



Office of Inspector General

September 2005
Report No. 05-036

**The FDIC's Management of
Travel Costs**

EVALUATION REPORT

Office of Audits



oig



Background and Purpose of Evaluation

The FDIC contracted with the Scheduled Airlines Traffic Offices, Inc. (SatoTravel) to perform travel reservation services for FDIC employees. SatoTravel assists the FDIC's travelers in making official travel arrangements that are consistent with the FDIC's travel policies, cost considerations, and employee preferences, in that order.

The FDIC executed the SatoTravel contract in August 2002 with 1 base year and four 1-year options. The FDIC is currently in option year 2 of the contract. The total compensation ceiling for the 5-year contract period is \$900,000.

The objective of this evaluation was to determine whether the FDIC and SatoTravel are efficiently and effectively managing travel costs and requirements. Additional details on our objective, scope, and methodology are provided in Appendix I.

The FDIC's Management of Travel Costs

Results of Evaluation

The FDIC can improve monitoring and controls over its travel program. Specifically, the Division of Finance (DOF) suspended a requirement for bank examiners to make lodging reservations through SatoTravel, which, in turn, reduced the amount of rebates the FDIC received under the contract for hotel reservations. As a result, DOF is exceeding the SatoTravel contract compensation ceiling amount. We estimated that the FDIC may exceed the 5-year contract compensation ceiling price by \$367,000—a contract increase of 40 percent. In late July 2005, the Division of Administration (DOA) approved additional funding to cover anticipated contract costs through September 2006.

In addition, the FDIC could further reduce travel costs and increase program controls by increasing the number of travelers that:

- Stay in hotels that offer commissions to the FDIC. The FDIC received rebates averaging 3.4 percent of total lodging amounts at commissionable hotels for 2003 and 2004. Because rebates are volume-based, the FDIC could receive rebates as high as 10 percent of total lodging amounts, depending on the volume of reservations to commissionable hotels.
- Use SatoTravel's on-line reservation system to make lodging arrangements. Currently, only 11 percent of FDIC travelers use the on-line system.

Further, DOF requires the use of the government-issued travel card only for airfare costs. Requiring the use of the government travel card for all travel costs, including airline, hotel, and car rental would achieve modest savings in the form of rebates from the travel card sponsor bank, strengthen management control over the travel program by providing better information for planning and negotiating travel services, and promote internal consistency.

Finally, most government agencies are required to use the General Services Administration's (GSA) eTravel Program by 2006. The goal of the eTravel program is to centralize the federal government's travel process and reduce administrative travel expenses. Although the FDIC is not required to use the eTravel program, it could improve or eventually replace the FDIC's current travel program.

Recommendations and Management Response

We recommended that DOF:

- evaluate reinstating the FDIC's policy requiring mandatory use of the national travel agency for making hotel reservations while conducting bank examinations,
- encourage travelers to stay in commissionable hotels,
- provide guidance and training to FDIC employees on the use of SatoTravel's on-line reservation system,
- conduct an analysis to determine the cost/benefit of requiring the use of the government-issued travel card for all FDIC travel, and
- research GSA's eTravel program to determine whether it could improve or replace the FDIC's current travel program.

Management agreed with four of our five recommendations and adequately addressed the remaining recommendation to reinstate the policy requiring mandatory use of the national travel agency for bank examiners.

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DATE: September 21, 2005

MEMORANDUM TO: Fred S. Selby
Director, Division of Finance

FROM: Russell A. Rau [Electronically produced version; original signed by Russell A. Rau]

SUBJECT: *The FDIC's Management of Travel Costs*
(Report No. 05-036)

This report presents the results of our evaluation of the Federal Deposit Insurance Corporation's (FDIC) travel costs. The objective of this evaluation was to determine whether the FDIC and Scheduled Airlines Traffic Offices, Inc. (SatoTravel) are efficiently and effectively managing travel costs and requirements. Additional details on our objective, scope, and methodology are provided in Appendix I.

Background

The FDIC executed a contract with SatoTravel, effective September 30, 2002, to perform travel reservation services for FDIC employees. The contract had an initial period of performance expiring on September 30, 2003 and four 1-year options. The FDIC is currently in option year 2, which expires on September 30, 2005. The total compensation ceiling for the 5-year contract period is \$900,000. Under the terms of the contract set forth in the Contractor's Pricing Schedule, the FDIC will guarantee a minimum profit to SatoTravel at a percentage of net airline and rail sales, including SatoTravel's costs and expenses, direct and indirect, as well as any profit, fee, or markup.

