

LAW
GAO ROOM
KF
5387
.A94

Improving Travel Management Governmentwide

U.S. General Accounting Office
Law Library
Washington, D.C. 20548

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program (JFMIP) is a joint cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, joined JFMIP in 1966.

The overall objective of JFMIP is to make improvements that contribute significantly to the effective and efficient operations of governmental programs. Activities aimed at achieving this objective include:

- Developing general objectives in those areas of common interest to the central agencies for guiding the improvement of financial management across government and promoting strategies for achieving those objectives.
- Reviewing and coordinating central agencies' activities and policy promulgations affecting financial management to avoid possible conflict, inconsistency, duplication, and confusion.
- Undertaking projects and special reviews of significant problems and new technologies in financial management and publishing the findings and conclusions.
- Acting as a catalyst and clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.
- Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices, and relies on the active participation of federal agencies to be successful. The Joint Program is guided by a Steering Committee consisting of key policy officials from each of the central agencies. A key official from a program agency also serves on the Steering Committee. A small staff headed by an Executive Director provides support to the Committee.

LAW
GAO ROOM
KF5387
A94
5/2/96

Foreword

An interagency team was established in 1994 by the Joint Financial Management Improvement Program (JFMIP) to address travel reengineering. Representing over two dozen organizations from the Executive and Legislative Branches of the federal government, the goals of the Travel Improvement Project have been to identify and address obstacles that impede use of best travel practices in the federal government. This report of the *Travel Improvement Project* documents both the obstacles and suggested improvements.

Travel management has received great attention in recent years in both the public and private sectors. The Travel Improvement Project Team held meetings with public and private organization representatives to identify promising travel practices. These reviews of exemplary travel policies and practices have been conducted to ensure that the travel policy recommendations are credible and can be implemented.

Senior managers and executives from financial management and program offices have been extremely supportive of the efforts to uncover and identify regulatory and statutory obstacles to this reinvention effort. They have engaged and empowered in the travel reinvention effort professionals most likely to be affected by the travel improvement changes and who have the most at stake in getting the job done right.

This document is intended to stimulate independent efforts by departments and agencies to reengineer and streamline their travel policies. It is hoped that levels of awareness within the financial management community will be raised concerning the potential savings to be derived from travel reengineering. The Travel Improvement Project Team has identified savings assuming that its recommendations will be fully embraced by tax policy experts of the Department of the Treasury. With that assumption, savings approximate \$820 million dollars in annual administrative and direct costs, but this is only a beginning. In addition to the savings identified within this report, the improvements of travel management will also reduce administrative expenses by amounts that cannot be quantified at this time. Widespread implementation of these and other improvements will enable us to demonstrate to the public that the government can do more with less.

Finally, I would like to express thanks to the participants from federal departments and agencies as well as representatives from the Chief Financial Officers Council, President's Council on Integrity and Efficiency, the National Performance Review, and private sector companies who provided suggestions stemming from our meetings with them. This report was developed as a result of interest, expertise, and personal commitment. The commitment of the participants extends beyond their contribution in developing these recommendations, as many have already drafted necessary regulatory and statutory proposals, and have commenced implementing improved practices. We look forward to continuing to work with agency representatives to help ensure that maximum savings, efficiency, and effectiveness will be achieved.

U.S. General Accounting Office
Law Library
Washington, D.C. 20548

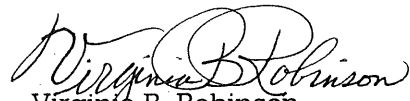

Virginia B. Robinson
Executive Director

Table of Contents

Foreword

Acronyms

I. Introduction	1
II. Travel Improvement Recommendations	3
III. Temporary Duty Travel Reinvention	5
A. Recommendations	5
B. Requirements and Impact of Recommendations	18
IV. Relocation Travel Reinvention	21
A. Recommendations	21
B. Requirements and Impact of Recommendations	42
Appendix: Travel Improvement Project Team	45

Acronyms

ATM	Automated Teller Machine
CONUS	Continental United States
EFT	Electronic funds transfer
FIRMR	Federal Information Resources Management Regulation
FTR	Federal Travel Regulation
GAO	United States General Accounting Office
GSA	General Services Administration
IDL	International date line
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
M&IE	Meals and incidental expenses
POV	Privately owned vehicle
PTC	Pre-determined travel cost
RIT	Relocation income tax
SF	Standard Form
SSA	Social Security Administration
TDY	Temporary duty
TMC	Travel Management Center
TQSE	Temporary quarters subsistence expenses
U.S.C.	United States Code

I. Introduction

The federal government spends billions each year for official duty travel by its employees. For such travel, the government has taken advantage of widely-used methods for holding down costs including making all trips subject to supervisory approval and negotiating discounted government rates with airlines, hotels, and moving van lines, and other travel services providers.

Numerous statutes and regulations have been established and implemented with the intent of bringing better control to travel activities and expenditures. With the passage of time, some of these statutes and regulations have come to have effects opposite their intents. Government travel professionals believe that it is time to revamp statutes, regulations, policies and procedures that determine how government employees perform travel. Controls favorably guide how travel is managed, but may unduly restrain the government from reinventing and using more efficient and less costly practices.

In October 1994, the Joint Financial Management Improvement Program (JFMIP) formed the Travel Improvement Project Team to reinvent policies and procedures that affect (1) temporary duty (TDY) and (2) relocation travel within the federal government. The focus of the review has been to enhance the delivery of travel services and to identify direct and administrative costs that can be reduced.

Throughout the course of this project, the participants have developed paradigms, a philosophy, and objectives which serve as the foundation of this effort. The paradigms below have served as the basis from which many of the recommendations have been developed. These paradigms represent presumptions within the government— all of them false—that have influenced the development and current management of travel policies.

“All travelers are crooks.”

“One size fits all.”

“Punish many, catch a few.”

“The rules won’t let us do it better.”

The Travel Improvement Project Team has been guided by a philosophy to improve governmentwide travel policies that is counter to these paradigms. This philosophy encourages the use of common sense to develop new policies and guidelines, and asserts that successful travel programs are those that embody simplicity and integrity:

- (1) More money can be saved by simplifying and re-engineering the travel policies than is spent on monitoring and controlling the existing policies.
- (2) New electronic audit tools can foster and improve compliance to travel policies and ensure travel management integrity.
- (3) We can overcome the impediments because we placed them on ourselves.

The Team's objectives are to:

- » Eliminate paper.
- » Cut red tape.
- » Automate the process.
- » Humanize the treatment of travelers.
- » Use exemplary practices to create parity between travel practices of the public and private sectors.
- » Save taxpayers money.

The Travel Improvement Project Team met with private corporations, associations, stakeholders, and travel industry experts. They assured themselves that many existing travel practices are appropriate for the government and can be implemented. Travel practices modeled on the exemplary practices of public and private organizations should, therefore, be used by departments and agencies as alternatives for the regulatory and statutory provisions currently followed.

The Team recommends applying only a few policies governmentwide. The majority of recommendations are optional—a departure from “one size fits all.” Agencies should use the best and most practical travel policy given their unique operational or mission-related needs.

II. Travel Improvement Recommendations

Specific recommendations for (1) temporary duty and (2) relocation travel are presented in the third and fourth sections of this report. Each recommended practice contains four subparts: Issue, Background, Recommendation, and Implementation. "Issue" provides a short title for the recommendation. "Background" conveys the current practice and/or other elements that affect the issue. "Recommendation" suggests the preferred alternative practice. "Implementation" briefly generalizes factors to consider upon implementing the recommendation.

The Travel Improvement Project recommendations embody the use of old, existing, emerging, and new technologies; common sense; and incentives. Uses of personal computers and travel software now are readily available governmentwide. The Project Team strongly recommends the use of travel software to automate and accelerate travel processes. We also strongly urge embedding electronic audit tools and integrating travel data with core financial systems to heighten data integrity.

In order for travelers to understand and comply with travel policies, the policies must be simple. Travel is not an end in itself. It is a support function that enables the traveler to fulfill mission-directed goals. We must not make support functions difficult, for it will add unnecessary complexity to the mission. The Team strongly urges implementing policies that are easy to understand and easy to administer. We recommend policies based on common sense.

The Team has observed that many organizations offer incentives to save more money than they would realize even if they had the best travel process known. These organizations use modest incentives to offer travelers rewards for personal sacrifices. Many travelers are willing to participate in incentive programs. Though the Team was initially skeptical of the benefits to both the government and travelers, gain-sharing pilots have clearly shown this is a win/win approach to reducing travel costs. The government saves administrative and direct costs; the traveler receives a modest reward, consistent with rewards paid in other public and private organizations. The incentives awards approach is no substitute for proper management; it is an optional tool to further reduce costs by using the traveler to find ways to contain travel costs.

