

Report To

The Mississippi Legislature



A REVIEW OF THE FISCAL MANAGEMENT BOARD'S STATE TRAVEL MANAGEMENT PROGRAM

December 14, 1988

Mississippi's state travel management program is a compulsory travel reservation service for state agencies and institutions which was initiated in 1986. PEER reviewed this program, which is administered by the state Fiscal Management Board. The travel program is cost-effective, having generated a net economic benefit of \$197,000 during FY 1988. Without legal authority, the Fiscal Management Board exempts travelers from complying with the travel program by granting waivers for airline or other public carrier travel arrangements if agencies can prove that lower rates can be obtained (primarily air fare packages for large national conventions). By interviewing travel-intensive state agencies and universities, PEER determined that the state travel management program and the state's contract travel agency (McGehee/Ask Mr. Foster) operate in a manner generally satisfactory to users.

The PEER Committee

PEER: THE MISSISSIPPI LEGISLATURE'S OVERSIGHT AGENCY

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**A REVIEW OF THE FISCAL MANAGEMENT BOARD'S
STATE TRAVEL MANAGEMENT PROGRAM**

December 14, 1988

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December 14, 1988

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HONORABLE TIM FORD, SPEAKER OF THE HOUSE
MEMBERS OF THE MISSISSIPPI STATE LEGISLATURE

At its meeting of December 14, 1988, the PEER Committee authorized release of its report entitled A Review of the Fiscal Management Board's State Travel Management Program.



Senator Cecil Mills, Chairman

**This report does not recommend increased
funding or additional staff**

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A REVIEW OF THE FISCAL MANAGEMENT BOARD'S STATE TRAVEL MANAGEMENT PROGRAM

EXECUTIVE SUMMARY

Background

During the 1986 legislative session, the Legislature amended MISS. CODE ANN. Section 25-3-41 to require the Fiscal Management Board (FMB) to competitively bid a contract with a commercial travel agency for all necessary travel services for state officers and employees. The amended section specified that the contract was to be executed with the lowest and best bidder. Further, once the contract was let, any travel by a state officer or employee in the performance of official duties, whether by airline or other public carrier, was to be arranged by the selected travel agency. Travel arrangements required to be made by the contract travel agent include not only airline and other public carrier reservations, but lodging reservations and automobile rentals. The purpose of amending Section 25-3-41 in this way was to capture some of the potential savings associated with the large volume of travel required of state employees and officials each fiscal year or, at least, to help the state to manage its travel dollar more efficiently.

Contract Administration and Control

After receiving and evaluating competitive bids, the State Fiscal Management Board awarded its first travel agency contract to Avanti Travel, Inc., for the period January 1 through December 31, 1987. FMB awarded its second travel agency contract to McGehee/Ask Mr. Foster for the period January 1 through December 31, 1988, and has also awarded the 1989 contract to McGehee.

The Fiscal Management Board employs a State Travel Coordinator to administer the travel management program. The State Travel Coordinator monitors contractor performance through a series of monthly reports submitted by the contract agency at the close of each month's books. These reports reflect such travel indicators as overall travel activity (use), savings accrued, agency-specific activity with an impact on savings, and aging reports for accounts receivable. These reports allow the FMB to monitor both the rate and cost of state travel and the level of agency compliance with state travel guidelines.

Program Cost/Savings Analysis

The state travel management program seeks, through the travel agency contract, to provide economic benefits to the state by producing revenue and by obtaining lower fares than would otherwise be available.

According to the State Travel Coordinator and Glenn McGehee, owner of the contract travel agency, in certain instances a lower fare may exist that may not be available through McGehee. These lower fares are primarily available through conferences and groups which negotiate directly with an airline or a travel agency for a very low discount fare or through consolidators that purchase blocks of airline seats and resell them to individual travelers.

The revenue of the travel management program has been derived from (1) prompt payment rebates; (2) hotel/car rental commissions; and (3) prepaid ticket rebates. During FY 1988, the state travel management program produced \$54,720.55 in revenue.

