided by personnel in Department offices during the audit.

A handwritten signature in blue ink that reads "Kearney & Company".

Kearney & Company, P.C.
Alexandria, Virginia
October 6, 2014

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Acronyms

A/LM/OPS/TTM	Bureau of Administration, Office of Logistics Management, Office of Logistics Operations, Transportation and Travel Management Division
CGFS	Bureau of the Comptroller and Global Financial Services
CGFS/GFMS	Bureau of the Comptroller and Global Financial Services, Global Financial Management Systems
CGFS/OMA	Bureau of the Comptroller and Global Financial Services, Office of Oversight and Management Analysis
DS-4086	Form DS-4086, <i>Special Seating Request Form for Business Class Travel</i>
DS-4087	Form DS-4087, <i>Authorization Request for Business-Class Air Travel</i>
E2	E2 Solutions
FAM	<i>Foreign Affairs Manual</i>
GAO	Government Accountability Office
GSA	General Services Administration
HR/EX	Bureau of Human Resources, Executive Office
NEA	Bureau of Near Eastern Affairs
NEA-SCA/EX	Bureaus of Near Eastern Affairs and South and Central Asian Affairs, Joint Executive Office
OIG	Office of Inspector General
SCA	Bureau of South and Central Asian Affairs

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Executive Summary

Extensive travel is necessary for the U.S. Department of State (Department) to carry out its mission. Federal and Department policies require that travelers use coach or economy class accommodations for official domestic and international travel, except when a traveler is specifically authorized to use premium class. Prior U.S. Government Accountability Office (GAO) reports have indicated that weak internal controls and a weak control environment have resulted in the Department wasting millions of dollars for unauthorized and improper premium class travel.¹ Furthermore, a recent Office of Inspector General (OIG) inspection identified control issues related to premium class air travel in one bureau of the Department.² OIG conducted this audit to determine whether the Bureaus of Near Eastern Affairs (NEA) and South and Central Asian Affairs (SCA) complied with Federal and Department premium class air travel policies during FYs 2012 and 2013. An external audit firm, Kearney & Company, P.C. (Kearney), acting on behalf of OIG, performed this audit.

NEA and SCA employees made only limited use of premium class air travel during FYs 2012 and 2013. However, Kearney found that NEA and SCA did not fully comply with Federal and Department premium class air travel regulations and guidelines for 41 of the 87 (47 percent) travel authorizations Kearney reviewed. Specifically, Kearney identified 5 of the 87 authorizations (6 percent) for which travelers possibly applied an inappropriate justification for premium class air travel based on the duration of the travelers' flights. In four of five cases, the travelers were Department senior executives. In addition, four of the five travel authorizations justified use of premium class based on the duration of the flights, but the itineraries did not meet the continuous travel criteria provided in the *Foreign Affairs Manual* (FAM). Further, three of the five travel authorizations were not approved by the appropriate personnel, and one of the five travel authorizations did not have a signature evidencing review and approval of the premium class ticket. As a result, the Department had up to \$13,270 of questionable costs for these improper authorizations. Kearney also found that an additional 36 of the 87 (41 percent) travel authorizations reviewed had at least one documentation problem, including missing and incomplete forms and itineraries that did not agree with the travel authorization. Because of the missing and incomplete documentation, NEA and SCA are not fully compliant with Federal and Department policies for premium class air travel. Additionally, the lack of required supporting documentation makes it difficult or impossible for a reviewer to verify that premium class air travel was appropriately justified. As a result, the Department paid up to \$234,075 for 36 travel authorizations with missing, incomplete, or inaccurate documentation required for premium class air travel for the period of FYs 2012 and 2013.

The Department is required to provide a report of all premium class air travel to the General Services Administration (GSA) on an annual basis.³ Kearney found that 25 of the 87 (29 percent) premium class air travel authorizations tested were not included in the Premium

¹ GAO-06-298, *State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*; GAO-07-1268, *Premium Class Travel: Internal Weaknesses Government-wide Led to Improper and Abusive Use of Premium Class Travel*.

² ISP-I-13-28, *Inspection of the Bureau of International Information Programs*, May 2013.

³ 14 FAM 567.2-5, "Procedures for Reporting Use of Premium-Class Travel."

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Class Travel Report submitted to GSA in FYs 2012 and 2013. As a result of these omissions, the Department's report of premium class air travel for FYs 2012 and 2013 was incomplete and inaccurate.

OIG made three recommendations to the Bureau of the Comptroller and Global Financial Services (CGFS) to review and seek repayment if necessary of the \$13,270 in questionable costs for the five trips that improperly used premium class air travel; to review and seek repayment if necessary of the \$234,075 in questionable costs for the 36 trips with missing, incomplete, or inaccurate documentation; and to review the 181 premium class air travel authorizations not reviewed for this audit to determine whether the use of premium class was appropriate. OIG made two recommendations to the Bureau of Administration to implement internal controls over the data submitted for its annual report to GSA on use of premium class travel; and to notify GSA of the inaccuracies in the Department's Premium Class Travel Reports for FYs 2012 and 2013, and re-file the FYs 2012 and 2013 submissions with complete and accurate information.

Based on responses provided by CGFS on October 14, 2014 (see Appendix B) and the Bureau of Administration, Office of Logistics Management on October 17, 2014 (see Appendix C), OIG considers Recommendations 1-3 unresolved and Recommendations 4-5 resolved, pending further action. Management's responses and OIG's replies to those responses are included after each recommendation.

OIG and Kearney experienced a significant delay in obtaining requested information that was necessary to complete the audit. In August 2014, during the comment period for the draft report, the Department notified OIG and Kearney that complete documentation had not been provided for many of the sampled overseas itineraries. OIG and Kearney agreed to re-open the audit, accept and review the additional documents, and adjust the findings and recommendations accordingly. The Department's inability to provide complete and timely support for the audit delayed the final issuance of the audit report and caused OIG to expend additional resources on the audit process.

Background

Travel is necessary for the Department to carry out its mission, but specific procedures are in place to restrict the use of premium travel, which the GSA's *Federal Travel Regulation* defines as business class or first class. The *Federal Travel Regulation* and the FAM govern Department employees' use of premium class air travel.

Prior GAO reports identified weak controls in the Department's premium travel processes that have allowed unauthorized premium class travel. A 2006 GAO report⁴ found a weak control environment and ineffective oversight of premium class travel led to the Department mispending tens of millions of dollars for premium class travel that was not properly authorized, justified, or both. A 2007 GAO report⁵ examining premium class travel

⁴ GAO-06-298, *State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*.

⁵ GAO-07-1268, *Premium Class Travel: Internal Weaknesses Government-wide Led to Improper and Abusive Use of Premium Class Travel*.

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across many Federal agencies found similar issues with the Department's control environment over premium class travel; the report noted, specifically, that the Department automatically approved premium class travel for all flights over 14 hours. In a recent OIG inspection report,⁶ OIG identified control issues related to premium class travel in the Bureau of International Information Programs. As a result, OIG elected to expand its review to NEA and SCA.

In general, travelers using commercial air carriers should fly coach or economy class for all official domestic and international travel, except when a traveler is specifically permitted to fly premium class. According to the FAM,⁷ business class air travel by Department employees is only permitted under limited circumstances including:

- coach class accommodations are not available (premium class is only option),
- space is not available in coach class,
- traveler has a disability or special need,
- security or exceptional circumstances,
- inadequate coach class accommodations on a foreign carrier,
- overall cost savings,
- agency mission,
- use of frequent traveler benefits,
- acceptance of payment from a non-Federal source,
- travel time in excess of 14 hours for temporary duty, or
- medical evacuation travel.

