#407

Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER)

Report to
the Mississippi Legislature

Managing Travel Expenditures

In FY 1999, state agencies and Institutions of Higher Learning expended $67 million on travel-related expenditures. While these expenditures represent less than 1% of the state's budget, state travel costs have increased significantly over the past six years--by 66% in actual dollars and by 47% when adjusted for inflation.

State statutes authorize the Department of Finance and Administration (DFA) to manage the state's fiscal affairs, including effectuating economies in the payment of travel and other expenditures. While PEER found that current controls over travel expenditures are adequate to help ensure legitimate reimbursements, DFA and state agencies could better manage state travel costs through more active travel management. For example, DFA does not routinely collect and analyze travel cost data to identify opportunities for cost reduction.

PEER makes extensive recommendations in the areas of evaluating the need for travel, collecting comprehensive travel-related data, analyzing and auditing travel data, determining the most efficient mode of transportation, controlling costs of airline travel, managing use of vehicles, obtaining travel agent services, and realizing other travel-related cost savings.

July 11, 2000

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.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

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.

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The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

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July 11, 2000

Honorable Ronnie Musgrove, Governor
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On July 11, 2000, the PEER Committee authorized release of the report entitled **Managing Travel Expenditures.**

Senator William Canon, Chairman

This report does not recommend increased funding or additional staff.

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List of Exhibits

Managing Travel Expenditures

Executive Summary

In FY 1999, state agencies and Institutions of Higher Learning expended $67 million on travel-related expenditures. While these expenditures represent less than one percent of the state's budget, state travel costs have increased significantly over the past six years--by sixty-six percent in actual dollars and by forty-seven percent when adjusted for inflation.

State statutes authorize the Department of Finance and Administration (DFA) to manage the state's fiscal affairs, including effectuating economies in the payment of travel and other expenditures. PEER's review of the DFA Travel Office found that while current controls over travel expenses are adequate to help ensure legitimate reimbursements, DFA and state agencies could better manage state travel costs through more active travel management. For example, DFA does not routinely collect and analyze travel cost data to identify opportunities for cost reduction. A comprehensive state travel management system would also include legally requiring travel agents to quote the lowest restricted fares such as can be found on the Internet, strengthening and expansion of policies to require state agencies to identify and use the lowest cost travel options, and implementing a statewide program for managing use of state-owned vehicles.

Recommendations

Evaluating the Need for Travel

1. State agencies should develop methods to ensure that all travel is economical and necessary to meet programmatic needs of the agency.

Collecting Comprehensive Travel-Related Data

2. DFA should make appropriate changes in the state accounting system to allow identification of the total costs of operating state-owned passenger vehicles.

3. The Office of the State Auditor should maintain a historical database of the inventory values of passenger and non-passenger vehicles so that trends in growth and purchases can be determined.

4. DFA, the Board of Trustees of Institutions of Higher Learning, and the State Auditor should develop and implement a travel management information system that captures comprehensive travel-related data in a uniform format.

5. As required in MISS. CODE ANN. Section 25-1-81, state agencies should include vehicle management data in their annual reports.

6. DFA contracts should require vendors (e.g., travel agents, fuel management contractors) to maintain management data in electronic format on a historical basis, readily available to DFA and other oversight agencies.

   For example, DFA should require its travel agent or agents to provide and maintain historical information of state employee travel expenditures by type (including exception and savings reports) in electronic format. If DFA contracts with multiple travel agents, DFA should require them to provide and maintain the information in a uniform format so that DFA and auditors can easily analyze the information.

Need for Analysis and Audit of Travel Data

7. DFA should analyze travel data and vendor information to identify emerging trends in travel costs and develop needed cost controls on a more timely basis.

8. DFA should explore the feasibility of utilizing available real-time audit programs to determine whether travel agents quote the lowest cost restricted fare to employees.

9. DFA and state agencies should require personnel using the Fuel Man credit card system to input accurate mileage data into the system when they refuel, so that the data can be used to analyze vehicle usage and to determine vehicle maintenance schedules.

Determining the Most Efficient Mode of Transportation

10. DFA should develop a method for determining the most efficient mode of transportation and implement a policy requiring state agencies to utilize the method.

Need for Control over Airline Fares

11. DFA should require its reservation agents to always quote the lowest restricted fare for every employee itinerary, in addition to quoting the state's contract airline fare. DFA should strengthen the language in its contract for travel agent services to state that, for heavily traveled locations, airline agents must quote the lowest air fares among the various airports at those locations.

12. State agencies should develop internal policies outlining when it will be acceptable to use higher-priced airline fares in place of the restricted non-refundable fares. For instance, an agency might establish a policy to use a non-restricted higher priced fare when:

    -- there is a high likelihood that trip plans may change, or,

    -- no substitute travel will be required or forthcoming if the trip is cancelled.

13. DFA should require that everyone in state government use e-tickets (paperless tickets) and should re-bid the travel agent contract on this basis.

Vehicle Management

14. The Legislature should amend MISS. CODE ANN. Section 25-1-85 (1972) to authorize DFA to establish a statewide motor vehicle management system. The law should authorize DFA to:

    • determine the most effective and efficient method of developing a motor pool or motor pools;

    • develop a needs-based system for determining the number of vehicles that each agency should own, based upon analysis of vehicle usage patterns and break-even analysis. The "breakeven mileage for purchasing" represents the point at which it is more economical for the employee to drive a state vehicle rather than be reimbursed the state mileage reimbursement rate (32.5 cents a mile as of July 2000); and,

- establish policies for use of vehicles by agencies and for maintenance and disposal of vehicles.

The section should require DFA to collect data on the vehicle management system to determine whether the system implementation has been cost effective and for ongoing analysis of the costs and trends in vehicle management expenditures and report this information to the Legislature annually.

15. In implementing the system of state motor pool(s), DFA should assess the costs and benefits of leasing vehicles to state agencies and also the costs and benefits of contracting with an automobile leasing agency to supply the state's automobile needs.

Travel Agent Services

16. DFA should consider the feasibility of implementing an in-house travel agency for state agencies and institutions of higher learning versus the current method of paying transaction or management fees to an outside travel agent or agent(s). Having an in-house travel agency could include:

    (a) obtaining a travel agency license and necessary equipment and hiring a full staff of state employees who have the expertise for travel agency accounting and reservation services; or,

    (b) entering a management contract with a travel agency to provide reservation agents, equipment, and accounting services.

    DFA should choose the option that is most cost-beneficial to the state. If DFA determines that an in-house travel agency is the best option, DFA should:

    (a) propose necessary amendments to CODE sections; and,

    (b) oversee the daily booking transactions of the reservation agents, including quality control reviews.

    If DFA continues to contract for travel agency services, DFA should:

    (a) develop a request for proposals for travel agent services with two primary options: bidding on transaction fees on the basis of being a sole travel agent or of being one of multiple travel agencies, and,

(b) maintain a system of oversight of travel agency compliance with state policies, including reviewing whether reservation agents have quoted lowest-price fares for all flights.

17. The Legislature should amend MISS. CODE ANN. Section 25-3-41 (1972), which deals with the ability of the state to contract with a state travel agency or agencies, to state that the requirement to have the state travel agency or agencies make air travel reservations applies only if the state has an existing travel agent contract in place.

Cost Savings

18. DFA should study the feasibility of implementing a system of per diem reimbursement for overnight travel (one rate to include lodging, meals, and incidentals).

    In absence of a system of per diem reimbursement, DFA should actively negotiate lower hotel rates by requiring competition among bidders in those areas of the state where there are sufficient numbers of hotels available for a competitive system, such as Jackson and the Gulf Coast. DFA should then require that agencies use either the contract hotels, hotels with rates lower than the contract rates, or conference hotels when applicable.

19. DFA should discuss with other states the feasibility of entering group contracts with travel agents and airlines to take advantage of economies of scale in pricing of services.

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Managing State Travel Expenditures

Introduction

Authority

In response to a legislative request, the PEER Committee authorized a review of the state's travel system and methods for better controlling the state's travel costs. PEER conducted this review pursuant to the authority granted by MISS. CODE ANN. § 5-3-57 et seq. (1972).

Scope and Purpose

PEER sought to determine methods used by the Department of Finance and Administration for controlling the travel expenditures of state agencies, including use of state travel agents and policies and procedures for travel reimbursement. PEER also reviewed travel literature to determine emerging methods of control over travel expenditures.

Method

PEER concentrated its review of the state travel system in the area of air travel, automobile travel, and lodging expenditures. In doing so, PEER:

- analyzed travel expenditure reports obtained from the Department of Finance and Administration and the Institutions of Higher Learning;

- reviewed documentation and records and interviewed personnel of the Department of Finance and Administration; the Institutions of Higher Learning; Avanti Travel, Inc.; Fuel Man; and Fleet Smart;

- reviewed vehicle inventory reports of the Department of Audit and legislative budget requests and annual reports of various state agencies;

- interviewed personnel and reviewed policies and documentation from travel programs in Louisiana, Utah, Texas, and Tennessee; and,

- reviewed and analyzed applicable statutes and policies and procedures.

Increases in Travel Costs

PEER reviewed state travel-related expenditures over a seven-year period, which have risen steadily in actual dollars, even when adjusted for inflation. In reviewing the costs of travel, PEER determined that a comprehensive review of travel would not only include the traditional budget category of travel reimbursement costs (which includes meals, lodging, travel in private and rented vehicle and public carrier, and per diem), but would also include the purchase and maintenance of state passenger vehicles. Therefore, the trends in costs explained in this section include, when possible, all types of travel cost related to job duties and conference attendance.

