

GAO

Report to the Chairman, Subcommittee
on Oversight of Government
Management and the District of
Columbia, Committee on Governmental
Affairs, U.S. Senate

March 1995

TRAVEL PROCESS REENGINEERING

DOD Faces Challenges in Using Industry Practices to Reduce Costs



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Accounting and Information
Management Division

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March 2, 1995

The Honorable William S. Cohen
Chairman, Subcommittee on Oversight
of Government Management
and the District of Columbia
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report responds to your request that we assess travel management in the Department of Defense (DOD) using the "best practices" of private organizations as benchmarks. The report provides the results of our review, including information on DOD's temporary duty travel processes and its estimates of travel costs. It also includes an assessment of DOD's ongoing initiatives to improve its travel processes.

Results in Brief

DOD has an opportunity to significantly reduce costs and streamline travel management—a process that currently involves multiple travel agents, uses 700 voucher processing centers, and is governed by 1,357 pages of regulations. While DOD reported that it spent about \$3.5 billion on temporary duty travel in fiscal year 1993, it could not identify actual processing costs. DOD estimated that its processing costs may be at least 30 percent of the direct travel cost—well above the 10 percent average reported for private companies and the 6 percent rate that industry considers an efficient operation.

In contrast, leading companies have been able to dramatically improve service and reduce processing costs by reengineering their travel management and implementing "best practices." These practices include empowering employees to make travel decisions, reducing the number of travel agents used to as few as one, consolidating multiple travel processing centers into a single center, and simplifying travel policies to less than 20 pages.

DOD could save hundreds of millions of dollars in travel processing costs by following the example of leading companies. DOD has recognized this and, in July 1994, chartered a task force to reengineer travel management. The task force recommended, and the Deputy Secretary agreed, that DOD consider applying private industry best practices as part of its

reengineering effort. A transition team is now tasked with developing an implementation mechanism. However, the Department faces an imposing challenge in fundamentally changing one of its basic business processes. Sustained commitment and oversight by top management will be critical to ensure success.

Background

DOD reported that it spent about \$3.5 billion in direct costs and processed about 8.2 million vouchers for temporary duty travel in fiscal year 1993. Even though actual indirect costs are unknown, DOD estimated that it spent 30 percent of direct costs to process temporary duty travel.¹ DOD employees—both civilian and military personnel worldwide—perform various types of travel to carry out mission and business functions. This report focuses on temporary duty travel, which includes travel for business, deployment, and training purposes. Another primary type of travel, permanent change of station, involves relocation of personnel.

DOD travel processing is done on a decentralized basis. Travel processing generally includes the following elements:

- authorizing the funding and appropriate means of travel and issuing travel orders;
- arranging transportation and accommodations and developing itineraries;
- making travel expenditures, purchasing tickets, and collecting receipts;
- preparing and processing vouchers based on receipts and other supporting documents; and
- reconciling accounts, auditing vouchers, making payments, and generating management reports.

Private industry has travel processes similar to those of DOD. In recent years, many companies have reengineered their travel processes to make dramatic improvements in service and to reduce costs. Business process reengineering is a management technique that can achieve dramatic improvements in cost, quality, and customer service by making fundamental changes in the way an organization defines its mission and performs its work.

Several DOD organizations have initiated efforts to improve travel management processes and to reduce associated costs. For example, in July 1994, the Under Secretaries of Defense for Personnel and Readiness

¹According to DOD, the cost of lost productivity of the traveler, who must take time to support the administrative process, is an additional 10 to 15 percent of direct travel costs.

and for Acquisition and Technology, the DOD Comptroller, and the Director of Administration and Management chartered an agencywide task force to reengineer the Department's travel processing. The task force was charged with taking a "clean sheet of paper" approach to evaluating current processes and developing a new system to manage temporary duty travel for all DOD organizations. This new system is to meet operational mission requirements, improve customer service, and reduce costs.

The National Security Agency has an ongoing effort to assess its existing processes and gather information from industry on ways to streamline management and reduce costs. Also, an Air Force reinvention lab is experimenting with a new travel process. This effort includes reducing the number of people and steps involved in the process, and then automating any remaining steps.

Objectives, Scope, and Methodology

As agreed with your office, the objectives of this review were to (1) review DOD's travel management processes and costs, (2) identify best practices that private industry has used in reengineering travel management and compare these practices to DOD's current travel practices, and (3) assess DOD's initiatives to improve travel processes. We focused our review on processes and costs to manage temporary duty travel. We did not assess the need for travel by DOD or private companies or the types of travel performed. We also did not compare the direct cost of DOD travel with that of private industry to determine cost-effectiveness, and we did not independently verify the accuracy of travel processing cost data provided by DOD and private sector organizations.

To review DOD's travel management processes and costs, we obtained prior studies and reports and interviewed officials from DOD headquarters, each military service, and the Defense Finance and Accounting Service. We obtained data on DOD-wide travel processes, developed flowcharts of generic travel processes, and reviewed cost data available on travel operations.

To identify the best practices resulting from private industry's reengineering of travel management, we researched literature on travel management at various university, military, and public library facilities. As a result of our research, we identified nine consultants in the travel industry. These consultants assisted us in identifying 20 companies that use "best practices" in travel management. Of the 20 companies identified, we selected 2 for more detailed study—General Electric Corporation and

Allied Signal Corporation. We selected these companies based on criteria that we developed regarding such aspects of travel management as total expenditures, number of vouchers processed, and actions taken to reduce processing costs. We also used criteria on travel management efficiency from an American Express report on 1,550 randomly selected private and public sector organizations.² During our visits to the two companies selected, we obtained information on company travel policies, direct and indirect travel costs, and travel management improvement initiatives.

To assess DOD initiatives to improve travel management processes, we interviewed officials from the DOD Task Force to Reengineer Travel, the National Security Agency and Air Force travel reinvention laboratories, the Defense Finance and Accounting Service, and the Washington Headquarters Service. We obtained documentation concerning efforts by these organizations to improve travel management and progress made to date. We did not independently verify any cost savings provided by these organizations.