Travel agency report summaries for FY 1988 show a total of \$2,555,273.13 in potential cost avoidance. FMB points out that these figures are the result of taking the "actual fare used" and subtracting it from the "lowest unrestricted fare" available (walk-up counter fares frequently used for business trips). This cost avoidance amount is based on the assumption that the traveler would, without the travel management program, have always used the unrestricted fare.

To avoid using the "lowest unrestricted fares," the Fiscal Management Board has contracts with Delta and Northwest Airlines for flights between selected departure sites in Mississippi and frequent destinations. Had these contracts not been in force for the period January through October 1988, the state would have paid \$442,015 more for the "lowest unrestricted fare."

During FY 1988 the state travel management program's total operating expenditures were \$45,115. The State Travel Coordinator's salary and fringe benefits account for \$38,229, or 84%, of these expenditures.

Net Economic Benefit

In order to determine the net benefit that the state travel management program provides the state, the operating costs of the program must be deducted from any revenue or cost savings. The following figures represent the calculation of the net benefit of the state travel management program during FY 1988.

Revenue Collected	\$ 54,720
Contract Air Fare Actual Savings	<u>187,395</u>
Total Economic Benefit	\$242,115
State Travel Agency Operating Costs	\$ 45,115
NET ECONOMIC BENEFIT	\$197,000

Findings

Contrary to state law, the Fiscal Management Board grants waivers for airline or other public carrier travel arrangements.

MISS. CODE ANN. Section 25-3-41 states: "Whenever any state officer or employee travels in the performance of his duties by airline or other public carrier, he shall have his travel arrangements handled by such [the state] travel agency." Despite this requirement, some agencies continue to handle travel arrangements involving public carrier transportation outside the state travel agency. If FMB receives a request to make public carrier travel arrangements outside the state travel agency, the State Travel Coordinator investigates the request and grants a "waiver" if the agency can prove that making such arrangements would be "in the best interest of the state." Although these expenditures were incurred contrary to state law, the Fiscal Management Board through the State Travel Coordinator granted waivers and allowed the expenses to be paid. PEER reviewed all waivers granted between July 1, 1988, and October 31, 1988, and determined that sixty-two waivers were granted out of a total of 3790 public carrier transactions (1.6%).

Although they are usually not fiscally detrimental to the state and may actually be beneficial, such waivers are clearly a violation of state law and appear contrary to legislative intent. In addition, agencies which expend money under the authority of such waivers may be subject to suit under MISS. CODE ANN. 7-7-211 (b). This section authorizes the State Auditor to recover illegally expended funds.

Complaints against the state travel agency have steadily decreased during McGehee/Ask Mr. Foster's tenure as the contract agency.

To assess state agency satisfaction with the state travel management program in general and the contract agency in particular, PEER conducted interviews with officials selected from travel-intensive state agencies and educational institutions and reviewed the State Travel Coordinator's complaint file. Based on the interviews and records review, PEER concludes that the state travel management program and the state travel agency (McGehee) operate in a manner generally satisfactory to state agency users. Some officials stated that their employees had experienced problems with McGehee during the first several months of its contract, chiefly dealing with the travel agency's responsiveness. However, all stated that most major problems have been solved. PEER's review did identify two areas of weakness with the program:

- Credit for refundable tickets not used*—Three agency officials interviewed by PEER stated that they continue to experience problems in receiving credit for refundable tickets not used.

- Logistic difficulties for agencies/institutions not located in Jackson*—Agencies/institutions such as the state universities that are located out of Jackson have experienced difficulty in arranging travel. Complaints seem to center around the fact that the distance between the traveler and the state travel agency prevents immediate response to the needs of the traveler. In an effort to improve service, McGehee has opened a branch office in Starkville, is in the process of opening a branch in Hattiesburg, and plans a branch for Oxford. On November 21, 1988, the Commissioner of Higher Education reported to PEER that "*many positive changes have occurred in the administration of the State Travel Agency*" and that state universities were "*thoroughly satisfied with the current and anticipated service provided by the Agency.*"

PEER's review of the complaints on file showed that FMB maintains no record of the actions taken by either the State Travel Coordinator or the contract travel agency to resolve each complaint. Correspondence shows that resolution was reached in some cases; however, the State Travel Coordinator has no formal system to log all written and oral complaints and no record of action taken to resolve the dispute.

