



Testimony

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GOVERNMENTWIDE TRAVEL MANAGEMENT

Federal Agencies Have Opportunities for Streamlining and Improving Their Travel Practices

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Mr. Chairman and Members of the Subcommittee:

I know that you and other members of this Subcommittee are deeply concerned about finding ways for federal agencies to cut costs and streamline operations. That is why I am very pleased to be here today to discuss governmentwide travel management, ways in which it can be improved, and the efforts underway to do so.

Federal executives, operating in the current environment of reduction and change, face a difficult challenge. They must cut costs while still maintaining, if not improving, operations. Most efforts that have attempted to address this challenge have had to come to grips with the difficulties of change—change is easy to talk about, but it is much harder to accomplish. It is usually much easier to cut, than it is to improve. Indeed, there has been a growing acknowledgement within government that what is needed is a revamping of how the government does what it does. Real change, concrete improvements, and substantive cost savings will not occur until underlying processes are systematically reassessed and reengineered.

One area with great potential for reengineering is travel management, and with good reason. In fiscal year 1994, the federal government reported travel obligations for individuals of about \$7.6 billion—about \$5 billion for the Department of Defense (DOD) and about \$2.6 billion for the civilian agencies. This amount was for direct costs (i.e., costs directly related to travel, such as transportation, lodging, rental cars, etc.) related primarily to two types of travel—temporary duty (TDY) and permanent relocation. The General Services Administration (GSA) currently negotiates some of these direct rates with travel vendors, at significant savings to federal agencies.

However, another component that often gets hidden is the administrative cost of arranging and processing travel. This cost includes arranging travel, getting it approved, and reporting travel expenses, as well as the organization's cost for processing, auditing, and reimbursing the travel. These administrative costs can be significant, into the hundreds of millions of dollars, especially when considering the number of travel authorizations and vouchers that are processed each year.

There are a number of private-sector companies who have set themselves apart from other organizations, both public and private, by streamlining and automating their travel processes and adopting a common set of best practices. In doing so, millions in administrative costs have been saved. A

handful of federal agencies have also begun to implement best practices and reduce costs. There is no reason, however, why all federal agencies cannot achieve comparable results. With some variation, the essential elements of travel are similar for almost any organization, private or public. And the costs for improvement are low, especially given the potential return—hundreds of millions of dollars could be saved.

Mr. Chairman, because of the interest you and other members of this Subcommittee have shown in the demonstrated improvements of these leading organizations, we set out to discover how they manage travel, what practices and strategies they followed to get there, and how federal agencies compare. Last March, we reported to this Subcommittee on our work assessing and comparing DOD's travel practices to those of two leading organizations.¹ Now, at your request, we have analyzed the travel practices of civilian federal agencies and compared them to leading organizations. To do this, we obtained cost and process information from three leading organizations, and additional process information from a fourth. We then conducted a survey at 70 executive-branch civilian agencies (who represented 92 percent of total travel obligations for executive-branch agencies for fiscal year 1994). We received responses from 64 agencies (a 91-percent response rate). Finally, we conducted case studies in specific locations at three agencies to gain additional information on how travel is arranged and processed.

As the information is presented, it is important to keep a couple of points in mind. First, we only looked at TDY travel that is conducted by regular federal employees as part of normal business operations. Second, while we developed standard cost and process elements to help provide assurance that the cost numbers are comparable, because organizations used different methods to identify these numbers, some may not be exact comparisons. Third, all of the cost estimates are sensitive to the time and salary estimates that the agencies and organizations provided. Fourth, most of the cost and processing information was self-reported. While we assessed the reasonableness of various cost and process elements that were provided, we did not independently verify all of this information. Finally, in addition to cost, there are other factors and trade-offs, such as quality, levels of risk, and the size of the investment of modernization, that must be considered when assessing and redesigning processes. For instance, an organization may be able to reduce administrative costs by eliminating process steps; however, without also ensuring that appropriate

¹Business Process Reengineering: DOD Has a Significant Opportunity to Reduce Travel Costs by Using Industry Practices (GAO/T-AIMD-95-101, Mar. 28, 1995) and Travel Processing Reengineering: DOD Faces Challenges in Using Industry Practices to Reduce Costs (GAO/AIMD/NSIAD-95-90, Mar. 2, 1995).

internal controls remain in place, the increased risk of fraud and abuse may outweigh any savings that are achieved. We did not address these other factors.