We conducted our review from July 1994 to January 1995 in accordance with generally accepted government auditing standards. We performed our work at military, public, and private organizations in Cincinnati and Dayton, Ohio; Phoenix and Tempe, Arizona; and the Washington, D.C., metropolitan area. We discussed the contents of this report with senior representatives of the DOD Task Force to Reengineer Travel and have incorporated their comments where appropriate. These officials generally agreed with our findings, conclusions, and recommendations.

DOD Travel Processes and Cost Estimates

DOD has not fully identified its agencywide travel processes and costs. DOD's travel operations are decentralized and include numerous steps that vary by location. However, DOD officials identified some common processing steps that are performed agencywide. Although DOD does not capture the cost of various administrative processes such as travel management, a DOD-wide task force recently estimated that indirect travel costs may be 30 percent of direct costs.

DOD Travel Processes

According to DOD officials, travel processing differs not only among the military services, but within each service. The number and type of steps to complete the processes vary depending upon local policies and the degree

²Jeffrey B. Lang, *The American Express Guide to Corporate Travel Management* (New York: American Management Association, 1994).

to which automation is used. However, DOD officials pointed out that certain steps are usually performed at all locations.

For example, prior to a trip, the traveler obtains information, which is used by a clerk to prepare a written travel order. The travel order then must be approved by the traveler's supervisor. The administrative/budget office reviews the travel order, assigns a travel order number and an accounting code to the travel order, and establishes an obligation of funds. If the traveler needs a cash advance, the local disbursing/travel office computes and pays the advance. Because there is sometimes no single point for a DOD traveler to make all travel arrangements, travelers may have to rely on several offices to make transportation, lodging, and car rental arrangements.

After returning from a trip, the traveler must also complete numerous steps. For example, the traveler manually prepares a travel expense voucher and attaches receipts and other supporting documents. The voucher is approved by the traveler's supervisor and sent to one of over 700 voucher processing centers for computation. To compute the proper expense, the processing center usually refers to DOD's travel regulations, which total 1,357 pages. A supervisor then audits the expense, particularly to identify any disallowances. A clerk sorts the five copies of the voucher and distributes them. A disbursing office collects from the traveler any unused advances or reimburses the traveler for any amounts due, depending on the claim. The disbursing office then records the payment and files vouchers and supporting documents.

Appendix I depicts the typical steps and complexities involved in processing DOD travel. Although the figure does not capture the variations among services or within individual services, it provides an overview of DOD's multistep processing procedures. DOD officials verified that the figure accurately summarizes travel processes.

Although DOD has not identified travel steps for all locations, a recent study of four DOD locations lists (1) the number of steps from identifying the need to travel through reimbursing a traveler, (2) the time to complete each step, and (3) the elapsed time in workdays to complete all steps.³ Table 1 summarizes these data, which highlight the variation among DOD locations.

³Functional Economic Analysis of the Department of Defense Travel System, Naval Postgraduate School, September 14, 1994.

Table 1: Number of Steps and Time to Complete Travel Processing at Four DOD Locations

Location	Number of steps	Hours to complete steps	Elapsed processing time in days
A	47	5.9	19
B	27	4.1	7
C	19	3.4	8
D	28	5.0	12

Cost Estimate of DOD's Travel Operations

DOD has made several efforts to determine its travel processing costs. In early 1994, the Director of the Defense Performance Review⁴ (DPR) made a statement indicating that DOD spends more to process travel than it spends on actual travel. However, DPR officials could not provide us with any data to substantiate this claim.

In July 1994, DOD chartered an agencywide task force to assess its current travel network and develop a "fair and equitable" temporary duty travel system for all DOD organizations. The task force found that it would be difficult for DOD to determine its actual costs to complete travel processing steps because the Department's accounting systems do not record such costs.

Nonetheless, the task force estimated that during fiscal year 1993, DOD spent \$500 million, or 14 percent of direct temporary duty travel costs, to complete several processing steps. These steps include order writing, airline ticket payment and reconciliation, and voucher payment. The task force identified other travel management activities, such as internal processing, arranging travel, and training, but did not attempt to estimate their individual costs. Taking these activities into account, the task force concluded that 30 percent of direct costs may be spent to process temporary duty travel. Further information on task force efforts is included in a later section of this report.

⁴The Defense Performance Review was established to implement the governmentwide National Performance Review initiative within DOD.

Industry Best Practices Have Resulted in Efficient Travel Management Processes

Many private sector companies have reengineered their travel processes and implemented a variety of initiatives to improve the efficiency and effectiveness of their travel operations. Successful initiatives, deemed "best practices," have resulted in dramatic reductions in travel processing costs. In efficient operations, indirect travel processing costs average about 6 percent of direct travel costs. Two leading companies in travel process reengineering—General Electric and Allied Signal Corporation—used best practices to reduce their travel processing costs to well below the 6 percent target. Their efforts included consolidating multiple travel processing centers, reducing the number of travel agents used, and simplifying travel regulations.

Processing Costs Determine Efficiency of Operations

The efficiency of an organization's travel management operations can be measured by assessing processing costs as a percentage of direct travel costs. On the basis of information provided by 1,550 randomly selected private and public sector organizations, American Express recently reported that a company's cost to process travel averages about 10 percent of direct travel and entertainment expenses. Less efficient companies, the report stated, spend 15 percent or more; more efficient companies spend 6 percent or less.

Best Practices Identified in Companies With Efficient Travel Management Programs

Efficient travel operations are often the result of a variety of initiatives implemented by private companies to reengineer processes and reduce costs. These successful initiatives, or "best practices," can serve as benchmarks or examples for all of industry to follow.

During our initial survey, we identified 20 companies whose practices could be followed by other organizations to manage travel. Using a methodology we developed based on previous GAO assessments of best commercial practices in other areas, we selected General Electric and Allied Signal for further study. These companies had reduced their processing costs to well below the 6 percent standard for efficient operations by using best practices. For instance, while General Electric representatives could not provide savings estimates in dollars, they estimated that they reduced travel processing costs to 3.2 percent of direct travel costs. Allied Signal reduced its costs even further—to under 1 percent—and saved about \$2 million the first year after implementing revised processes. Table 2 provides reported travel data for the two companies.