SatoTravel assists FDIC travelers in making official travel arrangements consistent with the FDIC's travel policies, cost considerations, and employee preferences, in that order. SatoTravel provides FDIC travelers a complete range of travel services on a nationwide basis. The contractor is required to make confirmed reservations, both domestic and international, for all types of transportation (airline and rail), lodging, rental vehicles, and conference facilities. Table 1 presents selected information on SatoTravel activity for 2004. In addition, the FDIC budgeted \$46 million for travel expenses in 2004 and 2005. The Division of Supervision and Consumer Protection's (DSC) travel expenses accounted for about 80 percent of that amount for both years.

| for 2004 | |
|-----------------------------------|-------------|
| Travel Type | Totals |
| Air/Rail Sales | \$6,258,491 |
| Number of Hotel Reservations | 12,692 |
| Number of Car Rental Reservations | 3,450 |
| Number of Tickets Issued | 19,914 |
| Source: SatoTravel. | |

The Division of Finance (DOF) is responsible for the FDIC's travel program and oversight of the SatoTravel contract. The goal of the travel program is to provide efficient reimbursement to employees, incorporate industry best practices, and allow the Corporation to conduct its primary

business without distraction and with minimal administrative costs. Anyone authorized to travel on official business for the FDIC is required to follow the FDIC's *Regular Duty Travel Regulations*, which are issued by DOF and can be found on the FDIC's internal Web site.

Evaluation Results

The FDIC can improve its monitoring and controls over the FDIC's travel program. Specifically, DOF suspended a requirement for bank examiners to make lodging reservations through SatoTravel, which, in turn, reduced the amount of rebates the FDIC received under the contract for hotel reservations. As a result, DOF is exceeding the SatoTravel contract compensation ceiling amount. We estimated that the FDIC may exceed the 5-year contract compensation ceiling price by \$367,000—a contract increase of 40 percent. In late July 2005, DOA approved additional funding to cover anticipated contract costs through September 2006.

In addition, the FDIC could further reduce travel costs and increase program controls by increasing the number of travelers that:

- Stay in hotels that offer commissions to the FDIC. The FDIC received rebates averaging 3.4 percent of total lodging amounts at commissionable hotels for 2003 and 2004. Because rebates are volume-based, the FDIC could receive rebates of up to 10 percent of total lodging amounts, depending on the volume of reservations to commissionable hotels.
- Use SatoTravel's on-line reservation system to make lodging arrangements. Currently, only 11 percent of FDIC travelers use the on-line system.

Further, DOF requires the use of the government-issued travel card only for airfare costs. Requiring the use of the government travel card for all travel costs, including airline, hotel, and car rental would achieve modest savings in the form of rebates from the travel card sponsor bank, strengthen management control over the travel program by providing better information for planning and negotiating travel services, and promote internal consistency.

Finally, most government agencies are required to use the General Services Administration's (GSA) eTravel Program by 2006. The goal of the eTravel program is to centralize the federal government's travel process and reduce administrative travel expenses. Although the FDIC is not required to use the eTravel program, it could improve or eventually replace the FDIC's current travel program.

Opportunities to Reduce Travel Costs and Improve Travel Controls and Management

The FDIC has several opportunities to reduce overall travel costs and improve controls and management of the travel program. Currently, DSC examiners are not required to make lodging reservations through SatoTravel. Further, the FDIC could do more to increase: (1) the number of travelers staying in commissionable hotels and (2) the use of SatoTravel's on-line reservation system.

Hotel Reservations for Bank Examiners

DSC examiners are not booking hotel reservations through SatoTravel when they are conducting examinations. As a result, about 70 percent of the FDIC's hotel reservations are not being booked through SatoTravel. In May 2004, in response to DSC complaints, DOF changed the FDIC's mandatory policy for DSC examiners to book hotels through SatoTravel. Consequently, the FDIC is not receiving rebates from hotel commissions on most FDIC travelers' lodging costs. Further, most FDIC travelers' lodging costs are not included in activity reports that SatoTravel provides to DOF to manage the travel program.

In August 2001, the FDIC contracted with a consultant for a review entitled, *Travel and Relocation Best Practices Assessment for the FDIC*.¹ The consultant's report recommended that the FDIC "mandate use of the FDIC's corporate travel agency for all travel arrangements involving airline, hotel, car rental, or delivery service." The consultant indicated that mandatory use of a travel agency would improve management controls over the travel program and enhance the FDIC's ability to serve FDIC travelers and administrative staff more efficiently. Thereafter, the FDIC required that all Corporation travelers use the FDIC's nationwide travel agency to make all transportation, lodging, and rental car reservations.

In an effort to improve the FDIC's travel-related programs and services, DOF conducted a customer service evaluation in August 2003. DOF received a significant number of unfavorable comments from examiners concerning hotel reservations in both rural and metropolitan areas. For example, DSC examiners complained that booking reservations through SatoTravel took an unreasonable amount of time, and in many cases, SatoTravel's reservation system did not include available hotels in small towns. In response to the complaints, SatoTravel and DSC developed a database of information for about 350 hotels where FDIC-supervised banks were located. However, DSC examiners continued to indicate that it was easier and less time-consuming to book their own hotel reservations. In May 2004, DOF officials issued an exception to the travel policies to allow DSC examiners the ability to book their own hotel reservations. Based on our discussions with DOF and DSC, it appears that DOF suspended the travel policy requirement before DSC and SatoTravel had an opportunity to utilize the hotel database.

