

UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General



Airline Ticket Purchases

OIG-AMR-46-05-03

March 2005

INSPECTOR GENERAL



NATIONAL LABOR RELATIONS BOARD

WASHINGTON, DC 20570

March 11, 2005

I hereby submit a review of Airline Ticket Purchases, Report No. OIG-AMR-46-05-03. This review was conducted to determine whether controls over purchasing airline tickets are sufficient. This includes determining whether charges for unused tickets were refunded, purchases for premium class travel were properly justified, and reimbursements for tickets purchased by individuals were appropriate.

Administrative Policy Circular 00-01 outlines the Agency's guidance on following Federal Travel Regulations. This guidance states that the Government issued charge card must be used for all official Government travel related expenses. In addition, the traveler is expected to use the National Labor Relations Board's (NLRB) centrally-billed account or the individual's Government contractor issued charge card to procure all common carrier tickets for official travel. Extraordinary costs, such as first or premium class travel, may only be authorized in certain situations. The NLRB spent \$254,139 on common carrier costs and purchased 1,056 airline tickets in FY 2004.

The Agency generally had sufficient controls over airline ticket purchases. We did not identify any first or premium class ticket purchases and the Agency's procedures to control such purchases appear to be adequate. Tickets were generally purchased from a contract carrier. Non-contract carrier purchases were usually in situations in which a city pair fare did not exist. None of the 245 airline tickets purchased with individual travel cards were also paid with the centrally-billed account.

A database obtained from one airline showed that all or part of four trips with unused tickets were not refunded. This, along with an open credit of \$3.10 due to the exchange of a ticket, resulted in a total of \$744.90 that could have been put to better use. We also identified one ex-employee who still had approving capabilities in Travel Manager.

The draft report recommended that the Finance Branch Chief obtain credits for unused airline tickets and apply credits to future travel. Finance received refunds of \$662.70 and a credit of \$82.20 will be applied towards future travel.

The draft report also recommended that the Finance Branch Chief determine why refunds or credits for unused tickets were not provided and evaluate where the procedures need modification. All of the tickets in question were purchased from one airline. The response to the draft report stated that Finance contacted the airline and was informed that credits are not automatically provided and that the traveler must request a refund. Finance intends to develop an administrative bulletin informing employees of the airline's policy and the correct handling of these transactions.

An exit conference was held on February 4, 2005, with the Finance Branch Chief and we sent him a draft report for his review and comment on February 7, 2005. He had no comment on the findings and has already completed corrective actions for the two recommendations made in the draft report. Therefore, we have no recommendations in the final report. The Finance Branch Chief's comments are presented in their entirety as an appendix to this report.

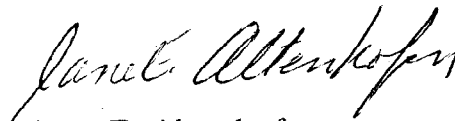

Jane E. Altenhofen
Inspector General

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Memorandum from the Finance Officer, Comments on Draft Audit Report - "Airline Ticket Purchases," dated March 8, 2005

BACKGROUND

The National Labor Relations Board (NLRB or Agency) administers the principal labor relations law of the United States, the National Labor Relations Act (NLRA) of 1935, as amended. The NLRA is generally applied to all enterprises engaged in interstate commerce, including the United States Postal Service, but excluding other governmental entities as well as the railroad and the airline industries. The Fiscal Year (FY) 2005 appropriation authorizes 1,865 full-time equivalents that are located at Headquarters, 51 field offices throughout the country, and 3 satellite offices for Administrative Law Judges. NLRB received an appropriation of \$251,875,000 for FY 2005, less an across-the-board reduction of .8 percent, leaving a net spending ceiling of \$249,860,000.

The General Accounting Office, now known as the Government Accountability Office (GAO), issued a report identifying fraud in claiming ticket costs and excessive use of first or premium class travel at the Department of Defense (DOD). In addition, GAO reported that DOD spent an estimated \$100 million for airline tickets that were not used and failed to seek refunds.

NLRB spent \$254,139 in FY 2004 on common carrier costs. Of the 1,056 airline tickets purchased in FY 2004, 1,032 (98 percent) were electronic tickets and 245 (23 percent) were charged to individual travel cards. The travel agency charges \$33 for each electronic ticket booked by an agent. The travel agent charges \$21 per transaction for reservations made online without agent intervention. An additional fee is not charged to make changes to tickets, either through the travel agent or the airline, if the airfare, airline, and cities remain the same.

The eTravel Service (eTS) is part of eTravel, which was launched in response to the President's Management Agenda's mission to improve the internal efficiency and effectiveness of the Federal government. Currently, Headquarters and some Regional Offices use Travel Manager, a web-based travel authorization and expense system. The eTS will replace the functionality of Travel Manager and will increase the integration of the reservation and document creation and interface with the Agency's financial system, Momentum. NLRB was scheduled to implement the eTS provided by CW Government Travel, formerly known as Carlson Wagonlit Travel (Carlson), on March 1, 2005, but implementation has been delayed due to software problems.