Table 2: Annual Travel Data for General Electric and Allied Signal as of November 1994

Dollars in millions

Company	Annual travel cost	Annual processing cost	Processing cost as a percent of annual travel cost	Travel vouchers processed annually
General Electric	\$750	\$24	3.2	600,000
Allied Signal	\$170 to \$200	\$1.5	.75 to .88	174,000

In general, the two companies implemented the following practices to improve the efficiency and effectiveness of their travel operations.

- Empowering travelers to decide when travel is necessary

Both General Electric and Allied Signal no longer require employees to obtain supervisory approval before traveling. Rather, employees are empowered to decide what travel is needed to carry out their company's mission. For example, General Electric representatives stated that travelers are to use good business sense and to treat the company's travel money like their own. Allied's practice is to allow employees to make travel decisions that result in the least expense to the company, provided that this does not result in unnecessary inconvenience or ineffective use of company time.

- Eliminating prior approval of travel and travel orders

In concert with empowering employees to make travel decisions, neither company requires a formal travel authorization document. Instead, supervisors receive reports of travelers' actual expenses after travel is completed. Any inconsistencies or concerns are addressed at that time.

- Mandating use of a corporate charge card for travel expenses and cash advances

Both companies require travelers to use corporate credit cards for transportation, hotel, car rental, and other major expenses, as well as for cash advances. By requiring the use of corporate cards, both companies have reduced their overall levels of cash advances and outstanding balances. Allied Signal, in fact, requires that travelers justify instances when credit cards are used for less than 90 percent of expenses. Subsequent to travel, Allied Signal travelers have the option of receiving reimbursement and paying their own credit card charges, or having Allied

submit payments directly to the credit card company. General Electric has its own corporate credit card that employees are required to use.

- Reducing the number of travel agents used

Prior to reengineering, both companies used numerous travel agents to make travel arrangements. Specifically, General Electric had contracts with over 300 agents while Allied had over 40. Since reengineering, General Electric has eliminated all but one travel agent, and considers its relationship with this agent to be a "partnership," with both working to reduce direct travel costs. Allied has one agent to handle 95 percent of its travel arrangements and a second agent to handle the other 5 percent.

- Consolidating travel processing centers

In the past, Allied had at least 23 travel voucher processing centers while General Electric had as many as 40. Each company has since consolidated its voucher processing centers into a single location.

- Simplifying travel policies

Both companies revised and shortened their travel policies, which they considered to be too cumbersome and complex. General Electric's draft policy is now contained in 2 pages, while Allied Signal's travel policy totals 11 pages.

- Automating voucher processing

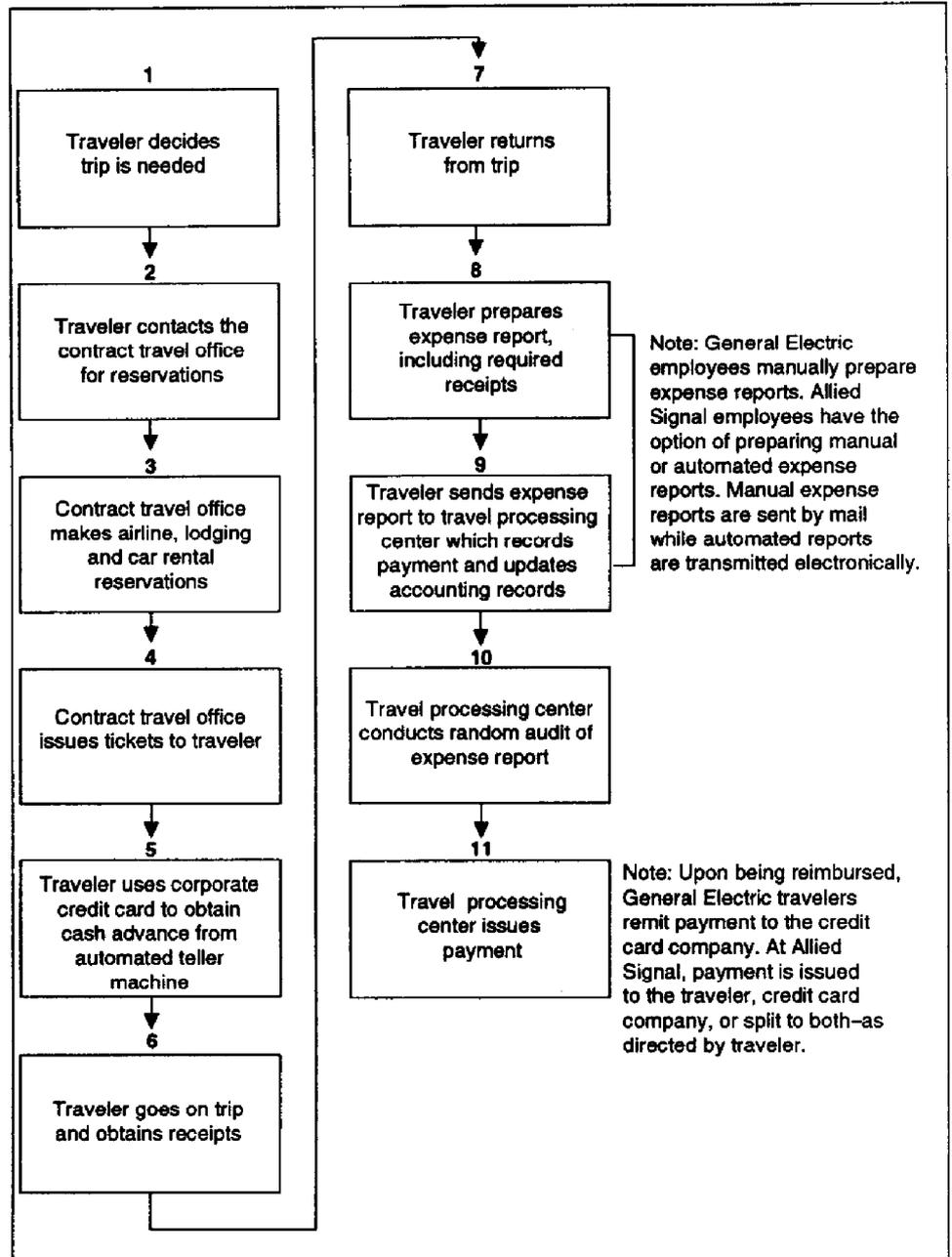
While General Electric travelers still manually prepare expense reports, Allied Signal travelers have the option of using an automated system. Allied Signal representatives told us that they spend about \$10.00 to process a manual expense report, but only about \$3.00 to process an electronic report. Due to additional improvements, Allied expects the cost to process the automated expense report to decline even further, to about \$1.50, in the near future.

