State Travel Management

August 1995

Office of Performance Evaluations
Idaho State Legislature

Report 95-01

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The eight-member, bipartisan Joint Legislative Oversight Committee approves evaluation topics. Evaluations are conducted by Office of Performance Evaluations staff. The findings, conclusions, and recommendations in the reports do not necessarily reflect the views of the Committee or its individual members. Committee members are:

State Travel Management

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In January 1995, the Joint Legislative Oversight Committee directed the Office of Performance Evaluations to conduct an evaluation of Idaho state travel management. The intent of the study was to evaluate current travel policies and practices statewide, identify state employee travel patterns and their costs, and point the way to potential cost savings.

I respectfully submit our completed report for your review and consideration. In this report, we recommend several steps to improve travel practices and reduce costs under the presently decentralized system for state travel management. Should policymakers choose to further coordinate the state's control over travel expenditures, additional savings could be possible. Toward this end, we present options for your consideration.

We evaluated travel costs and practices from a statewide perspective and did not address the travel practices of any individual agency. The Department of Administration acted as our contact agency for this evaluation. We appreciate the cooperation we received from officials and staff in state agencies and representatives within private industry.

The report was written and researched by Tom Gostas and Office of Performance Evaluations staff, with the assistance of David Hahn, Jason Hancock, and Susan Smith.

Respectfully submitted,

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State Travel Management
Executive Summary

In January 1995 the Joint Legislative Oversight Committee requested an evaluation of the travel management practices of Idaho state agencies. The purpose of the evaluation was to assess the effectiveness of current travel management practices and identify areas of potential cost savings. We were specifically asked to include university travel activity in our evaluation, and to look into the possibility of recovering awards from airline mileage award programs. We did not examine the appropriateness of any agency's type or level of travel.

Methods

To conduct our analysis, we interviewed officials at those agencies that spent the largest amounts on travel in fiscal year 1994.[1] Together, these 19 entities represent 76 percent of the state's fiscal year 1994 travel expenditures as recorded on the statewide accounting system (STARS). We sampled travel expenditure transactions for all state agencies on STARS. We also analyzed travel agency data comprising approximately 41 percent of the state's airfare purchases in fiscal year 1994. We supplemented these analyses with interviews of travel managers in other states and other travel professionals.

We concentrated our analysis on determining whether Idaho could take steps to better coordinate travel services, and to what extent state travelers could expect to realize cost savings as a result. We assessed possibilities in the light of current state and federal laws and travel industry activity.

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1 This included three of the four major state colleges and universities. We also interviewed officials at Lewis-Clark State College to allow us to account for activity in all of the four.

Results

Only two-thirds of all travel expenditures are recorded on the statewide system.

In fiscal year 1994 Idaho spent approximately $21.5 million on employee travel.[2] Approximately two-thirds of this total, $15.1 million, was recorded as agency expenditures on STARS. This represents only a small increase since fiscal year 1991, when total travel expenditures equaled $14.8 million. The $15.1 million comprised .6 percent of the state's total fiscal year 1994 estimated expenditures.[3]

Employees travel to deliver a range of services to the state's citizens, including inspecting agricultural and business sites, visiting clients to provide human and social services, conducting law enforcement operations, and monitoring use of the state's natural resources. Other travel expenditures go to supervise field staff and participate in training. Expenditures pay for transportation, food, lodging, and incidental expenses, such as parking and tips, to support employees who are away from their home offices on state business.

We identified several limitations to how flexible a state's travel policies can be. Federal law, state law, and travel industry structures and policies define boundaries in some areas. We found that agency officials remain uncertain how travel time should be compensated in all situations, and we recommend changes in state policy to apply compensation time more equitably within federal limits. We also learned of significant limits on state employees' exemption from sales tax on travel activities, and recommend the Legislature take steps to ensure that agencies more easily secure the exemption on all in-state travel goods and services.

Effective policies must operate within a complex environment.

State policies must operate within travel industry structures. For example, we examined avenues to use airline mileage award

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2 This includes expenditures such as meals, lodging, and transportation costs. It also includes athletic and student group travel at one university. However, it does not include travel expenditures for most non-employees, or for boards and commissions that do not process accounting through STARS. Also, it does not include the costs of employee travel time, registration fees, telephone charges made during travel, or the full costs of state-owned and rental automobiles.

3 Total estimated state expenditures from *Fiscal Year 1995 Executive Budget*.

programs more consistently to the benefit of the state. We concluded that airline policies have been upheld by federal courts. These policies make cost savings in this area unlikely.

Other recent changes in the travel industry suggest that service providers are seeking new ways to reduce costs. These include limits on the amount of commission paid by an airline to a travel agent for booking tickets, limits on free mileage for rental automobiles, and the closure of travel agency offices. Such changes exemplify an uncertain atmosphere in which to make travel policy decisions, and underscore the usefulness of state policies and mechanisms that can react quickly to industry change.

Agency officials are responsible for limiting travel expenditures.

The state has basic mechanisms in place to control travel expenditures. Idaho Code §§ 67–2004 through 2008A authorize reimbursement for travel expenditures and set maximum meal and mileage reimbursement rates for agencies statewide. These statutes provide the Board of Examiners authority for regulating travel expenditures.

In turn, the Board of Examiners has established state travel policies limiting the types and amounts of travel-related expenses agencies may reimburse. Under the Board's policies, department heads are responsible for screening the purpose of travel and evaluating the cost-effectiveness of individual trips. Fifteen of the nineteen agencies we studied had gone beyond the Board of Examiners policies and placed additional restrictions on reimbursement for certain expenses or circumstances. Out-of-country and out-of-state travel receive extra scrutiny in these agencies through additional approval requirements.

Statewide and agency control mechanisms have not focused on coordinating travel activity among agencies, or on obtaining improved services at reduced rates for state employees.

Little has been done to coordinate state travel. Instead, current mechanisms encourage managerial examination of individual trips in relation to budgeted travel allotments. Current policies emphasize accounting procedures more than service selection.

Some states have reported cost savings through negotiated contracts with travel service providers such as airlines, hotels, and automobile rental agencies. These contracts use the total volume of a state's travel activity to obtain lower rates for employees in exchange for guaranteed business for the provider. Several attempts to consolidate travel activity have been made in Idaho in the past eight years, but with no success.

Current state policies allow agencies the discretion to choose the most economical transportation best suited to their needs. Employees use personal vehicles and agency owned passenger vehicles rather than vehicles from a centrally owned and coordinated automobile fleet. State planes fly as requested, rather than at regularly scheduled times. The Department of Administration's Division of Purchasing has arranged state price agreements with four automobile rental companies, but state employees continue to do business with other companies as well.

Steps can be taken to manage travel costs.

We identified two policy choices currently available to the Legislature to reduce travel expenditures at a broad level. First, the Legislature could further limit the amount or type of travel expenditures that would be reimbursed. The focus would be on changing employee travel practices to reduce expenditures without reducing state-delivered services. Under this scenario, we identified policy changes that will save the state an estimated $296,200 annually, including:

- $172,000 by adopting federal reimbursement rates for lodging in Idaho cities;
- $64,000 by restricting the circumstances under which meals will be reimbursed during travel lasting fewer than 24 hours;
- $22,700 by altering employee purchasing patterns for airfare tickets; and
- up to $37,500 by adopting a mandatory credit card program which allows the state to earn additional interest and avoid certain insurance costs.

We conclude that after adopting necessary policies to monitor employee travel patterns, state officials could attempt negotiations with airlines for reduced fares. If successful, we estimate these negotiations could yield as much as $116,000 annually in cost savings.

A second policy option is to centralize travel management. To be fully effective, this option would require an internal travel manager or an external contract with a travel management service. A state travel manager could assume coordination responsibilities, including analyzing employee travel patterns, identifying travel service providers, negotiating rates, and educating employees about methods to make more cost-effective travel purchases. This option could provide agency managers and state policymakers additional assurance that employees are following state policies, discourage abuse, and improve employee travel practices. We estimate that if the state were to select a single state travel agency, up to one-fourth of the travel agencies in the state would lose state accounts with a value over $20,000, one measure of profitability. Issuing contracts with multiple travel agencies would affect fewer travel agencies, but would likewise reduce the benefits of centralization.

In the future, state officials can expect video and computer technology to offer travel management options and alternatives.

Factors Affecting Travel Costs

Chapter 1

Effective travel management policies must operate within a complex environment. Federal and state laws place restrictions on states' travel policies. The federal Fair Labor Standards Act sets minimum requirements for compensating travel time. Current state sales tax exemptions apply only to items purchased directly by a state agency. Airline policies for mileage award programs limit officials' options to use awards for the benefit of the state. In addition, national travel industry structures and policies, and local geography and population limit opportunities for coordination and long-term planning. As a result, some travel management options with potential for cost savings may not be possible in every state. Idaho must review travel management options for application to its own conditions.

Effective policies must account for state and national conditions.

Methods

To learn more about employee travel practices, we spoke with officials and staff at those agencies which had the largest total expenditures on travel in fiscal year 1994. We also spoke with officials at one of the colleges not included in this group, to allow us to account for travel activity at all four major state colleges and universities. Table 1.1 shows that together, these 19 entities represent 76 percent of the state's fiscal year 1994 travel expenditures as recorded on the statewide accounting system (STARS).

To further examine state employee travel activity, we randomly sampled travel expenditure transactions for all state agencies in the statewide accounting system. We then analyzed airline, meal, lodging, and automobile activity throughout the state using the supporting documentation for the sampled transactions.

Table 1.1: Travel Expenditures for Selected State Agencies, Fiscal Year 1994

Agency	Total (in dollars)	Percent of Total
Department of Health and Welfare	2,352,000	15.5
Idaho Transportation Department	1,610,000	10.6
University of Idaho	855,000	5.7
Department of Fish and Game	691,000	4.6
Department of Law Enforcement	665,000	4.4
Idaho State University	655,000	4.3
Department of Agriculture	540,000	3.6
Department of Employment	486,000	3.2
House of Representatives	461,000	3.1
Judicial Department	449,000	3.0
Superintendent of Public Instruction	364,000	2.4
Department of Lands	360,000	2.4
Boise State University	344,000	2.3
Department of Corrections	328,000	2.2
State Tax Commission	320,000	2.1
State Insurance Fund	304,000	2.0
Department of Commerce	270,000	1.8
Senate	262,000	1.7
Lewis-Clark State College	138,000	0.9
Subtotal	**11,454,000**	**75.8**
All Others	3,677,000	24.3
TOTAL	**15,131,000**	**100.1**[1]

[1] Does not add to 100% due to rounding.