Before we can strongly urge agencies to implement these recommendations, regulations and legislation need to be amended. The Team strongly recommends that the General Services Administration (GSA) seek and implement changes to support these recommendations. In fact, the Team will shortly deliver basic regulatory and statutory language to GSA to update the Federal Travel Regulation (FTR) and applicable statutes.

III. Temporary Duty Travel Reinvention

A. Recommendations

The issues addressed for temporary duty travel reinvention include the following:

Require use of the government-issued charge card and the automated teller machine (ATM) programs	6
Consolidate and automate travel data	8
Simplify recording of travel times for Meals and Incidental Expenses reimbursements and eliminate M&IE for same day travel	10
Increase the receipts threshold from \$25 to \$75 and allow agencies to determine receipts retention requirements	12
Use Travel Management Centers (TMCs)	13
Implement Pre-Determined Travel Costs	14
Shift expense review to the approving official	15
Eliminate telephone call certification requirement and increase use of telephone calling cards	16
Require audit by statistical sampling	17

Section B, which follows the recommendations, presents a matrix of *Temporary Duty Travel Reinvention Proposals At-A-Glance* (see pages 18 and 19).

Temporary Duty Travel Issue

Require use of the government-issued charge card and the automated teller machine (ATM) programs.

Background

In January 1989, the General Services Administration amended the Federal Travel Regulation to provide policy governing frequent travelers' use of the government-issued charge card (a frequent traveler travels two or more trips per year). The intent of the policy was to require employees to use the charge card to pay for official travel expenses to the maximum extent possible and to limit advances of funds to out-of-pocket expenses; e.g., mileage, parking, tolls, fuel, ground transportation (other than car rentals) and meals.

Federal agencies can efficiently provide cash for out-of-pocket expenses through the ATM feature of the charge card program; however, this feature is optional. Many agencies continue to issue check and currency travel advances for out-of-pocket expenses. Some agencies also continue to issue cash advances for lodgings and car rentals.

GSA has negotiated with the current charge card vendor a 0.65 percent refund on charge card program purchases (excluding ATM withdrawals or travelers checks). In addition, the government may realize an additional refund when employees and agencies pay individual and central bills faster. Refunds are paid three times a year and represent significant savings to the government. The charge card is not used to the fullest practical extent, however.

Recommendation

The Project Team recommends expanded use of the charge card program:

- (1) Agency-required use of the charge card for all travel-related expenses, including, but not limited to, transportation tickets (in conjunction with common carrier reservations), lodgings, and car rentals; and
- (2) Increased agency use of Automated Teller Machines to distribute travel advances and cash for out-of-pocket expenses.

Agencies may provide a traveler an advance of funds when travel is performed where the charge card is not accepted. The charge card proposal increases agency refunds, improves governmentwide cash management, streamlines travel functions, simplifies the payments process, and provides quality customer service to travelers.

Implementation

This proposal can be effected by amending FTR sections 301-1, 301-3, 301-10, 301-11 and 301-15 to include a provision requiring use of the charge card payment system (with the ATM feature), for all travel-related expenses and authorized advances of funds.

Implementation of this proposal requires GSA to issue an amendment to the affected FTR sections. This change will allow exceptions for situations when use of the charge card is impractical (e.g., temporary quarters in connection with a

permanent change of station and long-term temporary duty travel), when long term travel (because of delayed voucher filing) would cause a charge card delinquency; or when travel is to areas where the card is not accepted.

This proposal provides for the use of the individual charge card by travelers and the use of centrally billed charge card account by agencies. Also, agencies may opt to split payments; i.e., reimbursement to travelers for out-of-pocket expenses, and direct payment to the charge card vendor. This process can provide for timely payment to the charge card vendor and maintain agency refunds.

In fiscal year 1995, the Social Security Administration (SSA) implemented agreements with three unions to require use of the charge card by travelers. The individual card is used to pay all travel-related expenses and to obtain cash for travel needs using ATMs. Centrally billed accounts are used in instances when the traveler could not charge transportation tickets to the individual charge card. In addition, SSA established procedures to issue an advance of funds when the ATM feature could not be used.

Temporary Duty Travel Issue

Consolidate and automate travel data.

Background

Most agencies use several different paper forms to document the authorization of travel obligation of funds, advance of funds, and voucher claim (actual expenditure). This data provides information to verify travel policy compliance and to ensure the proper use and handling of travel funds. Currently, the General Services Administration requires agencies to use Standard Form (SF) 1012, Travel Voucher, and SF-1038, Advance of Funds Application and Account, unless specifically excepted by waiver. The forms used by agencies often contain many of the same data fields. In addition, the data on the forms must be entered into the agency's automated financial system. Reentry of this data is redundant, unnecessary, and labor intensive. It consumes significant resources in an environment of scarce resources. Keying errors (typographical, number transpositions, etc.) often compromise data integrity and diminish its value.

Retention and storage of these forms also present problems. Forms often are originated or filed in different geographic locations so that there is no central repository for travel data. The retrieval of historical travel data for management information system needs is extremely difficult.

Recommendation

The Project Team recommends that GSA identify and define standard data elements and eliminate the requirement for specific forms for travel. In addition, the Project Team recommends agencies consolidate data collection and retention in a single automated repository. This can be effected by employing an automated travel system which will reduce the administrative time of rekeying data. Automation will also allow agencies to easily edit incorrect travel data. A travel system should provide travel funding information, respond to ad hoc historical queries, provide payment history, and issue management information reports. The system should have edit checks based on the GSA lodgings and meals and incidental expenses (M&IE) rates, and calculation checks which are critical for other recommendations.

Agencies must also integrate their travel and financial management systems to meet the Office of Management and Budget and JFMIP Financial Management System Requirements.

Implementation

GSA should provide standard data elements for use in automated travel systems as well as on an optional form to assist agencies that cannot immediately migrate to an automated travel system.

Federal agencies will realize a direct savings through a reduction in the collecting, recording, and maintaining of redundant data which will also reduce the number of forms produced. The value of increased accuracy, a component of direct savings, cannot be determined at this time.

The Department of State and the United States Air Force are currently piloting automated travel systems that are integrated with their financial systems.

Information obtained from these pilots can be used to help other agencies make the transition to an automated travel system. State has also designed a one-document travel system. This document incorporates the travel authorization, travel voucher and travel advance. It is to be used when the automated system cannot be used.

Temporary Duty Travel Issue

Simplify recording of travel times for Meals and Incidental Expenses reimbursements and eliminate M&IE for same day travel.

Background

Currently, federal government travelers are required to record the exact time for each departure and arrival point to prorate the meals and incidental expenses allowance. Proration is performed by dividing the calendar day into four quarters, and reimbursing one-fourth of the applicable M&IE rate for each quarter day that the traveler is traveling.

For same day trips, travelers are reimbursed a prorated M&IE amount only when travel time exceeds 10 hours. Within the Tax Code, however, this reimbursement is considered a personal expense, not a travel expense. The Internal Revenue Service (IRS) requires federal agencies to report these reimbursements as taxable earned income to travelers.

The current quarter-day system relies on the precise recording of departure and arrival times. A one minute difference in time may mean the difference between receiving or not receiving reimbursement for a same day trip, as well as, affecting whether a traveler will receive one quarter more or one quarter less M&IE for trips of more than one day. Recorded departure/arrival times cannot be verified; therefore, voucher examiners cannot determine their accuracy. The calculation is cumbersome on a partial day of travel; e.g. the first and last day of travel. The "quarter-day" calculation is not problematic on a full day of travel because travelers are reimbursed four quarters (one full day).

The Federal Travel Regulation currently states that a traveler who crosses the international date line (IDL) must use actual elapsed time to compute appropriate M&IE reimbursement. However, time zone changes can cause significant differences from actual elapsed time (stop watch time).

Recommendation

The Project Team recommends establishing a flat rate system to reimburse M&IE on partial days of travel. Statistical data accumulated by federal agencies clearly shows that the vast majority of travelers receive three quarters (three-fourths) M&IE reimbursement on the first and last days of travel. The Project Team therefore recommends reimbursing a flat three-fourths of the applicable M&IE rate on such partial days. Since this reimbursement is independent of time, we further suggest eliminating the recording of departure and arrival times. The Project Team has already recommended that the IRS recognize three-fourths of M&IE reimbursement as "deemed substantiated" for tax purposes.

The Project Team also recommends eliminating M&IE reimbursement for same day travel. Such reimbursement is excessive because it reimburses travelers for expenses customarily incurred in an ordinary workday. This change will reduce M&IE outlays and will also reduce tax compliance activities by eliminating the need for agencies to track and report reimbursements as income to travelers.

Lastly, the Project Team proposes changing the current method from measuring time in quarters to measuring time in days. This change simplifies time computations for IDL crossings without consequence to the traveler.