The FDIC's *Regular Duty Travel Regulations*, Chapter 2, *Travel Regulations Overview*, section 2.B.1., *Employee Responsibilities/Obligations*, Part F, requires the use of the FDIC's national travel agency to book all transportation, lodging, and rental cars. However, section 2.B.1. also states that the "policy requiring mandatory use of the national travel agency to make hotel reservations while conducting examinations of financial institutions or to make Amtrak rail reservations is suspended indefinitely."² DOF used the wording "suspended indefinitely" to have the ability to address this issue at a later time if necessary.

The policy exemption applies to DSC examiners only when they are traveling to conduct a bank examination. All other DSC employees who are not examiners and examiners who are not conducting a bank examination must book hotel reservations through SatoTravel. For the period January 1, 2004 through December 31, 2004, SatoTravel booked \$3.4 million in hotel reservations. In contrast, the FDIC's Electronic Travel Voucher (ETV) System indicated that DOF had reimbursed FDIC travelers for \$10.5 million in hotel expenses for the same period.

¹ The report was dated May 2003; however, the consultant discussed the findings with the FDIC in December 2001.

² The exception for making Amtrak reservations applies to all FDIC employees.

The difference of \$7.1 million indicates that a significant percentage of hotel reservations are not being booked through SatoTravel. DOF has estimated that it pays approximately \$100,000 per year more in travel expenses due to the loss of hotel rebates.

For those hotel reservations booked through SatoTravel, the FDIC receives various SatoTravel reports that identify which hotels FDIC employees have reserved, whether FDIC employees are following FDIC travel policies and procedures that relate to hotels for pricing (such as the allowable GSA³ lodging rate for each location), and whether FDIC employees are staying at hotels that pay commissions. SatoTravel is required to provide FDIC oversight manager with monthly reports on reservations, refunds, and other travel data for all FDIC travelers. Due to the extent of reservations being made directly by employees, the SatoTravel reports are not complete and could limit FDIC managers' ability to properly manage the travel program.

Contract Compensation Ceiling Amounts

The decision to exempt DSC examiners from using SatoTravel to make lodging reservations contributed to the FDIC exceeding the specified compensation ceiling amounts under its contract with SatoTravel. As of March 2005, the FDIC paid SatoTravel \$741,662 in total compensation for the 30-month period (October 2002 through March 2005) when only \$700,000 was allowed under the contract through September 30, 2005, the end date of Option Period 2. Table 2 presents contract cost information.

The contract states that SatoTravel "... shall notify the Contracting Officer, in writing, when Contractor has incurred charges to the FDIC, in the aggregate, of seventy-five percent (75%) of each of these dollar amounts." SatoTravel did not notify the FDIC in 2004 when the charges reached the amounts stated in the contract.

Table 2: Compensation Ceiling Amounts Compared to Actual Payments

| Time Period | Contract Period | Compensation Ceiling | Actual Payments to SatoTravel | Remaining Funds |
|--|-------------------------------|----------------------|--------------------------------|-------------------|
| October 1, 2002 through September 30, 2003 | Initial Period of Performance | \$400,000 | \$259,222 | \$140,778 |
| October 1, 2003 through September 30, 2004 | Option Period 1 | \$200,000 | \$258,357 | \$82,421 |
| October 1, 2004 through September 30, 2005 | Option Period 2 | \$100,000 | \$224,083 (through March 2005) | (\$41,662) |
| Sub-Totals | | \$700,000 | \$741,662 | (\$41,662) |
| October 1, 2005 through September 30, 2006 | Option Period 3 | \$100,000 | | |
| October 1, 2006 through September 30, 2007 | Option Period 4 | \$100,000 | | |
| Totals | | \$900,000 | \$741,662 | (\$41,662) |

Source: OIG Analysis.

³ GSA has partnered with the lodging industry to provide federal travelers with quality accommodations within per diem allowances for selected high-volume travel destinations.

The FDIC SatoTravel contract oversight manager, technical monitor, contract officer, and contract specialist were unaware that the FDIC had exceeded the contract compensation ceiling amounts. The *FDIC's Acquisition Policy Manual, Chapter 2, Requirements Package*, states:

The Contracting Officer and the Oversight Manager are jointly responsible for monitoring the total dollar amount of delivery orders against the approved expenditure authority and, where appropriate, against limits established within the contract for certain services or deliverables. The Contracting Officer will not issue a delivery order that is not in compliance with the contract or that may result in expenditures in excess of the approved expenditure for that contract.