- Conducting random audits of travel vouchers

General Electric and Allied Signal no longer audit each travel expense report as they did in the past. Currently, General Electric conducts detailed audits of only 5 to 10 percent of its reports, while Allied Signal audits about 45 percent.

Figure 1 illustrates the general travel steps followed by these two companies under their streamlined approaches. As previously stated, appendix I illustrates DOD's travel process.

Figure 1: General Electric and Allied Signal Travel Processes



General Electric and Allied Signal representatives told us that they are continuously pursuing additional ways to improve travel processing and reduce costs.

DOD Practices, Subject to Federal Legal and Internal Control Requirements, Differ Widely From Industry Best Practices

There are striking differences between the travel practices and costs for travel of DOD and private industry. DOD has an opportunity to save hundreds of millions of dollars by applying industry best practices in its travel management reengineering effort; however, applying such practices will not be a simple matter. It will involve consideration of applicable statutory and regulatory requirements and changing or waiving some of these requirements. Federal law and regulations also require that DOD provide assurance that adequate internal controls are in place over travel processing to guard against misuse of government funds.

Comparison Between Private Sector and DOD Travel Processes and Costs

Our comparison of the travel management practices of the two private companies and DOD shows significant differences, as illustrated in table 3.

Table 3: Differences Between Private Sector and DOD Travel Management Practices

Private sector best practice	General Electric	Allied Signal	Department of Defense
Employee can travel without prior approval	Yes	Yes	No
Employee can travel without authorization document	Yes	Yes	No
Travelers must use corporate credit card	Yes	Yes	No
Number of travel agents is limited and these agents provide full services	One agent provides full services	Two agents provide full services	Multiple agents; some provide full services
Expense reporting is automated	No	Partly	No
Number of processing centers is limited	1 center	1 center	700 centers
Travel policies are simplified	2 page policy	11 page policy	1,357 pages of regulations
Expense reports audited	Random	Random	100 percent

The differences between the private sector and DOD are also reflected in the costs to manage travel. As previously stated, General Electric and Allied Signal have reduced their indirect travel costs to 3.2 percent and under 1 percent of direct travel costs, respectively—much less than the 6 percent rate considered efficient. In comparison, according to one estimate, DOD may be spending 30 percent of its direct travel cost to process travel. If DOD applied industry best practices and reduced its travel processing costs to what industry considers an efficient level, the Department could save hundreds of millions of dollars.

Effective Reengineering Involves Consideration of Legal Requirements and Needed Internal Controls

Despite the potential to achieve savings and efficiency improvements similar to those realized by private industry, reengineering travel management at DOD will not be a simple matter of adopting private sector practices. Federal statutory and regulatory requirements could affect DOD's consideration of industry best practices as alternatives to current travel management procedures. In addition, the efficiency gains of revised practices must be balanced with adequate safeguards for federal funds.

Legal Requirements to Consider in Applying Best Practices

Numerous statutes and regulations govern official travel by federal civilian and military personnel. Statutes applicable to DOD cover a range of activities—from providing employees on official travel with per diem allowances to authorizing travel by dependent family members to attend burial services for deceased military personnel. DOD uses the Federal Travel Regulations issued by the General Services Administration as a basis for developing and issuing its Joint Travel Regulations, Volume 2, for civilian employee travel, while its travel policies for military personnel are found in the Joint Federal Travel Regulations, Volume 1, which the Department issues.

Statutes governing federal travel are broad authorizations that generally would not impede DOD efforts to adopt management practices similar to those of private industry. However, in some specific instances, statutory changes may be necessary. One example involves the requirement for prior authorization of travel. As previously discussed, a best practice in private industry is to permit travel without prior authorization. However, it is unclear how far DOD could pursue such a policy for military personnel because 37 U.S.C. 404 requires that military personnel travel “under orders.”

Further, applying industry best practices at DOD to permit civilian employees to travel without prior authorization may require changes or

waivers to both the Federal Travel Regulations and DOD's Joint Travel Regulations.

DOD Must Maintain Internal Controls in Reengineering Travel

In addition to the above-mentioned statutes and regulations, DOD is required under 31 U.S.C. 3512(b) to establish and maintain effective internal control systems that, among other things, safeguard assets and ensure the use of budget authority in accordance with laws, regulations, and policies. Payment systems, including those for travel, should therefore provide reasonable assurance that payment transactions are properly authorized, documented, and made within the allowed limits. Further, agencies are required under 31 U.S.C. 3512(d) to annually evaluate their internal control systems and report to the President and the Congress on the results of these evaluations.

To help achieve these objectives, agencies must adopt internal controls consistent with standards GAO has issued in Title 2 of its Policy and Procedures Manual for Guidance of Federal Agencies. Although GAO's standards call for control systems that help ensure proper authorizations, effective safeguards of assets, and reliable records, the specific techniques needed to achieve these objectives, with certain exceptions, can vary and are left to agencies to select based on their needs and systems capabilities.

A number of agencies are seeking to reduce administrative costs and streamline employee travel and payment systems.⁵ However, improvements should only be made within the framework of adequate controls that provide reasonable assurance that the control objectives will be achieved and are cost-effective.