Implementation

This proposal can be implemented through a minor regulatory amendment to FTR section 301-7. Simplification of the reimbursement process will reduce the data requirements necessary to effect payment and the number of data elements gathered by travelers and retained in automated systems. Elimination of data elements also simplifies remaining calculations. The Department of State is currently piloting this recommendation and reports positive effects for both the traveler and the Department.

Temporary Duty Travel Issue

Increase the receipts threshold from \$25 to \$75 and allow agencies to determine receipts retention requirements.

Background

In 1962, the Internal Revenue Service (IRS) issued a regulation to require receipts for all expenditures of \$25 or more. In addition, receipts are required to substantiate lodging and 18 other expense items listed in the Federal Travel Regulation section 301-11.3(c). The 18 items include expenses such as those for radiograms and the rental of steamer chairs, rug, and typewriters. The review of low-dollar receipts is time consuming and has minimal value. The receipts are copied and stored with the travel voucher which increases paperwork.

Recommendations:

The Project Team recommends increasing the receipts threshold from \$25 to \$75 for all expenditures. The Project Team also recommends that the General Services Administration update FTR section 301-11.3 by eliminating the receipt requirement for most of the 18 antiquated expense items that are of insignificant value or no longer used in travel. (Receipts will continue to be required for passenger transportation and shipment, freight or express.) In addition, the Project Team recommends the IRS eliminate the receipt requirement for lodgings expenses when such expenses are within the GSA per diem rates.

Documentation would be retained for at least 1 year at an agency determined location; e.g. the approving official's office, traveler's office, or headquarters office. The receipts should be easily accessible in the event the voucher is selected for full audit. Thereafter, the Project Team recommends retaining documentation, in a location as determined by the agency for 3 years.

Implementation

During the course of this reinvention effort, the IRS raised the receipts threshold from \$25 to \$75. GSA amended the FTR increasing the receipts threshold to \$75.

Removing the requirement to collect and review small dollar receipts of little eliminates unnecessary paper which will enable agencies to institute electronic, paperless processing of travel documents, to expedite travel voucher preparation and processing.

Temporary Duty Travel Issue

Use Travel Management Centers (TMCs)

Background

The General Services Administration Travel Management Center (TMC) Program consists of contracts with private sector travel agents to provide commercial travel services at no cost to the government. The travel agents are paid commissions from other travel service providers (airlines, hotels, etc.). Historically, TMCs have provided one-stop shopping for passenger transportation, lodging, and rental vehicles for federal travelers. Some large professional travel agent companies offer a broad range of travel services. Expanding the use of TMC services to include travel policy compliance, pre-determined travel cost estimation, and detailed travel expense reporting may result in the government being charged for services. However, these services, currently being performed by government agencies, can be outsourced to streamline governmental operations, and significantly reduce administrative costs associated with federal travel.

Recommendation

The Project Team recommends federal agencies outsource to TMC's all travel arrangements and travel cost estimations and expense reports. GSA and federal agencies should partner to identify requirements to develop a range of expanded standard services. TMCs can use management information to integrate agency defined cost limit controls and compliance checks to ensure bookings and itinerary changes comply with federal and/or agency's travel policy guidelines. Linking TMC pre-determined cost estimates, expense reports, and agency accounting data will improve government financial management. These links will provide data to (a) better manage trip planning and travel funds, (b) implement lower-cost payment options such as Electronic Funds Transfer (EFT) and split payment (to the traveler and to the government charge card contractor), and (c) reduce account reconciliation and travel information retention costs. In addition to the savings identified, this proposal will reduce other administrative expenses which cannot be quantified at this time.

Implementation

Implementation of this proposal requires the development of standardized contractual specifications to include expanded TMC services. GSA should develop general standards specifications and consult with agencies to develop additional agency requirements.

Planning is required for the time-phased changes in agency's management practices, identifying relevant data elements for management information system application, and installing necessary software.

Temporary Duty Travel Issue

Implement Pre-Determined Travel Costs

Background

Contrary to perception, most government travel is completed according to the planned itinerary. Still, the federal government continues to compute the cost of travel after expenses have been incurred - a practice still in use after many years. There is enormous value in knowing travel costs beforehand. The federal government should apply estimating tools to "pre-determine its travel costs."

The term "pre-determined travel cost" (PTC) is an estimated trip expense derived by constructing the travel costs before the trip begins and the expenses are incurred. PTC can be constructed by using historical data or information provided by travel management centers to identify transportation, lodging, and other definable expenses (rental cars, etc.). Agencies will continue to use rates negotiated by the General Services Administration to control travel expenses. Upon completion of a trip, travelers are expected to complete a travel expense report to substantiate the costs incurred. The PTC and the actual trip expense should be the same. When there is a variation, however, a post adjustment will be made.

Recommendation

The Project Team recommends use of PTC as a means of reliably estimating travel costs before travel occurs. This practice serves three purposes: (1) it eliminates the uncertainty of travel costs, (2) it provides reliable cost data for obligation purposes, and (3) it provides approving officials with management tools to manage, rather than react to, travel costs.

All agencies may not be able to adopt this practice immediately. The Project Team recommends that agencies migrate to PTC as soon as possible, but continue to use the existing travel process until it is fully implemented. In addition, agencies may use the existing process when travel cannot be planned ahead of time.

Implementation

This proposal has several systemic implications. The PTC cost construction should be software driven. This software should be developed in conjunction with the proposal requiring the use of Travel Management Centers and the proposal to Consolidate and Automate Travel Data. Accordingly, agencies will need to construct costs based on standard data elements. If agencies are unable to immediately secure or integrate automated TMC service information, they may use historical data accumulated in "off-the-shelf" travel management software to construct costs. U.S. Customs Service has had great success in the use of PTC.

Temporary Duty Travel Issue

Shift expense review to the approving official.

Background

A certifying official is ultimately responsible for the authenticity of information stated in the travel voucher and its supporting records and to determine the "legality of a proposed payment." More specifically, a voucher examiner verifies that travel expense claims are properly computed, necessary, and supported by documentary evidence. These individuals have little control or knowledge of the need to travel and must attest to the validity of travel expense claims of travelers outside their organizational unit. Many of these organizational units are located in other geographic areas.

Supervisors have control over travel activity. They authorize travel, control travel budgets, and oversee a traveler's performance. They review and sign travel vouchers to verify that travel was performed as authorized. It is appropriate to consolidate travel oversight responsibilities to the approving official.

Recommendation

The Federal Travel Regulation currently states that the approving official's (supervisor's) review "shall not be a detailed audit for accuracy . . ." This practice is counter to conventional wisdom. The Project Team recommends placing responsibility for travel oversight with agency-designated approving officials.

This streamlines organizational administration and centralizes travel oversight with an individual (approving official) who oversees all other travel functions. Approving officials would attest that travel for which reimbursement is claimed was performed as authorized and that expenses are reasonable and necessary and supported by documentary evidence. Certifying officials would remain responsible for ensuring that no other payment is made for the claim. Travel payments would be disbursed upon the certifying officer's consent.

Implementation

This proposal can be effected by amending FTR sections 301-1 and 301-11 to modify the responsibilities of certifying and approving officials. The recommendation can be implemented immediately with little effort.

Temporary Duty Travel Issue

Eliminate telephone call certification requirement and increase use of telephone calling cards.

Background

Currently, federal statute (31 U.S.C. 1348(b)) requires agency heads to “certify,” before making payment, that individual official long distance telephone calls are in the interest of the government. All travelers are required to submit telephone call receipts, regardless of the amount. This requirement is based on a law enacted May 10, 1939.

The Federal Travel Regulation requires travelers to record on the travel voucher the service rendered, date, amount paid, and whether the service was official. In addition to the traveler’s reporting requirement, approving and finance office officials must also deal with the review and retention of telephone receipts (6 years and 3 months). Many travelers do not carry the government calling card and often place calls through hotel phone systems to document the time, date, and number called for certification purposes.

Recommendation

The Project Team recommends removing the current statutory certification requirement and delegating the management and review of communications expenses to the approving official. The current applicable statute is too prescriptive and counter to the intent of the law. It causes unnecessary administrative burden with little value. In many instances, the cost of certifying telephone calls exceeds the cost of the calls themselves. In addition, the Project Team recommends agencies increase use of the government calling card to further reduce costs. Unfortunately, saving from the use of the government calling card cannot be determined at this time.

Implementation

Alleviating the telephone certification requires the enactment of enabling legislation. In addition, several regulations must be amended to update references to the current certification requirement. These include FTR Sections 301.1, 301-6, and 301.7. The Federal Information Resources Management Regulation (FIRMR 201-21) also must be modified.

