

REPORT BY THE
Comptroller General
OF THE UNITED STATES

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**Increased Productivity In Processing
Travel Claims Can Cut Administrative
Costs Significantly**

The processing of travel claims for Federal employees is costing Federal agencies millions of dollars more than necessary. GAO believes that productivity can be increased and administrative costs cut, perhaps in half, by

- replacing the method of reimbursing travel expenses for high cost areas with the method of reimbursing for lodging, plus a flat fee for other expenses;
- improving voucher processing activities at payment centers; and
- eliminating redundant, overly detailed supervisory reviews and unnecessary typing of vouchers.



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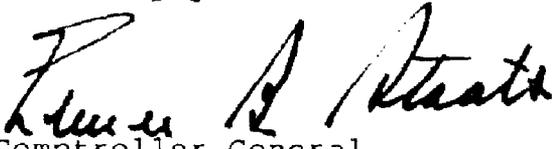
The Honorable Jim Sasser
United States Senate

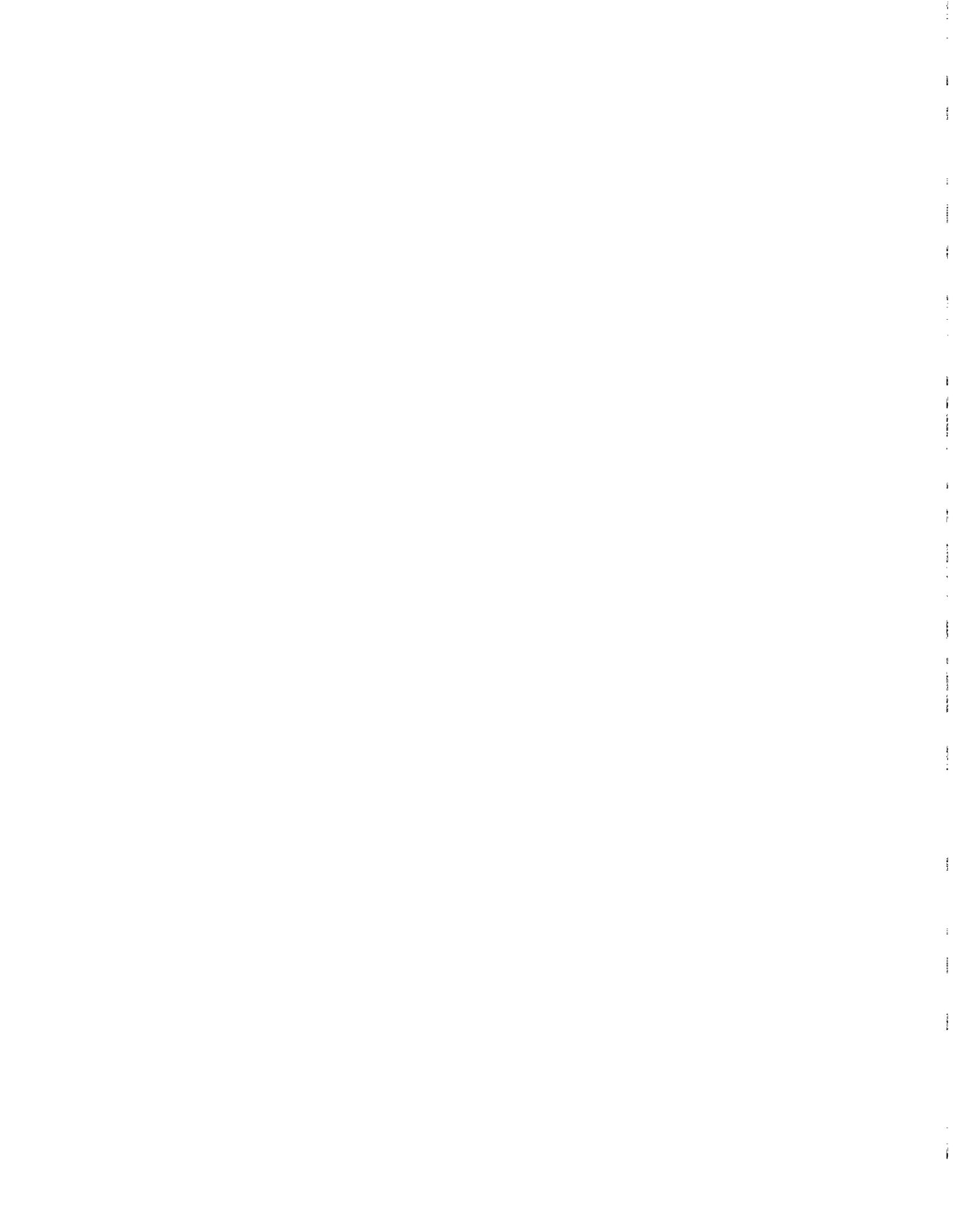
Dear Senator Sasser:

In your May 2, 1979, letter you, as Chairman of the Subcommittee on the Legislative Branch of the Senate Appropriations Committee, asked us to examine the controls over approval of travel and the productivity of processing travel claims. You also asked to know how the private sector authorizes travel and for a comparison of the productivity of processing travel claims. This report addresses the productivity of processing travel claims, which we believe can be markedly improved. Controls over approval are addressed in a separate report (FPCD-81-13).

As arranged with your office, unless you publicly announce its contents earlier, we do not plan any further distribution of this report until 10 days from its date. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,


Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN,
SUBCOMMITTEE ON THE
LEGISLATIVE BRANCH,
SENATE APPROPRIATIONS
COMMITTEE

INCREASED PRODUCTIVITY IN
PROCESSING TRAVEL CLAIMS
CAN CUT ADMINISTRATIVE
COSTS SIGNIFICANTLY

D I G E S T

The processing of claims for travel expenses incurred by Federal employees is costing several million dollars more than necessary annually.

Although the total cost of processing such claims is not known, GAO estimated the amount could be as much as \$400 million in 1979--about 16 percent of the amount spent for travel. GAO believes this amount could be cut significantly by:

- Replacing the reimbursement method used for high cost areas with the method of reimbursing for lodging, plus a flat fee for meals and miscellaneous expenses. (See ch. 2.)
- Eliminating redundant, overly detailed supervisory reviews and unnecessary typing of vouchers. (See ch. 4.)
- Improving voucher auditing activities at payment centers. (See ch. 3.)

Also, the General Services Administration has proposed to limit reimbursement for en-route travel where the lodgings-plus method of reimbursement is used. This proposal needs to be revised because it will increase, perhaps double the processing costs for lodgings-plus vouchers. (See ch. 5.)

PROCESSING OF VOUCHERS IS
EXPENSIVE AND NOT OFFSET
BY SAVINGS

The high rate (actual cost) method of reimbursing travel provides payment of actual expenses up to a predetermined ceiling at

cities designated as high cost. This method costs nearly twice as much per voucher to process as the lodgings-plus method, which is used to pay travel at low cost cities.

According to GAO's analysis, the average per claim processing cost in fiscal 1979 under the high rate method was about \$36.35 compared to \$20.60 for the lodgings-plus method and to an average of \$46.40 when both methods were required on the same voucher. This added cost is caused primarily by the requirement to itemize actual daily expenses on high rate vouchers and to collect and verify documentation. Under lodgings-plus, travelers are paid for their average lodging expenses plus a set amount per day for food and miscellaneous expenses up to an overall ceiling. Only the amount reimbursable for the entire trip must be entered on the voucher and no documentation is required unless an agency requires a receipt for lodging.

The higher processing costs could be justified if the high rate method saved travel dollars or if only a few high rate vouchers were processed. However, according to GAO's analysis, very little savings are actually being realized. Most high rate vouchers are for amounts that equal or exceed the allowance for a particular area. Any potential for savings that exists can be realized by the lodgings-plus method with a few changes to the method of calculating reimbursement. (See p. 11.)

The General Services Administration has designated an increasing number of cities as high cost because the ceiling for lodgings-plus is inadequate to cover food and lodging costs in major cities. As a consequence, the volume of high rate vouchers has increased and the time and money spent on processing them has become significant. (See p. 9.)

GAO compared high rate costs with the lodgings-plus method for the 5.5 percent sample of travel claims it examined. Computations showed that processing costs

could have been reduced by about \$6.7 million in fiscal 1979 by eliminating the high rate method of reimbursement. The Government-wide cost reduction would, of course, be much greater but would vary with the number of cities designated as high rate. GAO's calculation was made when 102 cities were so designated. In the past, the General Services Administration has designated as many as 146; with the new \$75 ceiling, about 60 cities have been designated high rate.

In summary, the high rate method is essentially a flat rate system that requires a detailed itemization of expenses which serves little purpose except to increase costs. GAO recommends replacing the high rate method with a two-tier, lodgings-plus method--one ceiling for expensive cities, and another for the rest. (See p. 16.)

UNNECESSARY REVIEWS AND TYPING OF VOUCHERS

Travel voucher processing productivity is also low due to unnecessarily detailed reviews by supervisors and unnecessary typing. Supervisory reviews of travel vouchers to verify that travel was actually performed as authorized is, in GAO's opinion, an indispensable control in preventing and detecting fraudulent claims. However, supervisors at 16 of the 19 locations visited were making very detailed reviews of vouchers, although not required by Federal Travel Regulations. In some cases multiple levels of review had been made which duplicated the audit performed at the payment centers. Also, legible handwritten vouchers were being typed. This is unnecessary and adds to processing costs. (See p. 30.)

IMPROVING PROCESSING PRACTICES WOULD INCREASE PRODUCTIVITY

Productivity in auditing vouchers at payment centers was impeded by an overconcern for accuracy and by poor processing practices. Processing rates varied significantly among

the centers, from a high of 12.4 vouchers per staff-hour to less than 1 voucher per staff-hour. If payment centers were to achieve a modest processing rate of 6 vouchers per hour, GAO estimates they could reduce costs by \$356,000 annually (using fiscal 1979 cost data). (See p. 21.)

Although GAO did not verify the accuracy achieved by payment centers, it checked processing procedures and advised payment center managers of weaknesses that might result in errors going undetected.

Payment centers could increase productivity through effective use of statistical sampling and automation, greater management concern for efficiency, and the use of productivity measures. Only one center was actively pursuing ways to increase productivity. Most were primarily concerned with accuracy and timeliness in processing. (See pp. 21 to 28.)

PROPOSED REIMBURSEMENT CHANGE
WILL ADD TO PROCESSING COSTS

The General Services Administration has proposed to change lodgings-plus reimbursement for domestic travel to make it compatible with its proposed worldwide reimbursement system. The proposal would also reduce en route domestic travel costs. Under the present rules for calculating lodgings-plus, travelers sometimes are reimbursed for some lodging and for a meal or two they did not have. GSA's proposed method provides special reimbursement for all en route travel days, including travel between temporary duty stations, and establishes rules for determining what meals are allowable. While it sounds simple, the method is extremely complex; a basic problem is determining when a meal is allowable. (See p. 34.)

GAO believes that the method, as presently proposed, will be very difficult and expensive to administer. Agency payment

center officials contacted felt the proposed method would double the processing costs for lodgings-plus vouchers. GAO has developed an alternative approach which it believes will save the same amount of travel dollars without substantially increasing processing costs. (See p. 35.)

RECOMMENDATIONS

GAO recommends that the Administrator of General Services:

- Propose legislation to replace the high rate geographic area reimbursement method with a two-tier, lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus to provide room for cost growth without getting congressional approval for each new ceiling.
- Direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as suggested by GAO.
- Include in the Federal Travel Regulations:
 - (1) a statement of the responsibilities of payment centers in auditing vouchers,
 - (2) a requirement for supervisory review of travel vouchers along with an explanation of the purpose of such review, and
 - (3) instructions that typing of legible, handwritten vouchers is not necessary.

GAO recommends that heads of selected departments and agencies (see app. VII)

- establish productivity measures for travel voucher processing as part of the payment center productivity measures and
- examine each payment center to determine ways to increase productivity.

GAO also recommends that the Secretary of Defense direct the Defense Per Diem Committee to adopt the lodgings-plus method for reimbursing travel of military personnel within the United States and, in conjunction with the General Services Administration

propose legislation to replace the high rate geographic area reimbursement method with the lodgings-plus method and increase the the maximum amount reimbursable for lodgings-plus to provide room for cost growth without congressional approval of each new ceiling.

AGENCY COMMENTS

The General Services Administration and the Department of Defense agreed that the high rate geographic area method of reimbursing travel is too expensive to administer and should be eliminated. (See apps. VIII and IX.) However, both agencies offered alternatives to GAO's proposal for a two-tier, lodgings-plus system. Defense favors adopting lodgings-plus to reimburse all travel but wants to set multiple ceilings at \$5 increments for all cities with costs over \$50. GSA favors a flat rate system and wants to await completion of an Office of Management and Budget study of travel reimbursement methods before taking legislative action. It also plans to hold in abeyance further action on its en route per diem proposal pending adoption of a particular per diem method. GSA agreed to implement all other recommendations.

GAO concurs on GSA's desire to wait until the Office of Management and Budget has completed its travel study, but reiterates its preference for lodgings-plus reimbursement.