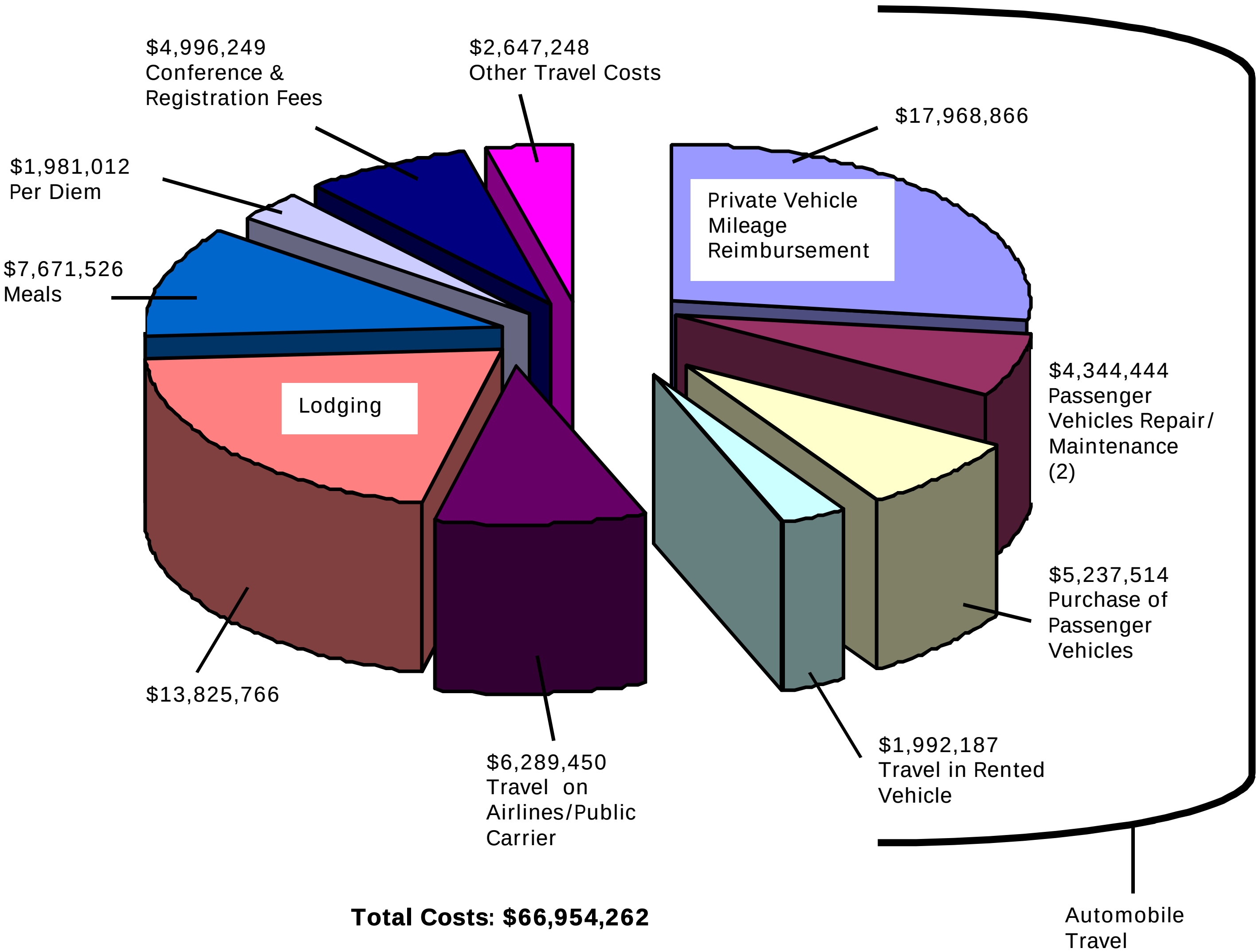
The travel expenditures also include expenditures of the Institutions of Higher Learning (IHL) in addition to other state agencies. Although IHL state statutes do not require IHL to be under the authority of DFA, DFA provides assistance to IHL. For instance, some institutions have fully adopted the DFA state travel policy manual as their official travel manual, while others refer to the DFA manual by reference or adopt very similar policies. In addition, six of the nine institutions used the state travel agency under the most recent DFA contract. The institutions also have use of the state contract rates for airlines, rental cars, and lodging. As noted below, IHL's travel expenditures totaled over one-third of the total state-travel related expenditures for FY 1999.

The state's travel-related expenditures totaled $66,954,262 in FY 1999, growing by an inflation-adjusted rate of 47% since FY 1993.

In FY 1999, the Institutions of Higher Learning expended $26,731,967 on travel, and other state agencies expended $34,984,780 for travel and $5,237,514 for passenger vehicle purchases, for a total of $66,954,262 in travel-related expenditures.

The travel expenditures, in order of magnitude, included mileage reimbursement for travel in private vehicles, lodging, meals, travel in public carrier (airlines primarily), conference and registration fees, repair and maintenance of passenger vehicles, vehicle rental costs, and per diem expenditures, as shown in Exhibit 1, page 4. The exhibit also includes purchase of passenger vehicles by state agencies, a travel-related expenditure.

Exhibit 1: FY 1999 Travel-Related Costs for IHL and Other State Agencies (1)



Total Costs: $66,954,262

NOTES: (1) The chart excludes annual purchase cost of IHL passenger vehicles and state agencies' fuel costs and internal costs of maintenance and repair for passenger vehicles.
(2) The category includes IHL's motor pool expenses, including gas, oil, insurance and repairs of the vehicles in the motor pools of the various universities, and payments to vendors for state agency repair and maintenance.

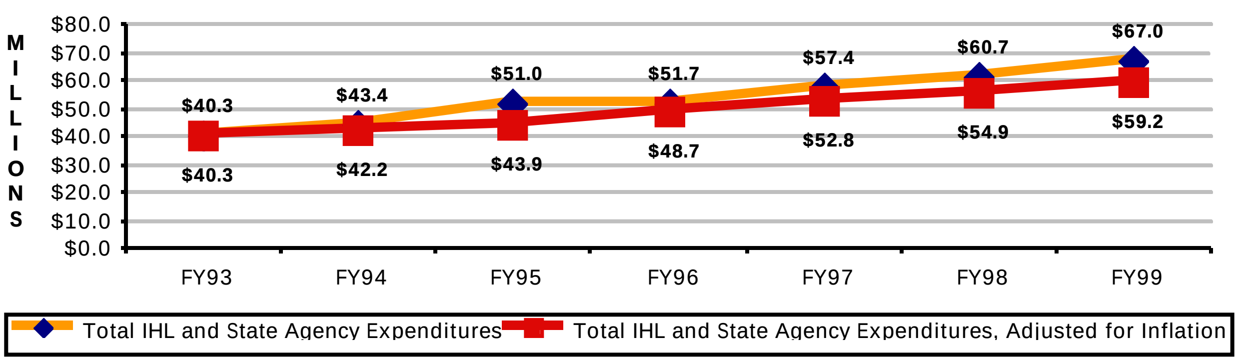
SOURCE: DFA and IHL records.

PEER was not able to obtain information on all types of travel-related costs, although any omissions are estimated to be immaterial (i.e., less than five percent of the total). Because certain methods of aggregating costs made it difficult to obtain information, the numbers do not include fuel costs for the state or costs of servicing vehicles internally within state agencies. The exhibit also does not include IHL's purchase cost of passenger vehicles for the year.

Taking into account the effects of inflation, state travel-related expenditures increased 47% over the past six years.

While travel expenditures represent less than 1% of the state's budget (expenditures of $7.3 billion in FY 1999), control over travel costs is important due to the upward trend in costs. Total travel-related costs for IHL and other state agencies increased 66% over the past six years, from $40,250,739 million in FY 1993 to $66,954,262 in FY 1999. When adjusted for the effects of inflation, travel-related expenditures increased from $40,250,739 to $59,247,329, or an increase of 47%, as shown in Exhibit 2, below.

Exhibit 2: Trends in State Travel Expenditures



SOURCE: IHL and DFA records

Nearly half of these expenditures relate to automobile travel. Another 20% relate to lodging costs.

Automobile travel costs in FY 1999 accounted for 44% of total state travel-related expenditures.

As shown in Exhibit 1, the most significant type of travel-related expenditures in dollars consists of personal vehicle mileage reimbursement ($17,968,866 in FY 1999, or 27% of the total). The exhibit also shows that most travel by state employees is by motor vehicle, whether by personal vehicle, rental car, or state-owned vehicle. Automobile travel costs in FY 1999 totaled $29,543,011, or 44% of the total travel-related expenditures. Lodging expenditures were the second largest category at $13,825,766, or 21% of total travel-related costs.

Lodging expenditures were the second largest category at 21% of total travel-related costs.

To put in perspective the purchase of state vehicles shown in the chart (totaling $5,237,514), the 5,944 passenger vehicles on the state agency inventory in December 1999 represent a total cost to the state of $85,166,277. The passenger vehicle inventory totals 57% of the total vehicle inventory of $149,552,895. PEER could not determine the increase in the inventory value of the state's fleet of passenger vehicles from FY 1993 to FY 1999 because the Department of Audit does not maintain historical information on the vehicle inventory and because the Department of Finance and Administration does not account separately for the asset value of vehicles or passenger vehicles in its system of accounting codes. However, PEER determined that the investment in all types of state agency vehicles has increased 72%, from $86,905,250 in July 1993 (as reported in ***A Performance Audit of State-Owned Vehicle Management*** issued by PEER on December 14, 1993) to $149,552,895 in December 1999.

Opportunities for Managing State Travel Expenditures

In reviewing the state's management of travel expenditures, PEER found that Mississippi state law and policies provided adequate control procedures for ensuring legitimate reimbursements. However, PEER found that the state was deficient in other elements of a comprehensive state travel management system.

A comprehensive travel management system should help to ensure that travel expenditures are first necessary and then obtained at the lowest and best price.

Currently, the State of Mississippi does not have a comprehensive travel management system for managing its growing travel-related expenditures. Although state laws and policies provide adequate control for ensuring legitimate reimbursements, they are deficient in six major areas:

- **evaluating the need for travel;**
- **collecting complete travel-related data;**
- **analyzing travel data to identify potential cost reduction areas;**
- **determining the most efficient mode of transportation;**
- **establishing expense limits and guidelines to ensure costs are minimized; and,**
- **soliciting competitive bids for travel services.**

PEER also makes suggestions for seeking new methods of cost control.

The Legislature has established a framework of cost controls over travel and other types of expenditures. It has designated the Department of Finance and Administration (DFA) as the state's expenditure control agency. State statutes give DFA administrative authority to develop and institute a uniform process for the management of state travel by employees on official business. This authority includes the power to adopt rules and regulations to make economical expenditures. DFA has a central role in determining methods for minimizing travel costs and requiring agencies to follow them.

This review outlines the seven major elements of a comprehensive travel management system. For each major element, PEER has identified the current controls over travel established by statute and has summarized relevant DFA policies. For each element, PEER also identified ways that DFA has used its control authority to manage or control travel expenditures. The following section also outlines problems with the state's current system of travel and provides additional ideas for ways that state law, policy, and practice can be strengthened to minimize state travel costs.

Improving Guidelines for Evaluating the Need for Travel

The state could better ensure that only necessary travel is reimbursed by establishing guidelines for evaluating the need for travel.

Agencies should determine whether employees should travel based on program and training needs and whether travel is necessary to meet those needs cost-effectively.

Evaluating the need for travel is a decision best made by the state agency incurring the travel expense. Accordingly, DFA's policies do not include controls over the need for travel. In most instances, DFA would be less qualified to determine need than would agency program managers. The agency decision to travel should be based on considerations of program and training needs and a determination of whether travel is necessary to meet those needs in a cost-effective manner.

State law does not directly address evaluation of the need for travel, nor does it expressly assign authority for evaluating the need for travel to any entity. MISS. CODE ANN. Section 25-1-83 (1972), however, requires that any state employee, other than an agency or department head, have prior written authority to attend a convention, association, or meeting. In addition, MISS. CODE ANN. Section 25-3-41(1) (1972) requires that any officer or employee be first "duly authorized" to travel in the performance of official duties. Because these statutes require approval for travel, they can be used as part of the process of evaluating need for travel by the persons who must approve the travel. (The statutes also serve as cost control requirements, as outlined in the section on page 19.)