FAM Requirements for Justifying Use of Business Class Based on Travel Exceeding 14 Hours

The FAM⁸ states that for travel over 14 hours, “[temporary duty] travelers should be authorized economy class accommodations with a rest stop or a paid day pass to a business class lounge at the intermediate point on the traveler’s authorized itinerary.” However, if circumstances warrant, the traveler may be issued a business-class ticket “provided the following criteria are met:

- The origin and/or destination is outside the continental United States;
- The scheduled flight time (including stopovers, not including rest stops) on the usually traveled route is in excess of 14 hours;
- The purpose of the trip is urgent and cannot be postponed. The traveler must physically report to the duty location immediately upon arrival or the following day, and work until the urgent requirements are fulfilled; and
- Travelers taking leave during or near the dates of their travel indicate that there are no urgent duties requiring the traveler’s immediate departure or return. Travelers who do not report for duty immediately upon arrival or no later than the next day, or take

ISP-I-13-28, May 2013, *Inspection of the Bureau of International Information Programs*.

⁷ 14 FAM 567.2-3, “First-Class Travel” and 14 FAM 567.2-4, “Business-Class Travel.”

⁸ 14 FAM 567.2-4b(10)(b).

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leave within days of their [temporary duty] travel should not be authorized business class travel. The traveler may be held liable for the excess expense of business class accommodations.”

The FAM does not provide a definition for “stopover,” but 14 FAM 511.3 defines the similar term “layover” as “the period of time between connecting flights during travel.” 14 FAM 511.3 also defines “official rest stop” as a “U.S. Government-funded rest period, not to exceed 24 hours, plus necessary time to obtain the earliest transportation to the authorized destination.” During official rest stops, the traveler is authorized per diem for lodging and miscellaneous and incidental expenses at the official rates for the rest stop locations.

The FAM⁹ also states that “travelers in U.S. Government-funded business-class are not entitled to a U.S. Government-funded rest stop en route or upon arrival at the duty site,” nor are they eligible for a U.S. Government-funded day pass to access business lounges.

The FAM¹⁰ defines the calculation of the 14-hour travel period as “the scheduled flight time on the most expeditious available routing from [the] point of origin to scheduled arrival at point of destination, including scheduled stopovers (wheels up at origin to wheels down at destination),” and excluding “rest stops and travel from a residence/hotel to the airport.”

The FAM also states that travel “in excess of 14 hours includes a leg of travel (a travel segment) in excess of 14 hours or continuous legs of travel (continuous travel segments) – without a U.S. Government-funded rest stop – in excess of 14 hours. If travel includes a leg(s) in excess of 14 hours and another leg that is less than 14 hours, business class will be provided only for the leg/legs in excess of 14 hours.” Although the FAM does not specifically define the terms “travel leg” or “travel segment” used in FAM 567.2-4, the statements within that section imply a “leg” or “segment” includes a single flight between two locations. Thus, to qualify for use of business class, a single travel leg or a combination of continuous travel legs that include scheduled stopovers but no rest stops must exceed 14 hours. Finally, the FAM¹¹ states that business-class accommodations may be provided for the entire ticket if to do so will result in overall savings to the U.S. Government.

FAM Restrictions on First-Class Air Travel

The FAM further restricts first class air travel stating that it may only be used if there is no other class of accommodations available or offered, if necessary to accommodate an employee’s disability or other physical impairment, if there are exceptional security circumstances necessitating first class use, or when required due to agency mission. First class travel must be authorized by the Secretary of State or the Under Secretary for Management.¹²

⁹ 14 FAM 567.2-4b(10)(c).

¹⁰ 14 FAM 567.2-4b(10)(f)(i).

¹¹ 14 FAM 567.2-4b(10)(f)(i).

¹² 14 FAM 567.2-3, *First Class Travel*.

Traveler's Responsibility

Employees under official travel are expected to use the most direct and expeditious routes consistent with economy and reasonable comfort and safety. Additionally, employees are expected to exercise good judgment in the costs they incur for all official transportation expenses as if they were personally liable for payments. The FAM¹³ states that the traveler is responsible “for the payment of any changes incurred through failure to comply with governing regulations, regardless of who may have assisted the traveler in making arrangements.”

NEA and SCA Domestic and Overseas Travel Procedures

The Department's travel procedures differ for employees stationed in the United States and employees stationed overseas. Both domestic and overseas employees use a Web-based travel management service for authorizing travel and reviewing travel vouchers provided by E2 Solutions (E2); however, there are separate E2 systems for overseas posts and domestic bureaus. The domestic E2 system is administered by the Department's Bureau of the Comptroller and Global Financial Services (CGFS), Office of Global Financial Management Systems (GFMS) in Rosslyn, VA; the overseas E2 system is administered by the CGFS Office of Customer Support and Training in Charleston, SC. Additionally, employees based in the United States book their travel through Carlson Wagonlit, the Department's travel vendor. Conversely, overseas employees may use a different travel vendor depending on their post's contracted Travel Management Center.

An NEA or SCA employee initiates the travel authorization process by establishing a travel itinerary, either through the booking function provided in E2 or by contacting the Department's travel services contractor. A traveler who meets one of the criteria for premium travel may book his or her itinerary in the appropriate premium air travel class for qualifying travel legs. However, according to the FAM,¹⁴ before the traveler completes the purchase of premium class seats, he or she must complete Form DS-4087, *Authorization Request for Business-Class Air Travel*. The form requires the employee to provide the following information:

- traveler name, office, grade, and title;
- flight information, including origin, destination, and dates of travel;
- premium-class travel justification;
- for travel legs in excess of 14 hours, the traveler must explain the exceptional circumstances that require forgoing a rest stop or rest day;
- costs for the premium class airfare;
- cost of available fully refundable coach class airfare on the same flight; and
- travel office validation.

¹³ 14 FAM 515, *Traveler's Responsibility*.

¹⁴ 14 FAM 567.2-2(B), *Documentation*.

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The DS-4087 is then signed by an authorizing official.¹⁵ According to 14 FAM 567.2-4, “[t]he designated approving [or authorizing] official must not be subordinate to the traveler.” The FAM also requires that specific officials must approve business-class authorizations for the Secretary, Assistant Secretaries, Under Secretaries, Chiefs of Mission, and Deputy Chiefs of Mission.¹⁶ In addition to the FAM guidance, in October 2012, the NEA and SCA Joint Executive Office (NEA-SCA/EX) issued guidance¹⁷ to all NEA and SCA office directors reiterating the FAM requirements for authorizing use of premium class air travel and adding specific authorization requirements for Deputy Assistant Secretaries and Office Directors.¹⁸ NEA and SCA share an executive office that oversees administrative functions for the two bureaus.

Once approved, the traveler uploads the DS-4087 into E2 and submits the full authorization to the NEA-SCA/EX Travel Administrator and the Accounting and Funds Verification office for approval. The traveler receives the ticketed itinerary after these latter two offices authorize and fund the travel.

The FAM¹⁹ requires that the traveler complete Form DS-4086, *Special Seating Request Form for Business Class Travel*, if premium travel is requested due to disability or medical need. This form must be approved by an appropriate official from the Department’s Office of Medical Services after appropriate documentation of a medical condition or disability is reviewed.