Temporary Duty Travel Issue

Require audit by statistical sampling

Background

Currently, numerous agencies audit all travel voucher calculations and supporting documentation regardless of the amount claimed. The 100% auditing of all travel vouchers is inefficient and costly.

Recommendation

The Project Team recommends requiring the use of statistical sampling methods in the auditing of travel vouchers. The use of statistical sampling auditing methods maintains a very high degree of integrity while reducing administrative costs. The General Accounting Office (GAO), under Public Law 93-604, has for years authorized the use of statistical sampling methods. Other audit means may be used where statistical sampling criteria cannot be met to test travel reimbursement calculations.

Implementation

Federal Travel Regulation Section 301-11.4, "Claims for Reimbursement, Submission and Review of Travel Vouchers," will be modified to encourage agencies to establish appropriate statistical sampling procedures consistent with Title 7 of the *GAO Policy and Procedures Manual for Guidance of Federal Agencies* to provide reasonable, rather than absolute, assurance that the review objectives in this section are met. Agency sampling techniques can be enhanced using travel software integrated with the agency's financial management system. The software should have automated edits to verify travel data migrated to the agency's financial systems. We also encourage agencies to review statistical sampling criteria with their agency's Office of the Inspector General. The Agency for International Development and the Department of Defense have both recently implemented statistical sampling for travel vouchers.

B. Requirements and Impacts of Recommendations

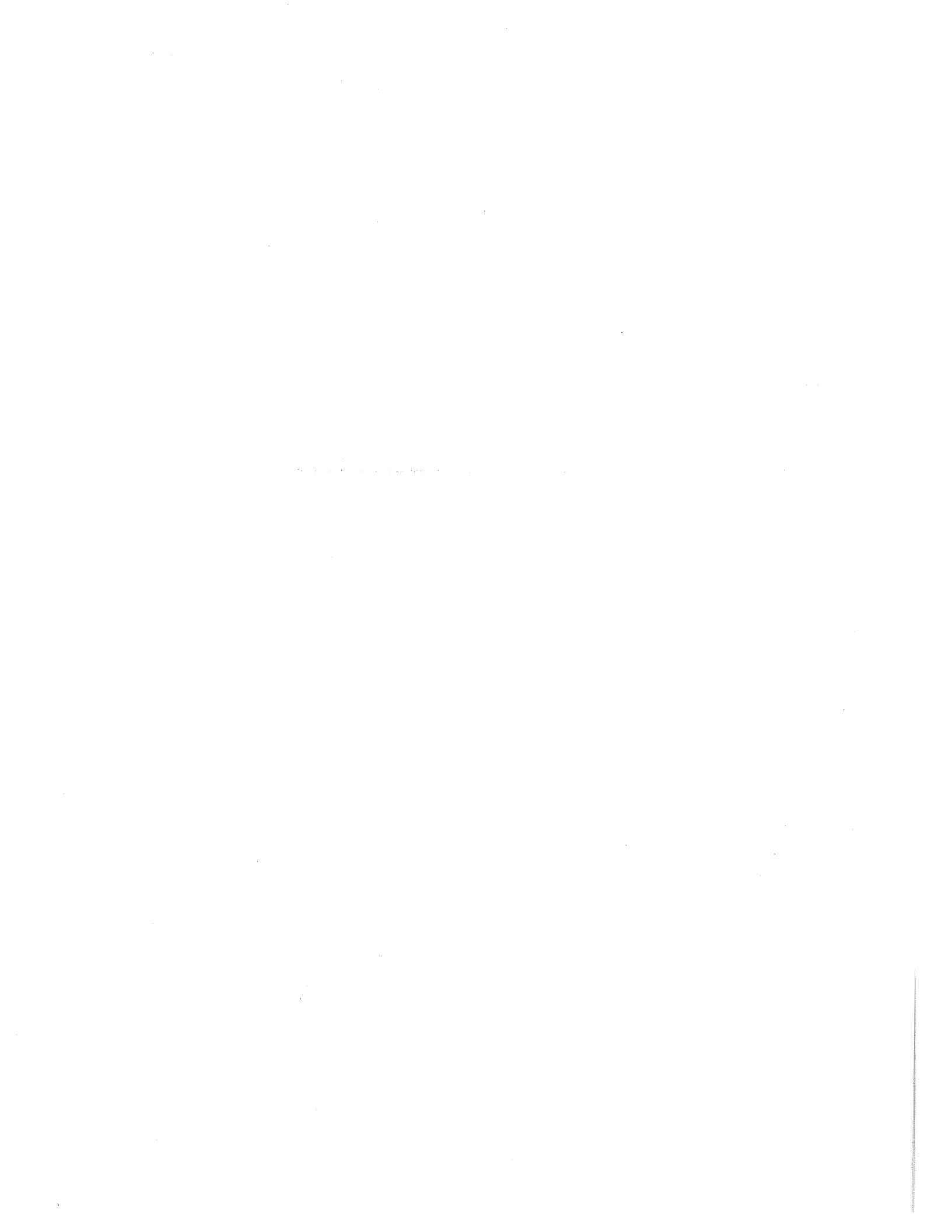
In the *Temporary Duty Travel Reinvention Proposals At-A-Glance* matrix, the Project Team:

- » lists the proposals,
- » indicates the "Nature of Change" as Legislative, Regulatory, both, or neither;
- » indicates whether or not there are tax policy implications associated with the initiative; and
- » estimates governmentwide savings from each initiative by savings in administrative expense, direct travel costs, and total amount.

Temporary Duty Travel Reinvention Proposals At-A-Glance

	Nature of Change		Tax Implications		Governmentwide Savings (\$ millions)		
	Legislation	Regulation	Yes	No	Admin	Direct	Total
Require the Use of the Government Charge Card and Automated Teller Machine (ATM) Programs		X		X	49.0	13.0	62.0
Consolidate and Automate Travel Data		X		X	89.5	(1.4)	88.1
Simplify Recording of Travel Times for Meals and Incidental Expenses Reimbursement and eliminate M&IE for Same Day Travel		X	X		15.7	25.0	40.7
Increase the Receipt Threshold from \$25 to \$75 and Allow Agencies to Determine Receipt Retention Requirements		X	X		92.0	0.0	92.0
Use Travel Management Centers (TMCs)		X		X	73.7	0.0	73.7
Implement Pre-determined Travel Costs		X	X		40.2	0.0	40.2
Shift Expense Review to the Approving Official		X		X	22.7	0.0	22.7
Eliminate Telephone Call Certification Requirement and Increase Use of Telephone Calling Cards	X	*		X	19.3	0.0	19.3
Require Audit by Statistical Sampling		X		X	28.4	0.0	28.4
TOTALS					430.5	36.6	467.1

*Regulation would be amended to update any legislative changes



IV. Relocation Travel Reinvention

A. Recommendations:

The issues addressed for relocation travel reinvention include the following:

Notify employee early of transfer	22
Require the use of the government-issued charge card and the automated teller machine (ATM) programs	23
Pay limited relocation allowances for a temporary change of station	24
Use cost-reimbursable pricing for Relocation Service Contracts	25
Pay pre-determined travel costs for temporary quarters	27
Pay pre-determined travel costs for househunting trips	28
Pay locality per diem for househunting trips (for employees using pre-determined travel costs)	29
Cap the value of homes paid for in Guaranteed Home Sale Programs	30
Pay home marketing incentive	31
Allow agencies to separately contract for residence-related relocation services including property management	33
Directly reimburse required property inspection and environmental testing fees	35
Directly reimburse property management expenses	36
Ship privately owned vehicles (POV)—Domestic	37
Ship privately owned vehicles (POV)—International	38
Assist accompanying spouse in finding employment	39
Modify the taxability of moving expenses and eliminate the relocation income tax allowance	40

Section B, which follows the recommendations, presents a matrix of *Relocation Reinvention Proposals At-A-Glance* (see pages 42 and 43).

Relocation Travel Issue

Notify employee early of transfer.

Background

Employees transferred to new official duty stations are frequently asked to begin work at their new duty stations as soon as possible, and often within 30 days of notice. This creates pressure, not altogether unavoidable, for the relocated employee to pack, move, and settle into the new location at a pace quicker than is conducive to good decision-making in regard to all the major relocation choices an employee is faced with having to make.

Supervisors often impose a reporting period that unduly burdens the employee who is to transfer. The rush that ensues has a negative effect on the quality of the relocation and associated relocation costs. There is a direct correlation between the time allotted for the employee to report to the new duty station and the costs of the relocation. When a shorter reporting period is imposed, relocation costs increase for temporary quarters, storage of household goods, and guaranteed home sale contracts. Such unfavorable cost increases, together with the additional stress on the employee and accompanying family members, could be avoided if agencies provided a longer advance notification period. The Federal Travel Regulation currently stipulates that a transferred employee be given no fewer than 30 days advance notice, unless other regulations or special conditions prevail. Some agencies have already instituted a longer notification period of 120 to 180 days and have consequently recognized a reduction in their relocation costs.