DOD Travel Reengineering Efforts Show Initial Promise

Like private industry, Defense has recognized the need to improve travel management, lower costs, and improve service. Last July, DOD created an agencywide task force to examine its travel processes and policies and develop proposals for a "clean sheet" approach to travel management. The task force proposed implementing a travel system that included many of the characteristics of industry best practices. The Deputy Secretary has approved the task force recommendations and has chartered a transition team to develop implementation mechanisms. However, it is likely that moving from planning to implementation will pose a difficult challenge for the Department. There are also other independent efforts by several DOD

⁵We frequently receive requests for interpretations as to whether proposed systems changes would satisfy internal control standards in the Policy and Procedures Manual. If we determine that effective implementation of these proposals would satisfy control objectives, we respond favorably, stating that we have no objection to agencies implementing their proposals.

organizations to reengineer travel. These efforts vary in providing examples or pilots for the DOD-wide initiative.

Task Force Recommendations Consistent With Industry Best Practices

As previously stated, the objectives of the DOD-wide task force included meeting operational mission requirements, reducing the overall cost of travel, and improving customer service. The task force was charged with providing a conceptual framework for the new system, developing a detailed program for moving DOD towards meeting the objectives of the new system, and providing a set of system specifications that will serve as a guideline for proposed policy changes. In carrying out its work, the task force reviewed studies of travel management developed by both the Department and the private sector, obtained benchmarking data from the National Security Agency's (NSA) study of best industry practices, determined high-level travel processes, identified available cost data for those processes, and conducted focus groups at four DOD locations to identify customer satisfaction indicators.

In its January 1995 report, the task force made a number of recommendations that, if successfully implemented, could greatly simplify Defense's travel processes and align them more closely with industry best practices. For example, the task force recommended

- simplifying travel rules and reissuing regulations in a single document of 10 pages,
- delegating budget and expense approval to supervisors who authorize travel,
- mandating use of commercial travel offices for all arrangements under a standard DOD travel services contract,
- simplifying voucher computation,
- eliminating cash transactions, and
- conducting random audits to ensure oversight and control.

The task force did not, however, have sufficient documentation on DOD's current processes to model the impact of proposed travel process changes on meeting its customer service and cost savings objectives. Although the task force did not determine the amount of projected savings, it believes that its recommended improvements will result in cost savings.

On January 23, 1995, the Deputy Secretary endorsed the task force's recommendations and delegated responsibility to the DOD Comptroller for continuing the reengineering effort through a transition team. This

transition team is charged with conducting pilots for the new travel system, marketing the system throughout DOD, developing recommendations for implementing a revised system, and establishing coordination mechanisms and milestones for carrying out these objectives.

Implementation Issues Will Prove Challenging

DOD is at a critical juncture in making dramatic improvements in its travel processing. The Department has identified the need for improvement, developed a strategy for moving forward, and demonstrated top management support for the initiative. However, the Department still faces formidable challenges in progressing from planning to implementation.

Perhaps the single most difficult challenge will be the Department's own strong internal culture. DOD's culture has traditionally supported multiple applications to carry out similar administrative functions. The inherent desire to "grow your own" has frequently limited success in other DOD process improvement initiatives. Implementing industry practices, such as consolidating decentralized operations and empowering employees to make travel decisions, would also entail major changes in DOD's culture. The task force report recognizes these issues and the need to overcome departmental resistance during the transition phase. Sustained commitment and oversight by top management are also critical to ensure progress.

Independent Efforts Vary in Supporting Defensewide Initiative

Several DOD organizations have independent initiatives to improve their travel management. Although coordination of these initiatives has been informal, such initiatives may provide models or pilots to support a DOD-wide reengineering effort.

For example, NSA has applied a structured approach to its ongoing effort, accumulating baseline costs from which to measure future progress and reengineer its travel processes. According to NSA officials, improvements will be based on information gathered from their survey of 40 companies that significantly reduced their travel processing costs by implementing many of the best practices already discussed. NSA estimated that after reengineering, its cost to process a trip will decrease from 25 percent to about 7 percent of the direct cost of travel. In its report, the DOD task force recommended agencywide use of some of the practices that NSA was planning to implement.

Further, the DOD task force reviewed the efforts of an Air Force reinvention lab, which—according to Air Force officials—is charged with experimenting with new travel processes. The lab is testing a new travel process at one Air Force unit. This process includes reducing the number of people and steps involved in the process and then automating the remaining steps. We believe that this initiative serves as a pilot for the Air Force, as well as for DOD. Lab results indicate that if reengineered processes are implemented Defensewide, annual savings could reach \$875 million.

Officials from the Washington Headquarters Service and the Defense Finance and Accounting Service told us that they also began initiatives to improve travel processing. However, these efforts are aimed at automating current manual processes. As such, these efforts do not provide good reengineering models for DOD. The Defense Finance and Accounting Service has since suspended its initiative, awaiting results from the DOD-wide task force on reengineering travel.

DOD is also participating in a governmentwide travel management improvement effort. The Joint Financial Management Improvement Program (JFMIP) is a cooperative undertaking of GAO, Treasury, the Office of Management and Budget, and the Office of Personnel Management. In August 1994, JFMIP established an interagency task force to study ways to improve federal travel policies and procedures.

Conclusions

DOD's current travel management processes stand in striking contrast to the best practices adopted by the private sector. Clearly, DOD's travel management processes are wasteful and burdensome. The demonstrated success of best practice companies in providing essentially similar travel services serves as a model for the Department to use in gauging its progress in reengineering travel management. If DOD could successfully apply industry travel practices as part of its reengineering effort, the Department could save hundreds of millions of dollars.

DOD's travel task force and projects within NSA and the Air Force are commendable first steps in the reengineering process. However, good intentions and good first steps will not guarantee success. Clearly articulated and agreed-upon milestones and performance measures must be established and followed to ensure project integrity.