Annual Reporting on Use of Premium Class Travel

The *Federal Travel Regulation*²⁰ requires that agencies, including the Department, report all premium class air travel to GSA each year. The FAM²¹ states that each authorizing official must submit a report of all premium class commercial travel authorized during the fiscal year to the Department’s Bureau of Administration, Office of Logistics Management, Office of Logistics Operations, Transportation and Travel Management Division (A/LM/OPS/TTM), which compiles the records and submits the report to GSA in accordance with the guidelines provided in the *Federal Travel Regulation*.

CGFS has two processes in place to review premium class travel vouchers. The reviews ensure that the use of premium class was justified and that required documentation for the

¹⁵ For the purpose of this report, an authorizing official is defined as an individual, within the domestic offices or at overseas posts, with the authority to approve premium class air travel.

¹⁶ 14 FAM 567.2-4 (a), *Authorization or Approval*, states that the Executive Secretary may approve the use of business-class air accommodations for the Secretary and the Deputy Secretaries. Under Secretaries must approve business-class travel for their Assistant Secretaries. The Executive Secretary must approve business-class travel for Under Secretaries, as well as Assistant Secretaries reporting to the Deputy Secretaries or the Secretary. Chiefs of Mission must approve business-class travel for their Deputy Chiefs of Mission. Bureau executive directors must approve business-class travel for their Chiefs of Mission.

¹⁷ Executive Office for the Bureaus of Near Eastern Affairs and South and Central Asian Affairs Management Notice No. N12-001, Oct. 26, 2012.

¹⁸ The Principal Deputy Assistant Secretary must approve business-class travel for Deputy Assistant Secretaries. Deputy Assistant Secretaries approve business-class travel for their Office Directors.

¹⁹ 14 FAM 567.2-4, *Business-Class Travel*.

²⁰ General Services Administration, *Federal Travel Regulation*, Chapter 300-70, “Agency Reporting Requirement,” Subpart B.

²¹ 14 FAM 567.2-5, “Procedure for Reporting Use of Premium-Class Travel.”

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authorizations exists. Because neither review identified issues with NEA or SCA premium class travel for FYs 2012 or 2013, Kearney did not perform further analysis of them. Please see Appendix A for further information on the reviews.

Objectives

The objectives of this audit were to determine:

- whether NEA and SCA complied with Federal and Department premium class air travel policies during FYs 2012 and 2013;
- the causes of exceptions, if any were identified; and
- the overall effect of the exceptions identified during testing.

Audit Results

Finding A. NEA and SCA Did Not Fully Comply With Premium Class Air Travel Policies and Requirements

NEA and SCA employees made limited use of premium class air travel during FYs 2012 and 2013. Premium class air travel represented 1.1 percent of all authorized travel, and 3.2 percent of all authorized travel costs during those years, which is significantly lower than the 19 percent Department-wide premium travel rate GAO reported in 2006.²² However, NEA and SCA did not always properly approve or document use of premium class air travel. Kearney reviewed travel files for 87 of the 272 premium class travel authorizations in FYs 2012 and 2013. Kearney found 5 of 87 (6 percent) trips involved Department employees who possibly applied inappropriate premium class air travel criteria. Four of the five trips were taken by senior executives. Further, three of the five travel authorizations were not approved by the appropriate personnel, and one of the five travel authorizations did not have a signature evidencing review and approval of the premium class ticket. As a result, the Department had up to \$13,270 of questioned costs for these improper authorizations. Kearney also found 36 of 87 trips (41 percent) had missing, incomplete, or inaccurate documentation required for premium class air travel. Complete and accurate documentation is necessary for a travel reviewer to ensure that the use of premium class air travel is justified and appropriately approved. The missing or incomplete documents raise questions about whether the travel was proper. As a result, the Department paid up to \$234,075²³ for 36 travel authorizations with missing, incomplete, or inaccurate documentation required for premium class air travel.

Limited Use of Premium Class Air Travel in NEA and SCA

NEA and SCA employees made limited use of premium class air travel during FYs 2012 and 2013. As shown in Table 1, premium air travel constituted only 272 out of 25,687 authorized

²² *State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars* (GAO-06-298, March 2006).

²³ This total does not include the cost of any of the five travel exceptions addressed in the preceding section, which in addition to not meeting the criteria for premium class travel, may have also had missing documentation.

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trips (1.1 percent) and \$1,645,122 out of \$52,051,319 (3.2 percent) of all authorized travel costs in NEA and SCA combined during FYs 2012 and 2013. These rates are significantly lower than the Department-wide rates GAO reported in 2006 for overall Department premium class air travel, primarily business class airline tickets, which represented 19 percent of tickets issued and 49 percent of all airfare costs.

Table 1. Use of Premium Class Air Travel in NEA and SCA: FYs 2012-2013

Fiscal Year by Bureau	Premium Class Air Travel		Total Air Travel		Premium Class as a Percentage of Total Air Travel	
	Authorized Trips	Authorized Airfare	Authorized Trips	Authorized Airfare	Authorized Trips	Authorized Airfare
FY 2012						
NEA	81	\$465,194	4,109	\$10,595,155	2.0%	4.4%
SCA	71	\$469,079	6,015	\$10,359,879	1.2%	4.5%
FY 2013						
NEA	62	\$299,911	5,918	\$14,414,522	1.0%	2.1%
SCA	58	\$410,938	9,645	\$16,681,763	0.6%	2.5%
Total	272	\$1,645,122	25,687	\$52,051,319	1.1%	3.2%

Source: Prepared by Kearney based on analysis of data from E2 Systems.

Improper Use of Premium Class Air Travel

To verify compliance of premium class air travel with Federal and Department regulations, Kearney assessed the completeness and appropriateness of travel records maintained in the E2 travel system for 87 of the 272 (32 percent) travel authorizations approved for premium class air travel during FYs 2012 and 2013. The 87 selected authorizations had a total value of \$586,886. See Appendix A for a complete discussion of Kearney’s sampling and analysis methodology.

Kearney identified five instances of premium class air travel that possibly did not have appropriate justifications (see Table 2). Four of five instances involved a Department senior executive. In four of the five cases, the traveler justified the use of premium class air travel based upon the trip being in excess of 14 hours and the traveler reporting to duty on the same or following day after completing travel. However, in each case, the duration of the travel legs did not exceed 14 hours. In the remaining case, the traveler used the “agency mission”²⁴ justification but the explanation on the DS-4087 does not support premium class travel for the inbound flights.

²⁴ 14 FAM 567.2-4a(1) states that “business class travel of 14 hours or less originating in the U.S. or in a foreign area that is based on the ‘agency mission’ criteria must be approved by the Under Secretary for Management.”

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Table 2. Potential Improper Use of Premium Class Travel

Authorization Number	Cost of Premium Class Ticket	Cost of Coach Class Ticket	Variance	Reason Travel Was Potentially Inappropriate
5098322-1	\$2,733	\$1,345	\$1,388	Traveler added multiple legs of trip together to exceed 14 hours. Traveler flew first class on one segment of trip.
5166688-2	\$646	\$492	\$154	Traveler added multiple legs of trip together to exceed 14 hours.
5666918-2	\$6,403	\$2,878	\$3,525	Traveler added multiple legs of trip together to exceed 14 hours.
4345725	\$4,411	\$1,151	\$3,260	Total length of trip is less than 14 hours.
5662119-1	\$7,790	\$2,847	\$4,943	Agency mission justification does not support intermediate and inbound segments of trip.
Total	\$21,983	\$8,713	\$13,270	

Source: Kearney prepared based on information provided on travelers' E2 Travel Voucher, Form DS-4087 and travel itineraries.