What Are Leading Organizations Doing and How Does the Government Compare

What we found was that leading organizations have cut administrative costs—some cut expense report processing costs by more than 80 percent—and time—what once took 3 weeks can now be done within 48 hours—as a direct result of reengineering how they arrange and process travel. Their total administrative costs per trip now range from about \$10 to \$20. They achieved these improvements by consolidating travel management and processing centers, eliminating unnecessary review layers, simplifying the travel process, and streamlining and automating the expense reporting process and integrating it with the financial system.

Most federal agencies' administrative travel costs and processes, on the other hand, lag behind those of leading organizations, although some agencies have begun to close the gap. Many agencies have not determined what their administrative travel costs and processes are, and for those agencies for whom costs were determined, their administrative costs per trip ranged from about \$37 to \$123—1 and a half to 12 times more expensive than the leading organizations. Many federal agencies use numerous processing centers, require multiple travel documents, and fill out these travel documents manually or maintain travel systems that do not have an agencywide automated interface with the financial system. Part of the problem has been that a primary focus of many federal agencies' travel management has historically been on maintaining and monitoring compliance, rather than on managing costs and efficiencies.

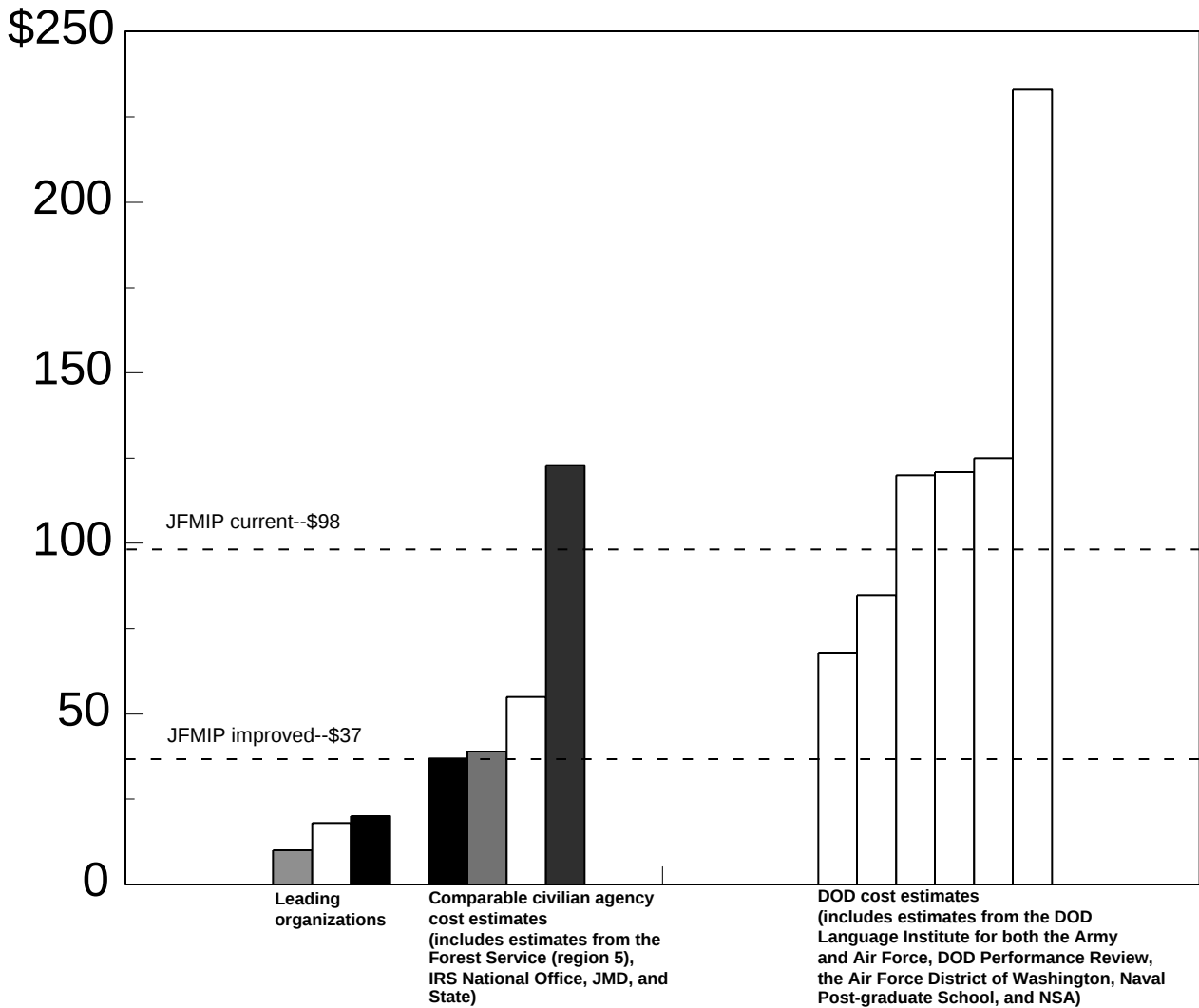
This is not to say that all federal agencies' processes are poor or that administrative costs are high. Indeed, most agencies' travel costs and processes lie along a continuum of performance. Some agencies, in fact, have reduced their administrative costs to levels that begin to match those of leading organizations. The Internal Revenue Service (IRS), for instance, has reported total administrative costs of about \$39 per trip, while the Forest Service (region 5) has reported administrative costs of about \$37. And there are also several agencies, including GSA and the Departments of State, Transportation, Defense, and Energy, who have initiated pilots that could go a long way to improving operations and reducing administrative travel costs.