Source: Statewide accounting system expenditures for meals and lodging, commercial airfare, public conveyance, personal automobiles and aircraft, state-owned and chartered aircraft, partial expenditures for state-owned automobiles and rental automobiles, and miscellaneous expenditures such as parking and tips.

We also:

- determined spending patterns with travel agencies around the state based on vendor expenditures entered on the statewide accounting system;
- analyzed data on state employee travel patterns provided by six travel agencies that together accounted for 41 percent of the state's commercial airfare expenditures for fiscal year 1994;

- compared state agency travel practices with statewide policies;
- visited the four major state colleges and universities to collect data on travel expenditures and management;
- reviewed reports and other relevant documents supplied by selected state agencies;
- interviewed travel managers in seven states; and
- discussed management alternatives with travel industry personnel in airlines, travel agencies, and travel management companies.

Employee travel costs can include mileage expenses, vehicle parking charges, commercial airfare costs, meal and lodging expenses, and incidental costs such as photocopying, telephone, and gratuities costs. The employee can also receive compensation for part or all of the travel time. Because current guidelines for the statewide accounting system do not require agencies to separate travel expenses from other expenses related to non-state employees, they cannot be identified. Limitations in the state travel policies do not apply to non-state employees. We therefore did not include non-state employee travel expenses in our analyses.[1]

Travel Needs

State employee travel needs vary.

The reasons for state travel vary. Government employees travel when they contact others outside their offices as they work to manage the state's economy, protect citizens' health, and implement policy decisions. Department of Agriculture employees inspect fields, crops, and livestock at locations remote from their assigned work stations. Department of Education officials travel to individual school districts to monitor district programs and offer guidance. Fish and Game staff conduct field research. Transportation Department officials monitor the quality and progress of works under construction, as well as inspect existing structures for safety. Department of Health and Welfare staff arrange and oversee financial and economic assistance to

[1] However, certain non-employee expenses are included as employee travel expenses, due to expenditure coding practices in at least three agencies. Other agencies we did not interview may follow similar practices.

clients and monitor their circumstances. In addition, employees in district offices must be supervised and given guidance on changes in state and federal laws and policies, so that enforcement and regulation efforts are maintained. Finally, state employees also travel to provide or participate in training.

To learn how frequently employees traveled for these reasons, we examined the travel purpose for each of the sampled expenditures from the statewide accounting system. Approximately three-quarters of in-state travel expenses in our sample were related to an employee's performance of regular job duties. The remaining one-quarter were reimbursed expenses of employees either offering or receiving training. Approximately one-half of the out-of-state expenses in the sample were related to training.

State agencies also pay for some travel activity for individuals who are not state employees. For example, student activities and athletics programs in state colleges and universities, largely funded through fees or ticket sales, are arranged and monitored by university personnel. Numerous advisory boards and commissions have their travel expenses reimbursed by the state. In addition, contractors may include travel expenses as part of their fees. Travel volume would increase if this travel activity were included in our expenditure and travel pattern analyses, although the amount of the increase is uncertain.

Limits of the Law

Time in Transit

In addition to the expenses of meals, lodging, airfare, and driving, travel includes several related costs. These include the employee's travel time, telephone charges, taxes associated with purchases of goods and services, and conference registration fees. Employee travel time represents the largest of these indirect travel costs.

Federal law requires travel time to be compensated.

The federal Fair Labor Standards Act (FLSA) and its accompanying regulations establish minimum requirements for compensation for time spent in travel status. Officials at the Idaho Personnel Commission issued advisory memos on this subject in 1985 and February 1995. As Figure 1.1 shows, the Idaho Personnel Commission has provided agencies general guidelines to follow in determining when to compensate

Figure 1.1: Compensable Travel Time

Travel time must be compensated if:

- it occurs during a special one day assignment to another city;
- it occurs during normal working hours on an overnight trip, both on normal workdays and on days off;
- it is emergency travel after normal working hours requiring the employee to travel a substantial distance; or
- the employee must work while traveling, is the driver of transportation, or must ride as an assistant/helper.

Travel time need not be compensated if:

- it occurs as a passenger on an airplane, train, boat, bus or automobile outside normal working hours;
- it is overnight travel away from the home community occurring outside normal working hours;
- it is ordinary home to work travel.

Source: Idaho Personnel Commission Procedure Manual, pp. 070–1, 070–2, March 25, 1994.

employees for time spent in travel. The Idaho Personnel Commission Procedures Manual states that agencies may choose to follow the federal minimum guidelines, but can avoid issues of unfairness if they compensate employees for all time spent traveling. In our discussions with agency personnel, we learned that:

- **Agency officials remain uncertain how travel time should be compensated in all situations.**

We reviewed written agency policies on compensation for time spent traveling, and found that policies and practices vary. Some agencies:

- allowed compensation for actual travel time, except for travel outside working hours, to out-of-state conferences and training sessions;
- allowed compensation for actual travel time, except for layover time during travel outside regular work hours, including weekends;

- did not allow compensation for time traveled on weekends, if the purpose of the extended stay was to secure a cheaper plane fare.

Agency personnel in nine agencies we interviewed stated that, in practice, they frequently do not formally calculate the costs of compensation time when approving travel. We were unable to measure the effects of current practices, since, according to agency officials, employees do not always request full compensation for their travel time. In addition, supervisors and employees may make arrangements that do not leave payroll records for later review or verification.

Overall, policies and practices described by agency staff we interviewed suggest that agencies apply the Personnel Commission's guidelines to varying degrees. In addition, a review of two agency policies suggest they may not meet minimum FLSA requirements.

We recommend the Personnel Commission clarify state compensation policy to make application more equitable across state agencies, and to ensure that minimum requirements are met.

This may help encourage more careful consideration of travel time in calculations of trip costs.

Payment of Sales Tax on State Travel Services

State employees incur additional travel costs through sales tax on goods and services purchased while traveling. In our review of this issue, we learned that:

The state sales tax exemption is found in departmental rule and is limited in scope.

- **The state's exemption from paying sales tax is found in departmental rule, not Idaho Code. The exemption is limited to cases in which purchases are made directly by the state entity.**

The rule specifies that the state and all its agencies, departments, and institutions are exempt from the sales and use tax when a purchase is made directly.[2] In practice, this means that agencies

2 Idaho Administrative Code, October 5, 1994, Volume 7, IDAPA 35.01.02.094.

must arrange direct billing with vendors to receive the benefit of the exemption. Individual employees cannot claim the exemption if they pay for lodging, meals, automobile rentals, or other items themselves.[3]

Officials in 12 of the 19 agencies we interviewed told us they take advantage of the state's exemption from sales tax to varying degrees. In practice, it does not appear that agencies paid sales tax on most recent lodging arrangements; our sample showed sales tax paid on in-state lodging in only 13 of 155 cases. Employees pay sales tax on most meals, however, as they are rarely direct billed.

There are administrative costs to arranging for direct billing. The state agency must contact the lodging establishment in advance and file a sales tax exemption certificate with the establishment. In addition, agency personnel told us that not all hotels accept direct billing arrangements. For these reasons, not all state agencies take advantage of the exemption.

Although statewide accounts are only marginally affected by the exemption, an agency's travel funds are effectively increased when it does not pay sales tax on travel goods and services. When an agency takes advantage of the exemption while others do not, their respective travel budgets benefit disproportionately.

The federal government has considered the disproportionate effects of sales taxation. A May 1995 Office of Management and Budget (OMB) circular announced that beginning fiscal year 1999, the federal government will not provide federal funding to government units that pay "self-assessed taxes that disproportionately affect federal programs."[4] Consequently, if a state agency funded by federal money were to pay state sales tax, the OMB could view that as a self-assessed tax that draws federal funds away from the original target program and into the state general fund. To date, it remains unclear how the OMB will define and apply the rule. However, in anticipation of this federal change:

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3 Idaho Administrative Code, October 5, 1994, Volume 7, IDAPA 35.01.06.016 exempts the state from room sales tax.

4 Office of Management and Budget Circular A–87, Federal Register, May

We recommend the Legislature codify the state's exemption from sales tax. We further recommend that the Legislature request that the Department of Revenue and Taxation create a cost-effective means of implementing the exemption statewide.

This would eliminate the disproportionate effects of the current sales tax exemption and increase the ability of agencies to secure the exemption on all travel goods and services.

Limits of the Service Industry

Travel industry practices introduce another set of considerations and limitations for policymakers. Relationships between parent corporations and franchised outlets, agreements among providers of services, and customer incentive programs can reward traveler loyalty to particular providers, rather than to low prices.

Airline Mileage Award Programs

State policy requires the return of mileage awards.

The state Board of Examiners requires that "any discounts, rebates, promotions or similar benefits resulting from travel paid by the state become state property."[5] Examples include "free or reduced future air fare, or other travel costs."[6] However, officials in 6 of the 19 agencies we interviewed told us they do not recover mileage. Agency officials pointed out that the success of these polices depends largely on the willingness of employees to cooperate. Employees may put tickets on personal mileage accounts at the gate or even after travel has occurred, leaving no way for supervisors to monitor compliance. Even at the federal level, government policy states that mileage awards should be returned to the government, but provides no enforcement mechanism. In our review, we found that:

- **Agencies have difficulty enforcing the Board of Examiners' policy requiring the recovery of mileage awards.**

Empire Airlines operated a frequent flyer program which allowed employees to pool mileage credits to earn awards. When Empire

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5 Board of Examiners *Travel Regulations, Procedures, and Policies*, Regulation 15, p.8, effective July 1, 1975.