In three of the five trips, the traveler added multiple trip legs together to meet the 14-hour threshold; however, the traveler stopped for duty and/or spent at least one night in a location before continuing to the next location. In one instance, a traveler flew from Washington, D.C. to Amman, Jordan, for meetings. After the meetings, the traveler flew business class from Amman to Istanbul, Turkey, and spent one night there. The traveler then flew economy from Istanbul to Paris, France, and spent two nights in Paris before returning to Washington. The DS-4087 states that the inbound travel time is 17 hours and 35 minutes. However, the traveler had two overnight stops during the return trip; therefore, each leg should have been calculated as its own trip. The flight from Amman to Istanbul was 2 hours and 20 minutes and should not have been authorized for business class.

In the second instance, the traveler flew business class from Washington to Dubai, United Arab Emirates. The traveler spent one night in Dubai and then flew business class to Kabul, Afghanistan. The DS-4087 indicates "travel in excess of 14 hours and reporting to duty on the same or following day after completing travel" as the justification. The flight from Washington to Dubai was 13 hours and 5 minutes. The flight from Dubai to Kabul was 2 hours and 50 minutes. Because the traveler spent one night in Dubai before continuing to Kabul, each leg should have been calculated as its own trip and should not have been authorized for business class. Additionally, the traveler's DS-4087 did not have a signature evidencing review and approval of the premium class ticket.

In the third instance, the traveler flew from Washington to Paris and from Paris to Sana'a, Yemen, where he was scheduled for meetings. His travel time exceeded 14 hours and he was eligible for business class. However, the traveler flew first class from Paris to Sana'a. The traveler indicated on the DS-4087 that no business class was offered on the airline between Paris and Sana'a. However, other airlines do offer business class from Paris to Sana'a. Additionally,

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there are other routes available from Washington to Sana'a for which several airlines offer business class flights. The FAM states that first class may only be used if there is no other class of accommodations available or offered, if necessary to accommodate an employee's disability or other physical impairment, if there are exceptional security circumstances necessitating first-class use, or when required due to agency mission. In addition, the traveler's DS-4087 was authorized by the Under Secretary for Political Affairs rather than the Under Secretary for Management, as required. The traveler spent two nights in Sana'a and then flew business class from Sana'a to Doha, Qatar. The total trip time was 2 hours and 15 minutes. The traveler spent one night in Doha and then flew economy from Doha to Bahrain and business class from Bahrain to Riyadh. The total trip time, including layover, was 4 hours and 40 minutes. At some point in the trip, the traveler flew from Riyadh to Istanbul, but there was no record in the authorization of when that travel occurred. The traveler spent one night in Istanbul before beginning his return trip to Washington. Because the flight from Sana'a to Doha was less than 14 hours and the traveler had a one-night stay in Doha, the flight was not eligible for business class. According to E2, the non-stop flight from Riyadh to Istanbul was 4 hours and 15 minutes. Even if the traveler had continuous travel between Bahrain and Istanbul, it was likely the total travel time would not have exceeded 14 hours.

For one of the five authorizations, the total travel time was less than 14 hours. The traveler was approved for a business class flight from Washington to Doha, Qatar via London, which meets the 14-hour threshold. However, after the DS-4087 was authorized, the traveler changed the itinerary to a direct business class flight from Washington to Doha. The total length of the trip was 12 hours and 40 minutes and, therefore, was not eligible for business class. Additionally, the traveler's DS-4087 was not signed by the appropriate authorizing official.

In the last instance of potentially improper premium class travel, the traveler flew from Washington to Bahrain for diplomatic meetings in Manama. After the meetings, the traveler made several other stops before returning to Washington including business class flights from Bahrain to Abu Dhabi, United Arab Emirates; from Casablanca, Morocco to Kuwait City, Kuwait; from Kuwait City to Muscat, Oman; from Muscat to London, United Kingdom; and from London to Washington. The traveler's justification on her DS-4087 was agency mission; however, the explanation provided only supports agency mission for the initial flight from Washington to Bahrain. The business class flights subsequent to arriving in Bahrain were not supported by the DS-4087. Additionally, agency mission travel requires authorization by the Under Secretary for Management; however, the DS-4087 was signed by the Under Secretary for Political Affairs.

Kearney found the Department paid up to \$13,270 for these potentially improper premium class fares, which OIG considers questioned costs. The precise amount is unknown, however, because the individual flight costs were not always identified for each leg of the trip and the travelers' itineraries were a combination of allowable and unallowable air travel. Additionally, consistent cost information was not available for every flight for each travel authorization. Therefore, Kearney used multiple resources to estimate the questioned costs. Further detail of the process used to calculate the questioned costs of the five trips with potentially improper use of premium class travel is provided in Appendix A.

Required Documentation Was Frequently Missing, Incomplete, or Inaccurate

In addition to the five trips that inappropriately utilized premium air class, Kearney found that the Department paid \$234,075²⁵ for 36 of the 87 travel authorizations (43 percent) that had at least one documentation problem including missing, incomplete, and inaccurate forms and itineraries (see table 3). Kearney found that 16 of 87 (18 percent) authorizations reviewed had missing or incomplete itineraries, or itineraries that did not match the locations authorized for travel, while 19 of 87 (22 percent) authorizations had missing or incomplete DS-4087s authorizing use of premium class air travel for non-medical reasons. A completed DS-4087 and accurate flight itinerary are critical for travel reviewers to ensure that the use of premium class air travel is justified. Without these complete and accurate documents, a reviewer may be unable to recalculate flight times or determine why premium class air travel is needed.

Table 3. Summary of Premium Class Travel Documentation Problems

Documentation Problem	Number of Instances*
Missing itinerary, incomplete itinerary, or itinerary does not match authorization	16
Missing or incomplete form DS-4087	19
Missing or incomplete form DS-4086	3
E2 Authorization Contains Incorrectly Keyed Information	2
Incomplete E2 Authorization	3
Incorrect Authorization of DS-4087	8

* Travel authorizations could have multiple problems associated with the supporting documentation.
Source: Kearney review of FYs 2012 and 2013 NEA and SCA premium class air travel authorizations.

The large amount of missing and incomplete documentation in our sample indicates that the review and approval process is not effective in ensuring that premium travel is appropriately documented prior to the travel. For travel initiated by domestic NEA and SCA employees, this process is the responsibility of the NEA-SCA/EX. For travel initiated by overseas NEA and SCA employees, this process is the responsibility of various officials from each post. Kearney found that the majority of instances where DS-4086 or DS-4087 forms were missing were for travel initiated at overseas posts. Kearney identified 19 instances of missing or incomplete DS-4087s. Seven of the 19 DS-4087s were incomplete and 12 were missing. Of the 12 missing DS-4087s, 9 (75 percent) were for overseas posts. In addition, all three of the authorizations with missing DS-4086 forms were for overseas posts. Some missing documentation may be due to the fact that the E2 system was not fully implemented at all NEA/SCA overseas posts until early FY 2012. Officials from the CGFS Office of Oversight and Management Analysis (CGFS/OMA) and Office of Customer Support and Training stated that because of this, many overseas posts were still documenting travel authorizations in hard copy as they were transitioning into the fully

²⁵ Kearney valued these authorizations using both voucher (i.e., reimburses) and authorized amounts. If a voucher amount was provided for a sampled authorization, Kearney used that amount, as it is reflective of what the Department actually spent. However, if no voucher amount was provided, Kearney used the authorized amount.

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electronic authorization system. Consequently, completed and accurate supporting documentation (DS-4087, DS-4086, and itinerary) in E2 for overseas-initiated travel was not always maintained or readily available.