The scope of this report did not include a review of needs evaluation occurring at the state agency level. Nevertheless, PEER recommends that state agencies develop internal policies for controlling the amount of travel incurred.

Collecting Travel-Related Data That is Comprehensive

The state does not have a system for obtaining comprehensive travel-related data, which is necessary for managing state travel costs.

In order to understand the types, trends, and volume of travel incurred by state agencies and to identify areas of rising costs, the state must have a system of identification of all types of cost, set primarily through the state accounting system. MISS. CODE ANN. Section 25-1-81 (1972) requires the state Department of Finance and Administration (DFA) to develop and deliver a "uniform system of expense accounts." This empowers DFA to establish the travel expense categories by which employees claim reimbursement and by which cost trends can be analyzed.

When contracting outside the agencies, state personnel should also assure that vendors are legally required to provide lists of the state's expenditure transactions (in most cases, in electronic format) routinely or as needed to the appropriate personnel. This requirement is especially important when the vendor handles large volumes of state transactions--for example, the airline bookings of state travel agents or gasoline charge card purchases. Requiring this provision of data by contractors improves the state's ability to identify specific types of costs to be used for decisionmaking.

Identifying and Collecting Travel Data for Analysis

The state's budget and accounting systems do not capture the types of travel data needed for analysis.

Analysis of travel data provides knowledge of expenditures for decisionmaking in the areas of cost control and management. Although the budget and accounting systems of the state and IHL collect the primary types of travel expenditure information, some types necessary for travel analysis are not currently collected , as specified below.

The state accounting system does not capture the total costs of state agencies' operating state-owned vehicles.

The state accounting system, which is managed by DFA, does not capture the total costs for operating state-owned vehicles, especially for passenger vehicles. Operating costs include gasoline and vehicle repair and maintenance, such as oil and labor. Accounting for passenger vehicles separately from other vehicles, such as dump trucks, would isolate the costs of travel by individuals who have the choice of traveling by air or by rental, state-owned, or personal vehicle. Specifically, the system has:

- an accounting code for internal maintenance and repair which does not separate the cost of repair for passenger and non-passenger vehicles; and,

- an accounting code for gasoline which does not separate the cost of lawn mower gasoline from the cost of gasoline for passenger or non-passenger vehicles.

The state accounting system does not separate repair or gasoline costs for passenger and non-passenger vehicles.

Because the accounting system does not capture the total costs of state-owned vehicle travel, DFA and oversight agencies such as PEER cannot fully analyze the data for patterns and trends in travel costs.

On the other hand, universities account for the cost of operating state vehicles (at least for those vehicles in motor pools) by aggregating the costs of the university motor pool systems. The motor pools account for their costs and then bill the university programs at preset rates for usage of the pool cars.

Neither DFA nor the Department of Audit maintains historical data on inventory values of state-owned vehicles.

MISS. CODE ANN. § 29-9-21 requires the Department of Audit to maintain state vehicle inventory records that are "complete and current." The intent of the law is "to provide for more accurate, detailed, and readily available inventory information on all state property." The Department of Audit does not go beyond the scope of this law to maintain historical information on the state vehicle inventory. The database of historical vehicle information is automatically purged each time that the inventory is updated. Also, the Department of Finance and Administration does not account separately for the asset value of passenger vehicles or total vehicles in its system of accounting codes. As a result, PEER could not determine the increase in the inventory value of the state's fleet of passenger vehicles.

Because university expenditure data is maintained in ten separate accounting systems and apart from that of other state agencies, collecting information on overall travel costs is more difficult.

Although control agencies can obtain expenditure information piecemeal from the various institutions of higher learning, the data is not currently consolidated.

The data is accounted for in ten different accounting systems, rather than with the state agency accounting system. As a result, information for analysis purposes is not readily obtainable in an electronic format by audit and oversight agencies such as PEER. For example, in order to provide data to PEER, financial personnel at the IHL Board office must request the data from the separate institutions, receive it by mail or delivery on diskette, and then consolidate it for uniformity.

Capturing Management Information through Vendor Contracts

Data collection and analysis is critical for management decisionmaking, especially due to the current changing travel environment. In particular, ownership and availability of data on a historic basis (primarily for audit and compliance purposes) should be addressed in contracts. However, DFA has not required Avanti, its state travel agent from October 1998 until February 2000, to provide adequate data, as explained in the following section.

DFA did not obtain management information reports required in the State Travel Agent contract for the purpose of cost-control decisionmaking and monitoring.

DFA did not obtain exception or savings reports from the state travel agent, even though such were required by contract.

The state travel agent contract with Avanti Travel dated September 1998 required that Avanti provide reports of savings occurring through use of car rental, hotel negotiated rates, and airline fare contracts. The contract also required that the agent provide reports of policy exceptions occurring when state employees opted not to use state contract fares. However, DFA never required Avanti to provide the exception reports and did not obtain the savings reports for car rentals and lodging.

The policy exception reports required in the Avanti travel agent contract could have been used for cost-control purposes and were important because:

- they would have listed agencies' deviations from state cost-control policies;
- review of properly-crafted exception reports would have given DFA a measure of cost control over any state agencies which attempted to override state policies; and,
- these reports could have been routed to agencies for their internal management control.

DFA does not have a system to monitor employees or agencies that violate rules--i.e., to determine if more drastic measures should be taken to stop a problem arising in a particular area. Analysis of these policy exception reports would be a means for doing so. Also, because DFA had not obtained the exception reports, PEER was not able to review historical data for cost control exceptions.

The savings reports were important because they would have listed savings over regular rates obtained when state employees used contract rates. Savings reports for lodging and car rental would have listed only a portion of the savings obtained from contract rates because the state travel agent only books a portion of those services. Nevertheless, DFA could use the information to assist in estimation of state employee usage of hotel and car rental contract rates and the vendors that are most often used by state employees. This could be beneficial in negotiating rates with those vendors on an ongoing basis.

Reporting Cost Information Required by Statute

Certain state agencies have not followed laws requiring detailed vehicle purchase and mileage information.

MISS. CODE ANN. Section 25-1-81 (1972) requires that each state agency must report to the Legislature in its annual report the following data related to acquisition and operation of state owned vehicles:

- number of state-owned vehicles purchased and operated during the year;
- identity of source of funds used to pay for the vehicles and number purchased from that source;
- miles traveled per automobile;
- total miles traveled;
- average cost per mile;
- depreciation estimate on each automobile; and,
- cost per mile and total number of miles traveled in personal automobiles when reimbursement is from state funds.

However, a review of annual reports to the Legislature of seven agencies with large automobile fleets showed that none of the seven fully complied with the statute requiring the vehicle information. Three of the seven partially complied with the statutory requirements. This information could be used to understand whether particular vehicles are being used efficiently and to assist in evaluating the need for those vehicles (e.g., whether the mileage reaches a sufficient level to justify their purchase).

Analyzing Travel Data to Identify Potential Areas of Cost Reduction

DFA has not established a management information system for routinely analyzing travel data to ensure compliance with laws and policies and to identify and address increases in travel costs.

Management information or statistics in the form of reports or electronic data is invaluable in providing state agencies with useful information for decisionmaking--e.g., identifying cost savings or cost-control problem areas. As stated above, when the state's travel data is appropriately collected and identified, state personnel can use the information to analyze trends and patterns of travel expenditures and activities. Routine analysis of the data provides the most timely and accurate information to DFA and agencies for setting policies and procedures and implementing new methods or revising current methods of cost control. Obtaining knowledge and statistics about the state's travel activities can also provide financial leverage to DFA in negotiating more cost-effective contracts with vendors of travel services. In other words, the ability to demonstrate buying clout to vendors could help to obtain discounts in travel and other services.

MISS. CODE ANN. 27-104-103 (1) (1972) specifically grants a broad spectrum of powers to DFA, including authority to "review and monitor" government and agency expenditures, as well as manage the state's fiscal affairs under MISS. CODE ANN. Section 27-104-103 (1) (1972). However, DFA does not utilize information available or obtainable from vendors to the greatest extent possible in managing the travel program and does not have a process to review the information for compliance with contract terms and oversight purposes.

Analyzing Travel Costs per Trip to Find Problems with Travel

Currently, the state does not maintain travel information in such a way that the cost of travel per trip can be tracked and compared. Analysis of cost per trip would help identify excessive travel costs of specific agencies.

The state does not maintain travel data in a form that can be used to determine the cost per trip.

Because the state data system does not capture this information, PEER could not effectively determine the cost of travel per trip and compare between agencies. DFA should assess the feasibility of collecting and maintaining this type of data through the state accounting system or other means. (See discussion of "Identifying and Collecting Travel Data for Analysis" on page 9.)

Analyzing Travel Expenditure Trends to Identify Inefficiencies

DFA has not assigned responsibility to any agency official to regularly analyze trends in all travel cost categories. This exercise should be part of DFA's policy in order to determine ideas for improvement. For instance, PEER determined that lodging costs of state agencies had increased at a higher-than-normal rate from FY 1998 to FY 1999 (i.e., a sharp increase compared to the trend of expenditures from FY 1993 to FY 1997), while meal costs had dropped during the same period at an abnormal rate (i.e., an unusually sharp decrease compared to the historical trend). Exhibit 3 on page 15 shows these trends.