6 Ibid.

announced it would cease passenger service June 30, 1995, we estimated that credits for as many as 21 free tickets had been earned by state employees in the prior two months. Acting on our notification, the Division of Financial Management pooled over 200 of these credits in less than two weeks, good for ten or more tickets.[7] State employees only benefited from two tickets due to the short time span involved. Because mechanisms were not already in place to centrally collect, monitor, and distribute the mileage credits:

- **The state lost at least eight free airline tickets, with a total value of up to $2,560.**

The structure of airline mileage award programs further complicates the state's ability to enforce the Board's policy. Airlines restrict the capture and use of mileage awards. As Figure 1.2 shows, none of the five airlines we contacted allows corporations as members or the pooling of mileage among individuals. All five place expiration limits on accumulated mileage. However, four of the five allow transfer of earned awards to non-family members. Horizon, the one airline which serves all commercial airports within the state, allows travelers to maintain more than one account, but does not allow the transfer of earned awards. Finally, airline policy typically allows reporting of accrued mileage to the account holder only.

Businesses continue to seek ways to use mileage award programs to their advantage. In 1994, IBM attempted to negotiate six percent discounts on fares with two major airlines, in exchange for the elimination of mileage awards for employees' flights. Both airlines refused, preferring to retain their mileage programs.[8] In 1994, a group of private corporations formed a separate company to negotiate airfare rates for member businesses based on mileage rather than flight origin and destination. These rates would replace mileage award programs and commissions to travel agents. Results of this new approach are still unknown, since company officials have not yet attempted rate negotiations.

7 Larger agencies may have collected and redeemed additional credits.

8 Reported in *Los Angeles Times*, April 28, 1994. Part D, pg. 5, column 1.

Figure 1.2: Comparison of Selected Mileage Award Program Policies

Airline	Corporations as members?	More than one membership per person?	Sale or barter of mileage awards?	Pooling of mileage among individuals?	Accumulated mileage expires:	Transfer of mileage awards to non-family members?
Delta	No	No	No	No	Three years from date of most recent flight	Yes
Northwest	No	No	No	No	At end of third year after mileage was earned	Yes
Horizon (Alaska Airlines)	No	Yes	No	No	Three years from date of earning mileage	No
Southwest[1]	No	No	No	No	Must make 16 one-way trips within 12 consecutive months to earn free ticket	Yes
United	No	No	No	No	Three years from date of most recent flight	Yes

1 Operates a system in which each leg of a flight is rewarded equally as a stamp in a booklet.

Source: Published frequent flyer membership guidelines.

Airline mileage award programs are considered contracts.

We examined recent federal court decisions in the 9th and 10th Circuits related to airlines' restrictions on the sale or barter of mileage awards. These cases involved businesses which had bought awards from individuals and resold them to other, unrelated individuals. According to these rulings:

- **Airline mileage award programs constitute contractual relationships between the airline and the customer, and, as such, are enforceable as a matter of law.**[9]

The courts' willingness to uphold the airlines' limitations on transfer of awards in these cases suggests that other contract terms would also be upheld.

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9 TransWorld Airlines v. American Coupon Exchange, 913 F.2d 676 (9th Cir. 1990), American Airlines v. Christensen, 967 F.2d 410 (10th Cir. 1992), and American Airlines, Inc. v. Platinum World Travel, 769 F.Supp. 1203 (D.Utah 1990), *aff'd.*

Should the state wish to recover mileage awards more consistently, mechanisms would need to be tailored to the rules of each airline's program.

Travel Industry In Flux

The travel industry is undergoing a number of changes which complicate state travel policy choices. In February 1995, several major airlines announced that they would limit the amount of commission a travel agency could earn on ticket sales. In response, some travel agencies began charging fees for certain services that were previously provided at no direct cost to the ticket purchaser. Of 16 travel agencies we contacted in six cities around the state,

Changes in the travel industry complicate policy choices.

- eight reported charging fees of $5 to $25 to issue tickets under $200 or certain tickets on reduced-fare airlines;
- seven assessed fees to refund or exchange tickets, and
- four charged $10 to $20 to reserve hotel rooms or rental automobiles without an accompanying purchase of an airline ticket.

Beginning in August 1995, eight major airlines began offering a ten percent discount on published fares to government travelers. The discount is part of a settlement of a lawsuit alleging price fixing by the airlines. The discounts will be available to government travelers on official business through early February 1997 or until $40 million is returned to travelers, whichever comes first.[10]

Changes in the travel industry suggest that service providers are seeking new ways to reduce costs. The June 1995 announcement by Empire airlines that it would cease passenger service illustrates this volatility. Other recent indications include:

- industry representatives reporting that price reductions for travel with a Saturday night stay are not as common as they once were;

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10 Reported in *Travel Weekly*, July 24, 1995, p. 1.

- at least three national automobile rental companies announcing that, beginning in July 1995, they will no longer offer unlimited mileage in certain markets;
- one Boise travel agency canceling some arrangements to transfer portions of airline commissions to clients in return for promises from clients to use the travel agency exclusively;
- one travel agency closing its Boise office in April 1995.

Such changes may create a more competitive situation in which to negotiate. On the other hand, service providers may have less room to negotiate price reductions, and may be inclined to offer service concessions instead of price breaks. In either case, the industry changes invite this re-examination of state travel policies to better ensure cost-effective employee travel practices.

Current Travel Policy and Practice in Idaho State Government

Chapter 2

Current state travel policies and practices are designed to limit travel to trips that are necessary for the state's work, and to restrict the types and amounts of reimbursed travel expenses. Idaho Code and travel policies issued by the Board of Examiners establish statewide standards and leave agencies free to impose additional restrictions. The basic mechanisms to manage travel activity are in place, but their implementation, monitoring, and enforcement are decentralized.

Mechanisms are currently in place to manage travel activity.

Travel Policies

Legislators and agency heads recognize the need to screen travel in advance to ensure trips are either a necessary part of work duties or for training activities ultimately of benefit to the state. Idaho Code governs employee travel activity and restricts reimbursements, as illustrated in Figure 2.1. Further authority for regulating travel activity is delegated to the Board of Examiners.

Board of Examiners' policies follow statutory maximums.

Travel policies adopted by the Board of Examiners set meal allowances at the maximum level allowed by Idaho Code. The Board's policies also allow employees to be reimbursed for actual lodging costs, without setting maximums. In addition, Board policies specify that state employees may be reimbursed at the rate of 26 cents per mile for use of their personal vehicles. Idaho Code allows the state to establish a rate at or below the federal internal revenue code rate, currently 30 cents per mile. Overall, board policies require employees to use the most economical mode of travel, establish meal reimbursement rates for partial days of travel, and specify additional requirements that travelers

Figure 2.1: Statutes Governing State Travel

67–2004:	Authorizes the Board of Examiners[1] to establish travel reimbursement rates within statutory limits.
67–2005:	Assigns to the State Controller responsibility for prescribing voucher forms for expenditures.
67–2006:	Requires that travel vouchers include travel purpose, statement that travel was required, and traveler and department head signatures.
67–2007:	Specifies to which entities the limits of § 2008 apply.
67–2008:	Establishes lodging reimbursement at actual cost, up to a maximum set by the Board of Examiners.
	Requires the Board to set daily meal allowance limits up to maximums of $20/day for in-state travel and $30/day for out-of-state travel.
	Requires the Board to set the rate of mileage reimbursement for private auto use, not to exceed the allowable internal revenue code rate.
	Requires the Board to set the rate of mileage reimbursement for private aircraft use, not to exceed the allowable reimbursement for travel by auto.
67–2008A:	Requires the Board of Examiners to set the meal reimbursement levels for foreign travel.

EXEMPTIONS: Statutes exempt 14 boards or commissions and nine individuals or groups of elected officials from the provisions of § 67–2007 and § 67–2008, either entirely or in part.

1 The Board of Examiners consists of the Governor, Secretary of State, and Attorney General.

Source: Idaho State Code, §§ 67–2004 through 67–2008A.

must meet for reimbursement.[1] Figure 2.2 summarizes the Board of Examiners' regulations.

1 The Statewide Fiscal Policy Advisory Committee for the State Controller has developed recommendations to reorganize and update the language of these policies. The recommendations have not yet been presented to the Board.

Figure 2.2: Board of Examiners' Travel Regulations

- Require use of the most economical routes and carriers, from the standpoint of time and expense.
- Require that travel be authorized and vouchers approved for payment by department head.
- Limit reimbursement for travel by commercial airline to the normally lowest available fare. Prohibits employees using personal vehicles from being reimbursed more than the cost of using a commercial airline.
- Establish lodging reimbursement at actual cost, without setting a maximum, as allowed by Code. Encourages employees to request government rates.
- Establish meal reimbursement at actual cost, up to statutory maximum. Also establishes maximum reimbursement for partial-day travel: 25%/breakfast, 35%/lunch, and 55%/dinner.
- Link foreign travel meals allowance to the U.S. Department of State's *Maximum Travel Per Diem Allowances For Foreign Areas*.
- Allow reimbursement for miscellaneous expenses such as taxi fares, baggage handling fees, telephone charges, postage, conference registration fees, and laundry costs.
- Establish mileage reimbursement for personal vehicle use at $0.26/mile.
- Require discounts, rebates, promotions, or benefits resulting from travel paid by the state to become state property.
- Prohibit state reimbursement for travel between home and office, or expenses for meals and lodging at home station. Exceptions include conferences, conventions, and necessary informal meetings.
- Allow individual agencies to issue internal travel policies, provided they follow the Board's guidelines.

Source: Office of Performance Evaluations staff analysis of *Travel Regulations, Procedures and Policies: State of Idaho*, effective July 1, 1975.

The Board of Examiners' policies permit departments to establish internal travel regulations, as long as they do not allow reimbursements in excess of the Board's guidelines. Fifteen of the nineteen agencies whose practices we examined have adopted internal policies that go beyond those established by the Board, some of which could be extended statewide to yield cost savings. The possibilities are addressed more fully in Chapter 3.