C o n t e n t s

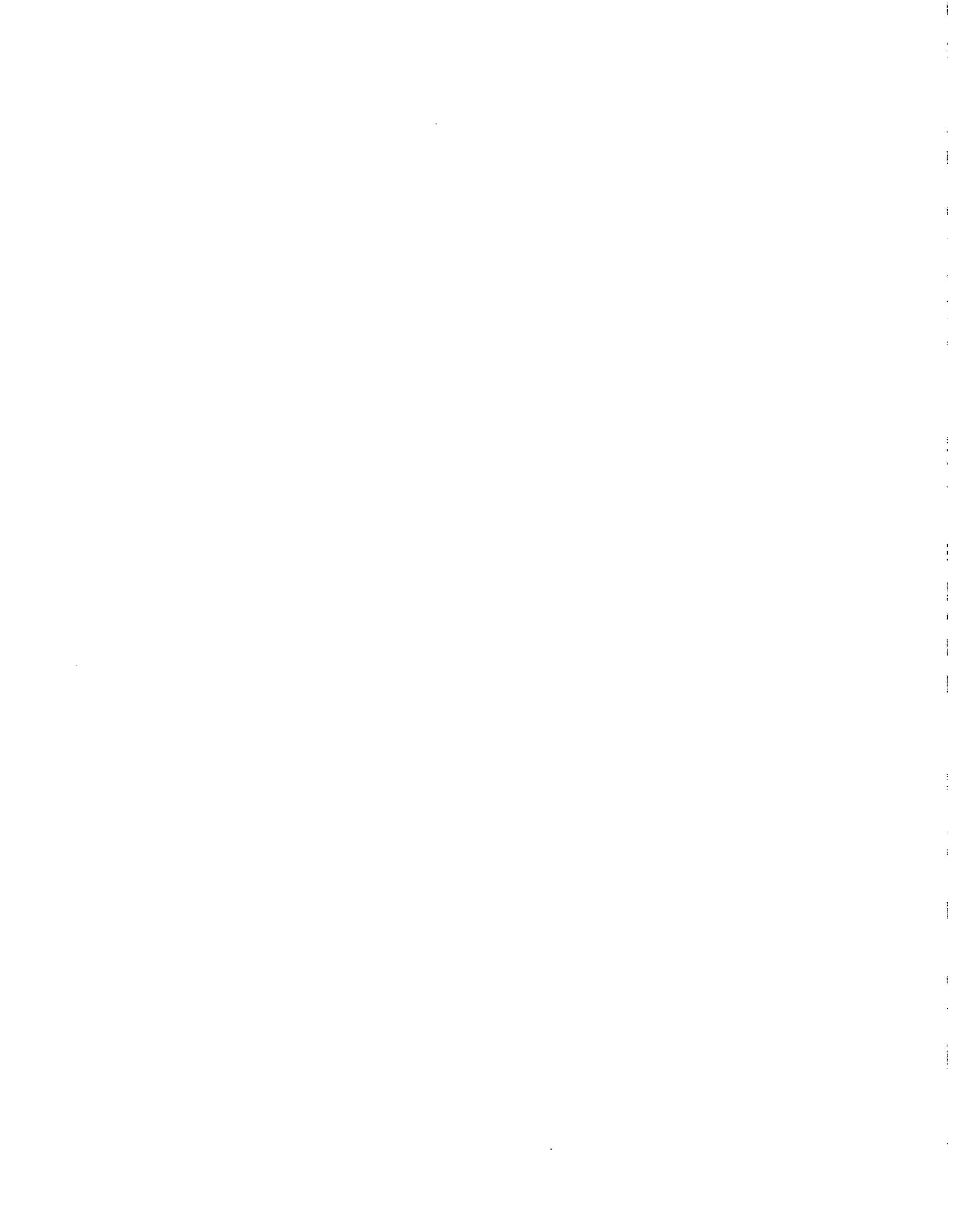
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ABBREVIATIONS

ANFC	Agriculture National Finance Center
DOD	Department of Defense
GAO	General Accounting Office
GSA	General Services Administration



CHAPTER 1

INTRODUCTION

Federal agencies spend millions of dollars annually for travel, with most going for direct travel expenses such as meals and lodging. Federal travel also involves indirect costs, including the major one of processing travel claims. Since agencies do not keep track of processing costs, the precise amount of this indirect cost is not known. However, we believe it could be as much as \$400 million a year. ^{1/} Accordingly, the productivity of the travel payment process is important, and increases in productivity could result in sizable Federal savings.

THE TRAVEL CLAIM PROCESS

The travel claim process begins when a person starts collecting information which will be used in his or her travel claim and does not end until the claim is paid. Processing a claim or voucher involves three basic steps:

- Voucher preparation.
- Supervisory or administrative review.
- Audit or examination.

Who performs these tasks, how much time they spend, and how many people are involved can vary significantly depending on individual agency procedures. In some instances, for example, travelers prepare their own vouchers. In other instances, travelers provide the basic information to clerical staff who prepare the vouchers. Or, payment center personnel both compute the entitlement and audit the vouchers.

LEGAL AUTHORITY AND REGULATORY CONTROL OVER TRAVEL

Legal authority and regulatory control differ for Federal travel depending on whether the employee is military or civilian. The basic statutory provisions governing military travel are contained in 37 U.S.C., chapter 7, while those for civilian travel are in 5 U.S.C., chapter 57. The Per Diem, Travel, and Transportation Allowance Committee (Per Diem Committee) within the Department of Defense regulates travel for uniformed services; the General Services Administration (GSA) is responsible for civilian travel; and the State Department is responsible for setting per diem rates overseas.

^{1/}Other estimates have been made that vary from ours. The Office of Management and Budget's Interagency Travel Management Improvement Project estimated these costs at \$200 million. The difference appears to stem mainly from differing estimates on various types of travel claims, such as local or temporary duty travel claims.

DEFENSE PER DIEM COMMITTEE IS RESPONSIBLE
FOR REGULATING TRAVEL FOR DEFENSE PERSONNEL

In 1950, the Defense Per Diem Committee was chartered and given the mission of (1) prescribing joint uniform travel and transportation allowances for all military members and (2) issuing uniform regulations for Department of Defense (DOD) civilian personnel. While the committee is responsible for setting allowances for military personnel subject only to legislative constraints, its rates for civilian travelers must be consistent with GSA regulations.

To assure that all Defense components function under the same regulations, the Per Diem Committee is authorized to issue what are known as Joint Travel Regulations--one volume for military travelers and one for civilians. These are the only two entitlement regulations the individual services are permitted to use. While they can issue their own implementing instructions, each component must base entitlements on the Joint Travel Regulations.

GSA IS RESPONSIBLE FOR REGULATING
TRAVEL FOR CIVILIAN EMPLOYEES

The General Services Administration has, within the constraints imposed by statute, the overall responsibility for regulating all civilian travel. GSA assumed this responsibility from the Office of Management and Budget in 1971.

Set by statute are (1) the maximum per diem rate, (2) the use of the high rate geographic area method, (3) a maximum for reimbursement under the high rate area method, and (4) mileage rate ceilings. GSA determines the maximum amount reimbursable at each city it designates as a high rate geographic area and determines the mileage reimbursement rates based on periodic or annual survey and coordination with other agencies. The rate that is set must be within the statutory maximum.

OBJECTIVES AND METHODS FOR
REIMBURSING TRAVEL COSTS

In selecting a method for reimbursing travel expenses, two fundamental objectives must be satisfied--(1) amounts paid must be reasonable, both to the traveler and the Government and (2) processing costs must be kept as low as possible. Travel expenses can be paid in two ways: (1) reimburse actual costs incurred or (2) pay a flat amount per day. Other reimbursement methods are a variation or combination of these two.

The two methods vary in the extent to which they meet the objectives stated above. Processing costs are highest for the actual cost reimbursement method because expenses incurred must be documented and verified. Processing costs are low for the flat amount reimbursement method because it requires little or no documentation. The actual cost method is the most flexible in adjusting compensation to varying cost, at least on the low side. Flexibility in adjusting to high costs is constrained by the limit set on the maximum amount reimbursable. The flat amount method has no flexibility to adjust for cost variations in either direction; special exceptions are needed.

HISTORY OF TRAVEL REIMBURSEMENT

The Congress historically has provided for reimbursement of travel expenses, but through the years the method of reimbursement has changed. Initially, travelers were paid the actual cost of meals and lodging. Reimbursement of actual expenses offered the agencies an opportunity to monitor individual expenses, but the procedure was cumbersome then and continues to be today for both traveler and the agency. For this system to be viable, the person approving the payment for the travel has to have either personal knowledge of what the expenses should be or documentation (receipts) supporting the claims. Even if receipts are provided, whether the expenses were reasonable is still in question.

In 1926 the Congress authorized a flat rate per diem method as an alternative to the actual expense method. The authorizing legislation was known as the Subsistence Expense Act of 1926 (44 Stat. 688). Under the flat rate method, the potential existed for travelers to be overpaid or underpaid, depending on the cost incurred for lodging and food relative to the flat rate. We have issued several reports critical of the flat rate method, pointing out that the Government too often was reimbursing travelers more for their lodging than they had paid. We contended that the Government could save travel money by adopting a modified per diem method based on lodging costs, a method we adopted for our employees.

Effective October 1971, each Federal agency was required to use the "average lodging cost" method when computing per diem rates for civilians. Acting on our recommendation that it reimburse both its military and civilian employees under the same travel conditions, DOD instituted the average lodging cost method Department-wide in 1976. The lodgings-plus per diem method provided reimbursement of average actual costs for lodging (average costs rounded up to the nearest dollar)

plus a flat rate for food and other miscellaneous costs. The maximum payable is presently \$50 a day, up from \$35 when we did the audit. Although not required by the Federal Travel Regulations, some agencies require a receipt for lodging.

In 1975 the Congress authorized the high rate geographic area reimbursement method for use in conjunction with the lodgings-plus method. In the late 1960s and early 1970s the cost of meals and lodging escalated appreciably with a much greater rate of increase in certain major urban areas. The \$25 per diem rate established in 1969 often did not cover expenses. However, GSA felt that to increase per diem to cover all areas would add considerably to Government travel costs, and the Congress opposed increasing the ceiling for lodgings-plus to \$50 as GSA initially proposed. Instead, a proposal was made to increase the maximum amount reimbursable under lodgings-plus from \$25 to \$35 and to adopt a concept called the high rate geographic area method, which would reimburse travelers' actual expenses up to \$50 at the most expensive urban areas. When the high rate area method was instituted in 1975, GSA designated six cities as high rate areas. Since then it increased that number to as many as 146. When the new \$75 ceiling was passed in September 1980, GSA established 62 high cost cities.

Under the high rate area method, a maximum rate is set for each city designated as a high rate geographic area. Travelers may be paid for actual expenses up to the ceiling. Many agencies, however, have put a limit on the amount that can be claimed for meals. For example, we limited meals to \$19 when the maximum rate was \$50. Other agencies limited the amount reimbursable for costs other than lodging to 45 percent and 50 percent of the maximum. To obtain reimbursement, travelers must itemize their daily expenses and submit a receipt for lodging costs.

Therefore, since 1975, a hybrid reimbursement policy has existed. Actual expenses are paid in cities designated as high rate geographic areas, and lodgings-plus is paid in other cities. For example, in April 1980 a traveler to New York was reimbursed for actual expenses up to \$50 under the high rate method. A traveler to Miles City, Montana, was reimbursed for lodgings, plus \$16 for food and miscellaneous expenses up to a maximum of \$35, under the lodgings-plus method.

In addition to the flat rate method and the present lodgings-plus and high rate methods, agency heads historically could authorize, under unusual circumstances, reimbursement of actual expenses up to a certain amount. This amount was higher than the maximum allowable under the flat rate method

and is higher than the maximum allowable under lodgings-plus. The maximum is the same as for the high rate method.

OBJECTIVES, SCOPE, AND METHODOLOGY

This review was initiated as a result of congressional concern over the high cost of Federal employees' travel. On May 2, 1979, the Chairman, Subcommittee on the Legislative Branch, Senate Committee on Appropriations, asked us to examine (1) the controls over approval of travel and (2) the productivity of processing travel claims. The Chairman also asked how the private sector authorizes travel and how its productivity compares with that of the Government in processing travel claims. Controls over approval are addressed in another report (FPCD-81-13, December 24, 1980).

Our February 12, 1980, report (FGMSD-80-13) showed that inefficiencies in processing payments to vendors for goods and services were costing the Federal Government millions annually. During that audit, we found indications of even greater inefficiencies in processing travel claims.

This review was designed to study Federal travel voucher processing in depth. We wanted to

- identify inefficient processes or procedures which could be changed to improve productivity;
- identify legislation and regulations which could contribute to travel voucher processing inefficiencies; and
- determine whether productivity or efficiency measures exist and, if so, evaluate the measures.

We were unable to satisfy the Chairman's request for a comparison of the productivity of the Government's processing of travel claims with private sector firms. Firms we contacted were reluctant to provide the details we needed for a comparison. Even with those details, such a comparison would have had limited value. The firms we contacted said the Internal Revenue Service ruling--that travel reimbursement (over a certain amount) be treated as income unless the employer is given a report of expenses incurred--encouraged employees to reimburse travel on an actual cost basis of some form or another. Because actual cost reimbursement is generally expensive to administer, we do not believe it is the method the Government should use.