The conditions and cost of a relocation must be weighed carefully against the agency's need to have the services of the employee at the new duty station as soon as possible. In many circumstances, the agency cannot wait 3-4 months after formal notification of selection to relocate the employee to the new duty station. A requirement of 120 days notice could unduly restrict an agency's access to human resources and potentially impair the delivery of important services to the public.

Recommendation

The Project Team urges government agencies to provide advance notification of a change of official station to a relocating employee at as early a stage in the transition process as possible. The Project Team has concluded, however, that it will not recommend a mandatory advance notification period of more than the 30-day minimum guideline already specified in the Federal Travel Regulation.

Implementation

Implementation of this proposal would result in agencies voluntarily examining, and reviewing their current relocation policies and practices, and lengthening their period of advance notification to all relocating employees to the maximum extent possible. Early notifications extend employees' planning and preparation times and, in turn, can help reduce direct costs to the government.

Relocation Travel Issue

Require the use of the government-issued charge card and the automated teller machine programs.

Background

The Government-Issued Charge Card and ATM Programs are discussed at the start of the Temporary Duty Travel Reinvention chapter.

Recommendation

The Project Team recommends expanded use of the charge card program and that agencies particularly act to increase the use of charge cards within relocation travel activities. For permanent changes of station, charge card use has not been used to its fullest extent.

Implementation

As noted in the temporary duty travel section, this proposal can be effected by amending FTR sections 301-1, 301-3, 301-10, 301-11 and 301-15 to include a provision requiring use of the charge card payment system for all travel-related expenses and authorized advances of funds (with the ATM feature). Implementation of this proposal requires GSA to issue amendments to the affected FTR sections. This change will allow exceptions for situations when use of the charge card is impractical (e.g., temporary quarters in connection with a permanent change of station and long-term temporary duty travel), when long term travel (because of delayed voucher filing) would cause a charge card delinquency, or when travel is to areas where the card is not accepted.

This proposal provides for the use of the individual charge card by travelers and the use of centrally billed charge card account by agencies. Also, agencies may opt to split payments; i.e., reimbursement to travelers for out-of-pocket expenses, and direct payment to the charge card contractor. This process can provide for timely payment to the charge card contractor and maintain agency refunds.

Relocation Travel Issue

Pay limited relocation allowances for a temporary change of station.

Background

The services of federal employees frequently are needed at locations away from their permanent duty station for extended periods ranging from a few months to two years. Employees assigned to long-term details are expected to secure lodging and meals at a lower cost (e.g., weekly, monthly, or yearly rentals). The daily per diem allowance is expected to be reduced commensurate with the reduced costs incurred. In most cases, however, employees still receive a monetary allowance that significantly exceeds what is needed to cover expenses. In addition, employees generally are authorized to periodically return to their official stations on weekends to visit family.

Many agencies would find it more cost effective to authorize payment of full permanent changes of station expenses for detailed employees to move to the temporary duty locations and to return to the original official duty stations. These types of moves include residence transactions even though employees are expected to return to the same location.

Recommendations:

The Project Team recommends providing agencies the option to pay limited relocation allowances for a temporary change of station as an alternative to paying daily per diem allowances for long-term temporary duty assignments which are costly to agencies.

Specifically, the Project Team recommends that Chapter 57 of Title 5, United States Code, be expanded to grant agencies the option to reimburse temporarily detailed employees (and families) to areas within and outside CONUS for non-residence allowances (that currently does not include lease breaking) and other relocation allowances and benefits as prescribed. These limited benefits would include: enroute travel and transportation, shipment of privately owned vehicles, househunting trips when necessary and cost effective, lease breaking expenses and reimbursement for relocation income tax (RIT) allowances. Employees would decide whether to maintain or vacate residences at the official duty station, and they would be responsible for any associated costs.

Implementation

Implementation of the proposal will require amendment legislation, after which implementing regulations will be drafted by the General Services Administration.

Relocation Travel Issue

Use cost-reimbursable pricing for Relocation Service Contracts

Background

The Federal Travel Regulation currently limits relocation home sale payments made by agencies to contractors to that allowed for direct reimbursement of closing costs (currently \$22,398), unless agencies use fixed-fee pricing. Most relocation home-sale payments would exceed this limitation if contractors were adequately reimbursed. Consequently, virtually all federal agencies elect fixed-fee contract pricing.

Under fixed-fee pricing, a contractor is paid a specific fee (based upon a percentage of the home value) to cover actual costs of selling the home, overhead, and profit. The contractor, in turn assumes the risk that its total costs may exceed the fee received. As a result, contractor bids reflect an allowance for this risk, which makes fees under this pricing system generally higher than under a cost-reimbursable system. Fixed-fee pricing, however, does limit the government's liability. Under cost reimbursable pricing, a contractor is paid for the actual expenses incurred in purchasing, maintaining, and selling properties, plus a management fee (which usually is performance-based) without limit.

Agencies not limited by the direct reimbursement cost ceiling have found cost-reimbursable contracts to be advantageous. Private sector companies, which have provided the guaranteed home sale service to transferring employees for more than 30 years, also use cost-reimbursable contracts. Initially, private sector contracts were awarded with the same fixed-fee contracts now used by the government. This method was gradually eliminated, because fluctuations in real estate conditions drove contractor fees to higher levels to cover their risks. Also, fixed fee offered corporate relocation managers less opportunity to exert financial and operational control over the guaranteed home sale process.

Given appropriate resources, cost-reimbursable pricing — which pays a contractor actual costs, overhead, and a performance-based fee — offers the opportunity to be more cost effective than fixed-fee pricing. An audit of government relocation programs by several Offices of Inspector General (see the Multi-Agency Review of Employee Relocation Practices and Procedures — December 14, 1992) indicated that the four agencies participating in the audit could have reduced relocation costs by \$15.7 million over the one-year period studied, had they used cost-reimbursable pricing.

Cost-reimbursable pricing carries potential disadvantages as well. Agencies using costs-reimbursements must be prepared to assign experienced and dedicated relocation specialists to their contract oversight staff in order to effectively manage such programs. Agencies also would become more accountable for program costs and policy development since cost-reimbursable pricing, unlike fixed-fee pricing, does not automatically limit the government's cost liability for properties.

Recommendation

The Project Team recommends that a legislative change be made to establish authority allowing agencies to use cost-plus pricing structures when contracting for relocation services associated with the purchase of transferred employees'

homes. Allowing this flexibility would ensure that agencies are able to obtain services in the most cost-effective manner possible, considering both actual program and administrative costs.

Implementation

Implementation of this proposal will require legislative change to amend Chapter 57 of Title 5, United States Code. Agencies electing to utilize cost-plus structures for third party relocation service contracts should dedicate sufficient human resources to manage these contracts in a responsible, efficient, and effective manner.

Relocation Travel Issue

Pay pre-determined travel costs for temporary quarters

Background

Federal transferees often must occupy temporary quarters at the new duty station while seeking permanent quarters. For temporary living expenses, a federal transferee currently is eligible to be reimbursed up to \$66 per day for lodging, meals and incidental expenses during the first 30 days of temporary quarters, with reduced amounts authorized for spouse and family. The amounts are further reduced for subsequent periods. Up to 120 days of temporary quarters subsistence expenses (TOSE) may be authorized. Many transferees incur costs for 60-120 days of TOSE when in fact shorter periods might suffice. As a consequence, TOSE reimbursement is among the largest cost of categories in federal relocation.

Under the pre-determined cost reimbursement method, a transferee would not be paid for actual TOSE incurred, but would be paid a pre-determined calculated sum to cover TOSE. The transferee would have to manage with the amount provided and would retain any left-over surplus. Payment of a pre-determined "budget" would encourage the traveler to practice thrift and efficiency; it also would eliminate the need for receipts and detailed vouchers, greatly reducing paperwork and processing time on what normally is the most complex of vouchers to review.

In the private sector, pre-determined cost reimbursement already is used for temporary quarters, because of the simplicity of administration, administrative cost savings, and the empowerment it conveys upon a transferee to manage his or her move. Recent surveys of relocation managers indicate nearly 25 percent use some form of this method for TOSE, and the trend is increasing. More importantly, employee satisfaction with this method rates at the 98-99 percent level.

Recommendation

The Project Team recommends establishing authority for federal agencies to reimburse a transferee for TOSE using a pre-determined cost reimbursement method. The payment would be based on standard locality rates, with a transferee receiving three-quarters of the rate and the spouse and children each receiving one-quarter of the rate. The benefit would be calculated based upon a maximum of 30 days TOSE. The employee would have the right to elect this form of reimbursement or the traditional TOSE method.