Recommendations

1. The Mississippi State Legislature should amend the state travel management program statute, establishing specific penalties if travel arrangements are made contrary to law. In addition, the Legislature should direct the Fiscal Management Board to promulgate policies and procedures regarding compliance with the state's travel agency program. The Legislature should give the Fiscal Management Board statutory authority to allow the State Fiscal Officer to grant waivers to the required use of the state contract travel agency. In conjunction with its authority the Fiscal Management Board should adopt standard operating procedures for granting such waivers.
2. The Fiscal Management Board should adopt standard operating procedures to address all complaints (verbal and written) concerning the travel management program. These procedures should include details on how the complaint should be documented, pertinent information about the complaint, actions contemplated to solve or address the complaint, and follow-up to insure final resolution.

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A REVIEW OF THE FISCAL MANAGEMENT BOARD'S
STATE TRAVEL MANAGEMENT PROGRAM

INTRODUCTION

Authority

At its meeting on August 11, 1988, the PEER Committee authorized a review of the Fiscal Management Board's state travel agency management program. The Committee acted in accordance with MISS. CODE ANN. Section 5-3-57 (1972).

Scope and Purpose

Although the annual travel agency contract is administered on a calendar year basis, PEER's review focused on revenue or savings resulting from the travel management program during fiscal year 1988. In addition, PEER explored whether recurring problems or complaints exist concerning the state travel agency's efforts to coordinate travel for all state government.

In an earlier report, A Status Report on the Fiscal Management Board's State Travel Agency Contract (December 10, 1987), PEER summarized the Fiscal Management Board's response to inquiries regarding the 1987 contract travel agency's performance.

Methodology

In conducting this review, PEER:

1. Analyzed applicable state laws governing the state travel management program;
2. Interviewed the State Travel Coordinator;
3. Interviewed officials with state agencies that have a large amount of public carrier travel expense;
4. Interviewed officials with the central office of the Institutions of Higher Learning and with individual institutions concerning their experiences with the state's travel management program;
5. Analyzed procedures used for awarding the 1989 state travel agency contract and reviewed the two proposals submitted by travel agencies;
6. Reviewed the state travel management program's FY 1988 savings reports, and;
7. Reviewed complaints lodged against the 1988 contract travel agency.

OVERVIEW OF THE STATE TRAVEL AGENCY

During the 1986 legislative session, the Legislature amended MISS. CODE ANN. Section 25-3-41 to require the Fiscal Management Board (FMB) to competitively bid a contract with a commercial travel agency for all necessary travel services for state officers and employees. The amended section specified that the contract was to be executed with the lowest and best bidder. Further, once the contract was let, any travel by a state officer or employee in the performance of official duties, whether by airline or other public carrier, was to be arranged by the selected travel agency. Travel arrangements required to be made by the contract travel agent include not only airline and other public carrier reservations, but lodging reservations and automobile rentals. The purpose of amending Section 25-3-41 in this way was to capture some of the potential savings associated with the large volume of travel required of state employees and officials each fiscal year or, at least, to help the state to manage its travel dollar more efficiently.

Selection Process

The process of selecting a state travel agency began July 21, 1986, when the Fiscal Management Board mailed requests for proposals to prospective contractors and initiated a newspaper advertising campaign. FMB received seven bids from travel agencies. FMB evaluated each bid for its economic benefit and for each agency's capacity to perform the work services needed. Among the elements considered were the personnel the bidders employed, the experience of the personnel, the equipment they utilized, their past record of accomplishments in the travel field, and contracts they were already involved in servicing.

Following the initial phase of evaluation, the board asked for oral presentations from four of the seven bidders. Finally, on October 20, 1986, the Fiscal Management Board approved the staff recommendation that the contract be awarded to Avanti Travel, Inc. The first contract was awarded for the period January 1 through December 31, 1987.