Our review included visits to the headquarters and 25 field sites of 18 agencies. (See app. II.) The headquarters sites were visited primarily to obtain background. We obtained productivity data at the field sites and at two headquarters sites.

Productivity data was computed using the same procedure at all sites visited. The procedure involved compiling both input and output data at each site. Few sites compiled data on either the volume of vouchers processed or the staff-hours used; therefore, we had to generate such data from agency records, interviews, time tests, and a questionnaire. Our methodology for developing the statistical and cost comparisons shown in this report is described in appendix III.

The quality of records differed among the activities we visited. As a result, we were not always able to gather information for the same periods. Some of our information came from 1978 records, the rest from 1979.

The review was directed toward temporary duty travel throughout the Government within the continental United States. The conclusions we reached are ones which we believe reflect the situation throughout Government but are not supported through statistically valid sampling results. Cost and time requirements for such sampling were prohibitive.

In all phases of the audit we attempted to gather information that would be representative of what we expected to find across the Government. To do this, we selected activities both in the Department of Defense and in civilian agencies. We also selected some activities that process very large quantities of travel vouchers and others that process very few.

CHAPTER 2

HIGH RATE GEOGRAPHIC AREA REIMBURSEMENT

METHOD SHOULD BE ELIMINATED

We believe that the high rate geographic area method for reimbursing actual travel expenses should be eliminated or revised for two reasons. First, the cost of processing vouchers under the high rate method is almost double that of processing vouchers under the lodgings-plus method. This stems from the fact that the high rate method is very complex, requires considerably more documentation, and is subject to more processing errors. Secondly, the high rate method has become the prevalent reimbursement method with nearly every major city designated as a high rate area. Because of this and the higher per voucher processing cost, the total spent for processing has increased significantly. If all the vouchers in our 5.5 percent sample had been completed using the lodgings-plus method, processing costs could have been reduced by about \$6.7 million in fiscal 1979.

We believe that GSA should resort to the lodgings-plus method of reimbursement. With some modification, it could provide most of the benefits intended to be derived from the high rate method while greatly reducing processing costs.

THE HIGH RATE METHOD NEARLY DOUBLES PROCESSING COSTS

The high rate method of reimbursing travel costs is the major factor impeding the productivity of travel claims (voucher) processing. (Other factors are discussed in chs. 3 and 4.) According to data we compiled, high rate vouchers cost nearly twice as much to process as lodgings-plus vouchers, and the processing cost is even greater when both methods are used on the same voucher. The average per claim processing cost in 1979 under the high rate method was about \$36.35 compared to \$20.60 for the lodgings-plus method. When both methods were required on the same voucher, the average processing cost rose to \$46.40. Comparative costs are shown below. The time and costs will vary of course depending on the processing procedure used and the number of days traveled. The longer the trip, the more time required to prepare a high rate voucher. Our costs are based primarily on a 10-day trip, but costs for some shorter and longer trips are averaged in.

Comparative Processing Costs

	<u>Lodgings-plus</u>	<u>High rate geographic area (actual)</u>	<u>Mixed</u>
Preparation	\$11.33	\$20.01	\$24.64
Typing and administrative review	3.55	6.69	9.11
Supervisory review	3.24	4.86	6.27
Payment center audit	<u>2.50</u>	<u>4.79</u>	<u>6.39</u>
Total	<u>\$20.62</u>	<u>\$36.35</u>	<u>\$46.41</u>

We had to develop our own figures because agencies do not keep track of processing costs. We used time tests, interviews, and a questionnaire to develop estimates of the cost for voucher preparation and for administrative and supervisory reviews. We used agency records to determine the cost of audit. (See app. III for details of our methodology in determining cost by voucher type.)

Added processing costs result
both from requirements to
itemize and from more errors

The difference in processing costs results from the requirements to itemize and document daily expenses on high rate vouchers, and the fact that the high rate method is more complex and subject to many more processing errors. In preparing vouchers travelers must

- keep detailed records for each item of expense;
- itemize daily lodging and meal costs on vouchers;
- ascertain applicable rates, including agency limits, for meals or individual allowances for meals; and
- perform numerous computations.

As an illustration of the added time required to itemize daily expenses under the high rate method, at least seven written or typed entries on a voucher per day are required. The longer the trip the greater the number of entries. For example, a voucher for a 30-day trip under the high rate area method would require at least 30 lines and 210 entries to

itemize food and lodgings costs. If the lodgings-plus method were used, only 2 lines and 5 entries would be needed. And since travelers' handwritten vouchers are often typed, more entries mean more typing time.

The high rate method is also more complicated. As a result, high rate vouchers are likely to contain more errors, adding an unquantifiable cost to voucher processing. The travelers, supervisors, and examiners we questioned were virtually unanimous in saying that high rate area vouchers are more likely to have errors than lodgings-plus vouchers--up to two to three times as likely. We substantiated these estimates by analyzing a sample of vouchers at two locations.

We could not quantify the amount of time travelers and supervisors spent resolving errors and other problems (although we did include such costs for the payment centers). The time needed to answer individual questions can range from a minute or less, to an hour to even an entire day, depending on the question raised and what must be done to resolve it. This time adds costs that would significantly increase the per voucher processing costs.

The difference in time required to prepare vouchers can easily be seen by comparing the vouchers below. The vouchers were prepared for the same trip under both the high rate area and lodgings-plus methods.

HIGH RATE METHOD HAS BECOME PREDOMINANT;
ITS ELIMINATION COULD REDUCE COSTS BY MILLIONS

The added per voucher cost of processing high rate vouchers might be tolerable if only a few cities were considered high rate and if an insignificant number of vouchers were processed. This, however, is not the case.

Although initially authorized for use at very few cities, the high rate method of reimbursing travel costs has become the most widely used. The high rate method was adopted as an expedient means of providing adequate compensation for travel to a few expensive cities where food and lodging costs considerably exceeded the maximum reimbursable under lodgings-plus. At the same time it was expected to reduce travel costs relative to those anticipated by extending lodgings-plus to cover these cities. Originally only six cities were designated as high rate. In April 1980, the number was increased to 146 with nearly every major city designated as a high rate area. With the September 1980 increase in the ceiling from \$50 to \$75, GSA established just over 60 high cost cities. As a consequence of the high rate method's predominance and

its high per voucher processing cost, the total amount spent for processing high rate vouchers has become significant. Processing costs could be reduced by millions of dollars by eliminating it. If all the high rate vouchers processed at the 20 payment centers we visited were completed on a lodgings-plus basis, processing costs could have been reduced by about \$6.7 million in fiscal 1979. This does not include the added cost that travelers and supervisors incur in resolving errors, but it does include the cost that voucher examiners incur in handling errors. Since we sampled only about 5.5 percent of the total Government claims paid in 1979, the \$6.7 million saved in processing costs would be increased substantially Government-wide. Cost will, of course, vary depending on the number of cities designated as high rate.

GSA SHOULD SWITCH TO LODGINGS-PLUS METHOD

We believe GSA should switch to the lodgings-plus reimbursement method. The method has a number of advantages and any benefits now derived from the high rate method can be realized under lodgings-plus by creating two ceilings on the maximum reimbursable to cover high and average cost cities, and by making minor changes to the method of computing reimbursement under lodgings-plus. GSA's proposal and our counterproposal for achieving the latter by changing the method of determining en route per diem are discussed in chapter 5.

Advantages of lodgings-plus method

The lodgings-plus method has several advantages by design. One, processing costs are reasonably low--half those of the high rate method. Two, as with the high rate method, reimbursement is automatically adjusted according to changes in lodgings cost--up to the ceiling. This permits the Government to benefit from low lodgings rates obtained by travelers and limits the real and perceived potential for abuse. Three, reimbursing a set amount for food is much more practical than the high rate method of reimbursing actual meal costs. Providing a set amount for food recognizes that:

- Documenting food costs is impractical.
- Travelers usually incur costs for food, even when their lodging is with friends or relatives.
- The reasonableness of meal charges is difficult to judge.

Overall, the lodgings-plus method does about as well as the high rate method in adjusting to variations in cost and is far less expensive to administer.

Food costs are about the same for lodgings-plus and high rate

According to our analysis, the amounts claimed for food costs under the high rate method are essentially the same as what might be paid under the lodgings-plus method. Our sample of recent vouchers furnished by payment centers for a cross section of high rate cities illustrates this point. The maximum reimbursable for those cities ranged from \$40 to \$50, and the average amount claimed for meals under the high rate method was \$20.33. By contrast, at the time of our analysis, GSA was proposing a \$42 ceiling for lodgings-plus which would have increased the subsistence allowance to \$20--a few cents less than the \$20.33 paid under the high cost method. With the new \$50 ceiling, \$23 is being allowed for food, which is only \$3 more than the average amount paid in fiscal 1979 under the high cost method. However, the cost of processing would be \$16 less. Obviously, the amount of potential savings depends largely on the amount GSA allows for food and miscellaneous expenses under lodgings-plus.

As further evidence that travel costs are only slightly reduced under the high rate method, our sample analysis showed that most high rate vouchers were for an amount that equaled or exceeded the allowance for that particular area. This was due in part to the fact that the then \$50 ceiling was too low for many areas. Also, some travelers tend to claim an amount for meals which, when added to the lodgings cost, will total the allowance. For example, one traveler at a \$50 maximum area for 20 days claimed a total of \$50 or more each day even though lodging costs were only \$18.53 per day. In another case, a traveler to a \$50 area for 32 days had lodging costs of \$26.75 and daily total meals of \$23.25. Thus, even when the lodging cost is low, the daily travel cost is at the maximum because the meal costs are high. In effect, the high rate method has in large part become a flat rate system with multiple rates, except that expenses must be itemized and documented.

Adequate control of costs can be achieved with lodgings-plus

Perhaps the key barrier to returning totally to the lodgings-plus method is the very high cost of lodging in a few large cities. This raises the legitimate concern that with a single ceiling high enough to cover the few very expensive cities, travelers to low cost cities could select plush lodging

accommodations, collect the full allowance for food, and still stay within the ceiling. For example, assuming a ceiling of \$75 with \$30 allowed for food, a traveler could obtain \$45 accommodations ($\$30 + \$45 = \75) in a city where acceptable room rates were \$30. This obviously would increase the Government's travel costs for lodging. We believe this potential problem could be limited by adopting two ceilings for lodgings-plus reimbursement: one ceiling for the six or so truly high cost cities and another ceiling for all the rest. Having more than two ceilings would increase the administrative costs by requiring a check for the proper rate and two or more calculations where cities with different rates were visited.

Analysis of the data GSA uses to set rates (ceilings) for high cost cities (Runzheimer Meals and Lodging Cost Index 1/), shows two important points. First, meal costs vary less from city to city than do lodging costs; and second, lodging costs are the determining factor in establishing a city as high rate. According to the October 1980 Runzheimer Index, the spread of "low" 2/ meal costs among the 101 cities listed is very small. With one exception, the range was from \$10.35 to \$18.95, with a mean of \$14.41. For 85 percent of the cities, costs ranged from \$12 to \$16.90.

Given the homogeneity of meal costs across the Nation, we believe that a single flat rate for meals could be set that would provide reasonable reimbursement in all U.S. cities. For example, the present \$23 rate for meals and miscellaneous expenses under lodgings-plus would appear to provide travelers enough money to cover their meal costs, even in expensive cities. A rate of \$21 or \$22 might also be adequate. GAO now limits reimbursement for meals to \$23 at all high rate area cities.

1/The Runzheimer Meals and Lodging Cost Index lists high, low, and average meal and lodging costs for 100 cities and is updated quarterly. It is published by a commercial firm and can be purchased for a nominal fee. The index is considered an authoritative source. GSA has compiled figures for some cities and found the index figures reliable. However, discretion must be used in applying these figures to Federal travel.

2/GSA uses the average meal costs reported by Runzheimer to set ceilings for high cost cities. We believe the low Runzheimer meal costs represent a better base for setting rates for Federal employees. The average costs are driven up by the high meal costs like \$61 and \$50, and even \$40. Such high costs would not normally be acceptable for Federal employees and thus should not be used to set rates for Federal travel.

In contrast to meal costs, the spread in lodging costs was very wide among the 101 cities Runzheimer listed. The spread is shown below for three categories of cost data.

	<u>"Average"</u>	<u>"Low"</u>	Mean (<u>note a</u>)
Most expensive	\$68.00	\$53.00	\$60.75
Least expensive	(<u>22.50</u>)	(<u>17.00</u>)	(<u>20.25</u>)
Spread	\$45.50	\$36.00	\$40.50

a/We computed these figures as the mean of the "average" and "low" costs listed in the Runzheimer Index.

Of key importance, however, is the fact that a high portion of the spread is accounted for by a small number of cities. Of the \$45 spread in "average" costs, 44 percent is accounted for by the 11 most expensive cities. Of the \$40 spread in our computed figure of the mean of average and low costs, 1/ 35 percent is accounted for by the seven most expensive cities. Because of this we believe that lodging costs can be controlled with two ceilings. Agencies will, of course, be expected to be alert to cases where their employees should be able to obtain low lodging rates.