Furthermore, Kearney found that 8 of the 37 trips had incorrectly authorized DS-4087 and that all 8 were for domestically-initiated travel. In all of these instances, the traveler was a Deputy Assistant Secretary whose DS-4087 was signed by a subordinate, which is against FAM guidance. NEA/SCA-EX travel reviewers did not verify that the DS-4087 forms were authorized by the correct official.

The files provided for six travel authorizations did not contain complete travel itineraries. Moreover, Kearney noted that the travel itineraries for 10 of the trips provided did not match the information entered into the E2 travel authorization. Kearney noted that for the majority of these instances, the authorization was modified at least once, if not multiple times. The modification process often changes the details of the trip or cabin class, which would require a new itinerary or authorization to be uploaded into E2. Kearney did not find any correlation between missing or inaccurate travel itinerary and whether the travel was initiated domestically or overseas. Travel reviewers for both the domestic and overseas E2 systems did not ensure that the information on file was the most up-to-date prior to approving the authorization.

NEA and SCA are not fully compliant with Federal and Department policies for supporting documentation for premium class air travel. E2 travel reviewers, both domestic and overseas, approve many premium class air travel authorizations without ensuring that all necessary supporting documentation was included in E2. NEA and SCA reviewers failed to follow their own guidelines for ensuring the correct and required supporting documentation is included with authorizations. Of the \$586,886 in travel authorizations that were tested in Kearney's sample, a total of \$234,075 (40 percent) had missing, incomplete, or inappropriately approved forms authorizing premium class air travel. OIG considers these questioned costs. Additionally, the lack of required supporting documentation makes it difficult or impossible for a reviewer to verify that premium class air travel was appropriately justified or ever occurred.

Kearney's methodology for selecting the premium class air travel sample precludes us from extrapolating these errors to the population as a whole. However, because 41 of the 87 (47 percent) tested authorizations were in some way noncompliant with Federal and Department regulations, it is likely that a portion of the remainder of the population would have similar findings.

Recommendation 1. OIG recommends that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review and seek repayment of questioned travel costs for the five travel authorizations in which premium class air travel justifications were inappropriately applied and approved. OIG determined the total of these repayments could be as much as \$13,270.

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Management Response: In its October 14, 2014, response, CGFS concurred with the recommendation, stating it would “review and seek repayment for any costs it determines are inappropriate.”

OIG Reply: While CGFS stated that it agreed with OIG’s recommendation to review and seek repayment of costs it determined were inappropriate, CGFS did not provide a decision with respect to the validity of the \$13,270 in questioned costs. Therefore, OIG considers the recommendation unresolved. This recommendation can be resolved when OIG receives and accepts CGFS’s determination on the validity of the \$13,270 in questioned costs. It can be closed when OIG receives and accepts documentation demonstrating that CGFS has received repayment of the questioned costs.

Recommendation 2. OIG recommends that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review the 36 premium travel authorizations with missing, incomplete, and inaccurate documentation to determine whether the use of premium class air travel was appropriate, and to seek repayment of questioned costs for any travel determined to be inappropriate. OIG determined the total of these repayments could be as much as \$234,075.

Management Response: In its October 14, 2014, response, CGFS concurred with the recommendation, agreeing “to review and seek repayment for any costs it determines are inappropriate.” However, CGFS noted that there could be instances of weaknesses in documentation and controls that did not warrant repayment from the traveler.

OIG Reply: While CGFS stated that it agreed with OIG’s recommendation to review and seek repayment of costs it determined were inappropriate, CGFS did not provide a decision with respect to the validity of the \$234,075 in questioned costs. Therefore, OIG considers the recommendation unresolved. This recommendation can be resolved when OIG receives and accepts CGFS’s determination on the validity of the \$234,075 in questioned costs. This recommendation can be closed when OIG receives and accepts documentation demonstrating that CGFS has received repayment of the questioned costs.

Recommendation 3. OIG recommends that the Bureau of the Comptroller and Global Financial Services review the 181 premium travel authorizations not reviewed for this audit to determine whether the use of premium class air travel was appropriate, seek repayment for any travel determined to be inappropriate and report the results of the review to OIG.

Management Response: In its October 14, 2014, response, CGFS stated it partially agreed with the recommendation, but also stated it would be more appropriate that CGFS first complete the reviews associated with recommendations 1-2 and consider those results before “determining whether to expend additional resources on further reviews or if a risk-based approach should be developed to review the remaining travel.”

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OIG Reply: OIG considers this recommendation unresolved. OIG found that 41 of the 87 (47 percent) travel authorizations reviewed failed to fully comply with the requirements prescribed by the Federal Travel Regulation, the *Foreign Affairs Manual*, and NEA-SCA/EX's internal process. As such, OIG believes a review of each of the remaining 181 travel authorizations within the scope of the audit is warranted to verify compliance with premium class travel requirements. This recommendation can be resolved when OIG receives and accepts a corrective action plan with milestones that addresses this recommendation. It can be closed when OIG receives and accepts documentation demonstrating that CGFS has reviewed all 181 premium travel authorizations and received repayment for all unallowable costs identified in the reviews.

Finding B. The Department Understated Its Use of Premium Class Air Travel in FYs 2012 and 2013

The Department is required to provide a report of all premium class air travel to GSA on an annual basis.²⁶ As discussed, the report is prepared by A/LM/OPS/TTM, which obtains the information for travel originating in the United States from the E2 Solutions travel system. A/LM/OPS/TTM does not have access to the overseas E2 Solution travel system; thus, it annually requests that each overseas post submit information on all authorizations for use of premium class air travel within the overseas E2 Solutions system. The information is gathered on a continuous basis using a worldwide database that posts can access and update at any time. At the end of the fiscal year, A/LM/OPS/TTM sends out a data call to remind posts to send any remaining premium class travel records. A/LM/OPS/TTM compiles the domestic and overseas records and submits the report to GSA in accordance with the guidelines provided in the *Federal Travel Regulation*.²⁷

A/LM/OPS/TTM provided Kearney with a copy of the combined FY 2012 and FY 2013 *Premium Class Travel Reports* submitted to GSA. To confirm completeness and accuracy of the *Premium Class Travel Reports*, Kearney searched for all travel authorizations included in the sample. Of the 87 premium class air travel authorizations tested, Kearney identified 25 that were not included on the *Premium Class Travel Report* submitted to GSA in FYs 2012 and 2013. Of the 25 travel authorizations not included on the *Premium Class Travel Reports*, 12 were for trips that originated domestically and 13 were for overseas missions.

A/LM/OPS/TTM does not have procedures in place to confirm completeness of the premium class air travel population. Kearney attributes the 25 travel authorizations omitted from the FYs 2012 and 2013 *Premium Class Travel Reports* to a lack of quality control over the data submission, such as a reconciliation of the submitted data to E2 reports, and a lack of validation of the post data-call responses. Additionally, the inability to obtain a complete population of premium air travel due to the decentralized travel management centers for the overseas regions may have also contributed to the 13 overseas travel authorizations that were omitted from the *Premium Class Travel Reports*. Per discussion with A/LM/OPS/TTM officials, the onus of

²⁶ 14 FAM 567.2-5, "Procedures for Reporting Use of Premium-Class Travel."

²⁷ FTR 300-70, *Agency Reporting Requirements*.

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ensuring complete reporting of premium class air travel lies with the posts. As a result of these omissions, the Department's report of premium class air travel for FYs 2012 and 2013 was incomplete and inaccurate.