According to a DOA Acquisition Services Branch (ASB) representative, the FDIC is no longer allowing its divisions to spend funds that exceed the amounts specified in the contracts. The Corporation is also requiring more oversight on all contracts to ensure that all terms and conditions are being met and, specifically, that all payments are in accordance with contract limits.

Should SatoTravel costs remain at about \$250,000 a year, we estimated that SatoTravel could exceed its contract compensation limit by \$367,000 over the full 5-year contract period, approximately a 40-percent increase. In this regard, the SatoTravel contract stated "... the ceiling pricing takes into account certain estimated revenues from third party sources and to the extent such revenues are not realized, appropriate adjustments to the ceiling prices will be made."

On July 29, 2005, the Associate Director, ASB, approved a justification for a non-competitive procurement from DOF for additional funding of \$465,000⁴ for the SatoTravel contract. The additional funding will cover expected contract costs through September 2006 (the fourth year of the contract). DOF also provided the following events as justification for the additional funding:

- upcoming compensation negotiations with the National Treasury Employees Union (NTEU), which include travel program allowances;
- planned evaluation of FDIC's ETV system and whether changes will impact the travel program;
- industry changes that could impact FDIC's travel program; and
- possible implementation of a new on-line travel reservation tool later in 2005, which could yield significant cost savings.

Hotels That Pay Commissions

SatoTravel has agreements with many hotel establishments that offer commissions to SatoTravel based on a percentage of the total FDIC reservations made to the hotel. Thus, when the FDIC travelers book a hotel reservation through SatoTravel, the FDIC receives a commission that is subtracted from the total invoice amount billed to the FDIC. The SatoTravel contract requires SatoTravel to rebate all hotel commissions that they receive directly to the FDIC.

SatoTravel's contract with the FDIC states that SatoTravel shall provide FDIC travelers and travel arrangers with lodging choices but that preference shall be given to hotels that are

⁴ DOF computed the \$465,000 additional funding through September 2006 by determining the remaining funds on the contract of \$61,195 and using a maximum expected cost of \$35,000 per month for 15 months.

commissionable. However, the FDIC's travel regulations do not require or encourage FDIC employees to book reservations at hotels that offer commissions.

SatoTravel provided us with the top five hotels used by FDIC employees from October 2003 through September 2004. Three of the top five hotels that FDIC employees most often used normally do not pay commissions on reservations.⁵ SatoTravel noted the majority of FDIC travelers ask for a hotel by name. If a traveler does not request a hotel by name, SatoTravel agents will first attempt to reserve a hotel that is in the SatoTravel hotel program. Such hotels guarantee commissions and offer either a rate of 5 percent below per diem or additional amenities with the per diem amount. Hotels participating in the SatoTravel program are contractually obligated to pay SatoTravel commissions.

If the FDIC required all employees, including bank examiners, to book hotel reservations through SatoTravel, the FDIC could receive additional rebates from hotels that participate in the SatoTravel program. For example, if only 50 percent of the bookings were made at hotels that offer rebates, and the FDIC received the average 2003 and 2004 rebate of 3.4 percent, the FDIC could receive about \$120,000⁶ annually in additional hotel rebates. Further, SatoTravel stated the FDIC could receive rebates as high as 10 percent of the hotel lodging amount depending on the volume of reservations.

SatoTravel's Web Site Booking System

SatoTravel's contract requires SatoTravel to provide FDIC travelers with the means to make reservations by e-mail, through an on-line booking tool, by faxed request, and by telephone. Each method must provide travelers the ability to make reservations for official travel in accordance with FDIC policies. The on-line booking tool, FedTrip, was available to FDIC employees from 2003 until May 2005. However, only 11 percent of FDIC travelers used FedTrip to make travel reservations. SatoTravel is in the process of changing from FedTrip to a new on-line system. Increased use of an on-line booking tool could reduce contract costs and enhance program controls.

Opportunity for reducing contract costs: Currently, SatoTravel has six travel agents and one supervisor assigned to provide travel services to the FDIC. With an increase in usage of the on-line booking tool, the FDIC could reduce its travel costs by reducing the number of designated travel agents that currently provide services to the FDIC. The FDIC pays for all travel agent salaries, benefits, and overhead associated with travel services for the FDIC. A SatoTravel contract representative indicated that SatoTravel could reduce the number of agents assigned to the FDIC contract by one agent for each 15-percent increase in the number of on-line reservations and estimated a savings of about \$19,427⁷ annually. If the FDIC increased on-line usage by 45 percent, the FDIC could save the costs for salaries and benefits for three agents, thereby reducing overall travel costs paid to SatoTravel. The SatoTravel contract currently includes no provisions for reducing travel agent charges in response to an increased usage of the on-line booking tool.

⁵ Although the majority of these hotels normally do not pay commissions, some hotels are independently owned and pay commissions even though they do not participate in the SatoTravel program.