Travel Practices

Agency officials use a variety of procedures to implement the policies outlined in Idaho Code and by the Board of Examiners. Typically, an employee must receive approval to travel from a supervisor, who has primary responsibility for reviewing the necessity of a trip and the cost-effectiveness of the employee's travel plans.

Personnel in 13 of the 19 agencies at which we conducted interviews indicated that supervisory approval is usually the only approval required for routine in-state travel related to job duties. Travel to out-of-state or out-of-country destinations generally requires additional approval. Twelve of the agencies have policies that require the department director to approve this level of travel. While the exact requirements vary from agency to agency, the policies' success at screening travel purpose and controlling related costs depends on how critically the reviewers scrutinize each requested trip.

Agency oversight depends on conscientious review of travel vouchers.

Agency officials we interviewed rely on fiscal review procedures to ensure that completed travel vouchers comply with state and department reimbursement policies. Although details of the processes vary slightly by agency, typical review includes examination of each voucher by two persons. The fiscal staff responsible for the review check to see that the traveler has not exceeded the maximum levels allowed for reimbursement, that all expenses qualify for reimbursement, and that proper authorization signatures have been recorded. Expenses are reconciled with any travel advance, and the account is settled with the employee.

Although the procedures described above may serve to keep travel expenditures within the limits prescribed by the Board, they provide few verifiable assurances about the necessity or the cost-effectiveness of individual trips.

- **There appear to be few efforts to consolidate and coordinate travel activity within agencies.**

The University of Idaho established a central travel office and employed a travel manager from November 1993 through May

1995. The University of Idaho's travel manager regularly monitored employee choice of travel vendor, employee travel patterns, and timing of travel service purchases. He then used this information to identify preferred vendors and negotiate discounted rates for services. Officials at six other agencies stated that, where possible, the number of travelers was kept low to reduce costs.[2]

Effect of Travel Policies

Travel expenditures are recorded in the statewide accounting system. Expenditures can be categorized by type (such as commercial airfare or public conveyance) and destination (in-state, out-of-state, out-of-country). These classifications allow broad identification of high travel expenditure areas. We analyzed employee travel patterns related to airfare, meals, and lodging expenses to identify potential cost savings. These categories together accounted for 77 percent of total state spending for travel in fiscal year 1994.

Table 2.1 breaks down total state travel expenditures in fiscal year 1994 by these major categories. We included university expenditures not recorded on STARS in these figures. As this table shows, total travel expenditures in fiscal year 1994 were approximately $21.5 million.[3] Roughly two-thirds of this amount, $15.1 million, was recorded on STARS. This represents a small increase since 1991, as shown in Figure 2.3.

2 One agency reported that personnel systematically looked for duplicative travel destinations among bureaus to consolidate transportation and reduce the number of travelers where possible.

3 This includes expenditures such as meals, lodging, and transportation costs. It also includes athletic and student group travel at one university. However, it does not include travel expenditures for most non-employees, or for boards and commissions that do not process accounting through STARS. Also, it does not include the costs of employee travel time, registration fees, telephone charges made during travel, or the full costs of state-owned and rental automobiles.

Table 2.1: Total State Travel Expenditures, Fiscal Year 1994

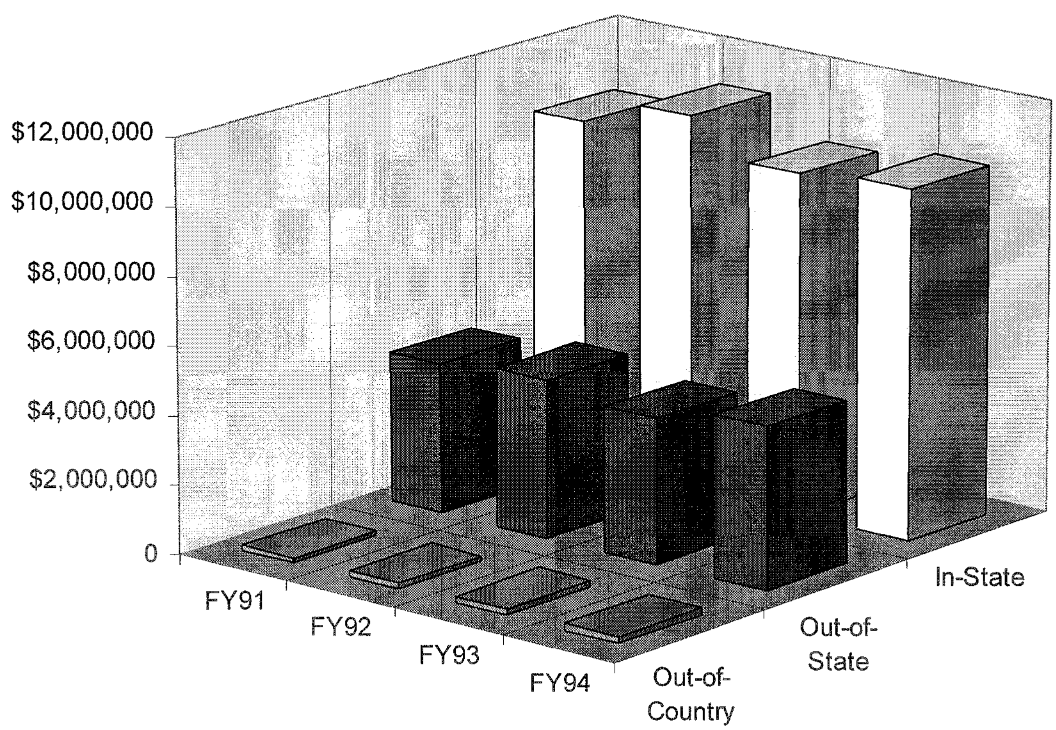
	In-state	Out-of-state	Out-of-country	Total
Subsistence and Lodging	6,858,042	3,900,052	261,969	11,020,063
Commercial Airfare	2,000,672	3,451,868	119,993[1]	5,572,533
Personal Vehicle Use	2,620,146	377,405	0	2,997,550
Other[2]	1,329,969	529,585	92,624	1,952,178
TOTAL	**$12,777,002**	**$8,246,236**	**$472,370**	**$21,495,609**
Percent of Total	***59.4%***	***38.4%***	***2.2%***	***100.0%***

1 Out-of-country airfare included in out-of-state airfare category in at least one agency.

2 Includes public conveyance, employee-piloted aircraft, state aircraft, chartered aircraft, partial expenditures for state vehicles and rental automobiles, and miscellaneous expenditures such as tips, parking, tolls, and laundry.

Source: Employee travel expenditure data on the statewide accounting system and travel expense data reported by colleges and universities.

Figure 2.3: Travel Expenditures by Location, Fiscal Years 1991-1994



Source: Office of the State Controller *Summary of Travel Costs* reports, based on statewide accounting system data.

Efforts to Improve Travel Management

College and University Travel

We interviewed officials at the four colleges and universities to learn how they oversee travel activity. These institutions fund some travel through sources which do not appear on the statewide accounting network. For example, federal grants may include funds for travel related to the grant topic. Officials maintain internal accounting systems to monitor and record their financial activity. As Table 2.2 illustrates, 24 percent of the fiscal year 1994 travel expenditures for the four institutions appears on STARS.

Universities follow state travel policy.

We found that, in general, travel activity in these institutions undergoes the same approval, review, and reimbursement procedures as travel in other state agencies. Travelers may make their own travel arrangements in accordance with Board of Examiners and institutional policies. According to university and college officials, travel funded through federal grants must also adhere to state travel policies, unless stricter guidelines are specified. They believe that travel practices are closely scrutinized by department heads to conserve limited travel funds in departmental budgets.

Table 2.2: College and University Travel Expenditures, Fiscal Year 1994

	Total Expenditures	Expenditures Reported on STARS	Percent of Expenditures Reported on STARS
University of Idaho[1]	$5,631,578	$855,349	15%
Idaho State University	1,400,033	654,538	47%
Boise State University	1,015,819	344,366	34%
Lewis-Clark State College	354,703	137,954	39%
	$8,402,133	**$1,992,207**	**24%**

[1] Includes athletic and student travel due to accounting procedures.

Source: Statewide accounting system expenditure data and data provided by state colleges and universities.

All four institutions centrally review travel vouchers. Other steps they take to manage travel activity are summarized in Figure 2.4.

The University of Idaho established a travel management office in September 1993, and staffed it with three full-time university employees and additional part-time university staff. Officials told us the office was established to secure favorable rates from travel vendors and to educate university travelers about new travel procedures and means of managing travel costs. The travel management staff negotiated air travel rates, monitored reports from a university credit card, and arranged hotel and automobile rental preferred vendor agreements. They also received and approved travel reimbursement claims for employees.

Figure 2.4: Travel Management Characteristics at State Colleges and Universities

University of Idaho

- Manages travel and approves reimbursements through a travel office since September 1993.
- Monitors travel purchases through a MasterCard credit card program.
- Negotiated discounted fares with two airlines.

Idaho State University

- Operates internal accounting system providing on-line budget status to department officials and rapid issuance of reimbursement checks.
- Discourages direct billings.
- Participates in American Express credit card program.

Boise State University

- Participates in American Express credit card program.
- No longer issues travel advances, but provides travelers checks through credit card program.

Lewis-Clark State College

- Occasionally limits travelers to reimbursements less than allowed under state policies in order to conserve department funds.

Source: Office of Performance Evaluations interviews with institution officials.

The university travel manager estimated that travel office activities would result in approximately $231,650 in cost savings during fiscal year 1995, citing the benefits of negotiated services and rates. The administrative costs of the office are not accounted for in these figures, and officials have not yet calculated actual cost savings. However, university officials told us they believe the office has been successful, citing benefits such as:

- more efficient use of travel funds;
- better educated travelers, more able to make more cost-effective travel decisions;
- improved oversight of travel activities; and
- streamlined authorization and reimbursement methods.

According to figures provided by the university, travel expenditures represented 2.3 percent of total institutional expenditures in both fiscal year 1993 and fiscal year 1994. For funding reasons, university officials plan to restructure the travel office in January 1996.

Statewide Efforts

We learned of several efforts in recent years to coordinate state travel activity, none of which has succeeded.