On September 10, 1987, the Fiscal Management Board, after similar evaluation procedures, elected to award the 1988 state travel agency contract to the McGehee/Ask Mr. Foster Travel Agency. This change from Avanti Travel to a new agency came as a result of concerns FMB had with several aspects of the program as it had been administered by Avanti. According to the State Travel Coordinator, the primary concern was with the monthly travel agency reports received from Avanti. Specifically, FMB questioned the accuracy and quality of Avanti's reports (see page 3 for the types of information given in these monthly reports). In addition, according to FMB, McGehee/Ask Mr. Foster offered improvements for Mississippi's travel management program, such as:

- a. The DeltaStar system (a comprehensive inter-airline automated reservation system):
- b. A DeltaStar terminal placed in the office of the State Travel Coordinator;

- c. AccuFare, a computer program for the automated reservation system which checks every reservation made and analyzes it against every possible routing and carrier combination from departure sites to insure the lowest possible fare;
- d. A quality control desk to check each reservation three times for accuracy and lowest available fare;
- e. Automated, customized and consistent management reports; and,
- f. A national toll-free telephone number for use by state employees on the weekend and at night after the local office has closed.

In order to better evaluate the two proposals submitted for 1989 (Avanti Travel also submitted a proposal), FMB invited four travel-intensive state agencies to participate in the evaluation/selection process: the Governor's Office of Federal/State Programs, the Board of Trustees of Institutions of Higher Learning, the Department of Economic Development, and the Department of Education. After considering and evaluating the proposals, the evaluation team recommended that FMB once again award the contract to McGehee/Ask Mr. Foster.

Reservation Procedures

To arrange travel plans the traveler needs to contact McGehee/Ask Mr. Foster and relate to the agent his itinerary. With the traveler's itinerary, the travel agent uses McGehee's computer reservation service to make airline reservations at the lowest fare available. In addition, the traveler must obtain lodging and car rental reservations through McGehee if a public carrier is used for transportation.

By making travel arrangements early, a traveler can buy airline tickets discounted from the lowest unrestricted fare most commonly used for business travel. The state travel management program encourages agencies to book reservations early to get the best rate. McGehee/Ask Mr. Foster is contractually bound to obtain the lowest available fare based on the requirements of the person making the arrangements. When the lowest fare is refused for any reason, the travel agent makes a notation on the permanent record and the same notation appears on the contract agency's monthly report to FMB.

According to the State Travel Coordinator and Glenn McGehee, owner of the contract travel agency, in certain instances a lower fare may exist that may not be available through McGehee. For example, many large conferences and groups negotiate directly with an airline or a travel agency for a very low discount fare. In order to obtain this fare, the traveler must go through the airline or the designated conference travel agency. In addition, other deep discount fares such as "consolidator" fares may be obtained by the traveler, but not through McGehee. (A consolidator is an entity that purchases blocks of airline seats and resells them to individual travelers.) In order to allow a state employee to take advantage of these deep discount fares, the state travel agency contract makes provision for the traveler to bypass the contract agency and make arrangements through the designated conference travel agency or the

consolidator. To document such occurrences, the State Travel Coordinator issues waivers. (See page 8 for further explanation concerning waivers.)

Contract Administration and Control

The Fiscal Management Board employs a State Travel Coordinator to administer the travel management program. The Travel Coordinator monitors contractor performance through a series of monthly reports submitted by the contract agency at the close of each month's books. These reports reflect such travel indicators as overall travel activity (use), savings accrued, agency-specific activity with an impact on savings, and aging reports for accounts receivable. These reports allow the FMB to monitor both the rate and cost of state travel and the level of agency compliance with state travel guidelines.

The State Travel Coordinator audits these monthly reports to determine whether the contract agency indeed did obtain the lowest available rate. If the contract agency did not procure the lowest available fare, the contract agency applies for a refund from the airline. If a refund is not provided, the contract agency must remit the difference to the State Treasury.