Implementation

This recommendation would require a legislative change to Chapter 57 of Title 5, United States Code, establishing this authority. The Project Team intends that this method be offered as an option to, not a replacement of, the existing direct reimbursement method. Though receipts would not be required, a transferee using this method would be required to demonstrate proof that temporary quarters were required for a minimum of 30 days.

Relocation Travel Issue

Pay pre-determined travel costs for househunting trips

Background

Federal transferees who plan to purchase homes at the new duty station typically travel to that location in advance of the move to locate a suitable residence. For their househunting trip expenses, federal transferees currently are eligible to be reimbursed up to \$66 per day for lodging, meals and incidental expenses, with a reduced amount authorized for the spouse. Up to 10 days of househunting expenses may be reimbursed. Many transferees incur costs for the full 10 days of househunting expenses, when a shorter period might suffice.

Under the pre-determined cost reimbursement method, a transferee would not be paid for expenses incurred, but would be paid a pre-determined, calculated sum to cover all related travel expenses. The transferee must manage with the amount provided. Payment of a pre-determined "budget" encourages thrift and efficiency by the traveler; it also reduces the need for receipts and detailed vouchers, which greatly reduces paperwork and processing time.

In the private sector, predetermined cost reimbursement is already used for househunting trips, because of simplicity to administer, administrative cost savings, and the empowerment this method gives transferees to manage their own moves. As the government already successfully uses pre-determined cost reimbursement for miscellaneous expense allowances, use of a pre-determined travel costs payment may easily be extended to househunting trips and payments for temporary quarters.

Recommendation

The Project Team recommends establishing authority for federal agencies to reimburse their transferees for househunting trip expenses using a pre-determined cost reimbursement method. The payment would be based on standard locality rates, with the transferee receiving the full rate and spouses receiving one-quarter of the rate. The benefit would be calculated based upon a 5-day trip maximum.

This approach will save on administrative costs not only through reduced paperwork, but also through reducing resources needed to guide transferees through the complicated rules associated with the current temporary quarters process. This approach will also save on travel costs because average reimbursements will be lowered by limiting the period on which the benefit is based to 5 days.

Implementation

This recommendation would require legislation amending Chapter 57 of Title 5, United States Code, to establish this authority. Also, the Project Team intends that this method be offered as an option to, not a replacement of, the existing direct reimbursement method. Though receipts would not be required, transferees utilizing this method would have to demonstrate proof that househunting trip expenses were required for a minimum of 5 days.

Relocation Travel Issue

Pay locality per diem for househunting trips (for employees not using pre-determined travel costs)

Background

Currently the Federal Travel Regulation prescribes the standard continental United States (CONUS) per diem rate (\$66 per day) as the maximum daily subsistence reimbursement rate allowable within CONUS for househunting trips between the old and new duty stations. Subsistence includes the allowance for lodgings as well as meals and incidental expenses. This rate applies to all CONUS localities, including both high and low-cost areas. Additionally, the FTR provides that the transferred employee's spouse be reimbursed a flat fraction of the employee's per diem rate instead of being individually reimbursed under the lodgings-plus method. In many instances, travel to a high-cost area results in single employees incurring out-of-pocket subsistence expenses. For example, a single employee performing travel to an area where the cost of lodging is \$80 per day, would incur not only \$14 in out-of-pocket lodging expenses, but also the cost of meals, for the day.

Recommendation

The Project Team recommends that agencies be given discretionary authority to authorize reimbursement for househunting trips to the new official station based on use of locality rates already established and used for temporary duty travel, or based on use of the standard CONUS rate, whichever is applicable. Surcharges or add-on fees for an accompanying spouse would be reimbursable.

Implementation

Implementation of this proposal will require the General Services Administration to make a regulatory change in the Chapter 301, Section 301-7, and Chapter 302, Section 302-4 of the Federal Travel Regulation. Agencies opting to reimburse relocating employees using locality rate per diem will need to develop, review or revise househunting trip policies. Implementation of this proposal will require agencies to modify automated travel systems.

Relocation Travel Issue

Cap the value of homes paid for in Guaranteed Home Sale Programs

Background

When a transferred employee's home is sold under a third-party relocation service contract, the agency pays the third-party firm a fee that is proportional to the appraised value of the home sold. While infrequently encountered, such a fee on a very expensive home can make prohibitively expensive the cost of relocating the employee (e.g., the fee on a \$500,000 home can range as high as \$100,000 to \$150,000).

Some agencies have limited the costs exposure associated with the sale of expensive homes by instituting a cap or ceiling on the value of homes they will cover in a contracted relocation services program (for example \$300,000). An employee who owns a home that exceeds the cap can participate in the relocation services program, but the agency limits its financial obligation to the contractor by applying the applicable fee to the cap value. The portion of the fee applicable to the remaining amount in value is borne by the seller (employee).

As an alternative, the employee may bypass these contracted services by electing to sell the home on his or her own and claim direct reimbursement for closing expenses. In making this election, however, the employee would face a dollar limit on the amount of reimbursement, which currently is \$22,398. Agency managers choosing to implement a value cap on relocation services could therefore base such a decision on the fact that participants in a contracted relocation services program can reasonably be asked to face limitations on benefits to that similar to participants in a direct reimbursement program.

Recommendation

The Project Team recommends amending the Federal Travel Regulation to establish a ceiling or cap on the value of homes paid for in a contracted home sale program. Each agency would have discretionary authority to designate the value limit being imposed. Homes with values exceeding the cap would not be barred from acceptance into the relocation service program, but the government's financial obligation would be limited to the appropriate percentage of the ceiling.

Implementation

Implementation of this proposal will be discretionary for agencies. However, if implemented, agencies will minimize their financial obligation for high-value homes being placed in a contracted guaranteed home sale program. The recommendation can be effected through a regulatory change by amending FTR Part 302-12 to describe the mechanism of establishing a value cap and encourage agencies to implement one.

Relocation Travel Issue

Pay home marketing incentive

Background

Most federal agencies currently offer some or all of their transferees the assistance of a relocation contractor to market and sell their homes. Agencies pay contractors a fee for this service. When the contractor must find a buyer for the home, the fee (which covers marketing, maintenance and unlimited carrying costs, resale losses, settlement charges, and risk) is substantial, typically amounting to one-third of a home's appraised value. When a transferee finds a buyer for the home, the resultant fee is considerably reduced because the fee in that instance need only cover limited maintenance and carrying costs, and settlement charges. The proportion of relocating federal transferees that find buyers for their homes is currently low because of the relative convenience of having the contractor handle that responsibility. Contractor efforts to encourage self marketing have been very helpful, but the government can and should do more.

Recommendation

The Project Team recommends a new approach to this area of relocation travel — an approach that saves money and is consistent with the principle of managing for results. To encourage transferees using contractor services to attempt to market their homes, the government should offer a cash incentive for a successful sale.

Already a well-established practice in the private sector, the cash incentive award program has already been piloted in the government. In January 1994, the Social Security Administration piloted a Relocation Home Marketing Incentive Program designed to address this issue. Because no vehicle yet exists within the FTR to pay a home marketing incentive, SSA developed its own incentive program using already existing legislation for employee awards. This award was structured in keeping with 5 U.S.C. § 4503, which authorizes special act or service awards for an accomplishment that benefits the government. An SSA transferee who sells, and closes on, his or her home in connection with a change of station is paid a cash award of \$2,500.

The pilot program has achieved considerable success. For the first year of operation, (calendar year 1994), SSA registered 92 amended sales out of 168 program transactions—an amended sale rate of 55%, which compares favorably to the agency's historical rate of 30 percent. After paying cash awards, SSA still garnered savings of \$930,000 from these amended sales. SSA forecasts approximately the same improved rate of employee sales for 1995.

The Project Team recommends changing chapter 57 of Title 5, United States Code, to specifically give agencies authority to pay cash incentive awards to transferees who sell, and close on, their homes in connection with a change of official station. The Project Team recommends a flat governmentwide amount be awarded (\$2,500) which is consistent with private sector practice.

Implementation

Implementation of this proposal will require enactment of enabling legislation.

Agencies would modify appropriate systems, depending on their election to pay the incentive award through their payroll systems, or commercial and/or travel payment systems. As a result of the legislative change to Title 5, an implementing regulatory change to Federal Travel Regulation, part 302-12 will follow, authorizing cash incentive awards.

Relocation Travel Issue

Allow agencies to separately contract for residence-related relocation services including property management.

Background

Section 5724a of Title 5, United States Code, allows agencies to contract and pay for services that assist transferees in arranging for the sale of their homes at the old duty stations. The statute provides that "such services include but need not be limited to arranging for the purchase of a transferred employee's residence," which suggests that a more expanded interpretation of property-related services for which an agency contract is reasonable. Examples of additional services include pre-transfer counseling, property management, rental and buyer home finding assistance, mortgage counseling, and closing services.