With the implementation of the eTS, the Agency's transaction fee for booking an airline ticket online will be reduced to \$10.50, and the fee for using an agent will decrease to \$24.50. Also with the change, travelers will be required to use the eTS to purchase tickets. Currently, travelers can choose between using the travel agent or purchasing tickets directly from the airline.

OBJECTIVES, SCOPE, AND METHODOLOGY

This review was conducted to determine whether controls over purchasing airline tickets are sufficient. This includes determining whether charges for unused tickets were refunded, purchases for premium class travel were properly justified, and reimbursements for tickets purchased by individuals were appropriate.

We reviewed applicable sections of the Code of Federal Regulations (CFR) affecting the purchasing of airline tickets, including a review of relevant statutes and court decisions related to the period of time Federal agencies are allowed to claim refunds and apply administrative offsets to goods and services they purchased, but did not receive. We reviewed Agency policies and procedures including Administrative Policy Circular (APC) 00-01, NLRB's Guidance on Following the Federal Travel Regulation (FTR), dated February 18, 2000, and Administrative Bulletin (AB) 01-20, Official Travel Credit Card Abuse, dated June 18, 2001.

We interviewed Agency officials to identify procedures for processing travel orders and travel vouchers, obligating funds, monitoring and processing unused tickets, and to identify access levels for the travel management system. We interviewed representatives of Carlson to determine the transaction fees charged for the purchase of airline tickets, their obligation regarding the booking of a non-contract city pair fare carrier, the purchase of first or premium class travel, and charges incurred to change a reservation.

We tested a random sample of 76 tickets and all tickets over \$1,000 purchased using the centrally-billed account in FY 2004 to determine whether the traveler utilized the contract carrier and city pair fare, if the tickets were used, whether any of these were first or premium class tickets, and, if so, whether their use was appropriate. We compared reimbursements to individuals for common carrier expenses to purchases on the centrally-billed account to determine whether duplicate payments for the same trip were made.

We obtained a database of all activity on the centrally-billed account from Southwest Airlines, the only carrier that could provide the information. We compared this data to the Citibank transaction information to determine whether the centrally-billed travel card data was complete.

This audit was performed in accordance with generally accepted government auditing standards during the period of November 2004 through March 2005. We conducted this audit at NLRB Headquarters in Washington, DC.

FINDINGS

The Agency generally had sufficient controls over airline ticket purchases. We did not identify any first or premium class ticket purchases and the Agency's procedures to control such purchases appear to be adequate. Tickets were generally purchased from a contract carrier. Non-contract carrier purchases were usually in situations in which a city pair fare did not exist. None of the 245 airline tickets purchased with individual travel cards were also paid with the centrally-billed account.

A database obtained from one airline showed that all or part of four trips with unused tickets were not refunded. This, along with an open credit of \$3.10 due to the exchange of a ticket, resulted in a total of \$744.90 that could have been put to better use. We also identified one ex-employee who still had approving capabilities in Travel Manager.

FIRST AND PREMIUM CLASS TRAVEL

Coach-class accommodations must be used for business travel unless the Agency specifically authorizes/approves first class or premium class accommodations. This can only be done when certain exceptions are met, such as when coach-class accommodations are not reasonably available, to accommodate a disability or special need, or to meet requirements in exceptional security circumstances. A Carlson representative stated that they are to notify the Finance Branch (Finance) of requests to book premium or first class airfare. The Agency procedure is that the Chairman or the General Counsel would approve all first or premium class travel. The Director of Administration would approve such travel for the Chairman or the General Counsel.

We did not identify any purchases of first or premium class tickets. The Agency's procedures for first and premium class tickets appear to be adequate.

CONTRACT CARRIER

Civilian employees of an agency are required to use a contract city pair fare if it is available, unless certain conditions are met. These conditions generally include if: (1) Space on a scheduled contract flight is not available in time to accomplish the travel purpose, or use of contract service would require the traveler to incur unnecessary overnight lodging costs which would increase the total cost of the trip; (2) The contractor's flight schedule is inconsistent with explicit policies of a Federal department or agency with regard to scheduling travel during normal working hours; or (3) A non-contract carrier offers a lower fare available to the general public, the use of which will result in a lower total

trip cost to the Government, to include the combined costs of transportation, lodging, meals, and related expenses.

Before purchasing a non-contract fare the traveler must meet one of the exceptions and know or reasonably anticipate, based on the planned trip, that the ticket will be used. The Agency must determine that the proposed non-contract transportation is practical and cost-effective for the Government. If these conditions are not met, additional costs or penalties incurred resulting from unauthorized use of non-contract service are borne by the traveler.