In addition to receiving information directly from the contractor, the FMB has also developed a procedure for receiving complaints concerning contractor performance from any agency or official. FMB asks the complainant to submit the complaint in writing to the State Travel Coordinator. The FMB office maintains a permanent file of all complaints and responses. In addition, the State Travel Coordinator makes periodic on-site visits to the contract agency to observe operating procedures.

PROGRAM COST/SAVINGS ANALYSIS

The state travel management program seeks, through the travel agency contract, to provide economic benefits to the state by producing revenue and by obtaining lower fares than would otherwise be available.

Revenue

The revenue of the travel management program has been derived from several sources:

1. *Prompt Payment Rebates*--These rebates are remitted to the state from the travel agency as a discount for the prompt payment of invoices. Under the 1987 state travel agency contract, Avanti gave a 2.5% rebate on invoices paid within thirty days. Under the 1988 contract, McGehee rebates 3% for reservations charged to credit cards and 2% for payments made within thirty days.
2. *Hotel/car rental commissions*--Under the 1987 state travel agency contract, Avanti turned over to the state 100% of commissions earned on hotel and car rental reservations. The 1988 contract does not include hotel/car rental commissions.
3. *Prepaid ticket rebates*--Under the 1988 contract, McGehee rebates all prepaid ticket charges. These are charges made by the airline for arranging to have a traveler's ticket routed to the airline terminal awaiting the traveler's arrival. The 1987 contract with Avanti did not include prepaid ticket rebates.

During FY 1988, the state travel program produced State Treasurer's receipts totaling \$54,720.55. Exhibit 1, page 6, presents a breakdown of these receipts by source.

Cost Avoidance

FY 1988 savings report summaries show a total of \$2,555,273.13 in potential cost avoidance. FMB points out that these figures are the result of taking the "actual fare used" and subtracting it from the "lowest unrestricted fare" (walk up counter fares frequently used for business trips). This would assume that the traveler would, without the travel management program, have always used the unrestricted fare. As FMB points out, statements about such savings are indefensible because most state agencies sought and were generally able to procure air fares lower than the "lowest unrestricted fare."

As administrator of the state travel program, the Fiscal Management Board in January 1988 entered into a contractual agreement with Delta Air Lines, Inc., and Northwest Airlines for contract air fares between Jackson and fifty destinations, between Memphis and seven destinations and for other destinations departing from New Orleans, Birmingham, Pine Belt (Laurel/Hattiesburg), and Golden Triangle (Columbus/Starkville) airport. Although these fares are higher than the lowest penalty fare ("SuperSaver") they are lower than the lowest unrestricted fare commonly used in business travel. According to the State Travel Coordinator, contract air fares are

EXHIBIT 1

STATE TRAVEL AGENCY REVENUE
FY 1988

Month	Prompt Payment Rebates	Hotel/Car Rental Commissions	Prepaid Ticket Rebates	Total
July	\$3,213.65	\$1,017.82	\$	\$ 4,231.47
August	2,407.92	1,212.13		3,620.05
September	5,853.41	673.17		6,526.58
October	3,846.73	1,407.64		5,254.37
November	3,252.75	2,311.85		5,564.60
December	1,508.53	1,498.68		3,007.21
January	4,940.29		500.00	5,440.29
February	5,020.05			5,020.05
March	2,373.53		100.00	2,473.53
April	3,652.51			3,652.51
May	5,178.49		50.00	5,228.49
June	4,701.40			4,701.40
TOTAL	\$45,949.26	\$8,121.29	\$650.00	\$54,720.55

SOURCE: State Treasury Receipts.

Increasingly important since airlines have begun restricting the use of discounted airfares.

The contract air fares, available since January, are direct cost avoidance items that can be quantified. Because contract air fares are used only when a lower fare cannot be obtained, the difference between the "lowest unrestricted fare" and the contract air fare is a direct savings to the state. See Exhibit 2, below, for a listing of contract air fares saved by the state from January through October 1988.