Recent efforts to coordinate state travel have been unsuccessful.

- A vendor was chosen in 1987 when the Department of Administration's Division of Purchasing issued a request for proposals for a travel agency to manage state travel, but the contract was not awarded. State staff we interviewed suggested three reasons for the withdrawal of this initiative: confusion over who would manage the contract, resistance to centralized control by some state agencies, and travel agencies' concerns that unsuccessful bidders would be financially harmed by loss of state business.

- Attempts by the Division of Purchasing to participate in a bidding process with other states in 1992 and 1993 were unsuccessful.

- During the 1994 Legislative session, a bill to establish a state travel management contract was introduced but remained in committee.

Recently, the Department of Administration's Division of Purchasing has drafted and reviewed with state agencies a request for proposals to centralize travel management under a limited number of travel agencies. The request for proposals requires respondents to be able to negotiate rates with airlines, automobile rental agencies, and hotels, coordinate use of state aircraft, and provide management reports on travel activity. In March, the Department placed this proposal on hold pending the release of our report.

Future Management Tools

Electronic media offer the potential for future efficiencies.

Technology developments may present future possibilities for cost savings and travel efficiencies. As communication networks are established and improved between state agencies, video conferencing could reduce the need for actual travel. Meetings and training could be conducted through remote links, increasing employee productivity through saving time, and eliminating transportation, meal, and lodging expenditures. Some states are beginning to show cost savings as a result of such efforts to replace actual travel.

Similarly, improved computer connections could simplify scheduling of airline and automobile needs. Connections between state agencies could make possible the electronic coordination of centralized management efforts. Already, one agency has reported administrative savings through streamlined approval, review, and reimbursement of electronic travel vouchers.

Reducing Travel Costs
Chapter 3

As stated in Chapter 2, current state policies restrict travel activity, while allowing individual agencies to adopt additional policies. We reviewed the policies and practices of 19 state agencies and identified several steps that could be taken to strengthen state policies. These steps focus on changing employee travel practices to secure cost savings with minimal effect on the quality or quantity of services delivered by state employees.

Existing travel policies can be strengthened.

Costs of Lodging

In fiscal year 1994, state expenditures for meals and lodging totaled $11 million.[1] Actual lodging expenditure figures are not centrally compiled but, based on our random sample we estimate that $6.2 million of this was spent on lodging.[2] This amounts to 56 percent of subsistence and lodging totals, as Table 3.1 shows.

As discussed in Chapter 2, current Board of Examiners' policy requires agencies to reimburse employees' actual lodging expenses. In our sample of in-state hotel expenditures (n=164), we learned that:

Reimbursement for lodging is currently unrestricted.

- **State-reimbursed costs for lodging in-state ranged from $20 to $100 per night during fiscal year 1994.**

On average, employees in our sample paid $44 per night.

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1 This amount includes employee travel at the four state colleges and universities not reported on STARS.

2 Meal and lodging expenses are combined on the statewide accounting system, making it difficult to identify actual figures.

Table 3.1: Estimated Lodging Expenditures for State Employees, Fiscal Year 1994

		Estimates	
	Total Subsistence and Lodging Expenses	Lodging as Percent of Total	Total Lodging Expenditures
In-state	$6,858,042	48.3%	$3,312,434
Out-of-state	$3,900,052	69.6%	$2,714,436
Out-of-country	$261,969	62.5%	$163,731
TOTAL	**$11,020,063**	**56%**	**$6,190,601**

Source: STARS data, and data provided by state colleges and universities. Estimates based on Office of Performance Evaluations analysis of sampled state agency travel records.

To learn about alternative means of reimbursing lodging expenses, we examined regulations followed by the federal government. Federal employees traveling on government business receive reimbursement according to a rate schedule published in the Federal Register, which is adjusted annually for inflation. The schedule provides a daily allowance of $40 for lodging, including tax, and $26 for meals, including a two dollar allowance for incidental expenses such as laundry, tips, and cab fares. These rates apply in all continental U.S. locations, except for approximately 500 cities where the schedule otherwise sets rates. A travel research firm identifies these cities as having a high volume of travelers. The firm also provides seasonal lodging rates for nearly 150 of the 500 high volume cities. Table 3.2 shows the 1995 rates for the selected Idaho cities.

Three states have adopted the federal rates as a limit on lodging reimbursements.[3] In Idaho, a statewide limitation on in-state lodging reimbursement could reduce the highest of the rates paid by employees. A formal policy in this area could also:

[3] According to the Society of Travel Agents in Government *Survey of Travel Practices and Procedures,* September 1994, Maine, New York, and West Virginia follow federal guidelines.

Table 3.2: Federally Allowed Daily Lodging Reimbursement Rates at Idaho Locations

Location	Allowed Daily Lodging Reimbursement
Boise	$49
Coeur d'Alene	
(April 1–October 31)	$65
(November 1–March 31)	$53
Idaho Falls	$45
Ketchum/Sun Valley	
(November 15–March 31)	$87
(April 1–November 14)	$71
Lewiston	$48
McCall	$55
Pocatello	$47
Stanley	
(June 1–September 30)	$51
(October 1–May 31)	$45
All Other Locations	$40

Source: 59 Fed. Reg. 65,685 (1994) (to be codified at Appendix A to 41 C.F.R. § 301).

- provide a price benchmark to help in the negotiation of price agreements with hotels;
- provide fiscal personnel a definition of unreasonable cost in evaluating reimbursements requests;
- encourage direct billing to benefit from current state sales tax exemption rules and to hold hotel bills under the limit;
- encourage more careful selection of hotel accommodations by travelers in competitive markets.

We recommend that the Board of Examiners adopt federal guidelines for the reimbursement of in-state lodging expenses. Requests for exemption with sufficient rationale should be submitted for approval in advance and filed with the appropriate documents.

In-state subsistence and lodging represented the single largest expenditure category on STARS in fiscal year 1994. In addition,

Table 3.3: Estimated Meal Expenditures for State Employees, Fiscal Year 1994

		Estimates	
	Total Subsistence and Lodging Expenses	Meals as Percent of Total	Total Meals Expenditures
In-state	$6,858,042	51.7%	$3,545,608
Out-of-state	$3,900,052	30.4%	$1,185,616
Out-of-country	$261,969	37.5%	$98,238
TOTAL	**$11,020,063**	**44%**	**$4,829,462**

Source: STARS data, and data provided by state colleges and universities. Estimates based on Office of Performance Evaluations analysis of sampled state agency travel records.

as mentioned in Chapter 1, in-state travel was more closely related to the fulfillment of daily job responsibilities. A greater proportion of out-of-state and out-of-country travel involved employee participation in training where lodging choices may be limited due to the location of training, on-site transportation concerns, conference meeting schedules, and room reservation practices.

Were the state to adopt federal guidelines for lodging reimbursement in Idaho cities, we estimate the state would save approximately $172,000 per year, the equivalent of 5.2 percent of the total in-state lodging expenditures in fiscal year 1994. Should the state choose to apply the federal lodging guidelines to out-of-state travel as well, additional savings would accrue.

Costs of Meals

We estimate that in fiscal year 1994 state agencies spent approximately $3.5 million on meal reimbursements for in-state employee travel, as shown in Table 3.3.

Board of Examiners' policies allow employees to receive reimbursement for actual meal costs, up to a maximum of $20 per day for in-state travel and up to $30 per day for out-of-state travel. Receipts are not required by Board policy, but can be required by an individual agency. The majority of agency personnel we interviewed believe the current meal reimbursement rate is either adequate or low. In our sample of expenditures for in-state meals and lodging (n=388), we learned that in 58 percent of the cases where meals were claimed, employees claimed the maximum reimbursement.

The circumstances for meal reimbursements could be limited.

Board policies do not allow reimbursement for meals eaten at the home station except at conference and conventions.[4] However, we identified two areas where current Board policies permit reimbursement for meal costs which are not directly related to travel: payment for breakfast on the day of departure; and lunch reimbursement on one day trips.

Board policies specify the percent of an employee's meals that may be reimbursed for travel lasting fewer than 24 hours. Breakfast may be reimbursed up to 25 percent of the daily maximum, lunch up to 35 percent, and dinner up to 55 percent. Most of the agencies (14 of 19) we studied have adopted internal policies restricting the circumstances in which meals can be reimbursed, including limiting expenses for travel with no overnight stay and setting departure times to qualify for meal reimbursement. Two of the nineteen agencies we interviewed do not reimburse breakfast on the day of departure. Similarly, four of the nineteen do not reimburse lunch on day trips.

We recommend the Board of Examiners establish clear standards for the reimbursement of meals. We further recommend the board disallow reimbursement for breakfast on the day of departure, and for lunch during travel lasting fewer than 24 hours.

Statewide standards in this area would increase agency managers' and fiscal personnel's ability to limit meal reimbursements on partial day travel. In addition, based on our sample of travel expenditures, we estimate this would result in an approximate annual savings of $64,000. In our sample, lunch was reimbursed in 32 percent of cases in which travel lasted one day. Breakfast was reimbursed on the day of departure in four percent of the cases in which meals were reimbursed.

4 Regulation 4C defines home station as "all territory within the corporate limits of the city in which the employee is permanently assigned; or all territory within a two-mile radius of his permanently assigned official duty post if not situated in an incorporated city."

Commercial Air Travel

Commercial airline expenditures of $5.6 million represented the second largest travel expenditure category in fiscal year 1994. Board of Examiners' policies limit reimbursement for travel by common carrier to "the normally lowest cost passage unless it is not available."[5] In the current decentralized travel management system, employees can purchase discounted tickets seven, fourteen, twenty-one, or more days in advance on their own or through travel agents.[6] According to estimates based on our sample of travel expenditures, approximately 90 percent of the state's airfare purchases were booked through travel agencies in fiscal year 1994.

Airline ticket purchase practices could be improved.