Further, pilot efforts must be structured to document the cost, benefits, and savings to be gained from system implementation. Such information is critical in evaluating the potential for making further investments in improving travel management. Pilots could also help identify the need for changes or waivers to applicable statutes and regulations and ensure that adequate controls are in place to safeguard against misuse of federal funds. Additionally, demonstrated benefits are required to gain support throughout the organization for process changes.

Most importantly, the Department needs to recognize that the fundamental process improvements anticipated by the task force represent a real change to a basic business process. Managing such change is difficult within any organization; it is a special challenge within DOD. Sustained top management commitment and oversight are essential for this effort to stay on course.

Recommendations

To improve management of travel processes and reduce costs, we recommend that the Secretary of Defense direct the travel reengineering transition team to

- establish milestones for implementation of the task force recommendations,
- structure pilot efforts as a means of (1) identifying and documenting projected costs, benefits, and savings, (2) determining the need for changes or waivers to applicable statutes and regulations, and (3) ensuring that adequate controls are maintained to safeguard government assets prior to agencywide implementation of proposed travel process changes, and
- establish performance indicators to monitor progress towards meeting travel improvement objectives.

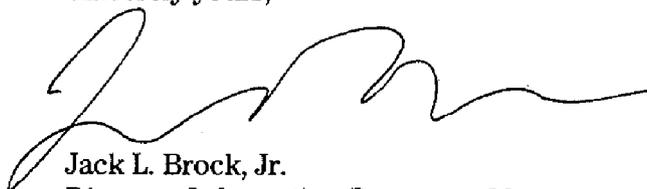
We also recommend that the Secretary of Defense provide the transition team with (1) the necessary resources and authority to carry out its mandate and (2) the leadership and oversight needed to gain acceptance, maintain progress, and ensure that process changes are implemented consistently throughout the Department.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this report. We will then send copies to the Secretary of Defense,

the Director of the Office of Management and Budget, and other interested congressional committees. Copies will also be sent to others upon request.

Please contact me at (202) 512-6240 if you or your staff have any questions about this report. Other major contributors are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Brock, Jr.", with a stylized, cursive flourish extending to the right.

Jack L. Brock, Jr.
Director, Information Resources Management/
National Security and International Affairs