Higher ceiling needed to implement lodgings-plus reimbursement nationwide

To implement lodgings-plus reimbursement nationwide, GSA and the Defense Per Diem Committee will have to obtain congressional authorization to increase the maximum amount reimbursable. The new \$50 ceiling for lodgings-plus is inadequate. An overall ceiling of at least \$90 is needed to allow room

1/We believe that the "average" lodging cost figures in the Runzheimer Index should be considered the maximum for normal Federal travel. We analyzed the lodging costs for six cities and found that the "average" costs in the Index for these cities were about 15 percent higher than the average costs incurred by Federal travelers. This difference appears to result from two factors. One, the Index "average" costs are driven up by "high" costs that are above what would be appropriate for Federal travelers to spend. Two, Federal travelers are often able to obtain discounts and the Index excludes discounts.

for cost increases without congressional approval of a new ceiling. GSA and Defense would set the lower tier ceiling, for example at \$60.

OMB TASK FORCE IS CONSIDERING MERITS OF
FLAT RATE AND VOUCHERLESS REIMBURSEMENT

The Office of Management and Budget has assembled an Interagency Travel Management Improvement Project to identify ways of cutting Federal travel costs and related administrative expenses. Among the wide range of proposals on its agenda, the task force has approved studies to assess the merits of adopting flat rate reimbursement and to examine voucherless reimbursement approaches.

Under the flat rate method, travelers are reimbursed a set amount per day for their lodgings, food, and miscellaneous expenses. Special rates are used for unique circumstances, and no documentation of costs is required. When travelers spend more than the flat rate, they incur the loss, when they spend less, they can pocket the difference. The flat rate method is currently being used to reimburse Federal civilian travel costs overseas.

Voucherless reimbursement in its simplest form works like this. Travelers would be paid in advance. If travel was performed as authorized, no voucher or only a simple voucher would be prepared. A traveler would provide a statement--in which his or her supervisor concurred that travel was performed as authorized--and would perhaps add a simple voucher claiming local travel costs. Flat rate reimbursement is a prerequisite for voucherless reimbursement.

Processing costs should be quite low for flat rate reimbursement, particularly using a voucherless approach. We did not, however, measure the costs of processing flat rate vouchers nor assess the merits and potential for using flat rate and voucherless reimbursement because the OMB task force is studying that now. Because of the potential for low processing costs, we concur with the task force decision to study the merits of these reimbursement approaches as a long range effort to reduce the cost of travel.

There are certain disadvantages to flat rate reimbursement. One, flat rates would have to be set by each city, just as rates for high cost cities are set now. Grouping cities, say by \$5 increments, would create constant pressure to move cities up from lower to higher increments. Two, and most important, there would be a potential for reimbursing travelers more money than they spend for food and lodging. Because of the wide range in meal and lodging costs within a city, it is

difficult to set a rate that will provide reasonable reimbursement and limit the potential for overcompensation. Frugal travelers will often be able to obtain low rates--particularly for lodging, which is the most visible cost--and thereby save a few dollars, which tends to be considered overcompensation. Such overcompensation now exists to some extent overseas where the flat rate system is used. Because of this and urging by the Congress, GAO, and DOD, GSA plans to switch to lodgings-plus reimbursement overseas. Adoption of our proposed lodgings-plus for domestic as well as overseas travel would create a common reimbursement system worldwide.

CONCLUSIONS

We believe that the present practice of reimbursing travel expenses in high rate areas on an actual cost basis is too expensive and should be discontinued. Agencies should, however, retain their authority to authorize actual expense reimbursement to cover unusual circumstances. The high rate method is essentially a flat rate system with rates set to represent reasonable costs for each designated area. However, the method requires a detailed itemization of expenses which serves little purpose except to significantly increase the cost of processing vouchers. The high rate method should be discontinued and replaced with a lodgings-plus method of reimbursement with two separate ceilings.

We believe that the two-tier, lodgings-plus method should be adopted for use by uniformed service personnel as well as by civilian employees. We included military travel vouchers in our review and found that the cost of processing high rate vouchers for military members is also considerably higher than the cost of processing lodgings-plus vouchers. The practice of the Defense Per Diem Committee has been to follow GSA in the method of reimbursement and the designation of high rate areas, and we believe it should act with GSA to adopt a two-tier, lodgings-plus reimbursement method.

RECOMMENDATIONS

We recommend that the Administrator of General Services propose legislation to replace the high rate geographic area method with a two-tier, lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus to such a level to allow for cost growth without getting congressional approval for each new ceiling.

We recommend that the Secretary of Defense direct the Defense Per Diem Committee to adopt the two-tier, lodgings-plus method for reimbursing military travel and in conjunction with GSA propose legislation to replace the high rate method with a two-tier, lodgings-plus method.

AGENCY COMMENTS

In commenting on this report, (see apps. VIII and IX) both the General Services Administration and the Department of Defense agreed that the high cost geographic area method of reimbursing travel is expensive to administer and should be eliminated. However, they proposed alternatives to our recommended two-tier, lodgings-plus reimbursement method.

GSA commented that the lodgings-plus method is better than the current high rate system but that a flat rate system, which it tentatively prefers, would be even simpler to administer. The Administrator of General Services said he would prefer not to propose legislation on either system (flat rate or lodgings-plus) until his agency has a chance to evaluate the findings of the Office of Management and Budget Inter-agency Travel Management Improvement Project which is studying the merits of flat rate reimbursement. The project team is expected to report its findings in January 1981.

We do not object to GSA's awaiting action until OMB's travel project team has completed its study. As we stated in the report, flat rate reimbursement can potentially reduce processing costs. We hope that GSA acts promptly, though, once the findings are published.

Defense agreed that all travel be reimbursed using the lodgings-plus method but recommended a multi-tier system rather than the two-tier system we proposed. Defense recommended that per diem ceilings be set at \$5 increments for all cities with rates above \$50 (the present minimum level) and that per diem within each ceiling be split between lodgings (55 percent) and meals and miscellaneous expenses (45 percent). The latter would be paid as a flat rate with no accountability. Defense argued that the current GSA figures indicate 105 locations could justify a per diem of over \$50. According to Defense,

"Under the proposed two-tier system, if the minimum per diem was established at a rate high enough to cover the majority of these locations a lot of travelers would be overcompensated."

Our analysis of travel expense data shows that a split in lodgings plus per diem of 45 percent for meals and 55 percent for lodging is not appropriate because, as noted on page 13, there is no direct correlation between lodging and meal costs. Consequently, rather than holding constant at 45 percent, meal costs tend to decrease as a percentage of meal and lodging costs as lodging cost increases. For the 101 cities in the Runzheimer Index, the "average" meal costs (figure used

by GSA to set rates) varied from a low of 30.6 percent at San Francisco, California, to a high of 43.7 percent at Birmingham, Alabama.

As we acknowledged in our discussions with Defense officials, Defense's proposal for a multi-tier, lodgings-plus reimbursement system is workable. However, we do not believe that multiple ceilings are presently necessary to preclude overcompensating travelers.

CHAPTER 3

PAYMENT CENTER PRODUCTIVITY NEEDS IMPROVEMENT

Payment centers need to improve their productivity in auditing vouchers and can do so easily by applying proven techniques. Productivity for the 20 payment centers we visited was, with one exception, very low. Processing rates averaged from a high of 12.4 vouchers per staff-hour to less than 1 voucher per staff-hour. The median processing rate was a mere 1-1/2 vouchers per staff-hour. By achieving a modest productivity rate of 6 vouchers per staff-hour, the 19 centers with lower rates could have reduced costs by \$356,000 in fiscal 1979. This is in addition to the cost reduction cited in chapter 2 for eliminating the high rate area method. We reviewed only 20 of the more than 1,100 Federal payment centers; thus, total cost reductions by productivity improvement would be millions annually.

Use of the high rate geographic area reimbursement method is a significant factor in the low productivity. However, productivity is also impeded by a preoccupation with the finite accuracy of vouchers, which ignores the efficiency of processing vouchers. Productivity can increase by use of statistical sampling and automation and by management concern for efficiency and use of productivity measures.

PRODUCTIVITY RATES WERE LOW AT ALL BUT ONE CENTER

Audit of travel vouchers is the last processing step before payment. This audit, generally called voucher examination, is usually done at payment centers, as was the case at all the agencies we reviewed. The purpose of this audit is to see that the voucher is properly prepared according to regulations and that the amounts claimed are accurate or reasonably so.

Only one of the 20 payment centers we visited was auditing travel vouchers efficiently. As can be seen from our figures on the next page, this center had an overall processing rate of 12.4 vouchers per staff-hour for all types of vouchers. The next most efficient center processed an average of 4.2 vouchers per staff-hour, and the median processing rate was around 1-1/2 vouchers per staff-hour.

The costs incurred for audit are also high compared to the amount recovered. The per voucher audit cost for the 16 least efficient centers ranged from \$1.25 to \$6.64. This compares to an average recovery per voucher of only 30 cents, as recorded by 11 centers that had such records.

Productivity and Voucher
Processing Cost by Payment Center

<u>Center</u>	<u>Processing rate (note a)</u>	<u>Cost per voucher</u>
Agriculture National Finance Center	12.4	\$0.42
Department of Health and Human Services (note b) - Dallas	4.2	1.24
Navy - Personnel Support Office	4.2	1.24
Internal Revenue Service - Dallas	3.0	1.74
Environmental Protection Agency - Durham	2.5	2.09
Internal Revenue Service - Atlanta	2.2	2.37
Department of Health and Human Services - Philadelphia	2.0	2.61
Department of Health and Human Services - Atlanta	1.7	3.07
Environmental Protection Agency - Atlanta	1.6	3.26
Langley Air Force Base	1.5	3.48
Army Fort Eustis, Virginia	1.4	3.72
Veterans Administration CALM Section	1.4	3.72
Department of Energy	1.4	3.72
5th Coast Guard District	1.4	3.72
Department of the Interior (Park Service)	1.2	4.35
Veterans Administration CASCA Section	1.1	4.74
Social Security Administration	1.1	4.74
Army Corps of Engineers	1.0	5.22
Department of Housing and Urban Development - Philadelphia	0.9	5.80
National Aeronautics and Space Adminis- tration - Langley (note c)	0.7	7.48

a/Overall rate per staff-hour for processing all types of vouchers.

b/Formerly the Department of Health, Education, and Welfare.

c/This included significant nonexamination costs because NASA-Langley only requires data from the traveler; the examination section completes the voucher from that information.

We had to develop processing rates and costs because only one payment center was measuring productivity, and none was keeping track of the costs for auditing different types of vouchers. From agency records and some sampling, we were able to develop processing rates at each center for lodgings-plus and high rate vouchers and an overall rate for all vouchers processed.

We did not verify payment centers' accuracy in auditing vouchers, because to do so would have been very time consuming. However, we checked each center's processing procedures and advised management when we noted weaknesses that might result in undetected errors. Despite good procedures, errors may go undetected--because payment centers may have inexperienced examiners and because they may not be in a position to detect some errors, such as a voucher submitted for a trip that was not made.

LARGE COST REDUCTIONS ARE POSSIBLE
BY IMPROVING PROCESSING RATES

Using the processing rates developed for examining lodgings-plus vouchers, we calculated that a productivity rate of six vouchers per staff-hour could have reduced 1979 costs by \$356,000 at the remaining 19 centers with lower rates. (Our calculation is shown in app. IV.) This would be in addition to the reductions that could be achieved by eliminating the high rate reimbursement method, as discussed in chapter 2.

GREATER CONCERN FOR EFFICIENCY
AND USE OF PROVEN PRODUCTIVITY
ENHANCING TECHNIQUES CAN INCREASE
PRODUCTIVITY

Besides being reduced by the high rate method of reimbursing travel claims, payment centers' productivity in auditing vouchers is impeded by managers' limited concern for efficiency and their failure to apply proven techniques for improving productivity. We found that centers with higher productivity rates

- had managers concerned with efficiency,
- applied statistical sampling,
- used some form of automation, and
- processed a high volume of vouchers.

Managers need to emphasize efficiency as well as timeliness and accuracy

We found that most payment center managers emphasize accuracy and timeliness of travel voucher payment more than the efficiency of the process. At 16 payment centers we visited, no attention was paid to finding ways to increase the number of claims processed per staff-hour, and only one center measured its productivity rates. Travel voucher center supervisors countered productivity suggestions by saying that they are rated based on turnaround time and not on claims processed per staff-hour.

For example, at one payment center with a relatively low productivity rate, the supervisor stated that the results of a work measurement system would provide only the information that was "nice to know" but "not absolutely required." Instead of using productivity measures to manage the payment center, the supervisor uses a workload and backlog effectiveness report. The emphasis on accuracy over efficiency at another center is evidenced by the absence of statistical sampling, even though 91 percent of the center's travel claims are below \$500. As with the other center, the payment center officials are rated based on their turnaround time rather than on the number of claims processed per staff-hour. Supervisors believe their primary responsibility is to reimburse travelers as soon as possible and they therefore emphasize reports concerning turnaround time and backlog size.