Travel managers told us that often the lowest fares offered by airlines are for tickets purchased in advance or those that restrict travel dates or refund options. To determine statewide patterns in advance ticket purchases, we analyzed data from travel agencies representing approximately 41 percent of the state's airfare purchases in fiscal year 1994. As Table 3.4 shows:

- **Thirty-eight percent of the round-trip flights to in-state destinations were booked fewer than seven days in advance.**

Seventeen percent of the round-trip flights to out-of-state and out-of-country cities were booked fewer than seven days in advance. The average price for an in-state ticket purchased fewer than seven days in advance was $284, compared to $270 for one purchased between seven and thirteen days in advance.

Agency personnel we interviewed offered two main reasons for booking tickets without advance warning. First, employees may be called upon to respond to emergencies, such as crime scenes, natural disasters, or dangers to public health. Second, employees

5 Board of Examiners *Travel Regulations, Procedures, and Policies*, Regulation 6, p. 3, effective July 1, 1975.

6 The Division of Purchasing had arranged a state price agreement with Empire Airlines which offered a discount for tickets purchased fewer than seven days in advance. This ticket price was greater than the regular advance purchase fares, but less than completely unrestricted fares. Empire Airlines ceased passenger service in Idaho on June 30, 1995.

Table 3.4: Round-trip Flights Booked in Advance, Fiscal Year 1994

Time Between Booking Date and Departure Date	In-State Round-trips: Number of Trips	In-State Round-trips: Percent of All In-state Trips	Out-of-State/Country Round-trips: Number of Trips	Out-of-State/Country Round-trips: Percent of All Out-of-Country Tickets
Fewer than 7 days	1,449	37.7%	683	17.3%
7 to 13 days	1,101	28.7%	695	17.7%
14 to 20 days	684	17.8%	690	17.5%
21 days or more	606	15.8%	1,869	47.5%
		100.0%		100.0%

Source: Flight data supplied by travel agencies representing 41% of total estimated state airfare business. Data may include a small number of one-way tickets.

may need to be present at meetings called with limited advanced notice. Such meetings can relate to legal hearings, economic crises, and regional or federal decision-making processes which involve state interests. Nevertheless, we believe state managers should require better assurance that employees are following cost-effective ticket purchase practices.

We recommend that the Board of Examiners require a written explanation to be filed with a travel voucher when airfare is booked fewer than seven days in advance.

At the same time, agency managers should require staff to increase efforts to plan travel and schedule meetings at least two weeks in advance.

Adoption of this policy would provide fiscal personnel a basis to review employee ticket purchases more critically during the reimbursement process. We estimate the state could save approximately $22,700 per year by improving booking procedures for 20 percent of the in-state tickets booked fewer than seven days in advance.

Potential for Negotiated Airfares

Travel managers in other states and travel industry representatives have explored the possibility of cost savings through negotiated airfare rates. In competitive markets, airlines can offer reduced ticket prices in exchange for guarantees on market share. Although their use is limited, we found that:

- **Use of the negotiated rates can be cost-effective in in some situations.**

This is true when advance purchase is not possible or employees need flexibility to change schedules. Negotiated fares can also be cost-effective if they allow the agency to avoid the added lodging, meal and compensation time costs of a Saturday night stay. For example, the University of Idaho travel manager negotiated discounts with two airlines. Potential discounts range from 5 to 20 percent off the unrestricted coach fares, depending on the destination and volume of the flights.[7] In addition, one state travel manager reported she was able to negotiate rates below the advance purchase prices on selected routes.

Information necessary to negotiate with airlines is not currently available.

We learned from industry professionals that negotiating for reduced airfare prices requires basic information about travel activity. This includes the volume of trips between the cities of origin and destination (commonly called "city pairs") and the total number of flights on a given carrier. We found that:

- **Currently the information necessary to negotiate for reduced airfare prices is not available statewide.**

To identify high volume city pairs, we analyzed information provided by travel agencies representing 41 percent of the state's total estimated airfare expenditures in fiscal year 1994.[8]

As Table 3.5 shows, the most common destinations for state employee air travel in fiscal year 1994 were Idaho Falls, Coeur d'Alene, and Lewiston. The most common destinations for out-of-state air travel were Seattle, Portland, and Spokane. These data reflect activity handled by the travel agencies which supplied the data, all of which conduct business in the Boise area. As a result, the list of city pairs over-represents Boise pairings. A more complete listing of common city pairs would require additional data collection.

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7 The contract with one of the two airlines expired June 30, 1995. University officials are in the process of re-negotiating it.

8 Data from one travel agency were for calendar year 1994.

Table 3.5: Most Common City Pairs, Fiscal Year 1994

Boise to:	Number of Round-trip Flights	Percent of Total	Average Price for Round-trip
Top in-state destinations			
Idaho Falls	925	11.7	$273
Coeur d'Alene	898	11.4	$266
Lewiston	778	9.9	$207
Pocatello	691	8.8	$277
Top out-of-state destinations			
Seattle, WA	505	6.4	$271
Portland, OR	475	6.0	$186
Spokane, WA	420	5.3	$266
Pullman, WA	287	3.6	$229
Washington, DC	276	3.5	$600
Salt Lake City, UT	178	2.3	$216
Denver, CO	165	2.1	$412
Phoenix, AZ	106	1.3	$281
Chicago, IL	102	1.3	$527
San Francisco, CA	92	1.2	$370
All Others	1,996	25.3	n/a

Source: Office of Performance Evaluations analysis of data from selected travel agencies.

In 1991, the Division of Purchasing surveyed state agencies to determine the most common destinations for air travel. The limited information received through this survey significantly understated actual passenger traffic.[9] In September 1992 and again in April 1993, officials in the Division used this data to participate in the National Association of State Purchasing Officials' regional airline negotiations. No airlines submitted bids for city pairs that included Idaho cities in either year. Consequently, Division officials did not participate in the 1994 bid. In this instance:

9 A Division of Purchasing summary of the results showed travel volume such as Boise/Lewiston, 447 round-trips; Boise/Coeur d'Alene, 374 round-trips, and Boise/Pocatello, 286 round-trips.

- **Incomplete data from individual department managers led state officials to underestimate the volume of state air travel and, therefore, the potential for cost-savings.**

Opportunities for cost saving could be limited by the amount of air travel done by state employees. According to travel managers, airline demands for guaranteed passenger volume in return for discounted fares and market competition between airlines could affect the state's ability to negotiate discounted rates. First, travel managers told us airlines often ask for guaranteed passenger volume in return for discounted fares. Including travel by college and university employees, airfare expenditures in fiscal year 1994 totaled $5.6 million. Of that amount, $2 million occurred in state, and $3.6 million (64 percent) occurred in the more competitive out-of-state and out-of-country markets. Travel agency data we analyzed showed 56 percent of the out-of-state and out-of-country flights went to 8 of 203 destinations. Furthermore, state officials can provide a volume guarantee only through a statewide system for monitoring and controlling employees' choice of airlines.

Second, a customer's bargaining position is strongest in a competitive market. There is currently limited competition between airlines in Idaho. As Figure 3.1 shows, seven of the ten cities with commercial airports in or near Idaho are served by only one or two airlines and one city has no regular scheduled service. Only one airline serves all six Idaho cities with active commercial airports.

If the state were able to obtain discounts equivalent to 10 percent of the full fare for out-of-state flights purchased fewer than seven days in advance, we estimate the state would save between $73,000 and $116,000 per year. The absence of a mechanism to comprehensively collect travel data and monitor employee vendor choice lessens the likelihood that the state will be able to negotiate fare reductions.

One option to create a monitoring system would involve restricting the number of travel agencies making airline reservations for state employees, an option more fully discussed in Chapter 4. Another option would involve adopting policies to implement a credit card program, as discussed below. Once an information collection system is in place, state officials would be

Figure 3.1: Airlines Serving Commercial Airports In and Near Idaho[1]

Boise	Delta Horizon (Alaska) Northwest Southwest United
Coeur d'Alene	none[2]
Hailey/Sun Valley	Horizon (Alaska) Skywest (Delta)
Idaho Falls	Horizon (Alaska) Skywest (Delta)
Lewiston	Horizon (Alaska)
Pocatello	Horizon (Alaska) Skywest (Delta)
Twin Falls	Horizon (Alaska) Skywest (Delta)

Pullman, WA	Horizon (Alaska)
Spokane, WA	Horizon (Alaska) Northwest Skywest (Delta) Southwest United
Salt Lake City, UT	Alpine America West American Continental Northwest Skywest (Delta) Southwest TWA United Vanguard

1 Airports in Pullman, Spokane, and Salt Lake City are included because agency personnel report using them as departure and arrival sites for in-state travel.

2 As of July 1, 1995, this airport had no scheduled commercial air flights.

Source: Federal Aviation Administration Flight Services, Salt Lake City, UT

able to demonstrate, for negotiation purposes, the ability to monitor, and, if necessary, restrict, employee vendor choice.

State Credit Card for Travel

Currently, there are agreements in effect between state agencies and at least three credit card companies:

- American Express, available to all state employees;
- Diner's Club, available to employees of the State Tax Commission; and
- MasterCard, available to employees of the University of Idaho.

The current agreement with American Express has been in effect since it was signed by former State Auditor Joe R. Williams in

1986. On May 1, 1995, American Express reported that there were 1,099 active cards in state agencies. Those agencies with the greatest number of active cards are Boise State University, Idaho State University, and the Idaho Transportation Department. Some agencies have requested and received usage reports for their divisions. However:

- **No one in the state is responsible for overseeing the currently available American Express travel card program.**

Agencies we reviewed that use American Express cards monitor total card usage, but not travel patterns.

The State Tax Commission negotiated its agreement with Diner's Club in 1985. In July 1995, the department reported having 131 cards issued under the program. Department officials report that the program has reduced travel advances and the number of warrants issued to vendors.

The University of Idaho entered into an agreement with MasterCard in October 1993. The university reported having 557 cards issued in July 1995. Officials reported using reports generated by MasterCard to track airline routing information and spending patterns with vendors.

A state credit card would improve travel management.

In addition, at least two other types of cards are used by state employees for travel expenditures. Nine of the nineteen agencies we interviewed told us staff members used automobile rental company cards. Some rental companies offer restricted charge cards that can be used to make automobile reservations and charge expenses. The cards do not carry price discounts, although their use helps ensure an employee receives a government rate. They also partially centralize billing services and streamline reservation processes.