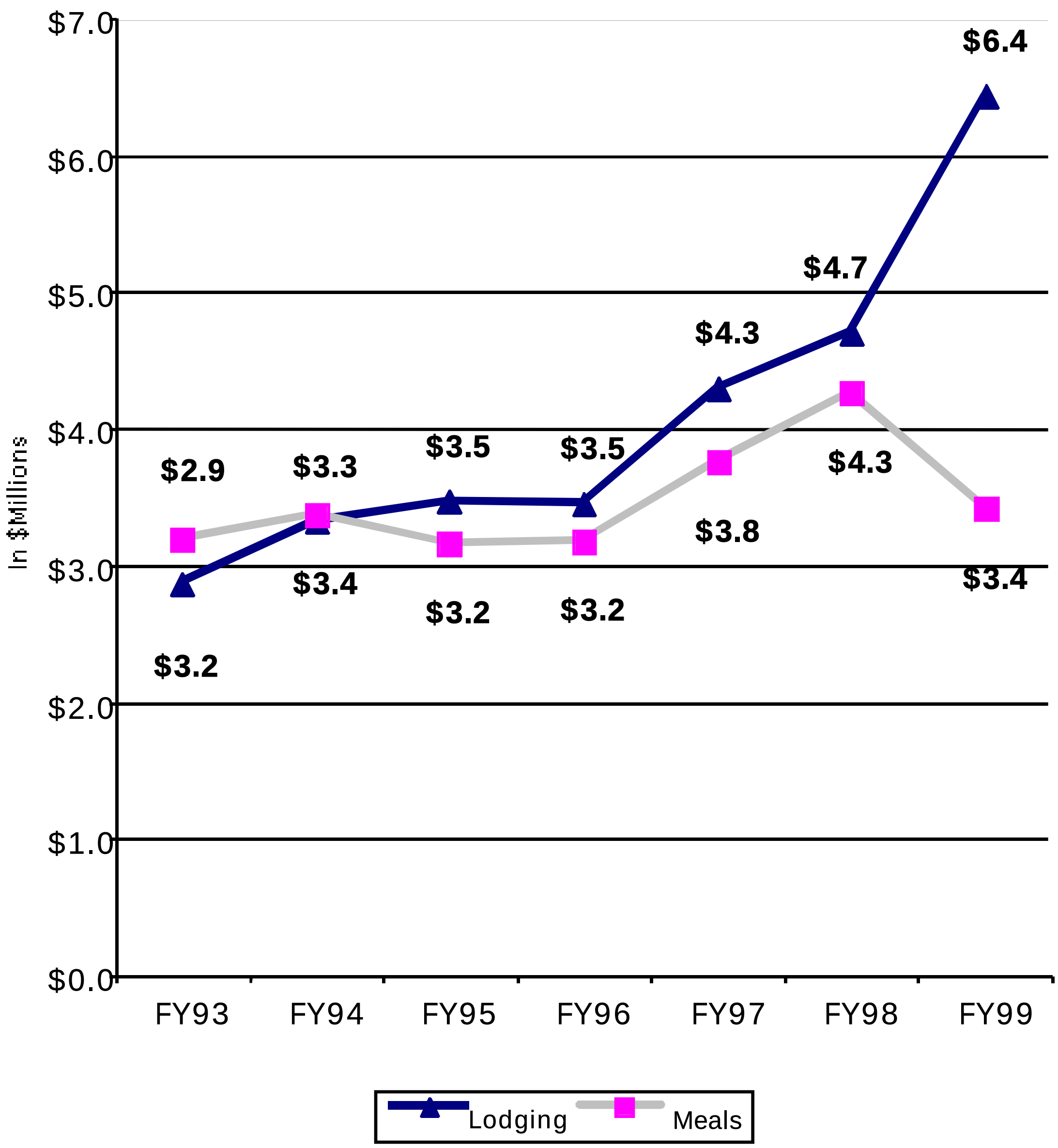
A DFA official offered some suggestions as to why this might have occurred, although he was unaware of this occurrence prior to PEER's analysis. The official stated that in the last year there appeared to be an increased number of travel retreats arranged by agencies for which meals were included in the overall cost of the lodging. The possibility that some meal costs were hidden within lodging costs might explain a portion of the unprecedented trend in increased lodging costs (from $4.3 million in FY 1997 to $4.7 million in FY 1998 to $6.4 million in FY 1999).

The official also stated that the increased lodging costs may be due to higher prices charged by hotels in the last year, for instance at the casinos on the Mississippi Gulf Coast. However, DFA has not made analysis of this trend a priority. DFA does not have a policy to research this type of occurrence routinely, monitor the situation, and ensure that steps be taken on a timely basis to keep costs in line.

DFA does not regularly analyze travel cost trends to determine whether the state could avoid further cost increases.

This rise in costs should be analyzed by DFA to determine if some action on its part could avert further increases in costs. These trends may be further evidence to reinforce PEER's determination that lodging costs should be bid competitively to maintain them at an acceptable level, as outlined on page 34.

Exhibit 3: Abnormal Trends in Lodging and Meal Costs of State Agencies



SOURCE: Analysis of DFA financial reports

Using Travel Data to Negotiate Better Contracts

By requiring its travel agent to collect sufficient travel data and monitor it, DFA can obtain knowledge about the volume of travel dollar transactions incurred by state employees. If DFA were to include the volume of state expenditures by category in its requests for proposals (RFPs), vendors would be more likely to understand the potential for their profit in dealing with the state, and this could encourage them to offer lower bids to obtain state contracts.

Providing detailed information on the volume of travel expenditures to potential travel agent vendors could encourage more competition for state contracts.

Although DFA includes general information in its requests for proposals (e.g., the June 2000 RFP for airline fares stated that Mississippi's 1999 gross expenditures for air travel were "approximately $6 million for domestic airfares and $1 million for international airfares"), it has not included the detailed information found in the RFP of Texas, for instance. (Texas's RFP lists the most recent contract fare for each flight segment [e.g., Dallas to Houston] and the estimated number of trips flown annually for each segment.)

Requiring Employees to Input Accurate Data into the Gasoline Credit Card System

DFA competitively bids the contract for the state's gasoline credit card system (Fuel Man) for all state agencies. Fuel Man allows twenty-four-hour access to motor vehicle fuel for the personnel of forty-five state agencies. Users with a Fuel Man credit card may charge fuel and maintenance costs at outlets that accept the card. The credit card system is capable of capturing vehicle usage data and determining when maintenance should be performed. However, the system cannot fully accomplish these goals because some state agencies do not require their employees to make proper mileage entries into the credit card system when they use their cards at the Fuel Man gasoline pumps located around the state.

Agencies should require employees with Fuel Man cards to enter accurate data into the system when they use their cards at pumps around the state. The resulting data could be used to help improve vehicle management.

Data obtained from the previous contractor showed the same problem of inaccurate mileage entry. DFA and vendor and agency officials confirmed to PEER that the historic data on fuel usage is inaccurate. One agency official stated that mileage entries in the Fuel Man reports were correct only "every third or fourth" entry. As a result, PEER could not use the data to complete its analysis of the state's vehicle management system. DFA and state agencies should require accurate data entry so that the data can be used for:

- gauging individual equipment efficiency;

- auditing and compliance checks to detect possible fraud by individual cardholders; and,

- scheduling preventive maintenance. The system supplies weekly preventive maintenance reports to each agency. Preventive maintenance may help agencies to avoid more expensive repair costs and to preserve the fleet of state-owned vehicles.

Reviewing the State Travel Agent's Reports for Compliance with State Travel Policy and Contract Provisions

Through December 1999, DFA obtained reports from the state travel agent on airline purchases and savings on a monthly basis. However, DFA did not develop a process to review the airline ticket information periodically to determine whether state agencies and travel agents were following state cost control policies. A process to review this information randomly would have helped to determine whether state agencies were following state cost control policies and contract provisions and whether the travel agencies were booking flights at the state contract rate. (The state contract rate was established as a control to ensure a ceiling on state employees' air transportation costs.) A review process would also help to gauge agencies' efficiency in purchasing travel services.

A DFA official stated that DFA relied on Avanti's own quality control process (mandated by the contract) for oversight purposes. (Avanti's quality control process consists of an experienced travel agent reviewing for accuracy the airfare purchase transactions of all other agents as they are queued in the computer system waiting to be finalized for payment to the airlines.) While this quality control process does serve as a way to improve cost controls over the individual reservation agents, it is not sufficient as the only means of internal control over the travel agent. A random check by DFA monthly would have alerted the travel agent that its operations were being monitored.

To assure effective oversight of purchasing travel services, DFA should monitor travel agent contractors rather than relying on the contractor's quality control process.

Control and monitoring of contractors is important to assure that contracts are implemented according to agreements and to provide oversight to help ensure cost reductions for which the contracts were implemented. It is routine industry practice for travel agents to receive a monetary incentive through airline commissions (currently 5% of ticket cost, capped at $50 for round-trip domestic tickets). Because this inherent conflict of interest to book more expensive flights is built into any travel agent contract with the state, monitoring of contractors is even more important.

PEER learned recently that DFA had begun a process to review travel reports submitted by agencies to determine if the agencies were using state contract rates. DFA should continue this process as a way to monitor the travel agents with which it contracts in 2000.

Using Electronic Management Data as a Tool to Encourage Agency Travel Cost Reductions

The DFA Travel Office has not obtained and analyzed management information data in an electronic format from its vendors. Analyzing electronic data would expedite the processes explained in this section. Specifically, the data would help DFA to understand travel procedures of various agencies and whether agencies are following state travel policies, in order to determine if preventive or retroactive actions should be taken with respect to notifying and educating agencies on cost-reduction practices.

DFA should obtain electronic data from state travel agents in the future on airline fares, as well as lodging and rental car costs. For example, DFA should analyze management information data to determine if there are any agencies that never use restricted airfares. DFA should then educate those agencies on the benefits of restricted airline tickets and help them to determine if the use of more economical restricted/non-refundable tickets would be beneficial and feasible. (DFA has told PEER that it provides training to agency personnel periodically on implementing state travel policies. DFA should also request meetings with agency management as needed to explain the benefits of the non-refundable tickets.)

PEER was not able to review historical data for cost control exceptions because DFA had not obtained the reports that had been listed as a requirement in the state travel agent contract. In addition, the state travel agent, Avanti, did not have a system or was not familiar enough with its systems to provide any flight data in electronic format to PEER analysts during the review.

DFA should obtain access to contractors' historical travel data in electronic format and monitor this data on a periodic basis.

In future DFA contracts with travel agencies, DFA should ensure that it has electronic access to data from all agencies on contract on a uniform, periodic basis. Unless DFA prepares for the problems that are inherent in obtaining usable data from multiple vendors and seeks to manage the process, management data information could be useless in the future.

Continuing to Establish Control Procedures for Legitimate Reimbursement

State law and policies establish sufficient control procedures for ensuring reimbursement for expenses actually incurred and in accordance with state travel law and policy.

The framework set by statutes, combined with DFA's policies and procedures, provides adequate controls for reducing opportunities for fraud and for ensuring reimbursement for expenses actually incurred.

Good management control procedures, also known in accounting as internal controls, set a framework for specific procedures which will document and control costs and establish an environment of oversight for state personnel and contractors. Good control procedures provide for an "audit trail" by which reimbursement and purchasing activities of personnel can be monitored and the opportunities for fraud can be reduced. A good management control environment gives personnel the assurance that management, and DFA as the state's control agency, are concerned about costs and will oversee the operational and financial activities of the organization.

Through reviewing the state travel statutes and policies, PEER found that the framework for control set in the statutes, combined with DFA's policies and procedures, provided adequate controls for reducing opportunities for fraud and for ensuring reimbursement for expenses actually incurred.

Outlined below are the various control procedures set in law and a summary of the types of control procedures established in DFA's state travel policy guide.

Statutory Control Procedures

Authority to travel--MISS. CODE ANN. Section 25-1-83 (1972) requires that any state employee, other than an agency or department head, have prior written authority to attend a convention, association, or meeting. In addition, MISS. CODE ANN. 25-3-41 (1) (1972) requires that any officer or employee be first "duly authorized" to travel in the performance of official duties.

Itemized expense accounts and travel advances--MISS. CODE ANN. Section 25-1-79 (1972) makes it illegal to reimburse any state employee until the cost is actually incurred and DFA receives an approved and itemized expense account. This section also permits payment of travel advances for out-of-state travel, but employees must account for use of the advanced funds.

State law requires authorization for travel and documentation of expense claims.