Improved productivity could also improve turnaround time by helping reduce claim backlogs. However, when the backlog increases, most supervisors normally will first think of increasing staff or working overtime rather than using more efficient procedures, such as statistical sampling, to reduce the backlog. Obviously, increasing staff or working overtime does not improve productivity; in many cases, such practices may actually lower productivity.

Improved productivity does not mean lack of timeliness. The Department of Agriculture has its travel vouchers processed centrally by its National Finance Center (ANFC), in New Orleans, Louisiana. Of the processing centers in our sample, the ANFC has the highest processing rate (12.4 vouchers per staff-hour) and the lowest cost (\$4.2 per claim processed). Even though the center is centrally organized, travelers are being reimbursed quickly.

For example, travelers from Agriculture's Soil and Conservation Service in Richmond, Virginia, have been reimbursed within 10 days after sending a claim to ANFC for processing. We believe this is very prompt considering the travel voucher

is sent from Richmond to the center in New Orleans where a computer tape is prepared and then sent from ANFC to Washington, D.C., from where the traveler receives the reimbursement check.

Conversely, with other voucher processing, we found that when travel claims are processed within the same building as the traveler, a timely reimbursement is not assured. For example, at the Social Security Administration in Baltimore, Maryland, it can take as long as 17 days from the time the traveler signs the claim until the claim is sent for payment. In one such case the traveler worked directly across the hall from the voucher processing center. The point in this case is that proximity to the voucher processing center (a decentralized operation) does not guarantee timely reimbursement.

Statistical sampling can
improve productivity

Using statistical sampling in the travel voucher audit process seems to be the major factor in helping to reduce processing time per claim, and this increases productivity. Sampling eliminates the audit of most low-dollar-value payments. According to our guidance, all payments of \$750 or less presently can be subject to sampling. Once the required paperwork has been received, a random sample reflecting the payment universe is selected for full audit. The remaining travel claims can then be scheduled for payment without auditing each claim. The selected claims will provide a means of calculating the error rate and amount of overpayment. This analysis will prove the worth of the procedure by providing a cost/benefit relationship.

We observed a variety of situations involving statistical sampling at the 20 payment centers we reviewed.

- Only 7 of the 20 centers were using statistical sampling.
- These 7 centers were among the 10 centers with the highest processing rates.
- None of the 10 centers with the lowest processing rates used statistical sampling.
- The potential for statistical sampling was great; 7 of the 10 centers not using statistical sampling had an average of 87 percent of their payments under \$500, which were subject to sampling.

--Three centers were using a reverse sampling technique, which increased rather than decreased costs by creating some duplication.

The three centers created duplication by first making a complete or limited audit of all vouchers and then reauditing a sample of vouchers. At one of the centers, each travel voucher is audited and at the end of the month 10 percent of the audited vouchers are reaudited. Once the vouchers are sent to the department's accounting center, another smaller sample is then drawn for audit. Officials justified the initial 100-percent audit by citing the number of inexperienced travel voucher preparers. The officials stressed that although they had no records to support their position, the error rate would be unacceptable without the 100-percent audit. Records for the 10 percent audit, however, showed overpayments of only 2 cents per audited voucher, and that figure was overstated. Our review showed that the audits had incorrectly identified overpayments that did not exist.

One of the other centers first performed a 100-percent audit and then reaudited another 3 percent as a postaudit check. During fiscal 1979, the center's records show that the duplicate 3-percent audit did not recover a single penny.

While activities insist that a 100-percent audit is necessary, the results of such audits do not support this position. In 11 payment centers for which such data was available, the average per voucher recovery from audit was only 30 cents. For three of those centers, the average amount recovered was less than 50 cents per voucher.

The preference for a complete audit of all vouchers appears to relate to a "suspicion psychology." Many voucher examiners appear to be suspicious of travelers and feel the traveler is out to get as much as he or she can, and therefore it is their task to keep this from happening. We believe better results could be achieved if examiners try to prevent errors. If examiners are finding many errors of a certain type, this information should be communicated to travelers so they can eliminate the errors before submitting the vouchers. The information could be communicated through examples and explanations in agency regulations.

Automation presents a strong potential for productivity improvement

The use of automation in the audit of travel vouchers can significantly improve the audit process. These improvements cannot be fully realized, however, using the high rate method because it is too complicated.

Automated audit of vouchers is currently limited. Only four of the sites we visited were using it--three were using a programmable desk calculator and one was using a computer postexamination edit check of all vouchers.

Programmable calculators can increase productivity

Programmable calculators have proved to be beneficial in examining lodgings-plus travel vouchers, but they save little or no time in examining high rate vouchers. In processing a lodgings-plus voucher, the examiner (operator) needs to enter only two pieces of information for the entire trip: (1) the date and time of departure and arrival and (2) the average lodging rate incurred. The calculator computes the traveler's subsistence entitlement which the examiner compares with the amount the traveler claimed. As illustrated in our time tests discussed below, programmable calculators are not very efficient in examining high rate vouchers because too many entries must be made--at least four for each day in travel status, plus arrival and departure data.

We conducted time tests at two of the three centers that had programmable calculators--Fort Eustis and Fort Lee, both in Virginia. The results are shown below:

	<u>Time to examine voucher (note a)</u>	
	<u>Lodgings-plus</u>	<u>High rate</u>
	-----[minutes]-----	
Fort Eustis	5.0	8.5
Fort Lee	3.8	7.3

a/For claims covering approximately 10 days of travel.

As the above results show, more time is required to process high rate than lodgings-plus vouchers.

The section supervisor at Fort Lee said the test times were much less than what normally is required. He attributed the reduced time to our presence and the fact that the examiners were being timed. However, he thought the ratio of nearly two to one for time spent to process high rate versus lodgings-plus claims was accurate.

Only one civilian site we visited (NASA headquarters) was using the programmable calculators. Unfortunately, during our visit to the site the calculator was out of service. The operator confirmed, however, that examining the actual expense

claims took two or three times longer than examining the lodgings-plus claims.

The payment center at Langley Air Force Base, Virginia, tested programmable calculators, but decided that they were not cost effective, principally because of the large number of high rate claims. The center manager determined that it took about the same time to process high rate claims manually as using the calculator. However, he explained that many of the people operating the machines were inexperienced travel clerks who could not use the calculators effectively.

We believe that the programmable calculators can save time and increase travel claim processing efficiency. However, they are of marginal efficiency in examining high rate and mixed travel vouchers.

Computer examination possible
with simpler reimbursement method

The Agriculture National Finance Center is performing a computer edit check on all travel vouchers, which amounts to checking the reasonableness of the claim. This edit check determines that total actual expense claims do not exceed \$50 per day, and that lodgings-plus claims do not exceed \$35 per day. The check also validates mileage claims. Improving the edit check for actual expense vouchers to permit daily expense claims to be verified and to check against the ceiling for each city would not be worth the cost. So much data has to be entered that a manual audit can be made at about the same cost. With the lodgings-plus method (or a flat rate method), however, the present system could be slightly modified to incorporate the present edit routine and thus replace a manual examination. We discussed these improvements with ANFC payment center managers.

This automated examination would allow all travel vouchers to be examined at about the same cost as the present statistical sample method of examining the vouchers. Automation of the audit procedure should not substitute for the statistical sampling method, but with little added cost it would allow all vouchers to be examined for technical accuracy of amounts claimed.

Large volume can mean
high productivity

In our February 12, 1980, report we found that high document volume was a prime factor in improving or maintaining

high productivity. ^{1/} By itself, high volume does not increase productivity. High document volume, however, makes investment in capital equipment (e.g., computers/programmable calculators) cost effective and produces economies of scale which allow for significantly greater production rates without increasing staff. For example, the Army Corps of Engineers in Norfolk, Virginia, processed only 2,496 travel vouchers during fiscal 1979. This small volume cannot justify purchasing an automated system to help increase productivity. Conversely, Agriculture's National Finance Center has partially automated its audit function to expedite the processing of approximately 500,000 travel vouchers during 1979.

Some of the major factors affecting processing rates for ANFC and the Corps of Engineers are compared below.

<u>Factors</u>	<u>Agriculture</u>	<u>Army Corps of Engineers</u>
Processing rate (documents per staff-hour)	12.4	1.0
Organization of processing center	Centralized	Decentralized
Document volume (annual)	494,773	2,496
Use of automation	Significant	None
Emphasis on efficiency	Great	Very little
Use of productivity measurements	Great	None
Use of statistical sampling	Maximum	None

A truly convincing correlation cannot be drawn between volume and high productivity. However, the most efficient center had four times the volume of the next largest center-- 494,000 versus 116,000 vouchers; and of the six most efficient, only one processed fewer than 30,000 vouchers. That one center processed only 5,700 vouchers at a processing rate of only 2.5 vouchers per hour.

It is difficult to determine precisely what volume is needed to take reasonable advantage of opportunities to increase productivity. Too many variables exist. One useful

^{1/}"Improving the Productivity of Federal Payment Centers Could Save Millions," FGMSD-80-13.

parameter is to consider the number of vouchers one examiner can process in a year. We believe that by using statistical sampling a center can easily achieve an effective processing rate of 7 vouchers per hour (or 56 each day). To achieve this, an examiner would need only to examine two vouchers per hour assuming a 7-hour productive day and a 25-percent sample. ^{1/} Given that our timed tests (see p. 30) showed that a lodgings-plus voucher could be examined in 5 minutes with a programmable calculator, a rate of one voucher in 30 minutes seems rather conservative. Given a processing rate of 7 vouchers per hour, one person could effectively examine 14,500 ^{2/} vouchers per year. With a 10-percent sample the volume would be approximately 36,000. In our sample of 20 centers, however, in 1979 only 4 processed 36,000 or more vouchers while 11 processed fewer than 14,000.

CONCLUSIONS

By increasing productivity at payment centers, processing costs can be reduced considerably, thus allowing examiners to be reassigned to more cost-effective work. We believe that a processing rate of 7 vouchers per hour is readily achievable and that 12 vouchers per hour is a reasonable goal. Agencies and payment center managers can achieve these rates by

- being as concerned with efficiency as they are with accuracy and timeliness,
- eliminating duplicate examination steps,
- making maximum use of statistical sampling in accordance with our guidelines,
- using automation where cost effective,
- establishing productivity goals and a plan to achieve them, and
- developing productivity measures to keep track of improvements.

However, to make full use of automation and the opportunities to maximize productivity, we believe that some voucher examiner functions will have to be eliminated or consolidated.

^{1/}Two vouchers per hour x 7 hours per day x 4 (25 percent sample) = 56 vouchers per day or 7 each hour.

^{2/}Seven vouchers x 40 hours x 52 weeks = 14,560 vouchers.

RECOMMENDATIONS

We recommend that heads of departments and agencies listed in appendix VII:

- Establish productivity measures for travel voucher processing as part of their payment center productivity measures, which we recommended in our report entitled, "Improving the Productivity of Federal Payment Centers Could Save Millions" (FGMSD-80-13, Feb. 12, 1980).
- Examine each payment center to determine what actions can be taken to increase productivity.

AGENCY COMMENTS

GSA stated that it fully supports our recommendations and will make maximum use of statistical sampling in accordance with our guidelines. GSA also said that:

"In addition, we will develop productivity standards for the audit of travel vouchers. More specific implementing actions for this recommendation will be provided in our response to the final GAO report."

CHAPTER 4

PRODUCTIVITY REDUCED BY REDUNDANT AND OVERLY DETAILED SUPERVISORY REVIEW AND UNNECESSARY TYPING

Excessively detailed and redundant levels of supervisory review and unnecessary typing of vouchers are further slowing the productivity of travel voucher processing. Supervisory review is an important control in preventing fraudulent claims, but many agencies have gone to the extreme of establishing multiple levels of review, often including a review by the supervisor's secretary. Also, many vouchers are typed even though they were prepared legibly in writing. In addition, the review by some supervisors is excessively detailed, duplicating the audit performed by the voucher examiner. This condition appears to result from misunderstanding and a lack of guidance on supervisor responsibility and typing requirements.