In addition, 36 state agencies have airline cards that can be used much like the automobile cards. United Airlines offers a card that can be used for tickets on any airline or Amtrak, processed without fees or interest charges. This card also offers a billing statement which identifies the origin and destination cities, carriers, costs, and other travel pattern information. As of June 1995, United Airlines reported that the 36 state agencies had cards for a total of 507 employees. Half of the cards have been used in the past year, but none of the agencies has requested detailed billing information.

Figure 3.2 summarizes the advantages and limitations of using a credit card to pay for state travel activity. As the figure shows, one of the primary benefits is a reporting service to cardholders and agencies, to be used by managers to monitor card use and overall expenditures. Credit card companies can track several elements of purchasing activity, such as location, type, date, and amount of purchase, and can generate reports showing city pairs, airline usage, and volume of business with each vendor.

Currently:

- **The full benefits of a state credit card program have not been realized. In part, this is due to the lack of coordination in the selection and use of card programs.**

Figure 3.2: Credit Card Program Advantages and Limitations

Advantages

- provides comprehensive reports on travel patterns and vendor choices;
- allows agencies to retain funds in the state treasury to generate interest;
- reduces administrative overhead by reducing rotary fund activity, providing travelers' checks or automatic teller machine access to replace travel advances;
- streamlines travel reimbursements and accounting activity by consolidating receipts on one bill, lowering the number of state warrants issued to vendors;
- offers additional automobile and airline insurance coverage.

Limitations

- cards not accepted by businesses in all situations, especially in remote areas;
- implementation of a program can encounter employee or agency resistance;
- cards cannot be issued to individuals with poor credit ratings;
- program requires agency monitoring for abuse.

Source: Office of Performance Evaluations interviews with travel managers and state agency personnel.

Potentially duplicative administrative efforts and limited ability to collect information on employee travel lessen the benefits available from credit card programs.

Credit card ownership may not be feasible for all employees, and agency officials report credit cards are not accepted in all parts of the state. Nevertheless:

We recommend the state negotiate and adopt a single mandatory credit card program. The selected card program should be widely accepted by Idaho businesses.

There are additional fiscal and management advantages to a statewide credit card program. These include allowing additional interest to be earned on state funds, reducing fiscal processing steps related to travel activity, and extending insurance coverage at no extra cost. As a result of these advantages, we estimate that the state would earn approximately $34,000 additional interest and save at least $3,500 each year in insurance costs.[10] The state would also avoid exposure each year for rental automobile accident deductibles of $500 per occurrence.

Services provided should include detailed reporting on travel and spending patterns, a cash advance mechanism, charge limits and personal liability, and automobile and travel insurance coverage.

To ensure maximum benefit from use of the card:

We recommend statewide travel policies be amended so that reimbursement of airline, automobile rental, or hotel charges that are not made through the credit card would not be paid without prior written approval.

Automobile Rentals

Travel managers in other states report obtaining cost-savings for automobile rentals by identifying a limited number of companies as preferred vendors and negotiating reduced rates in exchange

[10] The interest calculation assumes five percent interest earned for 20 days on commercial airfare, public conveyance, meals, and lodging expenditures.

for promised volume of business. The Division of Purchasing has arranged state price agreements with four rental companies. As Table 3.6 shows, these agreements provide rates according to size of vehicle. They do not commit the state to deliver any particular volume of business to any particular company.

Total automobile rental expenditures are unknown.

We collected and analyzed information about automobile rental use from our sample of state agency data.[11] According to our analysis, we estimate the state spent at least $428,500 on automobile rentals in fiscal year 1994. Based on this limited information, approximately 81 percent of in-state automobile rentals and 77 percent of out-of-state rentals were with these four companies. However:

- **In some cases, special discount rates offered by the companies, or rates at other rental companies, can offer more competitive prices than those secured by current state price agreements.**

Table 3.6: State Rates for Automobile Rentals

	Class Costs Per Day by Company (in dollars)			
Class of Rental Car	Avis	Budget	Dollar	Hertz
Economy	–	34	31	39
Compact	39	35	32	39
Intermediate/Midsize	41	36	34	41
Full-size 2-door	43	37	36[1]	43
Full-size 4-door	45	38	36[1]	43
Luxury	–	47	–	56
Minivan	–	–	48	–
Pickup/Truck	–	–	40	–
Premium	–	–	–	54

[1] Does not specify 2-door or 4-door.

Source: Department of Administration rental car price agreements, July 18, 1995.

[11] Automobile rental expenses are not separately accounted for on the statewide accounting system. As a result, they are difficult to monitor and evaluate.

In our analysis, we identified instances when employees could further contain expenses associated with rental cars. Practices which incur avoidable expenses include:

- refueling the vehicle at the rental company fuel pump where typically prices are higher;
- purchasing optional insurance through the rental company, which in most cases duplicates state insurance coverage; and
- renting larger vehicles than appear necessary for the number of employees traveling.

In order to improve oversight and management of automobile rental practices:

We recommend that the Office of the State Controller clarify the coding location of automobile rentals for travel to improve statewide tracking of rental expenditures.

Central Travel Management Options
Chapter 4

The management recommendations in previous chapters involve altering existing policies to provide more coordinated oversight of various aspects of travel activity. In this chapter, we discuss additional steps that could be taken to centralize travel management to varying degrees. We also identify an area of travel activity that we believe warrants further study.

As discussed in Chapter 1, the changing practices in the travel industry nationally and the limits of federal and state law are factors to consider in deciding travel policy. Equally important are the state's volume of travel, distribution of travel services around the state, the opportunities for change, and the cost savings they present. Much of Idaho state employees' travel involves transportation to and within rural areas. For example, of the in-state trips we sampled that relied on personal vehicles, 43 percent went to destinations with populations under 5,000. In these areas, limited lodging accommodations and seasonal rates can limit opportunities for cost savings. Policies directed at coordinating services to improve accountability and save administrative and travel costs should remain flexible enough to deal with the state's special and varied circumstances.

Other states report cost savings through centralized travel management.

We contacted seven western states to learn how they managed state travel. We asked how they managed employee travel, whether there had been recent changes in their practices, and whether they had found their practices to be cost-effective. Three of these states had a decentralized system similar to Idaho's. Four others centralize travel management to some degree. Figure 4.1 summarizes key elements of travel management in these states.

The three states with decentralized management systems each have used various mechanisms to contain travel costs. One contracts for rates with specific air carriers and an automobile rental company. In another state, employees make their own

Figure 4.1: Travel Management Characteristics in Selected Western States

	State-Employed Travel Manager	Use State Credit Card for Travel	Do Business With Multiple Travel Agencies	Travel Manager Approves Reimbursement
Idaho	no	optional	yes	n/a
Montana	no	optional	yes	n/a
North Dakota	no	optional	yes	n/a
Wyoming	no	optional	yes	n/a
California	yes	optional	yes	no
New Mexico	yes	optional	no	no
Utah	yes	yes	no	no
Washington	yes	optional	yes	no

Source: Office of Performance Evaluations interviews with state contacts.

arrangements and are required to use the least expensive transportation. Officials do not allow direct billing, and travel advances are issued only in an emergency. Instead, travelers must pay their own travel expenses and then file for reimbursement. In all three of these states, employees may use a state credit card to charge travel expenses.

The Potential for Centralized Travel Management in Idaho

While a decentralized travel management system can provide basic fiscal oversight and allow flexibility for agencies, it also has weaknesses. In this report, we have identified several weaknesses of the state's current decentralized travel management system:

Idaho could adopt practices other states have found beneficial.

- reduced state officials' ability to negotiate favorable rates or monitor employees' travel decisions
- duplicated administrative efforts to manage aspects of travel activity such as credit cards; and
- increased potential for poor purchasing decisions in hotel, automobile rental, and air services, such as timing of airline ticket purchases.

These weaknesses lower state officials' confidence that employee travel activity is conducted at least cost, and increase the likelihood that opportunities for cost savings will be lost. The loss of free tickets associated with Empire Airlines' mileage award program, discussed in Chapter 1, illustrates how savings can be missed.

Implementing a mandatory credit card program, as we recommend in Chapter 3, would provide the first step toward strengthening travel oversight and increasing opportunities for cost savings. We evaluated two additional means of strengthening the state's travel system through further coordination of employee travel arrangements. The first is to coordinate state employee travel through a limited number of travel agencies. The second is to designate a travel manager. Either or both of these options could provide additional assurance that state employees are following cost-effective travel practices.

The four states we contacted with centralized travel management systems have structured them similarly. All four employ a state travel manager, whose primary role is to negotiate and oversee contracts with airlines or travel agencies. Two of the four states use single travel agencies to coordinate state travel. Staff in those states told us that using multiple travel agencies helped to disperse state business throughout the industry, but made it more difficult to administer a travel management system. The other two states do not restrict the number of travel agencies conducting the state's business. Three of the four centrally-coordinated states also use a credit card program to help monitor travel expenditures, consolidate billings, and track use of contracted airfares.

All four states with centralized travel management systems consider them successful, in terms of opportunities for cost savings at a statewide level. Staff cited three benefits from centrally-coordinated travel management. First, cost savings result from negotiated rates with airlines, automobile rental companies, and hotels. Second, compliance with state travel policies improves because of increased oversight. Third, statewide credit card programs help to reduce travel administrative costs by processing fewer accounting transactions.

Use of Travel Agencies

As noted in Chapter 3, travel agencies can centrally identify lowest available fares and optimum flight times. Centralizing or partially centralizing travel service purchases through contracts with travel agencies can also:

- increase assurance that government or negotiated rates are applied whenever possible;
- provide access to special fares negotiated with selected airlines; and
- generate reports on employee travel activity, including destinations and dollar amounts spent with vendors.