⁶ This estimated figure of \$120,000 is in line with the \$100,000 that FDIC officials estimated the FDIC would receive in rebates from the policy change for DSC examiners.

⁷ SatoTravel stated that this reduction consists of \$24,684 in salary and benefit expenses for one travel agent and \$3,601 in reductions for other direct expenses offset by \$8,857 in additional self-booking fees annually.

Marketing of the on-line booking tool: As discussed earlier, only about 11 percent of FDIC travelers used FedTrip. This low usage level could have resulted from a system that is not considered user-friendly, inadequate training in the use of FedTrip, or limited encouragement by FDIC management to use the system. According to SatoTravel, other government agencies have experienced a higher usage of on-line booking tools as compared to the FDIC. For example, one government agency reported 98-percent usage of FedTrip.

According to SatoTravel representatives, the success of an on-line system depends on properly training FDIC employees. SatoTravel will offer specific on-line training to FDIC employees. In addition, SatoTravel offers continuous classes to all of its government clients who use an on-line system. Also, SatoTravel has developed a user manual/job aid that will be made available to all users. DOF plans to issue a global e-mail announcing the new on-line system when it is ready for use. DOF will also address the FDIC's policy on the use of the new on-line system. DOF does not intend to make use of the on-line system mandatory but will encourage all travelers to use it. It is important that the FDIC adequately market the new on-line system to FDIC travelers to ensure employee buy-in.

Contractual requirement for an on-line booking tool: As discussed earlier, the SatoTravel contract required SatoTravel to provide an on-line booking tool to FDIC travelers. As of May 1, 2005, FedTrip was no longer available to FDIC employees for booking travel reservations. Its replacement, Quality Agent, was scheduled to be available on May 1, 2005; however, due to technical complications, FDIC decided that Quality Agent would not work in the FDIC travel environment. Instead, SatoTravel planned to test a system called RESX in several FDIC locations across the country, beginning on September 1, 2005. The test will run for 2 months, and if successful, DOF will implement RESX FDIC-wide. According to DOF, RESX is easier to navigate than QA and will meet the business needs of FDIC travelers.

Other Matters for Consideration and Evaluation

The FDIC has other opportunities to reduce travel costs and improve control over its travel program. Specifically, the FDIC could revise its policy to require all employees to use the travel card for all official travel costs, including airline, hotel, and car rental costs. The FDIC should also consider utilizing GSA's eTravel program for FDIC travel needs.

Use of the Travel Card

The FDIC can increase the rebate it receives from the travel card sponsor by requiring employees to charge all airline, hotel, and car rental costs on the travel card. Currently, the FDIC policy requires the mandatory use of the travel card for airline charges only. The airline industry will not allow a traveler to receive a government fare if the reservation is not charged on a government travel card. However, there is no requirement to use the travel card for hotel or car rental charges.

The Travel and Transportation Reform Act of 1998, Public Law 105-264, required that federal employees use a government-issued travel charge card for payment of all expenses relating to official government travel. However, the Act also authorized agency heads or their designees to exempt employees, classes of employees, payments, or classes of payments from the requirements of the Act. Consistent with the Act, and as the result of negotiations with the NTEU, paragraph 2.G.S.C. of the FDIC's *Regular Duty Travel Regulation* allows FDIC

employees to use personal credit cards for hotel, rental car, and meal expenses while on regular duty travel to accumulate frequent flyer points or cash rebates associated with the use of such cards. Any changes to this policy would have to be negotiated with the NTEU.

Many credit card issuers provide incentives for the card holders to make charges on their cards. Incentives include reward points for every dollar charged on the card that can be used for free airline tickets, free hotel stays, and various other gifts. Thus, some FDIC employees would rather use their own credit cards to charge official FDIC travel.

A DOF representative estimated that if the FDIC increased its annual government-issued credit card spending from the current level of \$17.5 million to \$35 million, the FDIC could receive an additional \$12,000 in rebates that would decrease the FDIC's travel costs. The travel consultant report entitled, *Travel and Relocation Best Practices Assessment for the FDIC*, also recommended mandatory use of the corporate credit card. Besides increasing the amount of rebates to the FDIC from the sponsor bank, mandatory use of the card would provide the FDIC with better information for monitoring travel costs and planning and negotiating travel services.

GSA's eTravel Program

GSA initiated its eTravel project in November 2001 as one of five e-government initiatives undertaken in response to the President's Management Agenda. eTravel is aimed at improving government operations and is expected to save taxpayers 50 percent in government travel costs over 10 years. GSA is the managing partner of this program in collaboration with other partner agencies. GSA has mandated that all agencies, with a few exceptions such as the Department of Defense, choose from the eTravel-approved contractors by 2006. The goal of eTravel is to consolidate the federal government's travel process in a Web-centric service that covers all steps of a travel transaction, including planning and authorizing travel, making reservations, delivering electronic tickets, calculating and approving reimbursements, and archiving data. The goal is to cut administrative expenses by increasing the number of self-service travel transactions.