Documentation of expense claims--MISS. CODE ANN. Section 7-7-27 (1972) requires filing of expense claims with DFA and permits DFA to request additional documentation to verify claimed expenses to ensure that the expense is "regular, legal and correct."

Pre-audit of claims--MISS. CODE ANN. Section 25-3-41 (1972) requires a copy of the travel expense reimbursement form go to DFA for pre-audit, in order to verify the expenditure. As of July 1, 2000, DFA will also have the specific statutory authority to post-audit travel expense accounts as an added tool to control travel costs.

Requirement for hotel receipts--MISS. CODE ANN. Section 25-1-81 (1972) requires that state employees who travel must provide a written hotel receipt in order to obtain reimbursement.

Controls over convention and meeting attendance--MISS. CODE ANN. Section 25-1-83 (1972) requires an agency superior to authorize in writing a state employee's attendance at a convention, association, or meeting. This section directs each agency to include in its annual report to the Legislature the names of employees who attend any convention, association, or meeting and the total cost of attendance. This information is also required in more detail as part of the legislative budget process.

State law prohibits double reimbursement and restricts use of state-owned automobiles to official business.

Prohibition against double reimbursement--MISS. CODE ANN. Section 25-3-41(7) (1972) prohibits employees from claiming double reimbursement for the same expense under different sections of state law.

Mileage reimbursement--MISS. CODE ANN. Section 25-3-41 (1972) allows reimbursement of mileage for use of a personally owned vehicle for state business at the prevailing per mile rate used by the federal government. The same section permits only one reimbursement even if two or more state employees are traveling in the same privately owned vehicle.

Use of state-owned automobiles--MISS. CODE ANN. Section 25-1-79 (1972) restricts use of state-owned automobiles to "official business" only, but official business is not defined in the CODE. This section also makes it illegal to claim reimbursement until after the expense is incurred and only after an approved, itemized expense account certified by the state agency head.

Penalties Set in the Statutes for Misuse or Abuse of the State's Travel Reimbursement System

Statutory penalties, both civil and criminal, exist for misuse or abuse of the travel reimbursement system.

Withholding of agency travel funds--MISS. CODE ANN. Section 25-1-81 (1972) gives DFA the power to withhold any further travel reimbursements to the entire "department, agency, or institution" until repayment of wrongly paid reimbursements.

Penalties for agencies or employees who violate state travel reimbursement statutes include withholding of travel funds, fines, removal from office, and imprisonment.

Misdemeanor criminal penalties--MISS. CODE ANN. Section 25-3-45 (1972) makes it unlawful to "to claim, receive, approve or allow" reimbursements in excess of travel expense limits set in law. This section makes it a misdemeanor offense to "knowingly or willingly" claim or approve reimbursements in an amount more than that to which one is entitled. Convicted violators face a fine of up to $250 and face removal from office and liability for the illegally paid monies.

Removal from office--MISS. CODE ANN. Section 25-1-91 (1972) also provides for a maximum $250 fine, plus removal from office, for violations of state travel reimbursement statutes.

Felony criminal statutes--Three provisions of state law--MISS. CODE ANN. Sections 97-11-25, 97-11-29, and 97-11-31 (1972)--deal with fraud and embezzlement by public officers and employees. Travel fraud could fit within the scope of these sections and could be punished as a felony. Penalties can include twenty years in prison and fines up to $5,000. Also, MISS. CODE ANN. Section 97-11-29 (1972), governing embezzlement of public funds, states that violators are liable for fines in an amount equal to double the amount of public money involved.

Selected Control Procedures Set in DFA Policy

DFA's travel policies include controls to prevent fraud and help assure accurate reimbursement. For example, the policies:

- require the employee seeking reimbursement for vehicle mileage to include the names and Social Security numbers of other state employees traveling in the same car, to serve as a check in preventing more than one employee claiming reimbursement for the same trip;

- allow travel reimbursement only for the portion of a trip that is related to official business--that is, by "the most direct practicable route" for state business and disallowing travel for any personal portion of a trip;

- prohibit car rentals for personal use and state that the size of the vehicle must not exceed business task;

- prohibit meal reimbursements within the primary place of work; and,

- outline specific procedures for meal tips, phone charges, taxi fares, baggage handling, and other types of expenses.

Expanding the Guidelines for Determining the Most Efficient Mode of Transportation

Although state travel policies include helpful suggestions and requirements for choosing the most efficient mode of transportation, they do not include all the steps necessary for this determination.

In implementing a comprehensive travel management system to control the cost of travel, state agencies should initially determine the most efficient method of transporting personnel to the necessary destination.

DFA's state travel policies contain several references for selecting the most efficient mode of transportation. The policies (entitled ***FY 2000 State Travel Information***):

- outline the calculations that must be made when comparing driving to flying expenses;

- state that if automobile driving expenses, including meals and lodging, are greater than the flying expense to a given location, they will not be reimbursed unless the agency Executive Director (1) certifies in writing that it is less expensive to drive than to fly; or, (2) certifies that it is in the best interest of the agency to drive rather than fly (As stated on page 25, the language regarding "best interest" is vague and should be clarified.); and,

- state that car rentals are (1) only reimbursed when the cost is less than mileage reimbursements for personal vehicles (with the comparison documented on the travel expense voucher); (2) only allowed when there is a demonstrated cost savings--e.g., in comparison to taxis or other possible transportation methods; and, (3) are not allowed for personal use such as sightseeing or optional travel to and from restaurants.

Although DFA's travel policies contain suggestions on choosing the most efficient mode of travel, they do not prescribe a detailed framework for agency decisionmaking. Such a decisionmaking process should begin with a determination of the most efficient level of vehicle ownership.

Although these travel policies assist in controlling individual travel decisions, they do not provide an overall framework to lay out the steps necessary in determining the most efficient mode of transportation. Active management of these transportation options should include an initial determination of the most efficient number of vehicles that a state agency should own. After determining the most efficient level of vehicle ownership, for those employees who do not have access to a state-owned car, agencies should calculate whether it would be more economical to rent a car or to reimburse the employee for mileage for the trip. Finally, in those instances in which driving an automobile would lengthen the trip into overnight stays, the agency should determine whether it would be more economical to fly rather than to rent a car, with all related costs to be considered, such as airport and hotel parking and lodging.

Determining When It is Cost-Effective to Purchase a Vehicle Rather than Reimburse Driving Costs

The state lacks a system for determining when it is cost-effective to purchase vehicles.

The state should establish a "breakeven mileage" for purchasing, which represents the point at which it is more economical for the employee to drive a state vehicle rather than be reimbursed the state mileage reimbursement rate.

In addition to program analysis of valid considerations and purposes of the programs, state agencies should use financial analysis for determining whether to purchase vehicles for personnel use. Central to the purchase decision should be a calculation of the "breakeven" level of mileage for which a state employee must drive on average yearly. The "breakeven mileage for purchasing" represents the point at which it is more economical for the employee to drive a state vehicle rather than be reimbursed the state mileage reimbursement rate (32.5 cents a mile currently). The breakeven mileage is based on the cost of vehicles on state contract and depreciation of the cost, the gasoline cost, and the estimated maintenance costs, which are compared to the cost of mileage reimbursement to the employee based on the same level of mileage.

Through this type of analysis, PEER determined that the breakeven point for mileage for the state as a whole is 21,019 miles per year, based on FY 1999 data. In other words, if an employee drives fewer than 21,019 miles per year, it is more economical for the state to reimburse the employee for mileage or to rent a car for the employee's use. If the employee drives more than 21,019 miles per year, it is more economical for the state to purchase a car for the employee's use. Individual agencies should consider any costs that are unique to their operations and determine their own breakeven mileage for purchase if necessary.

The current breakeven point for vehicle mileage is 21, 019 miles.

Using FY 1999 data, PEER identified 325 drivers in 13 agencies who were reimbursed for mileage in excess of the breakeven mileage point of 21,019. As a result, PEER determined that the state agencies employing these individuals could most likely save money by purchasing cars for their use (assuming the FY 1999 mileage recurs yearly on average).

The number of employees per agency who traveled in excess of the breakeven point in FY 1999 is outlined in Exhibit 4, below.

Exhibit 4--Number of Employees Who Traveled 21,019 Miles or More in Personal Vehicles in FY 1999

State Agency	Number of Employees
Department of Health	67
Department of Transportation	51
State Auditor	50
Department of Human Services	29
Other Agencies	27
Public Service Commission	23
Tax Commission	18
Insurance Commission	17
Department of Banking and Consumer Finance	15
Attorney General	8
Department of Education	8
Department of Economic and Community Development	6
Department of Finance and Administration	6
	325

Determining Whether to Rent or Reimburse Mileage For Employees Who Do Not Use a State Vehicle

State policies sufficiently control for uneconomical use of rental cars but do not require that agencies actively compare the cost-effectiveness of renting versus mileage reimbursement.

As outlined on page 22, DFA has sufficient guidelines in place to discourage agencies from using car rentals when it is more economical to reimburse employees for mileage. However, DFA travel regulations do not specifically address the use of rental vehicles for in-state travel when personal vehicle mileage reimbursements exceed the costs of using a rental car. The regulations do not require that agencies routinely compare the cost of driving with the cost of renting a car. Agencies should conduct this analysis for each type of travel that is routine and for each instance of travel that is unique from other trips. For routine types of travel, analysis would determine a "breakeven mileage for rental."

The current breakeven mileage for vehicle rental is approximately 155 miles per day. For a day trip, it would be more economical to rent a car if the mileage exceeds 155 miles.

Using current estimates of costs, PEER determined that the breakeven mileage for vehicle rental for the state as a whole is approximately 155 miles per day. In other words, for a day trip it is more economical to rent a car when the mileage exceeds 155 miles. As stated above, agencies should calculate their own breakeven mileage for rental as necessary.

Determining Whether to Fly or Drive

The state policies for determining the cost-effectiveness of driving versus flying should be clarified to hold agencies more accountable.

DFA has established a policy for determining whether it is more cost-effective to drive vehicles rather than to fly. The policy states that "when travel is by automobile the total travel expenses reimbursed, including meals and lodging, shall not exceed the cost of the lowest unrestricted air fare unless the employee's Executive Director determines, in writing, that it is in the best interest of the agency that the employee drive, or that, on comparison of 'total driving' and 'total flying' expenses, it is less expensive to drive than to fly." The policies also outline specific driving and flying expenses.

The policy allowing driving versus flying when it is in the "best interest of the agency" is vague and could open the opportunity for employees to drive for pleasure rather than fly, even when it is more expensive. Instead, the director should be required to certify that there is a legitimate purpose for the decision, such as the need for the employee to transport materials to be used at a trade show booth when they cannot be transported by air.

(On June 23, 2000, DFA personnel stated to PEER that they are planning to clarify the policy as suggested here.)

Establishing Expense Limits and Guidelines for Ensuring that Costs are Minimized

DFA could better ensure that costs are minimized by requiring travel agents to always quote lowest-cost restricted airfares and use lower-cost electronic ticketing and by establishing a centralized vehicle management system.