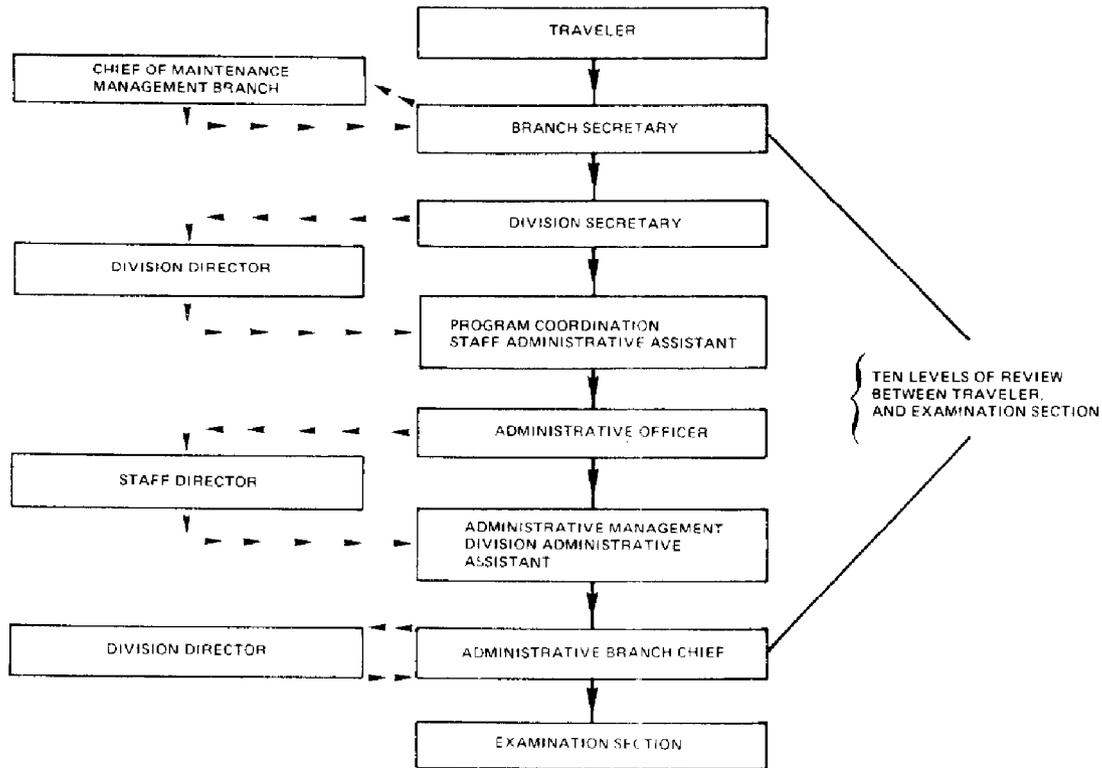
SUPERVISORY REVIEW IS ESSENTIAL BUT DONE INCONSISTENTLY

To provide an internal control against fraudulent travel claims, someone must officially verify that the travel was performed as authorized. Because supervisors are in the best position to know that the traveler took the trip for which expenses are being claimed, we consider supervisory review to be an indispensable step in travel voucher processing.

Supervisory review was very inconsistent within and among the organizations we examined. Requirements for such review and how it was to be accomplished varied widely. Three organizations had no supervisory review while seven had multiple levels of review. Also, many supervisors were essentially auditing the vouchers for accuracy. Besides having more than one formal level of review, some also had informal levels of review where vouchers were reviewed and often typed by the supervisor's secretary. Within the same activity, some claims are typed and reviewed by a secretary while others are handwritten by travelers and never seen by a secretary. Legible, handwritten vouchers were being typed at some activities.

The most extreme case of redundant review we observed was at an agency that had 10 levels of review before a claim was sent to the examination section. (See the chart on the next page). Another organization had four levels of review and two additional levels for travel that were not scheduled on an approved 3-month plan. These multiple levels of review obviously add to the cost of and time for processing.

TRAVEL VOUCHER FLOW FOR ORGANIZATIONAL REVIEW



In addition to redundant multiple levels of review, we also found differences in the scope of review by individual supervisors. Some supervisors give vouchers a cursory review while others go into every detail and essentially duplicate the audit made by the voucher examiner. One supervisor spent 30 to 60 minutes reviewing each travel voucher, explaining that since the Civil Service Reform Act, he believes his performance will be judged on how his subordinates follow administrative detail. Even though he recognized that audit responsibility is with the voucher examination section, he considered a detailed review of travel claims to be part of his responsibility.

BOTH LACK OF REVIEW AND EXCESSIVE REVIEW CAN BE COSTLY

Redundant and unnecessarily detailed review of travel vouchers by supervisors and unnecessary typing by secretaries

adds time and costs to processing. Those costs are shown in the table below.

	Reimbursement method		
	<u>Lodgings-plus</u>	<u>High rate</u>	<u>Mixed</u>
Secretary (note a)	\$3.55	\$6.69	\$9.11
Supervisor	<u>3.24</u>	<u>4.86</u>	<u>6.27</u>
Total	<u>\$6.79</u>	<u>\$11.55</u>	<u>\$15.38</u>

a/Where performed; no secretary was involved in processing vouchers at 7 activities we reviewed.

The above costs are for claims that were processed without problems. If problems are encountered, the additional work required to solve those problems would add considerably to the average cost shown. (The time and costs were determined as explained in ch. 2.)

If supervisors were only verifying that employees performed the travel as authorized and perhaps checking where they stayed, the review time would not be influenced by the method of reimbursement--high rate, lodgings-plus, or a mix of the two. The difference shown by our figures, however, substantiates that supervisors are checking the accuracy of the claims, and thus duplicating the work of the voucher examiner.

Although we found that supervisory review can add costs to voucher preparation, lack of supervisory review can also be costly. It creates a void in control which may permit fraudulent claims. Employees could submit false vouchers, and if those vouchers are not reviewed by someone who knows whether an employee took the trip for which expenses are claimed, those false claims might be paid. Travel voucher examiners in payment centers would not normally have this knowledge.

PROBLEMS WITH SUPERVISORY REVIEW
ARE CAUSED BY LACK OF GUIDANCE

Supervisory review is not required by legislation or by the Federal Travel Regulations. The Federal Travel Regulations state that travel vouchers must be approved and certified before payment but do not require that approval be by a supervisor. The regulations do not address the matter of typing vouchers. As indicated by our review, most agencies require supervisors to review and initial travel vouchers before submission for audit and payment. Although we did not fully check agency requirements, some misunderstanding about the

purpose of supervisory review obviously exists. Based on the type of review being made, many supervisors appear to believe their job is to determine the accuracy of the voucher. We think that the responsibilities of supervisors and audit examiners must be clearly spelled out.

CONCLUSIONS

Supervisory review of travel vouchers is, in our opinion, an essential step in travel voucher processing. A supervisor's review to verify that the trip was taken as authorized is an indispensable control in preventing and detecting fraudulent claims. However, the often-found practice of a supervisor performing a detailed audit is unnecessary and duplicates the payment center's examination. Typing vouchers may be efficient where vouchers are prepared by secretaries from details provided by the traveler. However, where travelers prepare the vouchers, legible handwritten vouchers should be considered acceptable for processing. Typing such vouchers is duplicative and adds to the processing costs.

To rectify the situation, GSA should, in the Federal Travel Regulations, require supervisory review and explain its purpose and state that typing of vouchers is not necessary. GSA should also spell out the responsibility of voucher examiners.

RECOMMENDATIONS

We recommend that the Administrator of General Services include the following in the Federal Travel Regulations:

- A requirement for supervisory review of travel vouchers and an explanation of the purpose of such reviews, of which one level is sufficient.
- Instructions that typing of vouchers is not required and should not be done when travelers prepare legible, handwritten vouchers.
- A statement of the responsibilities of payment center examiners in auditing vouchers.

AGENCY COMMENTS

GSA agreed with our recommendations and stated that it will incorporate them into the Federal Travel Regulations. The agency also believes that the payment center's responsibilities regarding the audit of travel vouchers should be explained in this change.

CHAPTER 5

PROPOSAL FOR LIMITING EN ROUTE TRAVEL COSTS

NEEDS TO BE REVISED

GSA is considering a proposal to change the method of calculating reimbursement for en route travel under the lodgings-plus method. Such a change would eliminate the potential for travelers to receive reimbursement for travel expenses they do not incur. As proposed, GSA's approach is too complicated, would be difficult to administer fairly, and would significantly increase processing costs for lodgings-plus vouchers--perhaps as high as those for the high rate method. Approximately the same results can be achieved with the simpler approach that we suggest.

GSA'S PROPOSAL TO LIMIT EN ROUTE REIMBURSEMENT UNDER LODGINGS-PLUS WILL FURTHER INCREASE PROCESSING COSTS

GSA has proposed a new method for determining en route travel expenses under lodgings-plus. This change is reportedly being made to make lodgings-plus reimbursement for domestic travel compatible with GSA's worldwide reimbursement proposal. It would also reduce en route domestic travel costs.

Because of the way reimbursement under lodgings-plus is computed, travelers can, in certain circumstances, receive reimbursement for some food and lodging expenses they do not incur. This happens mainly on the return trip, as shown below.

<u>Itinerary</u>	<u>Days per diem received</u>	<u>Days lodging paid</u>
Nov. 3 8:00 a.m. Leave duty station	3/4	1
Nov. 4-6 At TDY site	3	3
Nov. 7 5:00 p.m. Return duty station	<u>3/4</u>	<u>0</u>
Total	<u>4-1/2</u>	<u>4</u>

Travelers can incur more costs than they are reimbursed. If, for example, they leave after 6:00 p.m. and return before noon, they would pay for one night's lodging but be reimbursed for only 3/4 day's per diem.

GSA's proposed concept eliminates computation of lodgings costs by quarters and thus prevents this windfall. It also

provides that meals travelers could obtain free will not be paid for and sets a fixed amount for each allowable meal. For example, compensation for meals provided by airlines would not be allowed. These rules would apply to all en route travel days including travel between temporary duty stations.

GSA's proposal can potentially save travel dollars. However, the concept as proposed is unnecessarily complicated and leaves too much to subjective determination, both of which will drive up processing costs. Agency payment center officials contacted feel the proposed method would be an administrative nightmare and double the processing costs for lodgings-plus vouchers.

A basic problem with GSA's method as proposed is determining when a meal is allowable. For example, if a traveler could be expected to get a particular meal at the official duty station or at home immediately before or after the trip, no allowance would be made. Given time changes, personal eating habits, and the vagaries of travel, this decision is not easy and would be left to the agency's discretion. Accordingly, wide variations among and within agencies can be expected on what will be allowed.

GSA's proposed method for computing per diem is also unnecessarily complicated. GSA's proposal would eliminate payment of per diem in quarter-day blocks and would provide special reimbursement for both the day of departure and the day of return to the traveler's official duty station plus each day of en route travel between temporary duty stations. This is unnecessary. All that is needed is to provide special reimbursement for the return trip.

OUR PROPOSAL WILL SAVE TRAVEL DOLLARS
AT LITTLE ADDED PROCESSING COST

We have developed an alternate approach that accomplishes the same objectives but is much simpler. We would simply pay a traveler full per diem for each day that lodging is paid and one half of the meal and miscellaneous rate for the day of return to duty station when no lodging is needed. Our proposal would not consider any travel as en route except the day of return to the permanent duty station. A comparison of costs for the present system, for GSA's proposal, and for our proposal applied to a very simple example follows.

FACTS:

Traveler departs residence or permanent duty station at 7:00 a.m. on Monday, March 31 and arrives at TDY site at 12:30 p.m. on March 31 by privately owned vehicle.

Traveler spends March 31, 12:30 p.m., through April 4, 1:00 p.m., at TDY site.

Traveler departs TDY site at 1:00 p.m., Friday, April 4, and arrives at permanent duty station at 7:30 p.m. that same day. Lodgings cost at TDY site are \$18.95 per day, which is rounded to \$19.00.

Method 1 - Present Method

March 31 7:00 a.m. leave permanent duty station
 12:30 p.m. arrive TDY site

April 4 1:00 p.m. leave TDY site
 7:30 p.m. arrive permanent duty station

Per diem 4-3/4 days @ \$35.00 = \$166.25
(\$19.00 lodging + \$16.00 food and misc.)

Method 2 - GSA's Proposed Method

March 31 7:00 a.m. leave permanent duty station
 12:30 p.m. arrive TDY site

 Breakfast - Assume not allowed*

 Lunch \$4.00

 Dinner 7.20

 Miscellaneous 2.40

 Total 13.60

 Lodging 19.00

 \$32.60 \$33.00

April 1, 2, 3

Full days

 \$19.00 x 3 = \$57.00

 16.00 x 3 = 48.00

Total \$105.00 \$105.00

*If the traveler had breakfast, he or she will probably contest a disallowance which will significantly increase administrative cost.

As can be seen, both GSA's and our proposals would save dollars over the present system. In this particular case GSA's proposal would be \$1 less than our proposal, but we believe that potential disagreements and decision points under the GSA method would far offset this amount in administrative cost.

The reader should remember that the example presented is very simple.

GSA DID NOT ACCEPT OUR OBJECTIONS TO ITS PROPOSAL

We wrote GSA on April 23, 1980, (see app. V) explaining our objections to its proposal and asking that any action on it be postponed. Although GSA was not willing to delay, it is now devoting its attention to simplifying the language of the Federal Travel Regulations. (See app. VI for GSA's response.) As a result, the specific proposal to change en route travel reimbursement has been deferred. Hopefully, our suggested approach will be formally considered in this rewrite.

CONCLUSIONS

We believe that GSA should incorporate our suggestions in revising its proposed approach to limiting en route travel for food under lodgings-plus. In our judgment, travel costs under GSA's current proposal will add significantly to processing costs and may even increase by \$16 per voucher the cost of processing high rate vouchers. Our proposal would achieve about the same travel cost savings with very little increase in processing costs.

RECOMMENDATIONS

We recommend that the Administrator of General Services direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as we have suggested.