Recommendation 4. OIG recommends that the Bureau of Administration develop and implement procedures for ensuring data submitted for the annual *Premium Class Travel Report* to the General Services Administration completely and accurately reports on all instance of Department use of premium class air travel during the reporting year.

Management Response: In its October 17, 2014, response, the Bureau of Administration, Office of Logistics Management concurred, stating it will "add back-office reporting from Travel Management Centers (TMCs) at Post as a requirement in the Task Order in an effort to gain a more universal picture of managed travel. The date for completion of this procurement is approximately November 2015."

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation showing that A/LM has put procedures in place to produce more accurate reports of premium class travel.

Recommendation 5. OIG recommends that the Bureau of Administration notify the General Services Administration that the Department of State *Premium Class Travel Reports* for FYs 2012 and 2013 were inaccurate, and re-file the FYs 2012 and 2013 submissions with complete and accurate information.

Management Response: In its October 17, 2014, response, the Bureau of Administration, Office of Logistics Management concurred and will "contact GSA to determine if re-submitting this information is allowable."

OIG Reply: OIG considers the recommendation unresolved. The recommendation can be resolved when OIG receives and accepts documentation showing that A/LM has contacted GSA regarding resubmission of the FYs 2012 and 2013 *Premium Class Travel Reports*. The recommendation can be closed when OIG receives and accepts documentation showing that GSA has responded to A/LM regarding re-submission of the FYs 2012 and 2013 *Premium Class Travel Reports* and evidence that A/LM has taken appropriate action as directed by GSA.

List of Recommendations

Recommendation 1. OIG recommends that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review and seek repayment of questioned travel costs for the five travel authorizations in which premium class air travel justifications were inappropriately applied and approved. OIG determined the total of these repayments could be as much as \$13,270.

Recommendation 2. OIG recommends that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review the 36 premium travel authorizations with missing, incomplete, and inaccurate documentation to determine whether the use of premium class air travel was appropriate, and to seek repayment of questioned costs for any travel determined to be inappropriate. OIG determined the total of these repayments could be as much as \$234,075.

Recommendation 3. OIG recommends that the Bureau of the Comptroller and Global Financial Services review the 181 premium travel authorizations not reviewed for this audit to determine whether the use of premium class air travel was appropriate, seek repayment for any travel determined to be inappropriate and report the results of the review to OIG.

Recommendation 4. OIG recommends that the Bureau of Administration develop and implement procedures for ensuring data submitted for the annual *Premium Class Travel Report* to the General Services Administration completely and accurately reports on all instance of Department use of premium class air travel during the reporting year.

Recommendation 5. OIG recommends that the Bureau of Administration notify the General Services Administration that the Department of State *Premium Class Travel Reports* for FYs 2012 and 2013 were inaccurate, and re-file the FYs 2012 and 2013 submissions with complete and accurate information.

Scope and Methodology

The Office of Inspector General (OIG) conducted this audit to assess compliance with premium class air travel requirements by the Bureau of Near Eastern Affairs (NEA) and the Bureau of South and Central Asian Affairs (SCA). Specifically, the objectives of this audit were to determine whether premium class air travel performed by NEA and SCA employees during FYs 2012 and 2013 complied with Federal and U.S. Department of State (Department) premium class air travel policies. The audit was conducted by Kearney & Company, P.C. (Kearney) under contract with OIG, in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives to complete the audit.

Kearney conducted this audit from December 2013 to July 2014 at the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs (NEA-SCA/EX) in Washington, DC; the Executive Office in the Bureau of Human Resources (HR/EX) in Washington, DC; the Bureau of the Comptroller and Global Financial Services (CGFS) Office of Global Financial Management Systems (GFMS) in Rosslyn, VA, Office of Management Control in Washington, DC, and Office of Oversight and Management Analysis (OMA) in Charleston, SC; and the Bureau of Administration, Office of Logistics Management, Office of Logistics Operations, Transportation and Travel Management Division (A/LM/OPS/TTM) in Washington, DC.

To obtain background information for this audit, Kearney researched and reviewed the General Services Administration's *Federal Travel Regulation*; the Department's *Foreign Affairs Manual* (FAM); NEA-SCA/EX Management Notice for Business Class Travel; prior OIG and Government Accountability Office reports; and information available on the Department's Intranet.

Kearney met with officials from NEA-SCA/EX to obtain an understanding of the process for bureau personnel to request premium class air travel, including controls over the authorization process. Kearney met with officials from A/LM/OPS/TTM to gain an understanding of their involvement in premium class air travel oversight. A/LM/OPS/TTM is responsible for the development of travel-related policy contained in the FAM, and travel management. A/LM/OPS/TTM also compiles and submits the yearly *Premium Class Travel Report* to the General Services Administration (GSA). Kearney also met with HR/EX to gain an understanding of the bureau's participation in travel management. HR/EX is responsible for authorizing Permanent Change of Station travel. HR/EX only authorizes premium class air travel for two reasons: medical conditions requiring that employees sit in business class, or Chief of Missions and their family who are traveling to their post for the first time, or leaving their post for the last time. After reviewing the population of Permanent Change of Station premium class

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air travel for FY 2012 and FY 2013, Kearney concluded that the risk of inappropriate use of premium class air travel was low and excluded this group from testing.

Kearney met with officials from the CGFS Office of Management Control to gain an understanding of the centralized, internal reviews of premium class conducted by the Department. In FY 2006 the Department implemented an annual review of premium class air travel as part of its annual financial report. The Office of Management Control selects a sample of approximately 50 to 60 travel authorizations per year across the Department and tests whether:

- travel was authorized and approved by an appropriate official;
- travel authorization duties were properly segregated;
- the justification for business class travel was documented and appropriate;
- travel vouchers were authorized, approved, and accompanied by all required documentation;
- amounts claimed were correct;
- travel expenses were properly classified and reported;
- unused tickets were returned and refunded; and
- lodging expense was within policy limitations.

According to the FYs 2012¹ and 2013² Agency Financial Reports, there have been no instances where evidence was found that a premium class payment was unapproved or ineligible. However, there were instances where complete and proper supporting documentation was not present. The populations tested by CGFS Office of Management Control for FYs 2012 and 2013 did not include any NEA or SCA employees.

Additional reviews of travel expenses are performed on a quarterly basis by OMA's Financial Oversight and Quality Assurance Division. The Financial Oversight and Quality Assurance Division selects a judgmental sample of travel vouchers including premium class air travel vouchers with an emphasis on higher dollar value travel. The review covers lodging, per diem, and all transportation types. After the review is complete, the Financial Oversight and Quality Assurance Division submits a letter to each bureau informing them of any issues identified with the travel vouchers of their employees. If potential overpayments are identified, the Financial Oversight and Quality Assurance Division sends the voucher information to CGFS's Office of Claims for review. Beginning in FY 2014, the division will also become responsible for conducting the annual premium class air travel review currently performed by the CGFS Office of Management Control. Neither the Office of Management Control's annual review nor OMA's quarterly review for FYs 2012 and 2013 included NEA or SCA employees. Therefore, Kearney did not further assess the review processes.

Kearney met with officials from CGFS to obtain an understanding of the E2 Solutions (E2) travel management system, which is a Web-based end-to-end travel and expense

¹ United States Department of State Fiscal Year 2012 Agency Financial Report, Nov. 2012, Premium Class Travel Reviews, p.140.

² United States Department of State Fiscal Year 2012 Agency Financial Report, Dec. 2013, Premium Class Travel Reviews, p.137.