There are two other potential benefits to contracting with travel agencies. First, travel agencies could negotiate rates with vendors on behalf of the state. Officials we interviewed in one state told us their contracted travel agency negotiates rates at no cost to the state. Second, travel agencies may be able to pass on to the state a percentage of the commission they receive from airlines. Travel managers in two states we interviewed reported receiving this benefit under their travel agency contracts. Both states have exclusive contracts with single travel agencies.

However, we learned that travel agencies sometimes maintain preferred vendor agreements with airlines, directing business to those airlines in exchange for financial rewards, known as "overrides." The existence of such arrangements could reduce the level of confidence with which the state could rely on a travel agency to act as its intermediary. In addition, travel agency practices related to their commissions could change in response to the recent limits placed by major airlines, as discussed in Chapter 1.

Barriers to Selecting a Single Travel Agency

To estimate the potential effects on the industry of a statewide contract with a single travel agency, we examined records on STARS showing the number of transactions and amount of payments made to travel agencies statewide.[1] According to these

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[1] The payment records on STARS do not reflect the full extent of college and university expenditures, and those of boards and commissions not required to process transactions through STARS.

records, nearly one quarter (24 percent) of the travel agencies that did business with the state in fiscal year 1994 received at least $20,000 each from state agencies.[2]

Limiting employees' choice of travel agencies is problematic.

We also learned that one of the states we contacted had previously attempted to centralize travel management through a single travel agency. After one year, officials abandoned the system, citing as primary reasons the contractor's inability to handle the size of the state's account and internal resistance from state agencies, who were unwilling to break ties with their old service providers.

If Idaho elected to contract with a limited number of travel agencies, contract overseers should consider:

- annual renewal to provide frequent reassessment of service and cost savings;
- a contract that restricts the travel agency's ability to benefit from secondary arrangements with airlines; and
- clear communication of state travel policies to which travel agencies must agree to adhere.

Designating a State Travel Manager

A state travel manager could educate travelers in purchase decisions, resulting in future benefits.

A state travel manager could play an important role in securing quality travel services while reducing costs. Based on our interviews with travel managers, we believe the primary advantage to designating a state travel manager is the manager's ability to educate travelers in making cost-effective travel choices and to oversee travel activity at a broad level. While direct cost savings from this practice are difficult to estimate, improved managerial oversight of travel expenditures should result.

There are at least two ways to configure a travel manager's responsibilities. First, a travel manager with previous experience in the travel industry and proven negotiating skills could assume responsibilities on behalf of state travelers, including:

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2 The California travel coordinator uses $20,000 as a benchmark to measure account profitability for a travel agency.

- gathering, monitoring, and analyzing employee travel destinations and vendor preferences;
- identifying travel service providers willing to provide government rates and negotiating and administering contracts where possible;
- educating employees about state travel policies, industry changes that affect pricing, and special rate structures;
- advising state agencies about methods of arranging in-state conferences and training sessions in the most cost-effective way;
- evaluating service improvements and cost-savings resulting from negotiated contracts with travel service providers; and
- monitoring state travel policies as travel industry practices and conditions continue to evolve.

Under this scenario, the state may wish to consider establishing a temporary committee of state officials to clearly define the role of a travel manager in Idaho. Two of the four states we contacted credited the success of their centralized programs to the preliminary work of advisory committees, which educated state staff on the benefits of travel management and worked to build support prior to beginning the travel management programs.

A second configuration of a travel manager's responsibilities could add airline ticket issuance and voucher audit authority. Establishing an office that issues airline tickets would require approval and licensing through the Airlines Reporting Corporation (ARC). If the arrangement were approved by the ARC and accepted by the airlines, this would allow the state to book airline flights and issue tickets without the use of travel agencies, thus avoiding commissions and service fees currently imposed by some travel agencies.

The travel manager could also be given authority to randomly audit travel reimbursements. The manager could review travel vouchers and supporting documentation to help encourage good travel practices. Such a review could point out missed cost savings within trips, discourage abuse, and provide managers with information about travel expenses under their control.

For Further Study

During our evaluation, we identified an area that may warrant more detailed study: the use and management of the state aircraft fleet.

State Aircraft Fleet

The Idaho Transportation Department's Division of Aeronautics operates four airplanes for passenger transportation and special missions, such as game surveys and remote airport maintenance. In 1991, the Division contracted for a management study to determine whether to expand passenger service. In 1993, it contracted for a marketing study to suggest ways to increase state employee ridership. These studies encouraged the Division to promote use of the state aircraft as an alternative to commercial and chartered airlines for employee travel.

Further review is necessary to answer questions about the state aircraft fleet.

An internal report prepared by the Division of Aeronautics in July 1994 presents a plan to increase the number of passengers on state planes from approximately 600 in 1994 to 2000 in 1997. The plan includes scheduled shuttle service between Boise and Lewiston, and Boise and Coeur d'Alene. To date, this service is not in operation. We analyzed cost information contained in another Division report issued in March 1995. This analysis suggests that costs of passenger transportation to in-state commercial airports in the three larger planes are not competitive with commercial prices unless the planes are at least half full.

As described in Chapter 2, the Division of Purchasing included the responsibility for scheduling employee travel on state aircraft in their drafted request for proposals. We briefly discussed the maintenance and operation of the state aircraft fleet with Division of Aeronautics officials and reviewed the recent studies on the demand for and cost-effectiveness of aircraft. We believe further review is required to adequately answer remaining questions on the actual and potential benefits of the state aircraft fleet, including:

- To what extent does the Division's provision of passenger service meet Legislative goals and expectations for the Transportation Department?

- Does the Division of Aeronautics fully capture the cost of purchasing, operating, and maintaining the planes in its charges to state agencies?
- Is demand for passenger service sufficient to support two twin-engine planes?
- Is maintenance of a state aircraft fleet cost-effective? How do prices vary according to passenger load? Should passenger service be expanded?

In July 1995, these issues were conveyed to the Interim Legislative Committee on Transportation Resources. The Committee plans to request further review.

Responses to the Evaluation

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August 5, 1995

Ms. Nancy Van Maren, Administrator
Office of Performance Evaluations
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Dear Ms. Van Maren:

I have reviewed your study of state travel management. I believe that you have adequately assessed the effectiveness of current travel management practices, and your overall findings and recommendations appear to have identified several areas where we might cut costs. This document will be a very useful tool in helping make state travel as efficient and cost-effective as possible.

Very truly yours,

Philip E. Batt

Philip E. Batt
Governor

PEB:jap

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August 4, 1995

Ms. Nancy Van Maren, Administrator
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P.O. Box 83720
Boise, Idaho 83720-0055

Re: Comments on the final draft of your study of state travel management which was conducted at the request of the Joint Legislative Oversight Committee.

Dear Nancy:

In the brief time that I have had to review your proposed study I must say that I am impressed with this first product of the performance review legislation, the operation of your office, and the Joint Legislative Oversight Committee. Your first report is a home run and I believe is an indication that much can be accomplished through performance evaluations of state government by the legislature.

With the revenues this next year of over $3.5 billion, state government is indeed a big business which is very complex and diverse. It is essential that we periodically review all of our operating procedures to ensure that the taxpayers are getting their monies worth and that the state is providing quality services to our citizens.

Your report makes many specific recommendations. In my capacity as Idaho State Controller, and also as Secretary to the Board of Examiners, I believe that several of your recommendations can be implemented by the Board of Examiners. An example of this and other pertinent recommendations contained in Chapter 3 relate to establishing clear standards for reimbursement of meals, and requiring explanation when airfares are booked less than seven days in advance. As soon as your study is officially released I will review it with members of the Board of Examiners. I would suggest that we have a presentation to the Board by your staff, and that we proceed as rapidly as possible to implement many of the changes you recommend.

Again, I am very impressed with this study. It is obvious that a great deal of work has gone into it and I believe that it will have a substantial impact on the operation of state government. Although many of your recommendations involve relatively small amounts of money when compared to the total state budget, I believe it is important that we realize that you reduce budgets and increase efficiencies and quality of services a dollar at a time, and that the savings represented here will free up funds to address pressing priorities for our citizens. They have a right to expect that government be well run and periodic reviews of what we do, such as this, will ensure that we are all accountable to them.

Thank you to you and your staff, and members of the Oversight Committee.

Yours very truly,

J. D. Williams
Idaho State Controller

JDW:pr

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PHILIP E. BATT
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PAMELA I. AHRENS
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August 7, 1995

Nancy Van Maren, Administrator
Office of Performance Evaluations
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Dear Ms. Van Maren:

Thank you for the opportunity to review and comment on the final draft of your agency's study and evaluation of Idaho's state travel management practices. It represents a large step forward from previous efforts by others to identify and quantify from many disparate numbers and types of sources the essential issues, findings, and key recommendations on a very complex subject. The information and recommendations will be very valuable to the Division of Purchasing's efforts to establish cost effective contracts for travel services.

We support the recommendations included in the study. Adoption of the recommendations and support for the concepts will improve the State's ability to effectuate significant travel expense savings. In particular, we feel it essential for someone or some group (be it the Board of Examiners or others) to establish, maintain, and enforce standardized statewide policies for travel practices. Fragmentation of practices will not allow the State to capitalize on volume or effect any significant or credible cost savings.

We support the recommendation for adoption of the federal guidelines for reimbursement of in-state lodging expenses. The various areas of the State are similar enough and the variety of quality lodging is plentiful enough to limit any perceived hardships upon travelers.

We believe that some form of centralized coordination and oversight of reports from various travel sources is essential. Periodic review and analysis of this information, together with sharing of the information with affected agencies, will provide opportunities for identifying trends, altering policies, and modifying contracting practices, just to mention a few.

Adoption of a mandatory travel credit card program is an essential required element, in our view, to reduce the administrative costs associated with various components of travel expenses. Further, it can provide very useful accounting and management information reports.

In conclusion, we thank you for considering the views of various staff members contacted during the study. We look forward to proceeding with efforts to improve travel contracting practices and appreciate the recommendations identified in this study as they validated many of our thoughts about areas that could provide improved travel practice benefits.

Sincerely,

Pam Ahrens

PAMELA I. AHRENS
Director

Gerry L. Silvester

GERRY L. SILVESTER, C.P.M.
Administrator, Division of Purchasing