AGENCY COMMENTS

GSA believes that we missed the main points of its en route per diem proposal which is now being held in abeyance pending a complete review of the Federal Travel Regulations. The main points of the proposal were to (1) extend the lodgings-plus per diem method of international travel because of what appeared to be a consensus opinion--including GAO, the Defense Department, the Agency for International Development, the State Department, and congressional elements--that such was desirable and (2) eliminate the quarter-day system for

computing per diem and its complicated 6-hour computations in favor of a full-day concept. Defense especially urged the latter point. GSA further stated that we reviewed its proposed system only as it applies to domestic travel. In the case of domestic travel, GSA agreed that the en route travel provisions would increase the length and detail of a claim voucher.

GSA believes that this recommendation is part of our recommendation on replacing the high rate geographic area method with lodgings-plus and any decision should be held in abeyance pending adoption of a particular per diem method.

Our response

We understand why GSA made its en route per diem proposal, but the point remains, which GSA acknowledges, that the proposal would make processing of domestic travel claims more expensive. Since domestic travel represents at least 95 percent of total travel, GSA's proposal does not make economic sense. We do not, however, oppose GSA's delaying action on this matter pending adoption of a particular reimbursement method, but remain convinced that GSA's proposal is too complicated and that the same results can be achieved with the simpler approach we suggest.

WARREN G. MAGNUSON, WASH., CHAIRMAN

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United States Senate

COMMITTEE ON APPROPRIATIONS
 WASHINGTON, D.C. 20510

May 2, 1979

Mr. Elmer B. Staats
 Comptroller General of the
 United States
 General Accounting Office Building
 Washington, D.C. 20548

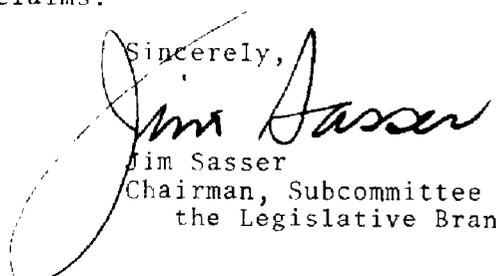
Dear Mr. Staats:

The cost of Federal Government employee travel is high and constantly increasing. Last year this cost is estimated to have been nearly \$3 billion. Prior GAO reviews have shown that a significant portion of travel performed is unnecessary. It is, therefore, important to examine the controls over authorizing travel to assure the necessity of any travel performed.

In addition to the \$3 billion being spent by employees performing travel, there are indications that as much as an additional \$1 billion is being spent in processing travel claims. This high rate of administrative expense appears to be due to duplicative and redundant review of travel claims. Travel claims appear to be over-audited, and the productivity of processing them is considerably less than it should be. It is clear that in many agencies productivity in processing travel claims is not a consideration.

I feel the total cost of employee travel is much too high. I am, therefore, asking GAO to carefully examine both the controls over approval of travel and the productivity of processing travel claims in an effort to reduce the present \$4 billion cost to the taxpayer. I would also be interested in learning how the private sector handles the authorization of travel and a comparison of the productivity of processing travel claims.

Sincerely,


 Jim Sasser
 Chairman, Subcommittee on
 the Legislative Branch

JS/S/b

HEADQUARTERS ACTIVITIES AND PAYMENT CENTERS VISITEDHeadquarters
(all in Washington, D.C.)

U.S. Navy <u>1/</u>	General Services Administration <u>1/</u> , <u>3/</u>
Department of the Interior <u>1/</u>	Department of Agriculture <u>1/</u>
Department of Transportation <u>1/</u>	Department of Housing and Urban Development <u>1/</u>
National Aeronautics and Space Administration <u>1/</u> , <u>2/</u>	Department of Energy <u>1/</u>
Internal Revenue Service <u>1/</u>	U.S. Postal Service <u>1/</u>
Department of Health and Human Services <u>1/</u>	U.S. Courts <u>1/</u>
Environmental Protection Agency <u>1/</u>	World Bank <u>1/</u>
Veterans Administration <u>1/</u>	Department of Justice <u>1/</u>
Federal Reserve Board <u>1/</u>	Per Diem, Travel, and Transportation Allowance Committee <u>1/</u>

Payment Centers

Fleet Accounting and Disbursing Center Norfolk, VA <u>1/</u> , <u>2/</u>	Fifth Coast Guard Station Portsmouth, VA <u>1/</u> , <u>2/</u> , <u>4/</u>
National Finance Center (Agriculture) New Orleans, LA <u>2/</u>	Department of Health and Human Services; Atlanta, GA and Dallas, TX <u>1/</u> , <u>2/</u>
Data Processing Center (Veterans Administration) Austin, TX <u>2/</u>	Finance and Accounting Office Langley Air Force Base, VA <u>1/</u> , <u>2/</u>
Social Security Administration Baltimore, MD <u>4/</u>	Langley Research Center (NASA) Hampton, VA <u>1/</u> , <u>2/</u>
General Services Administration, Region III Washington, D.C. <u>1/</u> , <u>3/</u>	U.S. Army Corps of Engineers Fort Norfolk, VA <u>1/</u> , <u>2/</u>

Payment Centers (cont.)

Internal Revenue Service;
Atlanta, GA and Dallas, TX
1/,2/

Department of Housing and
Urban Development
Philadelphia, PA 1/,2/

Environmental Protection Agency;
Atlanta, GA, and Durham, NC 2/

Department of Energy
Dallas, TX 1/,2/

Department of the Interior,
National Park Service
Philadelphia, PA 2/

Federal Highway
Administration, Fort Worth
and Austin, TX 1/,2/

Finance and Accounting Division
(Army) Fort Eustis, VA 1/,2/

Federal Reserve Bank
Richmond, VA 1/

Forest Service (Agriculture)
Dallas, TX 1/,2/

Science and Education
Administration
Dallas, TX (Agriculture)

Soil Conservation Service
(Agriculture)
Richmond and Culpeper, VA 1/,2/

1/,2/

1/Policy information and background.

2/Payment center data.

3/Travelers', secretary preparation, and supervisory review.

4/Activity had processed very few high rate geographic area
actual expense claims and had no comparative data between
per diem and high rate geographic area.

METHODOLOGY USED TO DEVELOPTRAVEL VOUCHER COSTS BY CLAIM TYPE

To determine travel voucher costs by type of claim at each site visited, we determined:

- total cost for processing travel claims,
- levels of difficulty weights for each claims type, and
- volume of each claim type.

With this information, we were able to develop the costs by type of claim by applying the information to the following formula and solving the formula.

- X1 = relative complexity of lodgings-plus claims (set equal to 1)
- X2 = relative complexity of high rate claims
- X3 = relative complexity of mixed high rate and lodgings-plus claims
- X4 = relative complexity of permanent change of station (PCS) claims
- X5 = relative complexity of local claims
- V1 = volume of lodgings-plus claims
- V2 = volume of high rate claims
- V3 = volume of mixed high rate and lodgings-plus claims
- V4 = volume of permanent change of station claims
- V5 = volume of local travel claims
- TC = total cost, derived by multiplying direct hours used in payment centers by \$5.22--standard cost per hour.

The formula for computing the cost, then, is as follows:

$$TC \div X1 (V1) + X2 (V2) + X3 (V3) + X4 (V4) + X5 (V5) = \text{cost for lodgings-plus claims.}$$

An example is shown on the next page.

Basic data

X1 = 1	V1 = 9,167	TC = \$100,255.32
X2 = 1.67	V2 = 7,573	
X3 = 2.03	V3 = 1,993	
X4 = 2.9	V4 = 801	
X5 = 0.55	V5 = 21,123	

$\$100,255.32 \div 1 (X1) (9,167) + 1.67 (X1) (7,573) + 2.03 (X1)$

$(1,993) + 2.9 (X1) (801) + 0.55 (X1) (21,123) = \text{cost per}$

lodgings-plus claim

The cost per:

Lodgings-plus claim = \$2.52 ($\$1,000,255.32 \div \$39,800.25$)

High rate claim = \$4.21 ($\$2.52 \times \0.67)

Mixed claim = \$5.12 ($\$2.52 \times \1.67)

PCS claim = \$7.31 ($\$5.52 \times \2.9)

Local claim = \$1.39 ($\$2.52 \times \0.55)

Responsible officials at each site we visited provided the complexity factors by estimating the differences in complexity.

The number of vouchers by type was obtained in most sites by manually counting a one-month sample of vouchers.

To insure comparability between sites, the total cost for claim processing was generated by counting the direct hours used in processing claims at a standard rate of \$5.22. Where direct hours data was not available, the number of staff-years used was multiplied by 1,750 productive hours per staff-year to determine the total.

POTENTIAL SAVINGS IF THE 20 PAYMENT CENTERSVISITED PROCESSED 6.7 LODGINGS-PLUSVOUCHERS AN HOUR, (NOTE A)

Processing rate of sites visited (<u>note b</u>) (<u>claims</u> <u>per hour</u>)	Processing cost per claim	Excess cost per claim (<u>note c</u>)	Document volume	Potential cost reduction (<u>note d</u>)
13.4	\$.39	\$ -	-	\$ -
6.0	.87	.09	116,149	10,543
4.6	1.13	.35	33,448	11,707
3.4	1.53	.75	5,718	4,289
3.4	1.55	.77	39,856	30,689
3.3	1.60	.82	45,079	36,965
2.9	1.78	1.00	17,060	17,060
2.5	2.09	1.31	21,796	28,553
2.1	2.44	1.66	29,358	48,734
2.1	2.50	1.72	4,996	8,593
2.1	2.52	1.74	20,834	36,251
2.0	2.56	1.78	16,348	11,299
2.0	2.58	1.80	3,698	6,640
2.0	2.61	1.83	4,885	8,940
1.8	2.95	2.17	3,080	6,684
1.6	3.34	2.56	8,422	21,560
1.5	3.45	2.67	2,427	6,480
1.2	4.38	3.60	3,065	11,034
1.1	4.83	4.05	6,001	24,304
1.1	4.83	4.05	6,454	<u>26,139</u>
				<u>\$356,464</u>

a/Savings were computed based on the present workloads and workload distribution found at each payment center visited if all vouchers were lodgings-plus-per-diem and all centers could achieve a processing rate of 6.7 claims per hour, which is half the rate of the best center (13.4 - 2 = 6.7).

b/Average hourly rate for a voucher examiner (\$5.22) divided by the processing cost in column 2, rounded to the nearest tenth, (\$5.22 - \$.39 = 13.4).

c/Assuming that each center could achieve a rate of one half the rate of the best center (\$.39 x 2 = \$.78), the cost in column 2 minus \$.78 equals the cost in column 3.

d/Potential savings is column 3 times column 4.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-198536

April 23, 1980

The Honorable R. G. Freeman, III
Administrator of General Services

Dear Mr. Freeman:

We understand that the Transportation and Public Utilities Service, General Services Administration, plans to issue proposed regulations changing the reimbursement method for en route travel under the lodgings-plus per diem reimbursement concept. This change is part of a proposal package which extends the lodgings-plus concept to international travel.

We request that you postpone formal issuance of the proposed changes until your staff has had the opportunity to consider the findings of our recently completed review of temporary duty travel. We will forward to you our draft report on the subject in the very near future.

Our review disclosed that the complexity of the reimbursement formulas for paying travel claims has caused excessively high administrative costs. We found that increases in data required of the traveler and the corresponding increase of data to be examined by voucher examiners add considerable cost to travel voucher processing. For example, processing a travel claim under the high rate geographic area method of reimbursement costs about twice as much as processing under the present lodgings-plus per diem method. In our opinion, the new proposal for reimbursing en route travel, because of the increased data requirement it entails, would have about the same impact on administrative cost as does the high rate geographic area method.

During the Senate Appropriations Committee hearings on March 25, 1980, Senator Jim Sasser, Chairman of the Subcommittee on the Legislative Branch, expressed to me his concern that your agency's proposed revisions to the Federal Travel Regulations might be published in the Federal Register before our recommendations have been carefully studied by you and your staff. We recognize that the method being proposed provides a potential for savings of travel dollars; however, we believe the alternative proposal presented in our draft report could produce similar dollar savings without the increase in administrative cost.

Thank you for your consideration of this matter.

Sincerely yours,

MILTON SOCOLAR

Acting Comptroller General
of the United States



General
Services
Administration

Washington, DC 20405

MAY 30 1980

Honorable Elmer B. Staats
Comptroller General of the United States
Washington, DC 20548

Dear Mr. Staats:

Thank you for your letter dated April 23, 1980, file B-198536, concerning our plan to issue proposed changes in parts 7 and 8 of chapter 1 of the Federal Travel Regulations. You have requested that formal issuance of the notice of proposed rulemaking be postponed until our travel management staff has an opportunity to consider the findings of the General Accounting Office's forthcoming report on the administrative costs of temporary duty travel.