Agencies have learned, by the example of their private sector counterparts, that offering additional services to transferees can contribute considerably to the success of a relocation, saving transferees time and expense and in some cases saving agencies costs as well. To offer these services, most agencies have had to either bundle them together with the basic home sale service under one fee, or ask employees to pay for them to avoid violating the limiting language of the Regulation.

Current FTR language has forced at least two unfavorable developments in the way the government is billed for relocation services:

By bundling services into the standard home sale rate, the government has difficulty in indentifying the exact cost of each separate service.

A few services, such as buyer home finding assistance, have been offered to agencies at no cost. Contractors may or may not receive a share of the commissions (fee) ultimately earned by subcontractors (e.g., brokers), which can increase a contractors risk. If costs are unbundled, then expense could better managed, reducing risks to the contractors, and costs to the government.

Recommendation

The Project Team recommends establishing authority in the FTR for agencies to unbundle and separately contract for property-related services such as pre-transfer counseling, marketing assistance, property management, buyer and rental home finding assistance, mortgage counseling, and closing services. In the case of property management, the Project Team further recommends that a transferee who owns a home be offered an irrevocable choice between home sale service or property management, so that a transferee will not use both services for the same move.

Implementation

Implementation of this proposal will be made by an FTR amendment specifying the types of services for which an agency may separately contract in addition to the purchase of a transferred employee's residence.

Relocation Travel Issue

Directly reimburse required property inspection and environmental testing fees.

Background

State or local statutes require that various property inspections be performed before a residence can be sold or purchased throughout most locations in the United States. These inspections not only certify the condition of the property, but also identify needed remediation of environmental hazards such as radon, asbestos, and lead paint.

Companies that contract with federal agencies to provide relocation services ensure that such inspections and testing are performed, in order to identify property defects and correct them, and thus avoid costly lawsuits. Such services are generally included in the relocation fee paid by agencies to these companies. Hence, the services are not paid for by the employee.

However, when a transferee sells a home (on his or her own) at the former official duty station without participating in a third-party relocation contract, or purchases a home at the new official station with or without the help of a contractor, the agency (by regulation) is not permitted to reimburse the employee the cost of these same services, unless required by a lender. In the case of a home sale, a transferee who files for direct reimbursement for closing costs associated with a residence transaction is given unequal treatment compared to a transferee who is assisted by a contractor.

Recommendation

The Project Team recommends that employees claiming direct reimbursement be paid for required property inspections and environmental testing fees. The Project Team recommends that reimbursement be allowed only for inspections or tests that are required to be conducted by federal, state, or local law or by the lender, as a precondition of the sale or purchase of a relocation residence. This will protect the government from paying for services that are unnecessary or which are elected primarily for the convenience or preference of the transferee.

Implementation

This recommendation can be effected through a regulatory change to amend the Federal Travel Regulation Part 302-6.2 and issue implementing regulations allowing agencies to directly reimburse these costs directly to the employee.

Relocation Travel Issue

Directly reimburse property management expenses

Background

Property management assists a transferee in retaining, and renting, rather than selling, his or her home at the old duty station. Offering this as an option to outright sale of a home in connection with a relocation provides flexibility for agencies and transferees. This is particularly true when it is believed that (1) the transferee may ultimately return to the original/former duty station; or (2) conditions in the real estate market at the time of transfer would result in a significant capital loss for the transferee, if sale of the home is attempted.

The discussion under the recommendation to "Allow agencies to separately contract for residence-related relocation services including property management" addresses reimbursing transferees for costs of property management services offered within relocation service contracts. This discussion addresses reimbursing transferees for costs of property management services when transferees elect *not* to use contracted relocation services.

Recommendation

The Project Team recommends modifying Title 5, United States Code to allow agencies to directly reimburse transferees for expenses incurred in securing property management services in connection with a permanent change of station. Services would typically include securing a renter, collecting and making payments in connection with rental activities, and managing and maintaining the property. It is intended that employees receiving property management reimbursements will not later be reimbursed for home sale expenses associated with the same move.

Implementation

Implementation of this proposal will require an enactment of enabling legislation modifying Title 5, Section 5724a of the United States Code. Agencies will then issue internal regulations/guidelines advising employees of the availability of direct reimbursement for property management services in lieu of selling their residence. Agency guidelines must state that transferees reimbursed for property management expenses may not claim reimbursement for home sale expenses associated with the same move.

Relocation Travel Issue

Ship Privately Owned Vehicles (POV)—Domestic

Background

Currently, the statute (5 U.S.C. § 5727) prohibits the shipment of a POV at government expense in connection with a permanent change of official station within the continental United States (CONUS). For enroute travel to the new official station, agencies reimburse a transferee, and/or immediate family members, for mileage, based on the number of occupants in the vehicle, and for per diem while enroute. Concurrently, agencies also incur a cost for an employee's salary for unproductive time by granting administrative leave to travel between the old and new official stations. The Federal Travel Regulation stipulates that, at a minimum, employees must travel a distance of 300 miles per day.

Recommendation

The Project Team recommends agencies be given flexibility to authorize shipment of a POV within CONUS when advantageous and cost effective to the government. Factors to consider would include: distance to be driven, estimated number of days enroute, and salary costs for unproductive time while driving to the new duty station.

Implementation

Implementation of this proposal will require enabling legislation to amend Chapter 57 of Title 5, United States Code, and subsequent issuance of implementing regulations in the Federal Travel Regulation by the General Services Administration for shipment of a POV within CONUS.

Relocation Travel Issue

Ship privately owned vehicles (POV) — International

Background

Currently the Federal Travel Regulation specifies that a transferee whose POV was transported at government expense to an official station outside the continental United States (CONUS) may have that vehicle returned to the United States at government expense (not to exceed certain limitations). Thus, return of a POV (not necessarily the same vehicle) to the United States when the overseas tour is completed requires that a POV must have been shipped at government expense to the overseas official station. Transferees who are relocated overseas without a POV, but who acquire a vehicle overseas, cannot avail themselves of this benefit.

To take advantage of this entitlement, some employees ship a POV overseas with no intention of shipping it back. Often such a vehicle is in poor mechanical condition, and the employee disposes of it and obtains a newer one for return shipment to the United States at government expense.

Recommendation

The Project Team recommends that agencies be provided flexibility to authorize and pay for the shipment of a POV (from a post of duty outside the U.S.), back to the United States even though a POV was not originally shipped to the overseas post of duty.

Implementation

Implementation of this proposal will require the General Services Administration to issue a regulatory change in the Federal Travel Regulation for shipment of a POV from an overseas duty station, even though a POV was never originally shipped to the foreign post of duty from the United States.

Relocation Travel Issue

Assist accompanying spouse in finding employment.

Background

Currently, when a dual-career family relocates, the accompanying spouse must find employment at the new duty station with very little assistance from the government. In many cases, the spouse is unable to find employment at the new location resulting in loss of the second income and consequent financial burden and emotional stress with inevitable impact on the productivity of the relocated employee. In addition, mortgage financing at the new duty station may be unavailable if evidence of two incomes is required but not yet secured. Private sector companies have already discovered that to recruit and retain the best workforce possible, and to ensure that relocated employees are productive in their new positions as soon as possible, some form of employment assistance for relocating spouses represents money well-spent.

Recommendation

The Project Team recommends that federal agencies have discretionary authority to pay for employment assistance for relocating spouses. The assistance may include: resume developing and printing; access to a job network; career counseling; employment agency or job placement fees.

Many of these services are already offered as a package by relocation sub-contractors who specialize in helping transferring spouses find work. Such packages can be cost effective for the government by grouping services under one price and providing the services by trained professionals, saving the spouse effort and time.

Implementation

Implementation of the proposal will require enabling legislation to amend Chapter 57 of title 5, United States Code. The guidance will be sufficiently specific to preclude misuse, but will enable agencies to exercise this authority when it is deemed in the best interest of the government.

Relocation Travel Issue

Modify the taxability of moving expenses and eliminate the relocation income tax allowance.

Background

Currently, federal employees are taxed on reimbursements for moving expenses which are not considered qualified moving expense reimbursements under section 132 (g) Internal Revenue Code. A qualified moving expense reimbursement includes reimbursement for enroute transportation, enroute subsistence expenses (except meal expenses), and transportation and temporary storage of household goods.

The government, and most private sector organizations, reimburse their employees for the taxes incurred on moving expense reimbursements through "gross-up" mechanisms. The government's "gross-up" mechanism, called the relocation income tax (RIT) allowance, costs \$32 million in administrative expenses to effectively transfer back to government employees \$250 million collected in taxes from those same employees.