Figure 1 provides a listing of estimated total administrative costs for the leading organizations and four civilian agencies. The figure also shows administrative cost estimates developed by six DOD agencies, although these estimates may not be fully comparable. In addition, the chart highlights two estimates—current federal agency costs per trip and improved costs per trip—that were developed by a travel improvement task force from the Joint Financial Management Improvement Program (JFMIP).²

²JFMIP is a joint cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government. The JFMIP travel improvement project team was established in 1994 to address travel reengineering. Its focus was to reinvent policies and remove impediments that affect TDY and relocation travel within the federal government. The task force identified 9 recommendations for improving TDY travel and 16 for improving relocation.

Figure 1: Administrative Cost Estimates for Leading Organizations and Federal Agencies

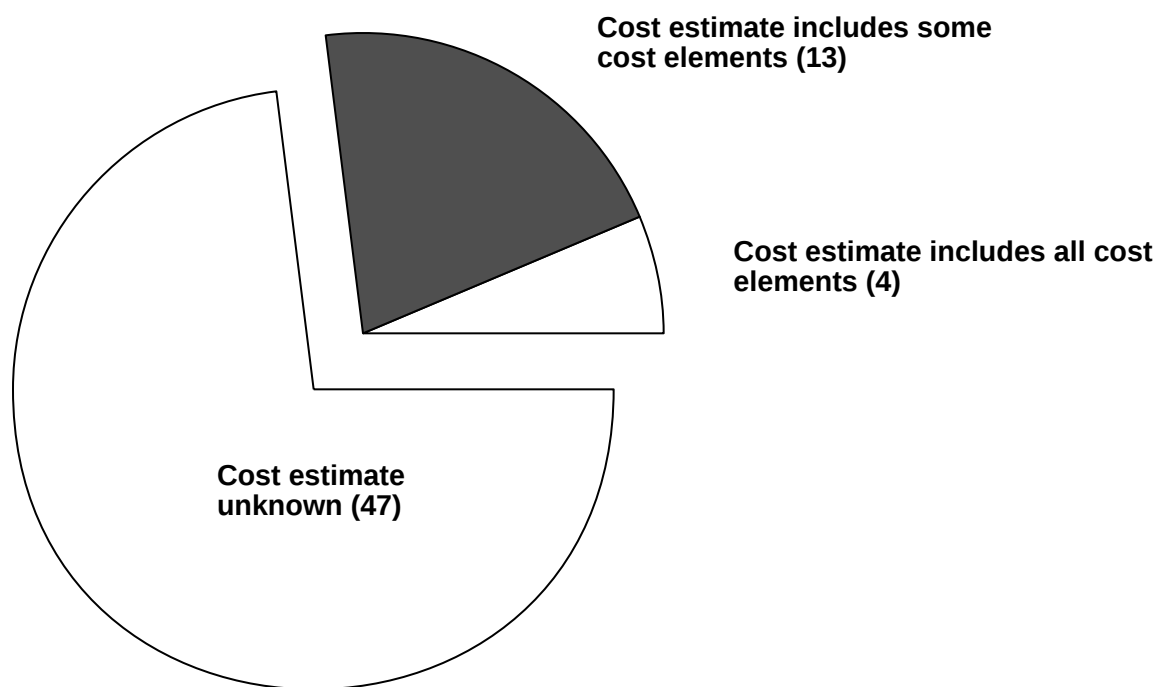
Total administrative costs per trip in dollars