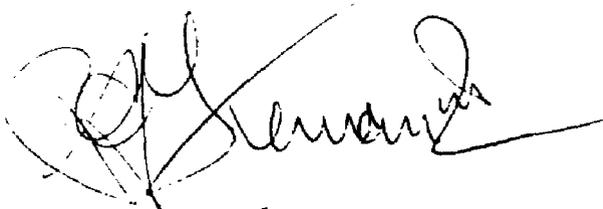
Inasmuch as the currently proposed changes are the latest revisions evolving from more than 4 years of concerted effort on the part of the General Services Administration (GSA) and other Federal agencies, including the Office of General Counsel, General Accounting Office (GAO), we believe that the proposed system of per diem and actual expense reimbursement has been fully coordinated with all concerned parties. Our formulation of the proposed system was guided to a considerable extent by a General Accounting Office report to the Department of Defense (DOD) advocating implementation of a lodgings-plus method for travel of military personnel, with cited potential savings of \$28 to \$56 million annually. After additional research, DOD implemented a lodgings-plus method for all military (uniformed personnel only) travel on a worldwide basis, and GSA decided to withhold publication of its slightly different lodgings-plus proposal pending assessment of the effectiveness of the DOD system. Again based on a GAO report, as well as a mandate by Congress, the Agency for International Development (AID) implemented a lodgings-plus per diem system on October 20, 1978, for its international travel pending implementation by GSA of a uniform system worldwide. GSA is committed to implement a uniform worldwide system of per diem and actual expense reimbursement at the earliest possible time, and we are being heavily pressed by the agencies to avoid any further delay in pursuing this new reimbursement concept.

We believe that GAO can adequately comment on the proposed regulations within the rulemaking procedure, i.e., within the 60 days allowed after date of publication of the proposed rule in the Federal Register. To delay publication of our proposal until consideration of your forthcoming draft report is completed and coordinated with agencies could delay our efforts for months; we would still be required to comply with the rulemaking comment procedure.

Since your staff has indicated that the draft report should be ready this month for circulation to the agencies for comments, it is our intention to proceed with publication of the proposed regulations as planned. Even without further formal comments from GAO in response to the proposed rulemaking, we would certainly consider the recommendations in your draft report concurrently with our consideration of all other agency comments prior to implementation of the new system.

Please be assured of our full consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "W. G. Freeman III", written in a cursive style. The signature is positioned above the typed name and title.

W. G. Freeman III
Administrator

DEPARTMENTS AND AGENCIES TO WHOM

RECOMMENDATIONS IN CHAPTER 3 ARE ADDRESSED

Department of Defense

Department of Energy

Department of Health and Human Services

Department of Housing and Urban Development

Department of the Interior

Department of Transportation

Department of the Treasury

General Services Administration

Environmental Protection Agency

National Aeronautics and Space Administration

Veterans Administration



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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301

22 OCT 1980

Mr. D. L. Scantlebury
Director, Division of Financial
and General Management Studies
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Scantlebury:

This is in reply to your letter to the Honorable J. A. Doyle dated September 10, 1980, transmitting for review and comment GAO Draft Report "Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly - Perhaps by Half." (Code 910300, OSD Case 5525)

As was indicated to Mr. Raaum, your Team Director, at the meeting with members of my staff, we wholeheartedly agree that the current method of high rate geographic area reimbursement is extremely cumbersome both on the traveler and the voucher examiner and should be eliminated.

We recommend that all travel vouchers be reimbursed on a cost of lodgings plus basis with the per diem split 55% for lodgings and 45% for subsistence and miscellaneous expenses. The 45% would be paid on a flat rate with no accountability.

Rather than the two-tier per diem system contained in your draft, we would recommend the minimum level be pegged at \$50.00 and increases above that level at \$5.00 increments up to the \$75 current maximum. Current GSA figures indicate that there will still be 105 locations which could justify a per diem of over \$50, 44 between \$50-55; 23 between 55-60; 16 between 60-65; 9 between 65-70; 6 between 70-75, and 4 over \$75. Under the proposed two-tier system, if the minimum per diem was established at a rate high enough to cover the majority of these locations, a lot of travelers would be over compensated. This would be particularly true of those areas where a per diem of \$50 is ample.

We believe this system should apply to both military and civilian travelers and we would be willing to work in conjunction with GSA to develop necessary legislation to bring this about, provided they (GSA) are in agreement with our recommendations.

We appreciate the opportunity to review and comment on the proposed report.

Sincerely,
Richard Danzig
Richard Danzig
Principal Deputy Assistant
Secretary of Defense (MRA&L)



General
Services
Administration

Washington, DC 20405

OCT 27 1980

Honorable Elmer B. Staats
Comptroller General of the United States
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

Thank you for the opportunity to comment on the General Accounting Office draft report "Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly--Perhaps By Half" (Code 910300), dated September 15, 1980.

I basically concur with the intent of your recommendations but in several instances wish to withhold implementation until the Office of Management and Budget Interagency Travel Management Improvement Project reports their findings in January 1981. We should then be in a better position to evaluate the merits of replacing the high rate geographic area (HRGA) method of actual expense reimbursement with a lodgings-plus or a flat rate system.

I believe the enclosed statement fully explains our position. If there are any questions, I am available to discuss the matter with you or your representatives.

Sincerely,

Enclosure

General Services Administration (GSA)

Comments on Recommendations Contained in the GAO Draft Report
"Increased Productivity in Processing Travel Claims Can
Cut Administrative Costs Significantly--Perhaps By Half"

RECOMMENDATIONS

General Comments. The main thrust of GAO's draft report seems to be that GSA has deliberately advocated per diem computation methods designed to foster administrative complications. We believe that GAO missed the main points of the GSA per diem proposal that is now being held in abeyance pending a complete review of the FTR. The main points of our proposal are (1) to extend the lodgings-plus per diem method to international travel because of what appeared to be a consensus opinion, including GAO, DOD, AID, State Department, and Congressional elements, that such was desirable and (2) to eliminate the quarter day system for computing per diem and its complicated 6-hour computations in favor of a full-day concept. The latter point was actively urged by DOD.

Recommendation. The Administrator of General Services should propose legislation to replace the high-rate geographic area method of travel expense reimbursement with a two-tier lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus high enough to establish a two-tier rate structure.

Comment. We agree with GAO that processing travel related documents would be simplified by replacing the high-rate geographic area (HRGA) method of actual expense reimbursement with a lodgings-plus method supported by a two-tier or multi-tier rate structure indexed to geographic travel costs. The maximum rates should be reviewed and adjusted on an annual basis to take into account the increased cost of traveling without Congressional legislation. A flat rate system, however, would simplify this process even further. While lodgings-plus is better than the current system, we tentatively prefer a flat rate system.

The Office of Management and Budget Interagency Travel Management Improvement Project is currently studying the merits of the flat rate reimbursement and the possibility of incorporating a voucher-less reimbursement method. Since they are expected to report their findings in January 1981, we would prefer not to propose legislation on either system until we have a chance to evaluate these findings. Pending adoption of a system to replace the actual expense reimbursement method in HRGA's, we plan to reissue the Federal Travel Regulations to incorporate existing supplements into the basic regulations. We will rewrite where feasible, use simple language, and adopt a loose-leaf format that will make it easier to issue page-change amendments.

Recommendation. The heads of departments and agencies should establish productivity measures for travel voucher processing and examine each payment center to determine what actions can be taken to increase productivity.

Comment. We fully support this recommendation and will make maximum use of statistical sampling in accordance with GAO guidelines. In addition, we will develop productivity standards for the audit of travel vouchers. More specific implementing actions for this recommendation will be provided in our response to the final GAO report.

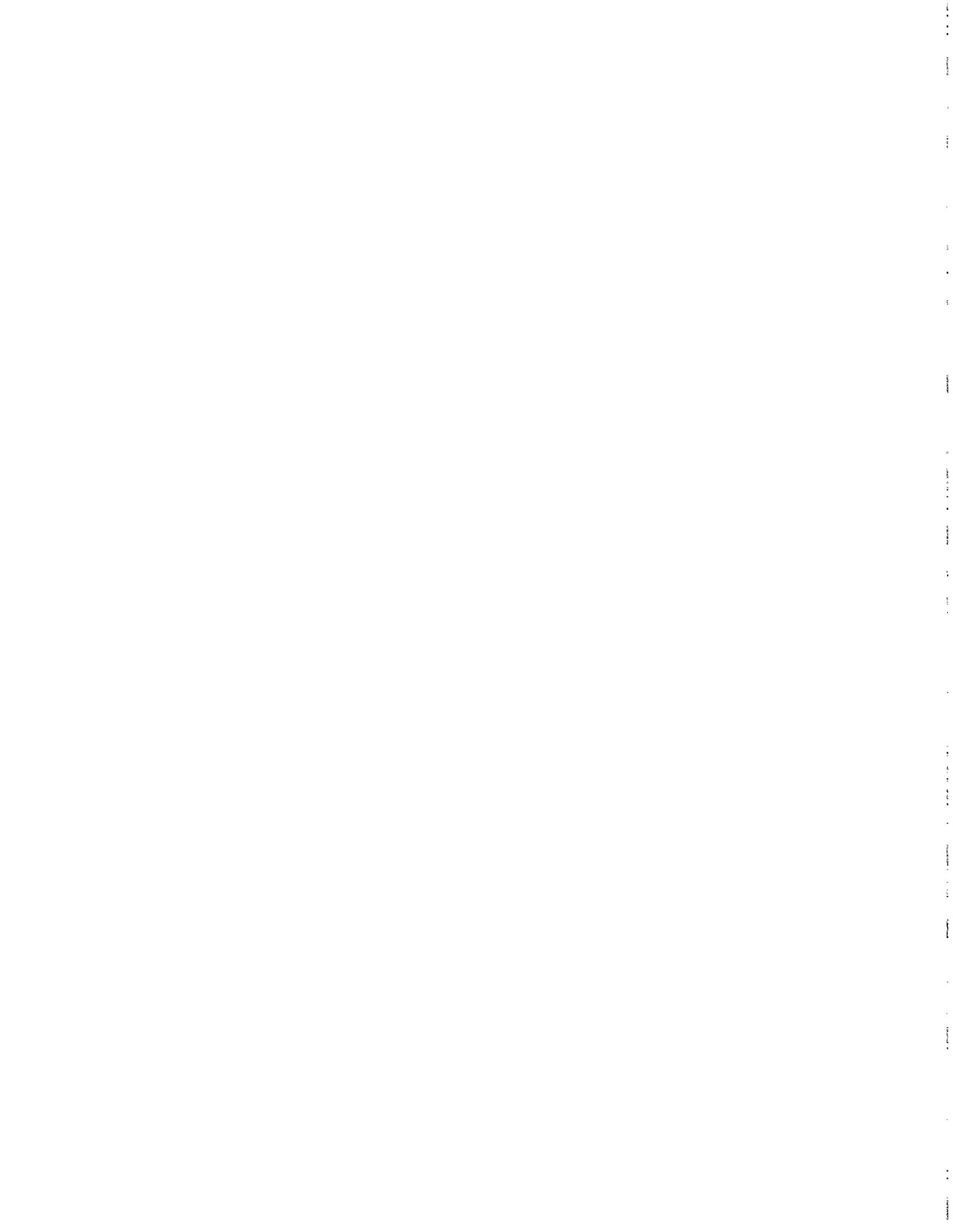
Recommendation. The Administrator of General Services should include in the Federal Travel Regulations (1) a requirement for supervisory review of travel vouchers, and an explanation of the purpose for such reviews and an indication that one level of supervisory review is sufficient and (2) instructions that typing of vouchers is not required and should not be done when travelers prepare legible handwritten vouchers.

Comment. We agree with both recommendations and will incorporate them into the Federal Travel Regulations and also believe that an explanation of the payment center's responsibilities on the audit of travel vouchers should be included in this change. We will provide additional information on the implementation of this recommendation in our response to the final GAO report.

Recommendation. The Administrator of General Services should direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as suggested by GAO.

Comment. Partial day per diem for domestic travel could be adapted to the GSA worldwide reimbursement proposal, however, it would substantially increase the direct en route travel costs for international travel. The en route travel per diem computation provisions which GAO objected to were really a by-product of the lodgings-plus overseas proposal and the elimination of the quarter day system. The proposed en route provisions were intended to (1) bridge the differences between per diem computations for domestic travel and those necessary for international travel with its numerous per diem rates and (2) to make the transition from lodgings-plus to actual expense reimbursement easier when combined in a single trip. The provisions were not simply designed to prevent windfalls to travelers as GAO has alleged. The GSA proposal puts forth a unified reimbursement system which was proposed for worldwide application. GAO reviewed the proposed system only from the viewpoint of application to domestic travel. From that viewpoint, we would have to agree that the en route travel provisions would make the vouchering of a claim more detailed and lengthy.

Reviewed from a worldwide application, the detailed en route travel entries merely replace, and in some cases reduce, the number of entries currently being used to voucher a combination of domestic and international travel. We believe this recommendation is actually part of GAO's recommendation on replacing HRGA's with lodgings-plus and any decision as to whether we adopt the recommendation should be held in abeyance pending adoption of a particular per diem method. There appears to be limited value in adopting this recommendation at the present time because of the relatively small amount of travel to per diem areas compared to travel to HRGA's. However, we will comment further on this recommendation when the Office of Management and Budget Interagency Travel Management Improvement Project reports their findings in January 1981.



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