Increased global competition has led to corporate downsizing and consolidation of corporate offices. Today, employing organizations receive the primary economic benefit of a relocation, not the transferee. Many private and public sector employees accept transfers to maintain their current position as opposed to improving their position within the organization. Employers then receive the benefits of a streamlined organization. Employers are therefore willingly pay large sums (the average cost of private sector relocations is approximately \$45,000) for relocating skilled workers who are deemed essential. Employers recognize that reimbursement of income taxes incurred on moving expense reimbursements is a significant relocation cost, and must be considered as part of any comprehensive relocation package. The Employee Relocation Council, a relocation industry trade association, reports that 90 percent of its corporate members gross up for the taxes their employees incur on moving expense reimbursements.

Recommendation

The Project Team recommends that the tax on moving expense reimbursements be assessed against the party receiving the economic benefit of the relocation; i.e., the employer. This proposal will obviate the need for the RIT allowance since the government is a tax-exempt organization.

Specifically, the Project Team recommends that the definition of qualified moving expense reimbursements contained in I.R.C. § 132(g) be expanded to include all moving expense reimbursements. The proposal also requires amending I.R.C. § 274 to limit the employer's compensation deduction for qualified moving expense reimbursements to those expenses which would be deductible by individual taxpayers under I.R.C. § 217.

Implementation

Implementation of this proposal will require coordination with tax experts at the Department of the Treasury toward achieving enactment of enabling tax legislation. Once it is enacted, the Department of the Treasury must issue implementing rules and regulations. The definition of "covered taxable

reimbursements" under FTR provisions governing the RIT allowance excludes tax-exempt reimbursement. The RIT allowance, therefore, will be rendered inapplicable by the change in tax law. The General Service Administration subsequently will issue an FTR amendment to reflect the change.

B. Requirements and Impacts of Recommendations

In the *Relocation Travel Reinvention Proposals At-a-Glance* matrix, the Project Team:

- » lists the proposals,
- » indicates the "Nature of Change" as Legislative, Regulatory, both, or neither;
- » indicates whether or not there are tax policy implications associated with the initiative; and
- » estimates governmentwide savings from each initiative by savings in administrative expense, direct travel costs, and total amount.

Relocation Reinvention Proposals At-A-Glance

	Nature of Change		Tax Implications		Governmentwide Savings (\$millions)		
	Legislation	Regulation	Yes	No	Admin	Direct	Total
Notify Employee Early of Transfer	N/A	N/A		X	0.00	8.80	8.80
Require the Use of the Government Charge Card and Automated Teller Machine (ATM) Programs		X		X	3.27	0.87	4.13
Pay Limited Relocation Allowances for a Temporary Change of Station		X	X		0.90	13.60	14.50
Use Cost Reimbursable Pricing for Relocation Service Contracts	X	*		X	5.70	27.40	33.10
Pay Pre-Determined Travel Cost for Temporary Quarters	X	*	X		17.00	42.20	59.20
Pay Pre-Determined Travel Cost for Househunting Trips	X	*	X		1.50	9.30	10.80
Pay Locality Per Diem for Househunting Trips (for Employees Not Using Pre-Determined Travel Cost)		X	X		0.00	(1.10)	(1.10)
Cap the Value of Homes Paid for in Guaranteed Home Sale Programs		X		X	0.02	6.60	6.63
Pay Home Marketing Incentive	X	*	X		6.58	135.60	142.18
Allow Agencies to Separately Contract for Residence Related Relocation Services Including Property Management		X	X		0.00	10.90	10.90
Directly Reimburse Required Property Inspection and Environmental Testing Fees		X	X		(0.25)	(0.25)	(0.50)
Directly Reimburse Property Management Expenses	X	*	X		0.10	1.40	1.50
Ship Privately Owned Vehicles—Domestic	X	*	X		0.00	7.90	7.90
Ship Privately Owned Vehicles—International		X	X		0.00	20.0	20.0
Assist Accompanying Spouse in Finding Employment	X	*	X		(0.30)	(5.60)	(5.90)
Modify the Taxability of Moving Expenses and Eliminate the Relocation Income Tax Allowance	X	*	X		35.00	0.00	35.00
TOTALS					70.52	285.12	355.64

*Regulation would be amended to update any legislative changes

Appendix

Travel Improvement Project Team

Project Sponsor

Dennis Fischer
Chief Financial Officer
General Services Administration

Travel Improvement Project Co-Chairmen

Sean Allan
Deputy Assistant Commissioner
Federal Supply Service
General Services Administration

Don Charney
Chief Financial Officer
U.S. Agency for International Development

Travel Improvement Project Director

Ajay K. Madan
Project Director
Joint Financial Management Improvement Program

Temporary Duty Travel Improvement Team Co-Chairs

Ajay K. Madan
Project Director
Joint Financial Management Improvement Program

Tom Mundell
Systems Accountant
U.S. Agency for International Development

Relocation Travel Improvement Team Co-Chairs

Kevin Lanagan
Project Officer, Division of Travel Management
Social Security Administration

Richard L. Trent
Director, Employee Relocation Team
U.S. Customs Service

Temporary Duty Travel Reinvention Team Members

Joseph T. Androsko
Drug Enforcement Administration
Department of Justice

Lubov Angell
Central Intelligence Agency

Michael Anthony
Department of Interior

Paul Becker
Department of Labor

Juliette Bethea
Department of Agriculture

Donald Boldon
Department of Health & Human Services

Sandi Cavanaugh
Department of the Treasury

Doris A. Chew
Joint Financial Management Improvement Program

Joseph Chupka, Jr.
National Aeronautics and Space Administration
Department of Transportation

Robert A. Clauson
Federal Supply Service
General Services Administration

Bena Cramer
Joint Financial Management Improvement Program

Pat Dugan
U.S. General Accounting Office

Ray Evon
Department of State

Sheila Fant
Environmental Protection Agency

Joddy Perkins Garner
Federal Supply Service
General Services Administration

Steve Goldberg
Internal Revenue Service
Department of the Treasury

Robert Gordon
Department of Energy

Mike Griffin
Department of Labor

Jane Groat
Federal Supply Service
General Services Administration

Norman Hall
Department of Education

Jim Harte
Department of Defense

Sandra Kazimer
Department of Commerce

Ray Kudobeck
Department of Education

Carol Langelier
U.S. General Accounting Office

Virginia Largent
Social Security Administration

Jim Lucas
Federal Emergency Management Agency

Malin Mong
Department of Transportation

Carolyn Nawrocki
Federal Emergency Management Agency

Jerry Petty
U.S. Customs Service

Rick Sefchick
Central Intelligence Agency

Art Seggerson
Forest Service
U.S. Department of Agriculture

Barbara Sherry
Bureau of the Census
Department of Commerce

DeeAnn Smith
Agency for International Development

Denise Stokes
Department of Housing & Urban Development

Robert Tanner
Smithsonian Institution

Paul Taylor
General Services Administration

Larry Tucker
Federal Supply Service
General Services Administration

Jim Wachter
Department of Defense

Lou Worley
Department of Transportation

Relocation Travel Reinvention Team Members

Joseph T. Androsko
Drug Enforcement Administration
Department of Justice

Bonnie Britten
Department of Veterans Affairs

Duncan Calcote
U.S. Secret Service
Department of the Treasury

Doris A. Chew
Joint Financial Management Improvement Program

Robert A. Clauson
Federal Supply Service
General Services Administration

Bena Cramer
Joint Financial Management Improvement Program

Joddy Perkins Garner
Federal Supply Service
General Services Administration

Marianne Graves
Office of Thrift Supervision

Jane Groat
Federal Supply Service
General Services Administration

Clem Gross
Internal Revenue Service
Department of the Treasury

Josephine Horn
Drug Enforcement Administration
Department of Justice

Doris Jones
U.S. General Accounting Office

Marge Kochersperger
Department of Transportation

Robert L. Logan
Drug Enforcement Administration
Department of Justice

Jim Lucas
Federal Emergency Management Agency

Ajay K. Madan
Joint Financial Management Improvement Program

Tom Mundell
U.S. Agency for International Development

Les Oden
Department of Interior

Pat Oliver
National Oceanic and Atmospheric Administration
Department of Commerce

Lester Pitts
U.S. Department Agriculture

Art Seggerson
Forest Service
U.S. Department Agriculture

Janelle Stark
Forest Service
Department of Agriculture

Umeki G. Thorne
Agency for International Development

Amber Tucker
Office of the Comptroller of the Currency
Department of the Treasury

Larry Tucker
Federal Supply Service
General Services Administration

Jim Wachter
Department of Defense

Sandi Walters
National Oceanic and Atmospheric Administration
Department of Commerce

La Shawn Wilson
Bureau of Alcohol, Tobacco and Firearms
Department of Treasury

Bill Wright
Bureau of Alcohol, Tobacco and Firearms
Department of Treasury