Note: DOD's cost estimates may not be comparable because they may not include all of the same cost elements

Figure 2 shows where agencies stand in their identification of administrative costs. The chart breaks the agencies into three groups—those that could identify all administrative costs, those that identified some of their administrative costs, and those who could not identify any of their administrative costs.

Figure 2: Number of Civilian Agencies Who Have Estimated Their Total Indirect Costs Per Trip



Total number of agencies: 64

Finally, the following table lists the travel practices of the leading organizations and compares them to the practices of federal agencies, as found in our survey.

Table 1: Travel Practices of Leading Organizations Versus Federal Agencies

Leading organizations	Federal agencies
Mandate use of corporate charge card for most expenses (transportation, lodging, cash advances, etc.)	Encourage use of corporate charge card, but do not always require — 45% (29) require use for transportation costs — 34% (22) require use for lodging costs — 55% (35) use it as primary means of issuing cash advances
Eliminate front-end travel approval	Federal travel regulations (FTR) require approval before travel
Reduce number of travel agencies used —number used ranges from 1 to 3	Use numerous travel agents (as required by GSA) — number used ranges from 1 to 175 — median response was 16 — 12 use 1 agency
Consolidate processing locations —three use 1, the other uses 2	Process travel at numerous locations — number ranges from 1 to 1,494 — median response was 9 — 17 use 1 processing center
Use one form to record expenses	FTR require multiple forms for advance, travel authorization, and travel voucher — Four agencies have one form for both authorization and voucher
Use one integrated travel system	Use several systems consisting of both manual and automated processes — 18 reported that they had one integrated system
Total indirect costs per trip range from about \$10 to \$20	Most agencies cannot determine administrative cost — 17 identified at least some portion of their total administrative costs — Total administrative costs per trip for those for whom all costs were determined range from about \$37 to \$123

How Did the Leading Organizations Get Here

When looking at the leading organizations and what they have accomplished, it is important to remember that all of them found themselves, at one point or another, in a situation very similar to where many federal agencies now stand—they had to reduce costs, while at the same time dramatically improving service to the customer. These leading organizations set out to rethink and redesign how their financial management processes, including travel processing, were conducted. In doing so, the leading organizations shared many of the same characteristics:

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- they generally assessed travel management as part of a larger, financial management reengineering effort,
 - they benchmarked themselves against other recognized organizations, and
 - they instituted a common set of best practices.

The strategies used by these leading organizations in reengineering and adapting their practices can be grouped into three common areas: consolidation, simplification, and automation and integration. By addressing all three of these areas, the organizations were able to achieve dramatic cost and process improvements.

Consolidation

A travel manager from one of the leading organizations told us that after assessing current practices and processes, the first thing he would do when embarking on an improvement effort would be to consolidate operations. Before they started reengineering, leading organizations had business units that operated independently. Each unit was responsible for making travel arrangements and for processing their own travel. For instance, one organization was processing expense reports at over 300 separate locations. These decentralized operations can (1) lead to duplication of effort because each unit has to be responsible for similar processes, such as reimbursement and expense processing, (2) reduce opportunities to achieve economies of scale, (3) make organizationwide travel policy enforcement more difficult and inconsistent, and (4) hinder the organization from gathering and maintaining organizationwide travel data.