Although the FDIC is not required to use the eTravel program, it could improve or eventually replace the FDIC's current travel program. Accordingly, we believe the FDIC should explore the eTravel program to determine whether it could be a long-term replacement of and improvement over the FDIC's current travel program.

Recommendations

We recommend that the Director, DOF:

1. Evaluate reinstating the FDIC's travel policy requiring mandatory use of the national travel agency for making hotel reservations while conducting examinations of financial institutions.
2. Encourage FDIC travelers to use hotels that offer commissions for all lodging reservations.
3. Provide information, guidance, and training to FDIC employees to ensure that they understand how to use SatoTravel's on-line reservation system and its capabilities so that the FDIC can increase usage of the system.

4. Conduct an analysis to determine the cost/benefit of making the government travel card mandatory for all FDIC travel.
5. Research GSA's eTravel Program and determine whether the travel services available under the program could improve or replace the FDIC's current travel program.

CORPORATION COMMENTS AND OIG EVALUATION

The Director, DOF, provided a written response dated September 12, 2005. DOF's response is presented in its entirety in Appendix II. Appendix III presents a summary of DOF's responses to our recommendations.

DOF agreed with recommendations 2 through 5 and proposed actions sufficient to resolve those recommendations. However, the four recommendations will remain undispositioned and open for reporting purposes until we have determined that the agreed-to corrective actions have been completed and are effective.

Regarding recommendation 1, DOF stated that it gave considerable thought to reinstating the policy requiring mandatory use of the national travel agency for DSC examiners. However, DOF stated that given the numerous complaints by DSC examiners, the additional time they would have to spend making hotel reservations through SatoTravel, and the negative impact the policy had on examiner morale, DOF does not intend to reinstate the policy at this time. DOF's actions are responsive to the recommendation, and we consider recommendation 1 resolved, dispositioned, and closed.

However, because of DOF's position on recommendation 1 and our estimate that 70 percent of the FDIC hotel reservations are not being booked through SatoTravel, the current management fee pricing structure under the SatoTravel contract's may not be the most cost-effective option for the FDIC. We encourage DOF to review the contract pricing structure to ensure that it reflects the FDIC's current business travel model. For example, a transaction-based fee structure may be a more cost-effective option for the FDIC. If DOF determines that the current pricing structure is not the most cost-effective option, DOF should re-solicit a new contract for travel services or renegotiate the contract with SatoTravel.

Objective, Scope, And Methodology

The objective of this evaluation was to determine whether the FDIC and SatoTravel are efficiently and effectively managing travel costs and requirements.

To accomplish our objective, we:

- Interviewed DOF and DOA personnel responsible for the management of the FDIC's travel program. In addition, we interviewed DSC personnel and reviewed various DSC documents to gather input on travel-related problems within the FDIC, specifically, problems related to the change in FDIC policy that allows DSC examiners to book hotel reservations without using SatoTravel. Further, we interviewed two representatives from SatoTravel to gather information on the travel industry, contract issues, and the on-line booking Web sites, FedTrip and Quality Agent.
- Reviewed the FDIC's Regular Duty Travel Regulations in relation to DSC examiners booking hotel reservations. We also reviewed other related travel issues.
- Reviewed various travel reports prepared by SatoTravel as required in the contract. For example, we reviewed the City Pair Report, Refund Report, Hotel Booking Report, and the Reservation and Ticketing report. In addition, we reviewed the FDIC Quarterly Travel Activity Report prepared by SatoTravel for the period October–December 2004.
- Determined the total amount of payments made to SatoTravel from October 2002 through March 2005 to ensure that all amounts were in agreement with the contract terms and conditions. In addition, we ensured that no duplicate payments had been made to SatoTravel.
- Reviewed the contract executed August 29, 2002 between the FDIC and SatoTravel for travel services.
- Attended a demonstration sponsored by SatoTravel on one of the available on-line travel reservation booking tools.
- Reviewed the Runzheimer International, Ltd., report entitled, *Travel and Relocation Best Practices Assessment for the Federal Deposit Insurance Corporation*, dated May 2003.
- Reviewed various internal reports generated by DOF for travel-related issues. For example, we reviewed the *FDIC Management Fee Summary Report* for the period October 2002 through December 2004.

We evaluated the effectiveness of management controls by reviewing policies and procedures, organizational charts, and the SatoTravel contract, contract invoices, and travel activity reports. Also, we relied on information from ETV to obtain background statistics on FDIC travel activity and to estimate the amount of lodging costs for lodging reservations that were not being made through SatoTravel. We did not perform specific procedures to validate the reliability of data within ETV because it was not significant to our evaluation objective.