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management tool widely used across the Federal Government. Specifically, Kearney met with the OMA to review E2 standardized reports to obtain a complete population of domestic and overseas premium class air travel for the period and bureaus in scope. Kearney reviewed the TA-014 *Class of Service Travel Report*, which contained detailed travel information for all classes of travel, and the TA-004, *Premium class air travel Report for Agency*, consisting of only premium class travel.³ Kearney also met with CGFS officials from the Office of Global Financial Management Systems (GFMS) to confirm the completeness and accuracy of the TA-014 and TA-004 reports, as well as to gain an understanding of system controls within E2. Specifically, GFMS provided details on end-user roles and responsibilities and controls over user access and segregation of duties.

To determine whether NEA and SCA complied with Federal and Department premium class air travel regulations, Kearney selected a risk-based, stratified sample from Department-provided E2 travel reports (TA-004) for approved premium class air travel. To develop the sample design, Kearney confirmed that the TA-004 population was free of duplicates and extraneous items. Kearney confirmed that each item in the population contained a Trip Identification number, which is the unique identifier assigned to all travel authorizations for each trip; the population subject to sampling contained 222 unique items. Kearney further stratified the population based on audit objectives, class of travel, justification for travel, and itinerary. Kearney selected 101 travel authorizations for testing. A summary of the sample methodology is in Table 1.

³ The TA-014 and TA-04 are E-2 generated, real-time reports that provide information such as Traveler, Trip ID, Departure Date, Return Date, Class of Travel, Justification, and Travel Air Cost.

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Table 1. Summary of Sampling Methodology for Premium Class Travel Population

Source	Source Description	Category	Sampling Approach	Items Sampled	Total in Population	Coverage Ratio
OMA TA-004	Premium Class Travel Report for Agency	All First-Class Travel	Full-Census Review	10	10	100%
OMA TA-004	Premium Class Travel Report for Agency	No Justification Specified	Full-Census Review	1	1	100
OMA TA-004	Premium Class Travel Report for Agency	Business Class – Excess of 14 hr, Permanent Change of Station	Full-Census Review	1	1	100
OMA TA-004	Premium Class Travel Report for Agency	Business Class – Excess of 14 hr, Temporary Duty	Judgmental Based on Risk; Random	57	107	52.8
OMA TA-004	Premium Class Travel Report for Agency	Business Class – Coach Class Not Avail/No Space in Coach	Random	10	50	20
OMA TA-004	Premium Class Travel Report for Agency	Business Class – Security or Exceptional Circumstances	Random	10	20	50.0
OMA TA-004	Premium Class Travel Report for Agency	Business Class – Cost Savings	Full-Census Review	6	6	100
OMA TA-004	Premium Class Travel Report for Agency	Business Class – Disability/Special Need	Random	5	26	19.3
GFMS TA-004	Premium Class Travel Report for Agency	Reconciling Items	Full-Census Review	1	1	100
Total:				101	222	45.5%

Source: Prepared by Kearney based on the sampling methodology over the population of FYs 2012 and 2013 NEA and SCA premium class travel.

Of the 101 travel authorizations selected, Kearney determined that 10 were premium class tickets that were not paid for by the Department (e.g., the traveler upgraded to business-class using their airline mileage benefits, and the Department only paid for the coach-class portion of the ticket). Two trips were ultimately taken using economy class flights and two additional flights were cancelled. These trips were not tested. Kearney arrived at a final sample size of 87 travel authorizations with a total value of \$586,886. Kearney calculated this amount by taking the sum of the transport expenses for each travel authorization. Kearney used the transport expense amount on the traveler’s E2 Travel Voucher if it was available, as this is the most accurate representation of the actual cost paid by the Department. If the transport expense was not provided on the E2 Travel Voucher, Kearney used the transport expense on the E2 Travel

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Authorization. The transport expense on the E2 Travel Authorization is the amount that the Department authorizes for transportation and is sometimes greater than the amount ultimately paid by the Department.

Kearney reviewed the 87 travel authorizations to determine whether NEA and SCA complied with Federal and Department premium class air travel policies during FYs 2012 and 2013. Kearney determined that premium class travel criteria was possibly misapplied to five travel authorizations resulting in up to \$13,270 of questioned costs. Kearney also determined that the Department paid up to \$234,075 for 36 travel authorizations with missing, incomplete, or inaccurate documentation required for premium class air travel. The precise amount the Department paid for improper or incomplete travel authorizations is unknown, however, because the individual flight cost was not always identified for each leg of the trip and the travelers' itineraries were a combination of allowable and unallowable air travel. Additionally, consistent cost information was not available for every flight for each travel authorization. Therefore, Kearney used multiple resources to estimate the questioned costs.

To determine the questioned costs of the five potentially improper travel authorizations, Kearney calculated the variance between the costs of the premium class legs not justified and the economy cost for the premium class legs. For four of the five travel authorizations, the audit team used the travel itinerary or the eTicket receipt to calculate the cost of the unjustified premium class legs as this was the exact amount incurred for the specific flight. However, for the fifth travel authorization, the eTicket receipt included costs for both allowable and potentially unallowable flights. A Bureau provided the average business class contract fare for the potentially unallowable flight and Kearney used that amount as the estimated premium class travel cost. To calculate the economy cost, Kearney used a combination of economy fares indicated on the DS-4087, the average economy contract fare, and the current economy fare on the same route and airline for the unjustified legs. Table 2 summarizes the sources used to calculate the questioned costs for the five potentially inappropriate travel authorizations.

Table 2. Questioned Cost Calculation for Potentially Improper Premium Class Travel

Trip ID	Potentially Improper Premium Class Cost		Economy Class Cost		
	Fare Per Itinerary or eTicket	Average Contract Fare	Average Contract Fare	Current Fare	Fare Per DS-4087
4345725		✓	✓		
5098322	✓			✓	
5166688-2	✓			✓	
5662119*	✓		✓	✓	
5666918-2	✓				✓

*Five legs of Trip 5662119 were identified as potentially improper. The average economy contract fare was provided for one leg. Kearney estimated the economy cost of the remaining four legs using current fares.
Source: Prepared by Kearney based on information collected from sources identified in table.

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To calculate the cost the Department paid for the 36 premium class travel authorizations with missing, incomplete, or inaccurate documentation, the audit team used the same methodology that was used for calculating the total value of the 87 travel authorizations. Kearney used the transport amount on the E2 Travel Voucher for 26 of the travel authorizations. For the remaining ten travel authorizations, the transport expense amount was not provided because the travel was paid through the central booking agency. For these authorizations, Kearney used the transport expense amount on the E2 Travel Authorization.

Use of Computer-Processed Data

The audit team used computer-processed data obtained from the Department during this audit. Kearney obtained E2 reports from OMA and GFMS to use as populations for all NEA and SCA airline travel for FY 2012 and FY 2013 (report TA-014), as well as populations for all NEA and SCA premium class airline travel for FY 2012 and FY 2013 (report TA-004). To ensure the completeness of the information contained on the reports, Kearney directly observed an official from CGFS/OMA run the TA-004 and TA-014 in E2, using parameters to include information relative to the scope of this audit. Additionally, Kearney separately obtained the same reports from CGFS/GFMS and compared them to reports from CGFS/OMA to ensure the completeness of both reports. Kearney determined that the data was sufficiently reliable to use as a population of premium class airline travel for purposes of this audit.

Work Related to Internal Controls

Kearney performed steps to assess the adequacy of internal controls related to the areas audited. For example, Kearney identified control deficiencies that led to its findings related to NEA-SCA/EX's processes for approving the requests for premium class air travel. Work performed on internal controls during the audit is detailed in the "Audit Results" section of the report.