Of the 76 items in the random sample, 13 tickets were purchased from non-contract carriers. For 11 tickets, no contract carrier city pair fare existed. The two remaining tickets (3 percent) were purchased from a non-contract carrier without documenting a justification. Of the 16 tickets over \$1,000 that we reviewed, 2 of which were part of the random sample, 8 were purchased from non-contract carriers; in all instances no city pair fare existed.

INDIVIDUAL GOVERNMENT TRAVEL CARDS

According to APC 00-01, common carrier transportation services should be procured using the NLRB's centrally-billed account or the individual's Government contractor issued charge card. Finance's procedures for reviewing travel vouchers include verifying the payment information of airline tickets purchased utilizing individual government travel cards.

None of the 245 airline tickets purchased with individual travel cards were also paid with the centrally-billed account. Our review of individual travel card activity, however, identified multiple cards with questionable activity that was not related to the purchase of airline tickets. This information was referred for possible investigation.

UNUSED TICKETS

Federal regulations require that an agency's travel accounting system must identify unused tickets for refund; and collect unused, partially used, or downgraded/exchanged tickets from travelers upon completion of travel. According to the Agency's contract with Carlson, the contractor's automated system will generate appropriate refunds to the NLRB for all unused electronic tickets. The system should identify unused electronic tickets even if the traveler does not notify the travel agency of the unused ticket.

We did not identify any unused and unrefunded airline tickets in our random sample of 76 airline tickets purchased using the Agency's centrally-billed account. A review of all transactions from one airline (146 of 811 tickets),

however, showed that Carlson's automated system failed to generate appropriate refunds to the NLRB for all unused electronic tickets. All or part of four trips with unused tickets were not refunded. In addition, a credit of \$3.10 was due from the exchange of a ticket. This resulted in a total of \$744.90 that could have been put to better use.

Information on unused and unrefunded tickets was forwarded to Carlson for review. Carlson claimed that the tickets were refunded and suggested that we contact the airline. The airline confirmed that credits or refunds were not provided for these tickets. Finance was also unable to locate the credits.

TRAVEL MANAGER

The GAO Standards for Internal Control in the Federal Government list general controls that apply to all information systems. These controls include access security control that protects the systems and network from inappropriate access and unauthorized use by hackers and other trespassers or inappropriate use by Agency personnel. Specific control activities include the deactivation of former employees' passwords.

We identified one ex-employee who still had approving capabilities in Travel Manager. Travel Manager can be accessed via the Internet. The ex-employee could access Travel Manager and approve travel electronically which could result in a potential misuse of funds. Finance stated that the removal of a user would disrupt or destroy the records of the departed user. Therefore, Finance was not removing users in order to maintain the integrity of the data. During the audit, however, Finance learned that users could be deactivated without disrupting the records and has already initiated corrective action.


Travel Manager is used by Headquarters, the Division of Judges, and 10 field offices. Due to the upcoming conversion to eTS, Finance has slowed the process of converting field offices to the centralized version of Travel Manager.

APPENDIX

UNITED STATES GOVERNMENT
National Labor Relations Board
Division of Administration
Memorandum



March 8, 2005

TO: Jane E. Altenhofen
Inspector General


FROM: Karl Rohrbaugh
Finance Officer

SUBJECT: Comments on Draft Audit Report – “Airline Ticket Purchases”
(OIG-AMR-46)

This is in response to your memorandum dated February 7, 2005, in which you requested comments on the draft audit report on airline ticket purchases. In your memo, you requested that we also indicate our agreement or disagreement with each of the report’s findings and recommendations.

We have reviewed the report and have no comments with respect to the findings of the report.

Our comments regarding the report’s recommendations are as follows:

1. Obtain credits for unused airline tickets and apply credits to future travel.

Of the refunds identified for Southwest Airlines, they were received on January 5 and January 6, 2005, for all but \$3.10. We are not going to pursue obtaining a credit for the \$3.10. The non-refundable ticket in question is supposed to be used during the month of March by the employee in the Resident office in San Antonio who originally purchased the ticket. It will be verified that the ticket was actually used.

As noted above, the non-refundable ticket will be used for fiscal year 2005 travel. However, the refunded tickets were purchased in fiscal year 2004 and cannot be used for future travel.

2. Determine why refunds or credits for unused tickets were not provided and evaluate where the procedures need modification.

It was determined that all of the unused tickets were purchased from Southwest Airlines. Southwest was contacted and we were informed that it does not automatically provide credits for unused tickets and/or legs of tickets. The traveler must request the refund. Southwest also stated that, if the refund is not requested within a year, it will not issue a

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refund. In contrast, the other major airlines, if not notified, will automatically refund the ticket 90 days after the last departure date.

Therefore, an Administrative Bulletin will be issued informing employees of Southwest Airline's policy and recommending that they notify Carlson Wagonlit of any unused tickets or cancellations so that a refund is received prior to 90 days.

Thank you for the opportunity to comment on the draft report. If you have any questions, please contact me.

cc: The Board
General Counsel
Director of Administration