EXHIBIT 2

CONTRACT AIR FARE ACTUAL SAVINGS
JANUARY THROUGH OCTOBER 1988

January	\$ 10,292.00
February	14,173.70
March	22,114.50
April	26,145.50
May	55,323.78
June	59,345.07
July	16,116.00
August	61,535.00
September	76,353.96
October	100,615.05
TOTAL	\$442,014.56

SOURCE: State Travel Coordinator.

State Travel Agency Operating Costs

During FY 1988 the state travel management program's total operating expenditures were \$45,115. Exhibit 3, below, categorizes the expenditures by major object.

EXHIBIT 3

STATE TRAVEL MANAGEMENT PROGRAM
FY 1988 ACTUAL EXPENDITURES
BY MAJOR OBJECT

Personal Services	
Salaries and Fringes	\$38,229
Travel	313
Contractual Services	5,122
Commodities	1,268
Capital Outlay-Equipment	175
Subsidies	8
Total	<u>\$45,115</u>

SOURCE: State Travel Coordinator.

Net Economic Benefit

In order to determine the net benefit that the state travel management program provides the state, the operating costs of the program must be deducted from any revenue or cost savings. The figures below represent the calculation of the net benefit of the state travel management program during FY 1988.

Revenue Collected	\$ 54,720
Contract Air Fare Actual Savings	<u>187,395</u>
Total Economic Benefit	\$242,115
State Travel Agency Operating Costs	<u>45,115</u>
NET ECONOMIC BENEFIT	\$197,000

FINDINGS

Contrary to state law, the Fiscal Management Board grants waivers for airline or other public carrier travel arrangements.

MISS. CODE ANN. Section 25-3-41 states: "*Whenever any state officer or employee travels in the performance of his duties by airline or other public carrier, he shall have his travel arrangements handled by such [the state] travel agency.*" Despite this requirement, some agencies continue to handle travel arrangements involving public carrier transportation outside the state travel agency. If FMB receives a request to make public carrier travel arrangements outside the state travel agency, the State Travel Coordinator investigates the request and grants a "waiver" if the agency can prove that making such arrangements would be "in the best interest of the state." (According to the State Travel Coordinator, waivers have been granted since the inception of the state travel agency program.) Although these expenditures were incurred contrary to state law, the Fiscal Management Board through the State Travel Coordinator granted waivers and allowed the expenses to be paid. PEER reviewed all waivers granted between July 1, 1988, and October 31, 1988, and determined that sixty-two waivers were granted out of a total of 3790 public carrier transactions (1.6%).

Based on State Travel Coordinator records, waivers were granted for the following reasons:

1. Agency personnel were unfamiliar with the requirement that all travel arrangements were to be made by the state travel agency (a university professor had been on sabbatical for two years and made his own travel arrangements without knowledge of the state travel program);
2. Conference arrangements, including discount airline fares and hotel reservations, had to be arranged outside the state travel agency (members of the State Board of Bar Admissions had to make arrangements through the designated travel agency of the National Conference of Bar Admissions to receive the conference fare, which was lower than the lowest fare available to McGehee for similar arrangements);
3. A third party made and paid part of the travel arrangements (the governments of Japan and South Korea paid all but the U. S. portion of travel for a doctor from the University Medical Center);
4. Emergencies occurred that dictated other arrangements (a coach from the University of Mississippi could not reach the contract agency's local or national office and had to buy a airline ticket on a flight that was about to depart); and,
5. Other instances when the agency proved to FMB that alternate plans were in "the best interest of the state."

However, state law does not grant authority for FMB to waive the requirement that all public carrier arrangements be made through the state travel agency. In addition, FMB has not developed standards to judge when

walvers are justified. Currently, if the State Travel Coordinator believes justification exists, the waiver is granted. Questionable requests are referred to the State Fiscal Officer for action.

Futhermore, review of these public carrier walvers disclosed that thirty were made "after the fact." For these thirty the travel expense had already occurred and the arrangements had been made outside the state travel agency, usually because of the agency's unfamiliarity with the travel agency law. The review of these walvers also showed that the fiscal impact of such waiver was not documented. Therefore, PEER could not determine from this review how much these walvers may have cost or saved the state.