We conducted our evaluation field work from March through July 2005 in accordance with generally accepted government auditing standards.

Corporation Comments



Federal Deposit Insurance Corporation
550 17th St. NW Washington DC, 20429

Office of the Director
Division of Finance

September 12, 2005

MEMORANDUM TO: Stephen M. Beard
Deputy Assistant Inspector General for Audits
Office of Inspector General

FROM: Frederick S. Selby [Electronically produced version; original signed by Frederick S. Selby]
Director

SUBJECT: Response to the OIG Draft Report Entitled *The FDIC's Management of Travel Costs (Assignment No. 2005-027)*

We appreciate the evaluation and recommendations by the OIG contained in the draft report entitled, "The FDIC's Management of Travel Costs" issued August 16, 2005. The Division of Finance (DOF) welcomes the opportunity to continually improve management of travel costs whenever possible.

The above referenced report included five (5) recommendations. Below please find each recommendation followed by DOF's response.

OIG Recommendation #1: Evaluate reinstating the FDIC's travel policy requiring mandatory use of the national travel agency for making hotel reservations while conducting examinations of financial institutions.

Management Response: DOF has given considerable thought to reinstating the policy requiring mandatory use of the national travel agency by the Division of Supervision and Consumer Protection (DSC) travelers conducting examinations of financial institutions, and is keenly aware of the financial impact of the decision to indefinitely suspend this policy. However, given the numerous complaints made by DSC examiners as well as the negative impact this policy had on morale among DSC examiners, DOF does not intend to reinstate the policy at this time.

DSC represents DOF's largest customer base. Therefore, a primary goal of DOF travel programs must be to meet the needs of this group. Most examiners stay at small hotels in rural areas that are not listed in the computer reservation systems used by travel agencies to make reservations and typically do not offer commissions. Therefore, if SatoTravel is used to make reservations at these properties, the traveler must either wait to receive an e-mail confirmation from the agent or hold on the phone while the agent locates the number to the property and then calls and makes a reservation. Given the limited access to e-mails that can exist while examiners are at a bank, checking e-mail to see if a reservation has been made is not a viable option.

Additionally, holding on the phone also is not making the best use of an examiner's time when the examiner can call the property directly and make a reservation in less time. While it is true that suspending the referenced policy has resulted in an overall increase in the cost to administer the national travel agency program¹, the increased cost is not significant enough to warrant the additional time examiners would have to spend making hotel reservations through SatoTravel or the increase in customer complaints and declining morale that would result from a reinstatement of this policy. We do not believe that re-instating this policy would be in the best interest of customer service and DSC concurs with our evaluation.

OIG Recommendation #2: Encourage FDIC travelers to use hotels that offer commissions for all lodging reservations.

Management Response: We concur with this recommendation. DOF cannot mandate the use of such hotels without first satisfying its collective bargaining obligations. However, DOF can certainly encourage travelers to use hotels that offer commissions via a global e-mail advising travelers of the benefits of booking commissionable properties. In addition, if the new online reservation system is implemented, the global e-mail announcing its implementation will include information on how to identify and select SatoTravel hotel rates. SatoTravel rates are special rates negotiated by SatoTravel with individual hotels. These rates are all at or below per diem and are always commissionable. A global e-mail advising travelers of the benefits of using commissionable properties will be transmitted by October 28, 2005.

Implementation of the online booking tool is contingent upon the results of the test which begins on September 12th and will last approximately 60 days. RESX is the product currently under consideration. If the test is successful, the product will be implemented throughout FDIC.

OIG Recommendation #3: Provide information, guidance, and training to FDIC employees to ensure that they understand how to use SatoTravel's online reservation system and its capabilities so that FDIC can increase usage of the system.

Management Response: We concur with this recommendation. As noted in the audit report, DOF is currently evaluating RESX, an online reservation system being offered to FDIC by SatoTravel. If the decision is made to implement RESX, a user guide (which has already been developed) will be posted on the DOF travel web site. Travelers will be advised via global e-mail to read the user guide prior to making reservations in the online system. In addition, a help desk number and e-mail address will be provided to FDIC travelers. General information and usage tips will be provided to travelers in the global e-mail. This information also will be posted on the DOF travel web site.

¹ Under the Sato contract, FDIC guarantees Sato a minimum profit of 1% of net air/rail sales, including expenses incurred by SatoTravel to provide the services required under the contract. Expenses and income (vendor commissions) are netted against each other to determine net operating expenses. Therefore a decrease in commissions received from hotel bookings results in an overall increase in the amount Sato invoices the FDIC for its services.

Completion of this task is contingent upon the successful testing and implementation of RESX, the online reservation system currently under consideration by DOF, but we anticipate the online system to be implemented before December 31, 2005.

OIG Recommendation #4: Conduct an analysis to determine the cost-benefit of making the government travel card mandatory for all FDIC travel.