Access to Documents

The audit team experienced a significant delay in obtaining requested information that was necessary to complete this audit. In August 2014, during the comment period for the draft report, the Department notified OIG that it had not provided all documents related to several travel itineraries. The audit team requested information regarding these trips on multiple occasions from late January to May 2014. The draft report was written based on the information the Department provided subsequent to these requests. OIG and Kearney agreed to allow the Department additional time to provide the remaining documents, to review additional documents, and to adjust the findings and recommendations accordingly. The Department provided additional documents from September 2-9, 2014. OIG completed its reanalysis, and the results are presented in the Findings section of this report. The Department's inability to provide the full set of documents when the initial requests were made affected the audit results, delayed the final issuance of the report, and required OIG to expend additional resources on the audit.

**Bureau of the Comptroller and Global Financial Services Management
Response**



United States Department of State

Washington D.C. 20520

October 14, 2014

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MEMORANDUM

TO: OIG – Steve A. Linick

FROM: *Christopher H. Flaggs*
CGFS – Christopher H. Flaggs

SUBJECT: Draft Report on Audit of Bureaus of Near Eastern Affairs and South and Central Asian Affairs Compliance with Federal and Department Premium Class Air Travel Policies

Thank you for the opportunity to comment on the draft report. General comments provided regarding the body of the report are included, as well as comments related to each recommendation that follows.

Travel is an essential part of fulfilling the Department of State's (Department) global mission, and it sometimes must be arranged through foreign based travel agencies in addition to our domestic travel service provider. While we exercise great care in planning, approving, and carrying out travel, it is challenging to fully document the myriad of unforeseen circumstances that continuously necessitate the need to quickly make, or change existing reservations to accomplish our mission. Travel arrangements must often be modified mid-trip in response to events transpiring across the world.

These scenarios make the review of travel in the Department challenging. We appreciate the Office of Inspector General's (OIG) extension of the audit timelines to further review and substantiate the sampled transactions selected, and also to review clarifications of existing information, re-evaluate interpretations of travel circumstances, and the need to place more emphasis on actual travel incurred in addition to the travel authorization phase of approving travel. We believe this ultimately resulted in a better understanding of and reporting on the subject.

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Since the 2006 GAO report, the Department has worked to strengthen our processes over premium class travel. For example, the Department revised policies to clarify that premium class travel must be approved by the employee's supervisor or an appropriate official outside the chain of command and that the use of blanket travel authorizations is not permitted for premium class travel and to emphasize the requirement for trip-specific authorization. In some cases, Bureaus have issued their own additional guidance. For example, the Bureaus of Near Eastern Affairs (NEA) and South and Central Asian Affairs (SCA) issued guidance to all office directors reiterating the FAM requirements for authorizing use of premium class travel and adding specific authorization requirements for Deputy Assistant Secretaries and Office Directors. That said, as noted in the draft report, and as identified in our own internal reviews, we recognize that continuous oversight and additional guidance is important to ensuring that individuals and offices comply with existing requirements.

As noted in the draft report, premium class air travel during FYs 2012 and 2013 constituted only 1.1 percent of trips taken and 3.2 percent of travel costs incurred at the NEA and SCA. Across the Department, personnel are diligent about limiting the use of premium class travel to only those circumstances when necessary. We have even noted trips where the traveler's itinerary exceeded 14 hours yet the traveler booked coach class in efforts to minimize travel costs.

Regarding the executive summary, the OIG summarizes that they "made three recommendations to the Bureau of the Comptroller and Global Financial Services (CGFS) to review and seek repayments if necessary" of many sample items. However, the actual recommendations are not limited to CGFS.

Below are our responses directly related to the draft recommendations.

Recommendation 1: OIG recommends that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review and seek repayment of questioned travel costs for the five travel authorizations in which the 14-hour premium class air travel justification was inappropriately applied and

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approved. OIG determined the total of these repayments could be as much as \$13,270.

CGFS Response: CGFS agrees to review and seek repayment for any costs it determines are inappropriate.

Recommendation 2: OIG recommends that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review the 36 premium travel authorizations with missing, incomplete, and inaccurate documentation to determine whether the use of premium class air travel was appropriate, and to seek repayment for any travel determined to be inappropriate. OIG determined the total of these repayments could be as much as \$234,075.

CGFS Response: CGFS partially agrees with this recommendation. CGFS agrees to work in coordination with the Bureau of Near Eastern Affairs to review and seek repayment for any costs it determines are inappropriate. It has been CGFS' experience from past years of reviewing business class travel to note instances where there were weaknesses in documentation and controls that did not result in any inappropriate travel occurring that needed to be recovered (and those circumstances were noted among some of the 36 trips identified). Examples include scenarios of travelers being authorized but not actually booked in business class, and the lack of an appropriate signature on the DS-4087 yet the actual travel incurred correctly met the 14 hour-rule requirement.

Recommendation 3: OIG recommends that the Bureau of Comptroller and Global Financial Services review the 181 premium travel authorizations not reviewed for this audit to determine whether the use of premium class air travel was appropriate, seek repayment for any travel determined to be inappropriate and report the results of the review to the OIG.

CGFS Response: CGFS partially agrees with this recommendation. CGFS believes it to be more appropriate to complete the reviews associated with recommendations #1 and #2 above, and take those results into consideration before determining whether additional resources should be

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expended on further reviews or if a risk-based approach should be developed to review the remaining travel.

We extend our appreciation for the collaborative manner in which this review was conducted, and for your continued assistance and guidance with helping us improve our management processes and procedures. We are committed to meeting these compliance requirements in a reasoned manner. If you have any questions concerning this status summary, please contact Carole Clay, Director of Management Controls (CGFS/MC), at (202) 663-Redacted (b)

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**Bureau of Administration, Office of Logistics Management
Management Response**



United States Department of State

Washington, D.C. 20520

October 9, 2014

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MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/LM – Catherine I. Ebert-Gray 

SUBJECT: Draft Report on *Audit of Bureaus of Near Eastern Affairs and South and Central Asian Affairs Compliance With Federal and Department Premium Class Air Travel Policies*

Thank you for the opportunity to comment on the draft report. Below is the Office of Logistics Management's response to the subject draft report and the point of contact for this response is Mark Dellinger, who can be reached at 202-663-

Recommendation 4: OIG recommends that the Bureau of Administration develop and implement procedures for ensuring data submitted for the annual *Premium Class Travel Report* to the General Services Administration completely and accurately reports on all instances of Department use of premium class air travel during the reporting year.

Management Response (10/09/2014): A/LM concurs with this recommendation. Going into the second generation of Electronic Travel Services (ETS), A/LM will add back-office reporting from Travel Management Centers (TMCs) at Post as a requirement in the Task Order in an effort to gain a more universal picture of managed travel. The date for completion of this procurement is approximately November 2015.

Recommendation 5: OIG recommends that the Bureau of Administration notify the General Services Agency that the Department of State *Premium Class Travel Reports* for FYs 2012 and 2013 were inaccurate, and re-file the 2012 and 2013 submissions with complete and accurate information.

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Management Response (10/09/2014): A/LM concurs with this recommendation. A/LM will contact GSA to determine if re-submitting this information is allowable.

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Drafter: A/LM Jim Moore (703) 875-[Redacted]

Cleared: A/LM: CEbert-Gray (ok)
A/LM/OPS : STiedt (ok)
CGFS/GFMS: AEvans (ok)
A FO: RBemish (ok)
M G Campbell (ok)
M/PRI ALarkin (ok)

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