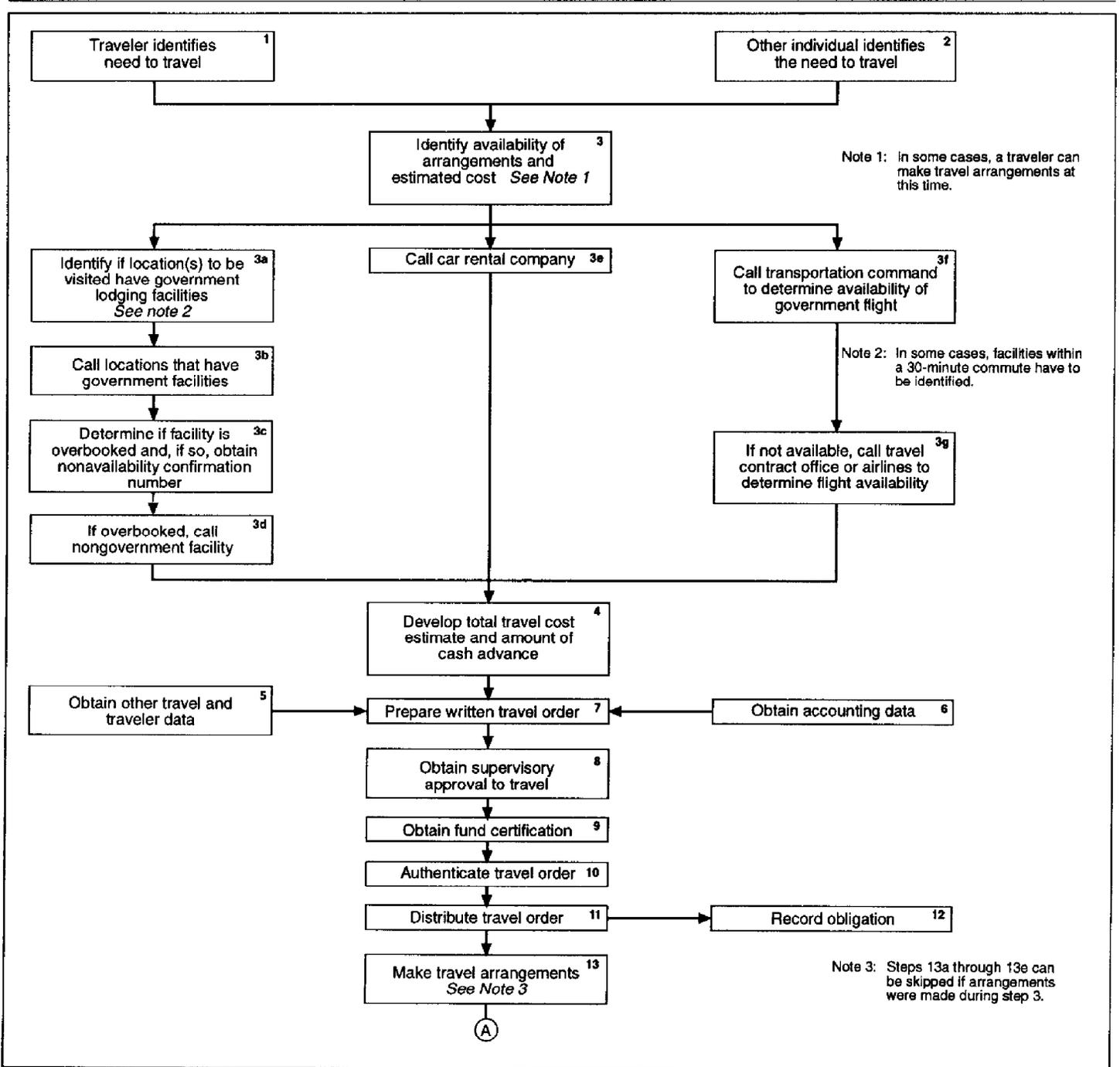
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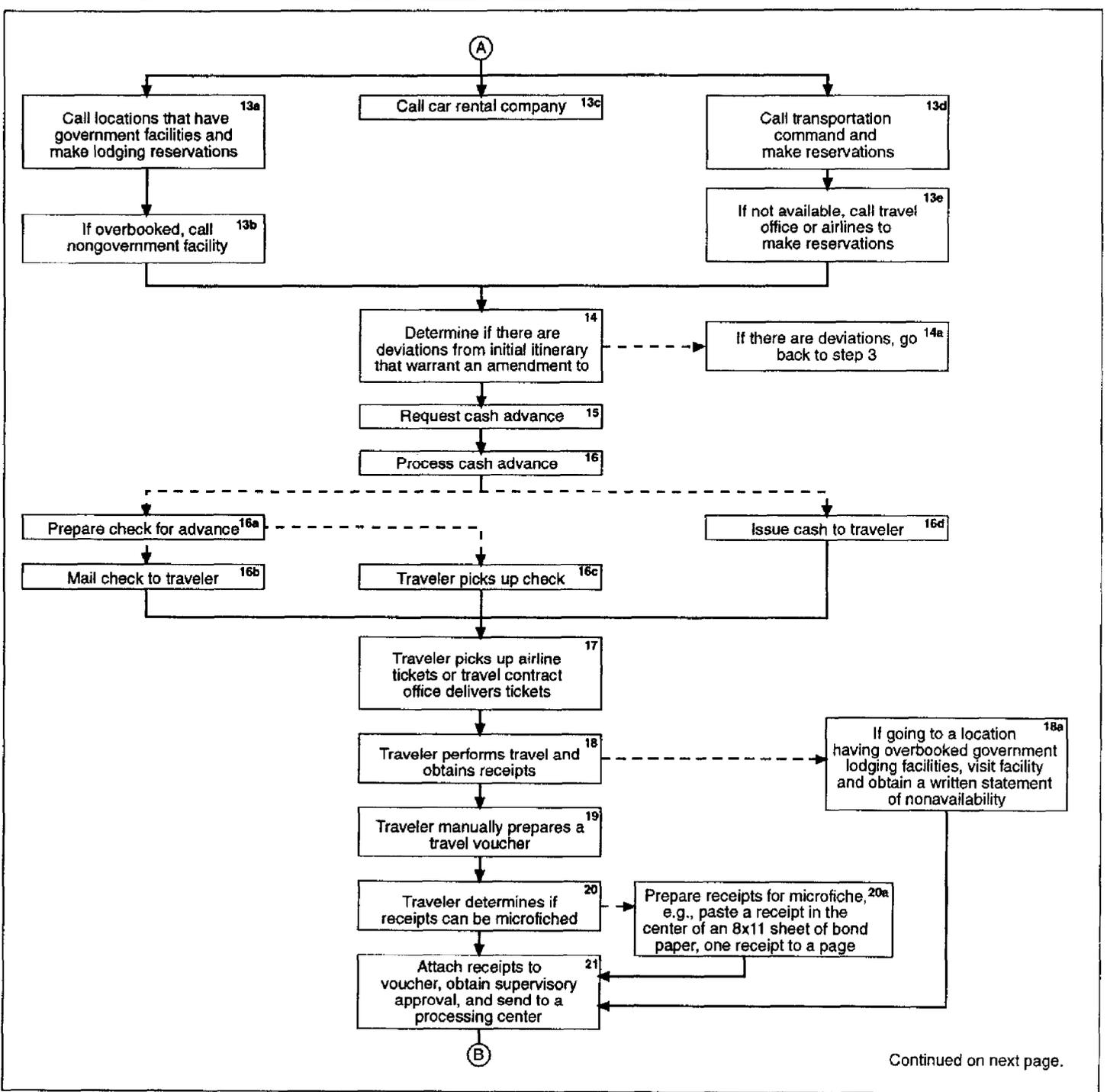
Abbreviations

DOD	Department of Defense
DPR	Defense Performance Review
GAO	General Accounting Office
JFMIP	Joint Financial Management Improvement Program
NSA	National Security Agency