Leading organizations realized that they could cut costs and improve service by having central, organizationwide sources for making travel arrangements and for processing expense reports. They also established a central travel management group to oversee organizationwide travel and to establish, monitor, and enforce travel policies.

As processing locations were consolidated, the organizations found that they were able to reduce costs and cycle time. They also began to maintain travel data on the organization as a whole. These corporate travel data can be particularly helpful in negotiating rates with vendors.

The leading organizations also reduced the number of travel agencies that they were using. There are several benefits that can be gained from this. For instance, this can (1) assist in uniform monitoring and enforcing of the organization's travel policies, (2) ensure consistency in how services are

provided, and (3) provide management reports on the travel patterns of both individual travelers and the organization as a whole. This travel information is particularly helpful in monitoring policy compliance, tracking travel trends for negotiating rates with travel vendors, and for comparing actual to reported expenses.

Simplification

The second strategy used by leading organizations was to simplify operations, for both the traveler and the organization. Such simplification includes eliminating the need for front-end travel approval and consolidating all expense reporting on one form. Two of the organizations even automated the expense reporting process once they had decided on a streamlined reporting structure. A travel manager from one of the leading organizations noted that prior to reengineering, up to seven signatures were required to approve one expense report; now the expense report is automated and the only approval step occurs at the back end of the process after the voucher has been processed. Consolidating information also cuts cycle time, makes it easier to track costs, and provides easier access to data because all information is maintained in one central location.

Leading organizations also simplified and streamlined operations by mandating the use of charge cards for all transportation and lodging expenses, as well as for cash advances, cost areas that can account for 80 to 90 percent of all travel expenses. One organization, in fact, requires an explanation for any instance in which the corporate charge card is not used for at least 90 percent of all business travel expenses.

A key benefit of using a corporate charge card is eliminating advance processing costs and cycle time. Under the old system, a traveler would have to spend time filling out an advance request form and getting it approved by a supervisor. The organization would also have to keep an amount of petty cash on hand at various cash windows. And the organization had to track and reconcile each cash disbursement that occurred. By mandating charge card usage for cash advances, an organization can eliminate the processing time and costs for getting the advance, no longer has to maintain petty cash at cash windows, and can conduct one reconciliation for all travel expenses. Other benefits of using a corporate charge card are that it provides greater cash management and establishes better information management.

Automation and Integration

Finally, once leading organizations had assessed and consolidated their current processes, they looked to use automation to further simplify and streamline operations. They integrated expense reporting with travel expense processing, built policy conformance checks into the travel system, reimbursed travelers electronically, and developed a management information system to maintain the travel data that were being gathered. Maintaining this information gives an organization the specific information it needs when negotiating rates with travel vendors and setting predetermined travel costs.³ It also helps to track and enforce policy compliance and provides greater assurance of data integrity.

As mentioned previously, two of the leading organizations we talked to developed an automated expense reporting system as part of their consolidation and simplification efforts. The expense reporting systems they developed are user friendly and provide various aids to the traveler, including calculating expense totals and maintaining current per diem rates.

One organization's system builds policy compliance into the traveler's expense reporting by using a series of prompts and questions to highlight exceptions to policy. The system prompts the traveler to provide reasons whenever a response deviates from policy, such as using a noncontracted vendor or exceeding per diem rates. The system highlights the exceptions to the approving supervisor, who must approve all of them before reimbursement can occur. The system also produces a report that highlights to senior management all approved exceptions.

Another benefit of automation is the reduced cycle time provided by electronic reimbursement. For instance, prior to implementing their automated systems, it took two leading organizations over 3 weeks to reimburse travel expenses. Now a traveler can travel one day, submit an expense report the next day, and be reimbursed the following day.