Closely related to DFA's and management's role in establishing controls is the need for implementing guidelines for cost-saving practices. Cost minimization guidelines include setting expense limits--i.e., maximum reimbursement amounts which are based on a determination of reasonable levels of expenses and documentation requirements necessary for reimbursement of travel costs. Cost minimization can also include systems of cost oversight agency-wide, such as for vehicle management. (See discussion on page 30.)

Mississippi statutes and DFA travel policies include substantial control procedures for ensuring that costs are minimized. However, PEER determined that other cost minimization practices could be implemented by DFA and/or added to the statutes. The current statutory and policy control procedures and suggestions for additional controls are discussed below.

Statutory Control Procedures for Minimizing Costs

General Statutes

Audit and fiscal management authority---MISS. CODE ANN. Section 27-104-103 (1) (1972) authorizes DFA to "review and monitor the expenditures of the executive agencies and departments of government," as well as to "manage the state's fiscal affairs."

MISS. CODE ANN. Section 25-3-41 (4) (1972) authorizes DFA to develop rules and regulations on travel reimbursement as "necessary. . .to effectuate economies."

Travel outside the U.S.--Travel outside the continental United States requires a determination by the state agency head or the agency governing body that such travel would be "extremely beneficial" to the state agency, under MISS. CODE ANN. Section 25-3-41 (6) (1972). The governor or his or her designee must concur with that decision in writing and DFA must also agree.

Vehicle Management

Purchasing oversight authority--MISS. CODE ANN. Section 31-7-11 (1972) confers broad enforcement authority upon DFA to restrict all types of purchases, including motor vehicles. If an agency is "not practicing economy in its purchasing," DFA is authorized to "immediately" halt the practice.

Also, MISS. CODE ANN. Section 25-1-77 (1972) expressly states that DFA must approve the purchase of each automobile, station wagon, or similar vehicle by an agency. MISS. CODE ANN. Section 25-1-85 (1972) also controls the number of passenger vehicles each agency may have, by assigning each agency a specific number of passenger vehicles. It also defines "passenger vehicle" in very broad terms--e.g., any vehicle "designed to transport four (4) or more persons and/or provides adequate seating for at least four (4) persons."

Financial liability for vehicle purchases--Finally, agency officials who approve passenger vehicle purchases in excess of the statutory limit in MISS. CODE ANN. Section 25-1-85 (1972) face action against their official bonds up to the purchase price of the vehicle and any maintenance and operation costs.

Lodging/Subsistence

Meal and hotel expenses–-MISS. CODE ANN. Section 25-3-41 (4) (1972) allows for reimbursement for meals, lodging, and other "necessary expenses" for both in- and out-of-state travel. This section also empowers DFA to set a maximum daily meal expense, or ceiling, for reimbursement purposes.

Air Travel

Booking of air travel--MISS. CODE ANN. Section 25-3-41 (4) (1972) requires state employees to travel at the tourist rate whenever available. If not available, the traveler must certify that the tourist rate was unavailable. MISS. CODE ANN. Section 25-3-41 (8) (1972) states that if DFA has a contract with a state travel agency or multiple agencies, state law requires that all air travel or "other public carrier" be booked through one of the contract agencies.

DFA Policy for Minimizing Costs

DFA travel regulations further control travel costs by such procedures as:

- prohibiting purchase of collision insurance in favor of the free collision insurance required for out-of-state rentals;
- requiring that any air fares exceeding the limits established in the state contract (see competitive bidding section) be justified in writing and waived by DFA;
- requiring that the rental of cars larger than mid-size must be justified to DFA in writing;; and,
- establishing maximum reimbursement amounts for meals in various cities in the state and the U.S.

Requiring Travel Agents to Quote Lowest-Cost Restricted Airfares

The past DFA contract did not require state travel agents to quote both the state contract rate and the lowest restricted rate.

Because the state travel agent canceled the contract as of February 1, 2000, DFA established transitional policies for agencies to choose internally the most economical travel options and make their own travel plans, as long as the fares are not more expensive than the state contract rate. The previous policy required the state travel agent to book the airfares (unless another agent could book the fare for a savings of $25 or more in excess of the state travel agent's fare).

Including a contract requirement for state travel agents to quote the lowest airfare rate in every instance could encourage agencies to choose lower fares when feasible.

The current and previous policy also encourage each agency to use fares that are cheaper than the state contract fares, although there are no requirements that cheaper fares be used. (DFA does not require use of the lowest rate because there may be a reason that an agency cannot risk purchasing a ticket which cannot be refunded if travel plans are changed.) However, the past DFA contract did not specifically require state travel agents to quote both the state contract rate and the lowest restricted rate. Legally requiring agents to quote the lowest rate in every instance will encourage agencies to choose lower non-contract fares when feasible.

In its most recent draft of its request for proposals for state travel agent services, DFA has required that the state travel agent quote both the state contract rate and the lowest restricted rate, which should address most of PEER's concerns. However, the proposed contract language does not require that airline agents quote the lowest fares among the various airports at heavily traveled locations, such as the Washington, DC/Baltimore, MD, area.

Requiring Use of Lower-Cost Electronic Ticketing

DFA does not require the use of airline e-tickets by state agencies, which are less expensive than paper tickets.

DFA should require travel agents to use e-tickets, which should reduce transaction fees accordingly.

Currently in the industry, use of electronic ticketing, or e-tickets, is common, as opposed to the traditional paper airline tickets. To use an e-ticket, travelers confirm their flight information at the airline desk prior to flight departure. At present, many state agencies request paper tickets rather than e-tickets.

The cost to issue paper tickets includes:

- the cost of the paper stock;
- the liability insurance for maintaining the paper stock on hand in the office. (The airline industry requires that travel agents maintain liability insurance on the ticket stock in the case of theft and misuse of tickets.);
- the cost of packaging the ticket; and,
- the cost of delivering the tickets by mail or automobile--e.g., one travel agent charges $8 for each delivery of paper tickets to state agencies (which can include as many as 100 tickets delivered in the same trip).

Because the industry has begun to provide e-tickets, many individuals and some states such as Utah have begun to use electronic tickets exclusively. E-tickets are easier to use because the traveler does not have to worry about losing his or her ticket. They are also less expensive because there is no liability for their loss, less paper is used, and the e-ticket confirmation and the ticket itinerary can be faxed instead of mailed or delivered by vehicle.

Due to lower costs, DFA should require that all agencies use e-tickets and that travel agents reduce their transaction fees accordingly.

Establishing a Comprehensive Vehicle Management System

Neither the statutes nor DFA policies provide for a comprehensive vehicle management system for assessing need and for maintaining, disposing of, and controlling the number of state-owned vehicles.

A centralized state vehicle management system could incorporate needs analysis prior to agencies' purchase of vehicles, assure timely vehicle maintenance, and dispose of vehicles routinely based on historical data.

As stated on page 23, PEER determined that the breakeven point in mileage for purchasing a vehicle is currently approximately 21,019 miles--i.e., it is more cost-effective to purchase vehicles which will be driven at least 21,019 miles or more during a given year. In order to evaluate the state's current system of managing vehicles, PEER attempted to compare the actual mileage of vehicles in FY 1999 to the breakeven point in mileage for eight state agencies. (PEER selected for the review the five agencies with the largest vehicle fleets and an additional three agencies with large fleets selected on the basis of their having fleets for routine rather than emergency purposes.) PEER referred to legislative budget requests to obtain the mileage information, as agencies are required to report yearly mileage in those documents. However, for two of eight agencies reviewed, the agency did not report the required information in FY 1999. For the other six agencies, 171 of 379 vehicles, or 35%, did not meet PEER's criteria for purchasing a vehicle--i.e., the mileage for the vehicles was less than the breakeven point. This evidence reinforced PEER's determination in 1993 that the state is in need of a centralized vehicle management system.

In December 1993, PEER released a report on vehicle management entitled ***A Performance Audit of State-Owned Vehicle Management***. The report concluded that the state did not have an adequate system to manage the state's vehicles as evidenced by a survey of state agencies that found deficiencies in agency vehicle management practices. PEER found a lack of policy and statutes requiring agencies to:

- perform needs analyses before purchasing vehicles, to include comparison of breakeven rental and purchase amounts to reimbursement amounts for typical mileage driven;

- assure timely maintenance of vehicles (PEER was told that some agencies do not require their employees to maintain proper mileage data which would help ensure accuracy of maintenance update schedules); and,

- dispose of vehicles in a routine or orderly manner, with sufficient data for decisionmaking.

The Appendix, page 47, gives a more detailed account of the needed vehicle management policies that were outlined in the 1993 report. PEER did not update the 1993 survey as part of this report. Nevertheless, the numbers of passenger vehicles on inventory, the continued increase in vehicle purchase costs, and the numbers of vehicles on inventory which do not meet the breakeven criteria for purchase indicate a continued need for a comprehensive vehicle management system.

A centralized state vehicle management system could include operation of a motor pool system, with oversight and enforcement authority vested in a single entity. Agencies could lease vehicles from the motor pool.

As was the case in 1993, Mississippi law lacks specific language that sets out a system for management of state vehicles, including their acquisition, use and control, and disposal, nor does state law assign oversight and enforcement authority to a central entity. One method of oversight for assuring that vehicles are purchased only for necessary uses would be the creation of a centralized state motor pool system, with oversight and enforcement authority vested in a single entity. In such a system, state agencies would direct their requests for vehicles to DFA, which would be given oversight and enforcement authority for management of the vehicles. (The only exception would be the state Department of Transportation, which would continue to manage its own vehicle fleet. The reason for this exclusion would be that the state Department of Transportation has a unique need for large numbers of heavy equipment vehicles and trucks, versus passenger vehicles that most agencies use.) State agencies with justified needs could lease vehicles from the state motor pool, using statewide policies and regulations to govern maintenance, use, and eventually disposal.

Section 25-1-85 sets a limit on the number of vehicles to be purchased by agencies without regard to agency need.

According to the State Department of Audit's master inventory, as of December 1999, state agencies had acquired 4,469 passenger vehicles, more than three times the statutory limit of 1,475.

MISS. CODE ANN. Section 25-1-85 defines what constitutes a passenger vehicle under state law and specifies the number of passenger vehicles that each agency may own. However, as of December 1999, state agencies had acquired 4,469 passenger vehicles, or more than three times the statutory limit of 1,475 passenger vehicles (according to the State Department of Audit's master inventory). This imbalance in statutory requirements and actual purchases has occurred because agencies sought and received appropriations for vehicles which exceeded the number provided for in state law and because DFA does not interpret the law as giving it authority to limit passenger vehicle acquisition.

A state motor pool system could be utilized to require vehicles to be driven to the breakeven point each year.

Section 25-1-85 does not take into account agencies' need for vehicles at any given time. PEER believes that the intent of the law to control the number of vehicles purchased could best be addressed through a state motor pool system and that Section 25-1-85 should be amended by the Legislature. The motor pool regulations could outline criteria of need and efficiency for purchase of vehicles, including holding the number of vehicles on inventory to a level that would require vehicles to be driven 21,019 miles or more (the breakeven point for purchasing a vehicle). (See page 23 for a definition of the breakeven point.)