The State Travel Coordinator contacted the Attorney General's Office in August 1988 concerning the legality of granting walvers for public carrier arrangements. The coordinator states that Attorney General staff members concur with her opinion that walvers are often unavoidable.

Although they are usually not fiscally detrimental to the state and may actually be beneficial, such walvers are clearly a violation of state law and appear contrary to legislative intent. In addition, agencies which expend money under the authority of such walvers may be subject to suit under MISS. CODE ANN. 7-7-211 (b), which authorizes the State Auditor to recover illegally expended funds.

Complaints against the state travel agency have steadily decreased during McGehee/Ask Mr. Foster's tenure as the contract agency.

To assess state agency satisfaction with the state travel management program in general and the contract agency in particular, PEER conducted interviews with officials with eight travel-intensive state agencies plus officials with Mississippi State University, the University of Southern Mississippi, and the University of Mississippi. In addition, PEER examined the fifteen complaints that have been filed with the State Travel Coordinator since McGehee has acquired the state travel agency contract. Based on information received, PEER concludes that the state travel management program and the state travel agency (McGehee) operate in a manner generally satisfactory to users. Some officials stated that their agency had experienced problems with McGehee during the first several months of its contract, chiefly dealing with the travel agency's responsiveness. However, all stated that most major problems have been solved. However, PEER's review did indicate two areas of weakness with the program, which are detailed below.

1. *Credit for refundable tickets not used*--Three agency officials interviewed by PEER stated that they continue to experience problems in attempting to receive credit for refundable tickets that were not used. McGehee's policy is to carry the credit on the agency's account until future travel is made by the agency. All three agencies stated that keeping up with the credits was difficult and subsequent travel did not always clear the credit. All of these agencies would prefer that a refund be sent rather than dealing with credits.

2. *Logistic difficulties for agencies/institutions not located in Jackson*--Agencies/institutions such as the state universities that are located out of Jackson have experienced difficulty in arranging travel. Complaints seem to center around the fact that the distance between the traveler and the state travel agency prevents immediate response to the needs of the traveler. One example provided was the difficulty sometimes experienced in receiving tickets. In the case of state universities, tickets are shuttled by van from the Universities Research Center to the various institutions and then are carried to the traveler by university courier. In an effort to improve service, McGehee has opened a branch office in Starkville, is in the process of opening a branch in Hattiesburg, and plans a branch for Oxford. University officials believe this effort will improve service dramatically. On November 21, 1988, the Commissioner of Higher Education reported to PEER that "*many positive changes have occurred in the administration of the State Travel Agency*" and that state universities were "*thoroughly satisfied with the current and anticipated service provided by the Agency.*"

PEER's review of the complaints on file showed that FMB maintains no record of the actions taken by either the State Travel Coordinator or the contract travel agency to resolve each complaint. Correspondence shows that resolution was reached in some cases; however, the State Travel Coordinator has no formal system to log all written and oral complaints and no record of action taken to resolve the dispute. Lack of a formal method to record all complaints hinders management's ability to access the total performance of the state travel program.

RECOMMENDATIONS

1. The Mississippi State Legislature should amend the state travel management program statute, establishing specific penalties if travel arrangements are made contrary to law. In addition, the Legislature should direct the Fiscal Management Board to promulgate policies and procedures regarding compliance with the state's travel agency program. The Legislature should give the Fiscal Management Board statutory authority to allow the State Fiscal Officer to grant waivers to the required use of the state contract travel agency. In conjunction with its authority the Fiscal Management Board should adopt standard operating procedures for granting such waivers.
2. The Fiscal Management Board should adopt standard operating procedures to address all complaints (verbal and written) concerning the travel management program. These procedures should include details on how the complaint should be documented (pertinent information about the complaint, actions contemplated to solve or address the complaint, and follow-up to insure final resolution).