A final benefit of automation is that all travel information can be maintained in a central repository. As one travel manager from a leading organization noted, "travel management is really about information management." The information that is gathered can come from a variety of sources, including the charge card company, booking information from the travel agency, and expense information from the expense reporting

³A predetermined travel cost (PTC) is an estimate of expenses, including transportation, lodging, and other definable expenses (rental cars, etc.), that will be incurred during a trip. This estimate is derived by constructing foreseeable travel costs before a trip begins and expenses are incurred.

system. This information is useful to analyze and compare what was booked, what was charged, and what is claimed.

Issues Facing the Government as It Looks to Improve

Mr. Chairman, a question you or others may be asking now is whether federal agencies can match what these leading organizations have done. The answer is yes, but there are many factors and issues, ranging from governmentwide policy, technical, and regulatory issues to agency-specific union and culture issues, that have to be taken into account. I would like to highlight a couple of the key issues.

The first issue facing agencies is the lack of accurate, up-to-date information related to travel costs and processes. Such baseline information is essential to measure progress and to ensure that the organization is focusing its improvement efforts on the most critical areas. Without accurate baseline information, organizations can waste valuable time and effort investigating technological solutions without truly knowing what process problems they are trying to solve. In addition, if the organization does not know where it is starting from, it is very difficult to measure what progress has been made. One travel manager from a leading organization summed it up by noting that you can't travel cheaper until you know exactly how you travel.

It appears that many federal agencies may be going ahead with improvement projects, including the acquisition of automation, without first assessing what their current situation is. For example, in response to our survey, 25 agencies said that they recently revised their travel processes, but only 11 of these agencies reported that they had assessed their current processes. As we have highlighted in previous reports,⁴ the risk of automating without analyzing current processes is that hardware and software may be acquired to automate the inefficient processes that are already in place.

The Justice Management Division (JMD) within the Department of Justice, for instance, recently acquired a travel system to streamline operations by producing travel authorizations and vouchers and providing for electronic approval of these documents. JMD plans for this system to be fully integrated with the financial system. However, this does not occur now. As a result, the travel system produces a hard-copy version of the voucher and information from the voucher must then be manually reentered into

⁴USDA Restructuring: Refocus Info Share Program on Business Processes Rather Than Technology (GAO/AIMD-94-156, Aug. 5, 1994) and Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

the financial system. Such duplication is inefficient and introduces a risk of data error during reentry.

As agencies look to automate their travel systems they will also have to ensure that they incorporate adequate controls, as noted in Title 2 and Title 7 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies, to ensure the integrity of the data. We have issued several reports emphasizing that improvements to streamline employee travel payment processes should be made only within a framework of adequate, cost-effective controls that reasonably ensure that payment transactions are properly authorized and sufficient records of these transactions are maintained.⁵

One area where this has drawn particular attention is in the approval of authorizations and vouchers through the use of electronic signature.⁶ We have previously reported that to provide adequate safeguards, an electronic signature should be (1) unique to the signer, (2) under the signer's sole control, (3) capable of being verified, and (4) linked to the data in such a way that if the data are changed, the signature is invalidated. The National Institute of Standards and Technology (NIST) has established procedures for the evaluation and approval of certain electronic signature techniques to ensure the integrity of the data and compliance with the previously mentioned criteria. Several federal pilots, including the Corps of Engineers, the Department of Energy, and DOD, are currently working with us and NIST to address these concerns and develop standardized systems that can be used by other agencies.

Another factor that will have to be addressed as agencies look to reengineer travel is the federal travel regulations (FTR), which govern how federal travel is to be conducted. For instance, the FTR say that a traveler must obtain both a travel authorization (pre-trip) and travel voucher (post-trip) and that travel approval for both must be given by an authorized official. In its report on improving governmentwide travel management,⁷ the JFMP travel improvement task force made nine recommendations for improving how TDY travel was processed. Of these

⁵See Employees' Travel Claims (DOD) (GAO/AIMD-95-171R, June 26, 1995); Employees' Travel Claims (USIA) (GAO/AIMD-95-138R, May 19, 1995); Air Force Automated Travel System (GAO/AIMD-95-74R, Feb. 14, 1995); and Employees' Travel Claims (State) (GAO/AIMD-95-71R, Feb. 6, 1995).

⁶An electronic signature is a symbol, representing an individual or entity, that can be used to validate the sender's identity and the integrity of the critical information received from the sender.