Management Response: We concur with this recommendation. DOF will work with Bank of America to determine the cost benefit of making the government travel card mandatory for all FDIC travel. If the analysis shows a financial benefit sufficient to warrant a policy change, such a change could not be implemented until DOF met its collective bargaining obligations. Initial estimates indicate that the resulting increase in rebates would not be sufficient to warrant a change in policy that is likely to be detrimental to the morale of FDIC travelers. DOF will complete this analysis by January 31, 2006.

OIG Recommendation #5: Research GSA's eTravel program to determine whether the program could improve or replace the FDIC's current travel program.

Management Response: We concur with this recommendation. A process improvement study of the travel processing system has already been planned for 2006. The study will review the benefits of each of GSA's eTravel programs. GSA offers three separate programs which were developed by three outside contractors, EDS, CWGT, and Northrup Grumman. In addition to the GSA programs, the study will review other commercial travel processing systems. Our existing Electronic Travel Voucher System (ETV) will also be studied to determine the feasibility of adding those capabilities that are available on GSA's programs which are not available on ETV. Those capabilities include:

1. A Travel Reservation Module;
2. Web-based accessibility;
3. Split Payment Processing. This is the ability to designate which portion of a travel voucher reimbursement should be paid directly to the travel credit card company and which portion should be paid directly to the employee.

Once this study has been completed, estimated to be by September 30, 2006, a recommendation will be made to management on which approach best meets the needs of the FDIC.

cc: Steve App
Karen Hughes
Bob Waldron
Rick Cywinski

MANAGEMENT RESPONSE TO RECOMMENDATIONS

This table presents the management responses on the recommendations in our report and the status of the recommendations as of the date of report issuance.

| Rec. Number | Corrective Action: Taken or Planned/Status | Expected Completion Date | Monetary Benefits | Resolved: ^a Yes or No | Dispositioned: ^b Yes or No | Open or Closed ^c |
|-------------|---|--------------------------|-------------------|----------------------------------|---------------------------------------|-----------------------------|
| 1 | DOF did not concur with the recommendation but considered reinstating the policy requiring mandatory use of the national travel agency by DSC examiners. However, given the numerous complaints by DSC examiners, additional time they would spend making hotel reservations through SatoTravel, and the negative impact the policy had on examiner morale, DOF does not intend to reinstate the policy at this time. | N/A | \$0 | Yes | Yes | Closed |
| 2 | DOF cannot mandate the use of commissionable hotels without first satisfying its collective bargaining obligations. However, DOF will advise travelers of the benefits of booking commissionable properties. In addition, if the new on-line reservations system is implemented, the global e-mail announcing its implementation will include information on how to identify and select SatoTravel hotel rates. | October 28, 2005 | \$0 | Yes | No | Open |
| 3 | DOF is evaluating the on-line reservations system called RESX and if a decision is made to implement this system, a user guide will be posted on the DOF travel Web site. Travelers will be advised to read the user guide prior to making reservations in the on-line system and will be provided a help desk number and an e-mail address. General information and usage tips will also be provided to travelers and will be posted on the DOF travel Web site. | December 31, 2005 | \$0 | Yes | No | Open |

| Rec. Number | Corrective Action: Taken or Planned/Status | Expected Completion Date | Monetary Benefits | Resolved: ^a Yes or No | Dispositioned: ^b Yes or No | Open or Closed ^c |
|-------------|--|--------------------------|-------------------|----------------------------------|---------------------------------------|-----------------------------|
| 4 | DOF will work with Bank of America and conduct an analysis to determine the cost/benefit of making the government travel card mandatory for all FDIC travel. If the analysis shows a financial benefit sufficient to warrant a policy change, such a change would not be implemented until DOF met its collective bargaining obligations. | January 31, 2006 | \$0 | Yes | No | Open |
| 5 | DOF has scheduled a process improvement study of the travel processing system in 2006. The study will review the benefits of each of GSA's e-Travel programs. In addition, DOF will review other commercial travel processing systems. The FDIC's ETV will also be studied to determine the feasibility of adding capabilities available in GSA's programs but not available in ETV. | September 30, 2006 | \$0 | Yes | No | Open |

^a Resolved – (1) Management concurs with the recommendation, and the planned corrective action is consistent with the recommendation.

(2) Management does not concur with the recommendation, but planned alternative action is acceptable to the OIG.

(3) Management agrees to the OIG monetary benefits, or a different amount, or no (\$0) amount. Monetary benefits are considered resolved as long as management provides an amount.

^b Dispositioned – The agreed-upon corrective action must be implemented, determined to be effective, and the actual amounts of monetary benefits achieved through implementation identified. The OIG is responsible for determining whether the documentation provided by management is adequate to disposition the recommendation.

^c Once the OIG dispositions the recommendation, it can then be closed.