AGENCY RESPONSE



STATE OF MISSISSIPPI
RAY MABUS
GOVERNOR



December 12, 1988

Mr. John W. Turcotte
Executive Director
PEER Committee
Central High Building
Jackson, Mississippi

Dear John:

Enclosed you will find this agency's response to your proposed report, "A Review of the Fiscal Management Board's State Travel Management Program." As you can see, in the main the State Travel Coordinator and I agree with your conclusions and recommendations. We would stress that more flexibility would enhance the ability of this agency to manage the program and provide additional opportunities for cost savings for the State.

We appreciate the courtesy and cooperation exhibited by your staff in the performance of this review and stand ready to provide you with any additional information that you might require.

Very truly yours,

FISCAL MANAGEMENT BOARD

A handwritten signature in cursive script, appearing to read "Cecil C. Brown".

Cecil C. Brown
State Fiscal Officer

CCB:11

Enclosure

pc: Governor Ray Mabus

RESPONSE TO
PEER'S REVIEW OF THE FISCAL MANAGEMENT BOARD'S STATE TRAVEL
MANAGEMENT PROGRAM

BACKGROUND

All stated information is correct, except in subparagraph 2 under Contract Administration and Control it should be noted that the reports from Avanti Travel included "Aging Reports" but the ones from McGehee do not.

PROGRAM COST/SAVINGS ANALYSIS

In subparagraph 2 the revenue produced is reported correctly, however, it might facilitate more accurate understanding if it was pointed out that the figures given represent the timely payment rebates paid by Avanti Travel for the period 7/1/87 through 12/31/87 combined with those paid by McGehee Travel from 1/1/88 through 6/30/88. In subparagraph 4 under the same heading I do not believe it is clear that contract air fares were not implemented until January 29, 1988, and, therefore only 5 months' savings are reported.

In the section under Net Economic Benefit the calculation is correct, but very misleading. It will be taken to mean that these are the savings for the 1988 calendar (contract) year. It might be easier to understand if the timely payment rebates and contract fare savings were reported by contract (calendar) year rather than fiscal year and the costs converted into calendar year costs rather than the other way around. When you break the savings/income into fiscal years you mix apples with oranges (Avanti with McGehee), but when you convert the expense year your mix remains clean. It would have been just as accurate to point out at this position in the report, in the same graphic format, the calendar year savings of \$442,115.00 as was stated in prose format in subparagraph 4 under the heading Program Cost/Savings Analysis.

Under the heading Findings the statement is made "Contrary to state law, the Fiscal Management Board grants waivers for airline or other public carrier travel arrangements." While this is true, Chuck Rubisoff of the Attorney General's office agreed in a meeting on August 17, 1988, that some waivers were required and that the authority granted the Fiscal Management Board to promulgate rules and regulations related to travel were perhaps broad enough to cover the limited waivers being granted. The small percentage of waivers cited in the report (1.6%) certainly confirms that 98.4% compliance was obtained and that waivers were very carefully and prudently granted.

A weakness of the program cited also under the heading Findings, is that "Credit for refundable tickets not used--Three

agency officials interviewed by PEER stated that they continue to experience problems in receiving credit for refundable tickets not used." The State Travel Coordinator has intervened on behalf of every state agency who advised that the credit/refund procedures being followed by McGehee were presenting a problem. McGehee now mails refund checks rather than adding credit to their next statement. A procedure has been developed to take care of all agencies who are current in their travel invoice payments. McGehee has an understandable problem in sending refund checks for specific tickets to an agency who is past due in paying its other bills to them.

GENERAL STATEMENT: It should be pointed out that waivers have been granted since the beginning of the program on January 1, 1987, and did not begin under the current Fiscal Officer. This is still a fairly new program with very rigid requirements stated in the code and experience indicates more flexibility is required.

We are convinced that the program would be improved if the Fiscal Management Board were granted the authority to negotiate a one year contract which could be extended for one year periods not to exceed three years without competitive bids. The investment required for a travel agency to perform under this contract is so great that it is now apparent that we will probably receive only one bid next year, unless we can offer the possibility of a three year contract.

**A REVIEW OF SELECTED AREAS OF OPERATION OF THE
GAUTIER UTILITY DISTRICT**

December 14, 1988

Information Compiled and Prepared By:

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