DOD's Travel Process

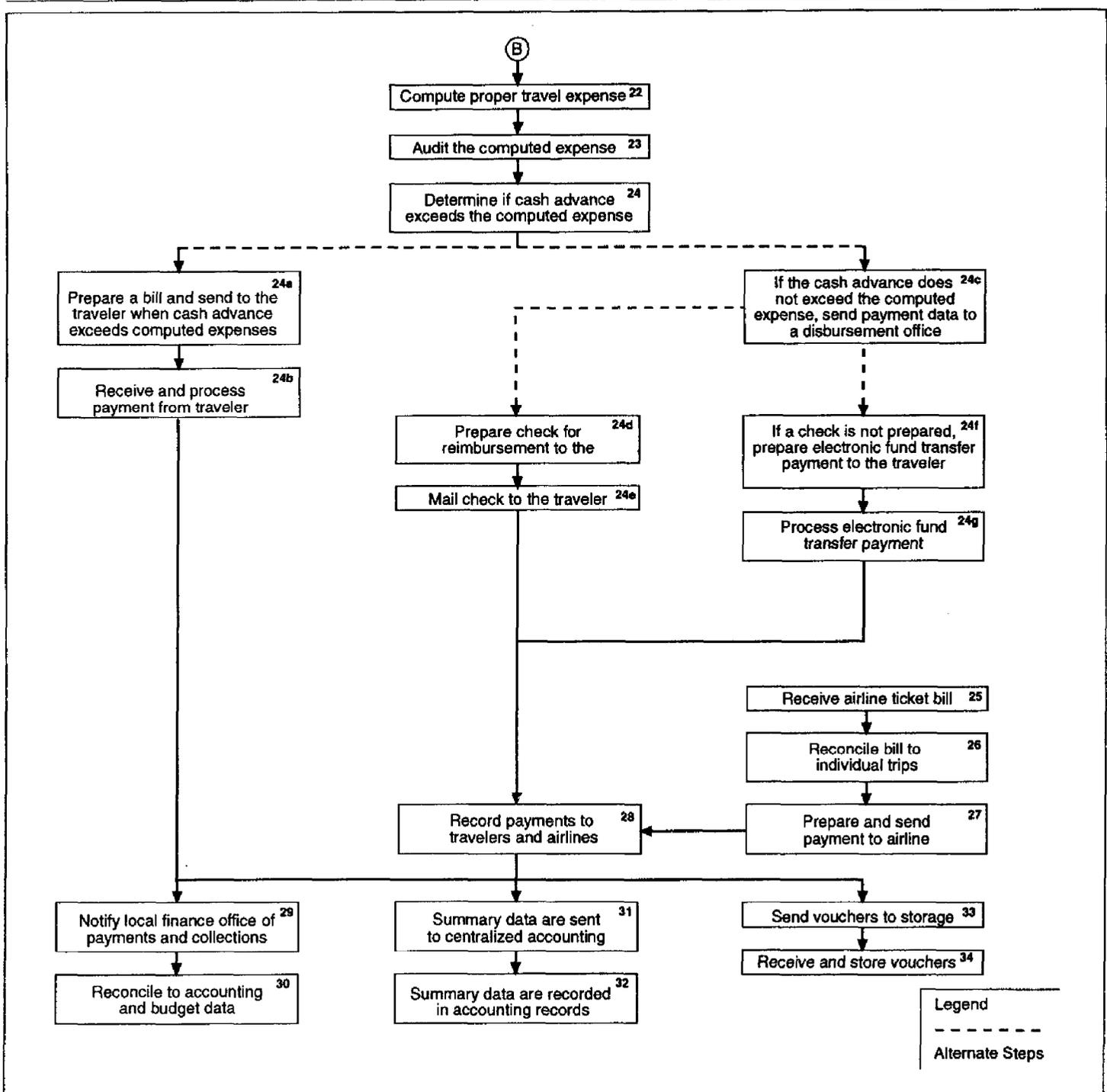


Appendix I
DOD's Travel Process



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Appendix I
DOD's Travel Process



Major Contributors to This Report

**Accounting and
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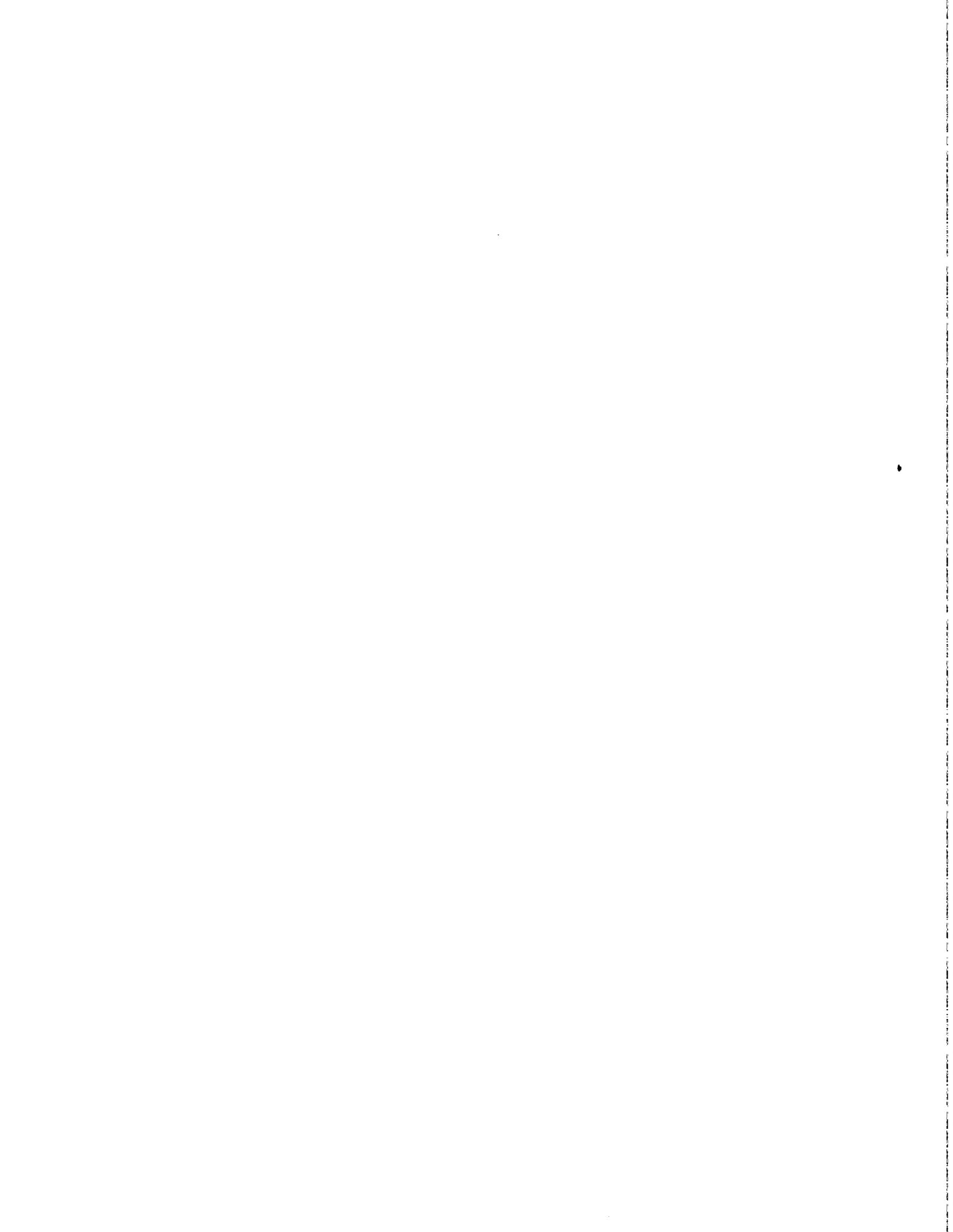
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