Pursuing Additional Competitive Bids for Travel Services

Although DFA uses competitive bidding procedures when procuring travel services, it could improve the potential for cost reduction by increasing competition among lodging companies and travel agents.

Competitively bid contracts are an example of best practices for good government. Requiring vendors in the private sector to compete for the privilege of contracting with the state in large volumes can reduce the prices for services ordinarily obtained. State contracts do not necessarily ensure the best prices in all instances, but they set a ceiling for maximum price for a service. For instance, annual car rental contracts provide daily and weekly rates to state employees, regardless of variations in prices that may exist due to problems with availability of and demand for vehicles in certain locations.

The key to obtaining discount prices, rather than merely setting of a maximum price for a service, is for the state to devise the contract proposals in a way to require the vendors to compete on price as well as service. Nevertheless, some discount vendors may not choose to compete for the state's business, even though they may offer prices that fall below the state contract price. To address this concern, DFA policies allow state agencies to purchase merchandise from non-contract vendors when personnel can document the lower prices.

DFA competitively bids contracts for:

- a fuel-access management company (gasoline credit card services);
- rental rates for vehicles used in-state and out-of-state;
- non-restricted airline fares--i.e., fares that can be obtained at any time with no penalty for changes or cancellations; and,

- state travel agent services.

However, DFA does not use competitive bidding for lodging contracts, which is the second largest category of state travel-related expenditures after automobile-related expenditures. In addition, DFA's method for contracting with state travel agents could be improved. Discussions of current DFA practices and needed improvements are outlined below.

Competitive Bids for Non-Restricted Airfare

DFA uses state contract airfares as a means of having economical airfares available for last-minute or tentative travel plans.

The state's largest competitively-bid travel contracts are for non-restricted airfares. DFA's current contracting process is beneficial for the purpose of having economical non-restricted/refundable airfares available for last-minute or tentative travel itineraries. For instance, the following chart, which outlines state contract fares and restricted fares for certain periods, shows that the state contract airfares are more economical than the lowest restricted airfare available on short notice. PEER chose to use the fares for the Jackson to Washington, DC, area in the chart, as that is the state's most heavily traveled destination. For comparative purposes, the chart also shows the restricted fares for that destination that are booked one to two months in advance.

Comparison of State Contract Fares to Restricted Fares

	Jackson to Baltimore, MD	Jackson to Washington, DC
State Contract Fares	$258	$380-398
Restricted Fares		
Short-term Travel (one week)	$333	$938
Long-term Travel (one-two months)	$213	$282

SOURCE: DFA records and www.Travelocity.com as of June 21, 2000.

However, DFA's process for competitively bidding airline fares is not the sole method nor the solution to airfare cost reduction. For instance, many travel costs can probably best be minimized when agencies have the flexibility to use restricted airfares, which are often more economical than state contract fares. Restricted airfares are not refundable and usually have penalties of at least $75. These fares can be exchanged for fares of the same price or higher within a twelve-month period. (See additional discussion of state use of restricted airfares on page 28.)

Lack of Sufficient Controls over Lodging

DFA does not actively negotiate lower hotel rates.

DFA does not solicit hotel rate bids on a competitive basis. The department requests hotels' maximum rate quotes for state employees and provides a list of them to agencies.

DFA's regulations regarding procuring state employee lodging are included in the state's travel policy manual, ***FY 2000 State Travel Information,*** which discusses the hotel rates that DFA obtains through solicitation of price quotes for rooms from hotels. However, DFA's procedures are not sufficient because DFA does not solicit or obtain hotel rate bids on a competitive basis. In practice, DFA requests that hotels quote maximum hotel rates that they will offer to state employees. DFA will accept these quoted rates and place them on the contract list as long as the rates do not exceed the federal hotel rate limits printed in the ***Federal Register***. (DFA uses the hotel rate limits set by the federal government because those rates are based on research of actual costs of hotels around the country.)

DFA could request bids from hotels in areas where there is significant competition for rooms and require agencies to use the hotels with the lowest quoted rates.

However, competition might yield lower rates in areas of the state where there is significant competition for hotel rooms, for example, in Jackson and Biloxi. DFA could promote competition by requesting bids for the best rates hotels could offer and then choosing the lowest hotel room bids of those hotels which can provide adequate quality of service. DFA could include several hotels on the state contract list for each geographical area (within the city of Jackson, for instance) which fall within the best price ranges and prohibit use of hotels not on the list. If all hotels on the list are booked, the agency should certify this to DFA when requesting reimbursements.

DFA does not require that state agencies use those hotels on the state contract list that have committed to a price ceiling for room rates.

DFA travel regulations state that "primary responsibility for the reasonableness of [lodging] amounts charged rests with the agency head or his designee authorized to approve travel vouchers." In other words, state agencies are not required to use hotels on the state contract list. DFA policy also states that "contract hotel rates inside Mississippi are allowed to float with the Federal Register hotel limit," which means that the hotels do not have to abide by the state contract rate that they have agreed to offer to the state.

In a telephone survey of five state contract rate hotels, PEER found that two of the rates were greater than the prices quoted over the phone. (The DFA travel director stated that, although the rates quoted were lower than the state agreed-upon rate, at certain times of the year the actual rate for those same hotels could be higher than the state contract rate depending on demand for the rooms.) In addition, a DFA Bureau of Financial Control official stated that he has noticed that board members of some larger agencies stay in $115-per-night hotels while visiting Jackson, while board members at other smaller agencies on tighter budgets stay at $39-per-night hotels in Jackson.

Recommendations for Contracting with Travel Agents

According to MISS. CODE ANN. Section 25-3-41 (8) (1972), state law grants discretion to DFA as to whether to contract with a travel agency or multiple travel agencies, but requires any contract to be competitively bid. The following discussion focuses on the changes in airline travel that have affected travel agent services and how these relate to PEER's recommendations.

Changes in Airline Travel Affecting Travel Agent Services

Traditionally and before widespread use of the Internet, travel agents were an integral part of the air travel industry. Until 1998, airlines paid commissions of 10% of the fare cost to travel agents in return for booking fares with that airline. Because more and more travelers are seeking low fares on Internet sites which are available twenty-four hours a day, airlines are seeking to reduce or perhaps eliminate business with travel agents so that they will not have to pay commissions. It is much less expensive for airlines to sell tickets directly over the Internet.

As a result of this trend, airlines reduced their airline commissions paid to travel agents from 10% to 8% in late 1997 and then to 5% in October 1999. In the last five to ten years, state governments had moved to take advantage of their large travel volume by contracting with sole travel agents and requiring that the agents pay a portion of the ten percent in commissions that they had received to the state. As a result of the industry reduction in airline commissions, state governments are losing the benefits of receiving a portion of those commissions that they had negotiated with their state travel agents.

Changes in State Travel Office Operations

Accordingly, Mississippi and other states are in a transition period, looking for the best solutions to travel cost reduction. Before the commission reductions, states were able to receive airline commission rebates from their agents and did not have to pay transaction fees for the services because agents were able to make a profit on their portion of the commissions they received from the airlines. Now travel agencies are beginning to drop commissions rebated to states and to charge fees for each ticket booked and other services.

Travel industry authorities have predicted that airlines may eliminate commissions paid to travel agents during the next year. Some travel agents may be forced out of business. Others may find a market niche for their operations and raise their prices.

Contracting with Travel Agents in the New Travel Environment

When requesting proposals for travel agent services, DFA should request bids for various options in order to assure that proposed transaction fees are kept to a minimum.

DFA does not have information on the total costs of transaction fees charged to state agencies because DFA does not collect that information from the state travel agent. However, PEER estimates that the transaction fees for all institutions of higher learning and state agencies would be $350,000 annually, assuming a $15 transaction fee per airline ticket or hotel booking. (Currently Avanti is charging $17.50 per transaction while not under contract). Therefore, travel agents' service charges are also a cost that should be managed.

As explained above, in the past DFA competitively bid for contracts with a sole travel agent in order to reduce transaction fees for services. The most recent contract was with Avanti, which terminated the state travel agent contract as of February 1, 2000, because of the reduction in airline commissions paid to travel agents in October 1999. Avanti cancelled the contract because it stated that it was no longer able to make a sufficient profit with the reduced airline commissions.

Due to changes in the airline industry, DFA sponsored a bill during the 2000 legislative session to change the statutes to allow DFA to contract with multiple travel agents rather than only one travel agent. The bill was signed into law by the Governor on May 22, 2000.

DFA officials have stated that they are contracting with multiple travel agents because of changes in the industry reducing the profitability of travel agents, and thus the attractiveness of the state contract. DFA's rationale for using multiple travel agents is to increase competition for the quality of service provided to state agencies. DFA is using a one-year contract period, as further changes may occur in the industry during the year, which could affect vendors' financial viability. DFA plans to select several travel agents, which may be located in various geographic locations, whose proposed fees fall within an acceptable range.

PEER believes that DFA should expand its plans for a request for proposals to include bids for a sole travel agent as well as multiple travel agents. As DFA contends, it may be that agents are not willing to commit to a one-year contract for all of the state's travel needs due to volatility in the industry. However, if agents know that they may lose the contract to a competitor who is willing to take the risk, this could have a downward effect on their bids for transaction fees under a multiple agency contract, at the least. The strategy of requesting bids for both sole and multiple travel agents will either provide assurance that contracting with multiple travel agents will not be inordinately more expensive than contracting with only one agent or will indicate that DFA should contract with a sole agent.

Reviewing New Methods of Cost Control on an Ongoing Basis

DFA should research cost-control alternatives through the Internet, consider starting an in-house travel agency, pursue possibilities for joining with other states to enter group contracts, and study the feasibility of implementing a per diem reimbursement system.

Due to ongoing changes in the travel environment, especially in the airline industry and in delivering travel-related services through the Internet, the state should stay abreast of new methods of available cost control.

Accordingly, DFA, as the state's control agency, should perform regular analysis of the costs and benefits of implementing new methods of cost reduction.

DFA should use the Internet to research cost-control measures for travel.

Because the Internet revolution is affecting the travel industry, DFA should learn more about "real-time" cost savings and ways that technology can be used to help in travel cost reduction.

Companies such as Innovata, LLC, have developed software programs that would allow employees to search for low rates on the Internet and then obtain authorization from their superiors online during the procurement process. Another company advertised on the Internet audits state travel agents through the use of real-time software. The company has developed software to allow it to monitor the activities of travel agents and determine whether they have met state requirements within an hour of the agent's airfare purchase. This real-time audit program allows the auditor to audit travel agent activities on a sample basis by queuing airfare purchases for review by the auditor online.

DFA managers should review these new methods of cost control on an ongoing basis to determine their applicability to state operations.

DFA should consider starting an in-house travel agency.