⁷Improving Travel Management Governmentwide, Joint Financial Management Improvement Program, December 1995.

nine recommendations, the task force estimated that eight would require some regulatory change, and the final recommendation will require both legislative and regulatory changes.

Federal Efforts Show Promise

All of this is not to say that improvements have not been made, or that little is being done in the federal government. On the contrary, there is a great deal of momentum for changing how travel is arranged and processed. For instance, 50 agencies in our study said that they planned to implement a revised travel process or that they were planning to revise in the near future.

Some federal agencies have already begun to implement many of the best practices and reduce administrative costs. IRS, for instance, processed 83 percent of its fiscal year 1995 travel vouchers using an automated travel system. Travelers enter information in to the travel system and this information is transmitted to a supervisor who approves it electronically. The travel system is integrated with IRS' financial system, where the travel information is processed once approval has been given. The information is then uploaded into Treasury's system for reimbursement.

There are also several federal agencies who have initiated pilots, some that are quite aggressive, that demonstrate the improvements that are possible. These efforts include the following:

- A Forest Service improvement team assessed its processes and found that almost half of its processing steps added no value to the processing of a travel voucher. It has now made several recommendations about how travel processing can be improved.
- The State Department studied its travel process and found that it could reduce its indirect costs by \$18 to \$72 per trip. State also received waivers from the FTR and developed one form to be used for both travel authorizations and vouchers.
- An internal GSA improvement team has proposed, and is beginning to move towards, an even more streamlined approach for GSA in which all paper travel documents would be eliminated.

Other agencies that have ongoing pilots include the Departments of Transportation, Defense, and Energy.

In addition to these agency-specific efforts, the JFMIP travel improvement task force, made up of representatives from several agencies across

government, has assessed both TDY and permanent relocation travel and estimated that hundreds of millions could be saved by implementing a number of key recommendations. These recommendations mirror many of the best practices of leading organizations, including requiring the use of a corporate charge card and consolidating and automating travel data.

What Needs to Be Done

In summary, Mr. Chairman, there are many things that can be done to move the government closer to the performance of leading organizations. First and foremost, agencies need to assess their costs and processes and establish a baseline of current performance. As I mentioned earlier, tremendous gains are possible by rethinking and redesigning travel management. However, it will be difficult for agencies to decide where to start and to measure progress until they assess where they are now. Some of the necessary information will be gathered as part of the requirements of the Chief Financial Officers (CFO) Act, which requires that agencies provide complete, reliable, and timely information regarding the management activities of the agency. However, agencies will still need to work to develop and assess other travel-related information. As agencies develop this baseline, they should also look for areas where operations can be streamlined and consolidated.

We also strongly urge agencies to study and implement the practices and approaches identified by the JFMIP travel improvement team. Everyone should eventually be at or near the savings levels offered by JFMIP; IRS and the Forest Service have already shown that achieving these levels is possible. However, reaching this goal is only a start. As the travel improvement team noted, the improvements they recommend are just the beginning. Continual assessment and improvement will help agencies move even closer to the results achieved by leading organizations.

Finally, agencies should always be looking for new ways to build and learn. Such learning can occur on two levels. First, agencies can learn from the successes and failures of other organizations, both private and public. Second, they can pilot projects of their own, build on the lessons that they learn, and then look to share this information with others.

In conjunction with agency efforts, GSA, as the government's primary manager of travel policy, should take the lead to oversee the various travel improvement efforts that are planned or underway. Such oversight may include the establishment of travel data standards, a cross-services directory, and an applications directory. GSA should also form a users

group to facilitate the sharing of knowledge and information. Such a group, in coordination with other interested parties, including JFMIP and the CFO Council, will go a long way to speeding the successful application of the practices and guarding against redundant actions. Finally, GSA needs to assess and revise the FTR based on the suggestions of JFMIP and lessons that are learned.

In addition, we encourage the ongoing interest, support, and oversight in this area by congressional committees. The progress of agencies and GSA should be monitored to ensure that all are moving towards the improvements listed here and in the JFMIP report—helping to get higher, better value for the public's dollar by operating more efficiently.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or other members of the Subcommittee may have at this time.

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