The state could realize benefits from implementing an in-house state travel agency, including improved customer service and efficiency.

In January 1998, DFA assessed the feasibility of starting an in-house travel agency and decided against that option. During this review, PEER performed a cost-benefit analysis and determined that the option currently appears favorable. PEER estimated that the future costs of contracting with external agents and implementing an in-house travel agency were not significantly different and that the state could realize benefits from implementing an in-house agency.

Benefits of an in-house agency should include the following:

- improved customer service, because agents would be more familiar with the needs of state employee travelers in general and for specific agencies;

- improved efficiency through dedication of full-time travel agents to book flights for state employees; and,

- resources with which to share information with cost savings potential. (For instance, travel agents could be trained to search for special prices for certain flight segments during down-times or on a regularly scheduled basis. The travel office could then notify state agencies immediately by e-mail of the savings. Any agencies with travel scheduled for those times and locations could use the information to book lower-cost flights.)

PEER's analysis assumed that the internal travel agency would handle travel for all state agencies and institutions of higher learning and that the state would receive no commission revenues from the airlines (the airlines are expected to eliminate these commissions, which at 5% of bookings, currently approximates $300,000 for state accounts).

DFA should pursue the possibility of entering, along with other states, large-scale travel contracts.

Because of the benefits of economies of scale in purchasing and management, Mississippi should pursue the option of participating with other states in contracts with travel vendors. The State of Utah travel office expressed to PEER an interest in contracting with other states to obtain better prices for travel agents' transaction fees and has made preliminary contacts with other states for potential group contracts.

Mississippi could improve its travel purchasing power through participating in a multi-state purchasing cooperative.

Because Mississippi's travel purchases are relatively small in comparison to those of other states, participation in a large group or cooperative should help improve its purchasing power. A DFA official stated that they were aware of discussions of this option in the past among officials from the National Association of State Procurement Officials, but that no actions had resulted from the discussions.

DFA should study the feasibility of implementing a system of per diem reimbursement for meals and lodging.

Instead of requiring its employees to provide receipts for meals and lodging expenses for reimbursement, the federal government uses a system of per diem reimbursement. In this system, the federal government establishes a ceiling of maximum allowable reimbursement for meals and incidentals and for lodging costs ($30 and $55, respectively). For those cities in which it has been determined that average costs are higher than the established per diem rates, the federal government establishes amounts for reimbursement which are exceptions to the rule. In Mississippi, the federal government has determined that six cities are exceptions to the $55 per diem lodging standard (Biloxi, Bay St. Louis, Gulfport, Jackson, Ridgeland, and Robinsonville). The federal government also has developed exceptions for conference lodging.

Currently, state law requires that lodging receipts be itemized. DFA policy allows agencies to use a state meal reimbursement rate (excludes incidentals) or to require employees to collect and report meal receipts. Accordingly, DFA's system of pre-audit and/or post audit has included audit of lodging but not meal receipts.

Benefits to a per diem system in Mississippi could include the following:

- DFA would not audit lodging receipts, which would reduce the resources required for its post-audit procedures;

- employees would not have to save their lodging receipts or meal receipts (which are often for small amounts); and,

- Mississippi could use the federal government's per diem rates, which are set annually by an independent consultant.

Recommendations

Evaluating the Need for Travel

1. State agencies should develop methods to ensure that all travel is economical and necessary to meet programmatic needs of the agency.

Collecting Comprehensive Travel-Related Data

2. DFA should make appropriate changes in the state accounting system to allow for identification of the total costs of operating state-owned passenger vehicles.

3. The Office of the State Auditor should maintain a historical database of the inventory values of passenger and non-passenger vehicles so that trends in growth and purchases can be determined.

4. DFA, the Board of Trustees of Institutions of Higher Learning, and the State Auditor should develop and implement a travel management information system that captures comprehensive travel-related data in a uniform format.

5. As required by MISS. CODE ANN. Section 25-1-81, state agencies should include vehicle management data in their annual reports.

6. DFA contracts should require vendors (e.g., travel agents, fuel management contractors) to maintain management data in electronic format on a historical basis, readily available to DFA and other oversight agencies.

   For example, DFA should require its travel agent or agents to provide and maintain historical information of state employee travel expenditures by type (including exception and savings reports) in electronic format. If DFA contracts with multiple travel agents, DFA should require them to provide and maintain the information in a uniform format so that DFA and auditors can easily analyze the information.

Need for Analysis and Audit of Travel Data

7. DFA should analyze travel data and vendor information to identify emerging trends in travel costs and develop needed cost controls on a more timely basis.

8. DFA should explore the feasibility of utilizing available real-time audit programs to determine whether travel agents quote the lowest cost restricted fare to employees.

9. DFA and state agencies should require personnel using the Fuel Man credit card system to input accurate mileage data into the system when they refuel, so that the data can be used to analyze vehicle usage and to determine vehicle maintenance schedules.

Determining the Most Efficient Mode of Transportation

10. DFA should develop a method for determining the most efficient mode of transportation and implement a policy requiring state agencies to utilize the method.

Need for Control over Airline Fares

11. DFA should require its reservation agents to always quote the lowest restricted fare for every employee itinerary, in addition to quoting the state's contract airline fare. DFA should strengthen the language in its contract for travel agent services to state that, for heavily traveled locations, airline agents must quote the lowest air fares among the various airports at those locations.

12. State agencies should develop internal policies outlining when it will be acceptable to use higher-priced airline fares in place of the restricted non-refundable fares. For instance, an agency might establish a policy to use a non-restricted higher priced fare when:

    -- there is a high likelihood that trip plans may change; or,

    -- no substitute travel will be required or forthcoming if the trip is cancelled.

13. DFA should require that everyone in state government use e-tickets (paperless tickets) and should re-bid the travel agent contract on this basis.

Vehicle Management

14. The Legislature should amend MISS. CODE ANN. Section 25-1-85 (1972) to authorize DFA to establish a statewide motor vehicle management system. The law should authorize DFA to:

    - determine the most effective and efficient method of developing a motor pool or motor pools;

    - develop a needs-based system for determining the number of vehicles that each agency should own, based upon analysis of vehicle usage patterns and break-even analysis. The "breakeven mileage for purchasing" represents the point at which it is more economical for the employee to drive a state vehicle rather than be reimbursed the state mileage reimbursement rate (32.5 cents a mile as of July 2000); and,

    - establish policies for use of vehicles by agencies and for maintenance and disposal of vehicles.

    The section should require DFA to collect data on the vehicle management system to determine whether the system implementation has been cost effective and for ongoing analysis of the costs and trends in vehicle management expenditures, and report this information to the Legislature annually.

15. In implementing the system of state motor pool(s), DFA should assess the costs and benefits of leasing vehicles to state agencies and also the costs and benefits of contracting with an automobile leasing agency to supply the state's automobile needs.

Travel Agent Services

16. DFA should consider the feasibility of implementing an in-house travel agency for state agencies and institutions of higher learning versus the current method of paying transaction or management fees to an outside travel agent or agent(s). Having an in-house travel agency could include:

(a) obtaining a travel agency license and necessary equipment and hiring a full staff of state employees who have the expertise for travel agency accounting and reservation services; or,

(b) entering a management contract with a travel agency to provide reservation agents, equipment, and accounting services.

DFA should choose the option that is most cost-beneficial to the state. If DFA determines that an in-house travel agency is the best option, DFA should:

(a) propose necessary amendments to CODE sections; and,

(b) oversee the daily booking transactions of the reservation agents, including quality control reviews.

If DFA continues to contract for travel agency services, DFA should:

(a) develop a request for proposals for travel agent services with two primary options: bidding on transaction fees on the basis of being a sole travel agent or of being one of multiple travel agencies; and,

(b) maintain a system of oversight of travel agency compliance with state policies, including reviewing whether reservation agents have quoted lowest-price fares for all flights.

17. The Legislature should amend MISS. CODE ANN. Section 25-3-41 (1972), which deals with the ability of the state to contract with a state travel agency or agencies, to state that the requirement to have the state travel agency or agencies make air travel reservations applies only if the state has an existing travel agent contract in place.

Cost Savings

18. DFA should study the feasibility of implementing a system of per diem reimbursement for overnight travel (one rate to include lodging, meals, and incidentals).

    In absence of a system of per diem reimbursement, DFA should actively negotiate lower hotel rates by requiring competition among bidders in those areas of the state where there are sufficient numbers of hotels available for a competitive system, such as Jackson and the Gulf Coast. DFA should then require that agencies use either the contract hotels, hotels with rates lower than the contract rates, or conference hotels when applicable.

19. DFA should discuss with other states the feasibility of entering group contracts with travel agents and airlines to take advantage of economies of scale in pricing of services.

Appendix: Summary of Needed Vehicle Management Policies

According to the PEER report, ***A Performance Audit of State-Owned Vehicle Management***, dated December 1993, the state needs a vehicle management system for operation of state passenger vehicles. A summary of PEER's concerns in five major areas, as discussed in that report, are outlined below.

The state lacks a policy that requires agencies to perform a needs analysis on the purchase of passenger vehicles--Mississippi law lacks a provision that requires a needs analysis to justify the purchase of new passenger vehicles. A needs analysis would require agencies to determine their vehicle needs and the most cost-effective methods to achieve optimum fleet size. A regular vehicle needs analysis and operational break-even analysis would:

- determine whether the agency has surplus vehicles for disposal;

- justify additional or replacement vehicle acquisitions; and,

- determine whether it is more cost-effective to rent, purchase, or reimburse mileage.

Neither the statutes nor the legislative budgeting and appropriation processes require agencies to develop and justify organization needs, which results in uncontrolled growth in the state's vehicle fleet.

The state lacks policies and procedures to assure effective and proper operation of state vehicles--Most state agencies lack a vehicle management system that ensures effective and proper operation of their agency fleets. The lack of a unified, statewide system of vehicle management, with specific policies and procedures for the efficient and proper operation of vehicles, has far-reaching effects. The proliferation of vehicles alone demonstrates that state agencies probably fail to operate the state's vehicle fleet in the most effective and cost-efficient manner.

The state lacks policies or procedures to assure timely maintenance of state owned vehicles--Since state law fails to set up specific maintenance requirements for agencies with state-owned vehicles, agencies use varying approaches to handling maintenance, as they do for most other aspects of vehicle management. Inadequate vehicle maintenance could increase both operating costs and long-term maintenance and repair costs. Agencies could inadvertently shorten the operational years and increase the life cycle costs of their vehicles.

No statewide guidelines exist to direct agencies in disposal of vehicles--The lack of a formal vehicle disposal method contributes to growth of the state fleet. If vehicles are not disposed of at the appropriate time, agencies might operate them beyond the point of maximum useful operational life, thus incurring unnecessary maintenance and operational costs.

The state continues to have weaknesses in its vehicle inventory control system--While the Office of the State Auditor has developed and implemented a computerized statewide inventory control system which includes state-owned vehicles, the Department of Audit does not maintain historical data on the inventory of state-owned vehicles.

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