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REPORT BY THE

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Comptroller General

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OF THE UNITED STATES

Federal And Contractor Employee Travel And Relocation Cost Reimbursements Differ

Differences and lack of specific guidance in the Federal Travel Regulations and procurement regulations for DOD and civilian agencies allow Federal employees and contractors to be paid different amounts for similar travel and relocations. Current relocation allowances for Federal and contractor employees are inadequate to fairly reimburse the costs incurred.

GAO recommends that the Secretary of Defense and Administrator, GSA, (1) act on proposals to increase relocation allowances and (2) require justification for the extra cost of corporate aircraft and first-class travel by contractors be more specific. In addition, savings may be realized by encouraging contractors to use the Federal contract airline program.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-195766

The Honorable John L. Burton
Chairman, Subcommittee on Government
Activities and Transportation
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This report, in response to your request of June 12, 1980, compares the different reimbursement policies and procedures for travel and relocation costs incurred by Federal employees and contractor personnel and identifies opportunities for savings in travel costs.

We requested but did not receive comments on this report from the Department of Defense and the General Services Administration. We did, however, receive comments from the Office of Management and Budget.

As arranged with your office, we are sending copies of this report to selected committees of the Congress and to the Director, Office of Management and Budget; the Secretary of Defense; and the Administrator, General Services Administration.

Sincerely yours,

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT

FEDERAL AND CONTRACTOR
EMPLOYEE TRAVEL AND
RELOCATION COST
REIMBURSEMENTS DIFFER

D I G E S T

The Chairman, Government Activities and Transportation Subcommittee, House Committee on Government Operations, requested that GAO compare actual travel reimbursements at selected Federal contractors with current rates authorized for Federal employees to determine whether there was fair reimbursement and whether there might be opportunities to reduce travel costs incurred by contractor personnel on Government cost-reimbursement-type contracts. (See p. 1.)

Federal civilian employees and contractor personnel receive different reimbursements for their travel and relocation costs. Relocation allowances for both are inadequate. Relocation inducements are also being paid to contractor personnel but not to Federal employees because of divergent regulations. (See p. 5.)

Travel and relocation reimbursements for Federal civilian employees are governed by the Federal Travel Regulations, while reimbursements for contractors are covered by separate procurement regulations for the Department of Defense (DOD) and civilian agencies. (See p. 1.)

No information exists on the total amounts of contractor travel costs, but about two-thirds of the 268 contractors responding to GAO's survey reported charging \$640 million in travel and relocation costs during fiscal year 1980 on Government contracts. (See p. 1.)

REIMBURSEMENTS DIFFER AND RELOCATION
ALLOWANCES ARE INADEQUATE

While the regulations for reimbursing travel and relocation costs of Federal and contractor employees both differ, a much greater difference occurs in the reimbursement of relocation expenses than for temporary travel expenses. At the three contractors GAO visited, there was a 4-percent difference in reimbursements for temporary travel than allowances for Federal employees and a 30-percent difference in relocation payments. While these results cannot be generalized to all Federal employee and contractor travel in a statistical sense, they are probably representative of practices Government-wide because they operate under the same travel regulations. (See p. 5.)

Forty-seven percent of the corporations responding to GAO's survey believed Federal travel and relocation regulations had an adverse effect on their operations. Relocation costs that cannot be charged against Government contracts were the most frequently mentioned concern. Thirty contractors reported that they also incurred \$5.8 million in relocation costs doing business with the Government which were not allocated to Government contracts. (See p. 11.)

Studies by the General Services Administration and DOD showed that current relocation allowances for Federal employees and contractor personnel are inadequate. The agencies have proposed changes to their regulations to increase these allowances. (See p. 12.)

TRAVEL SAVINGS POSSIBLE

Corporate aircraft charges are challenged each year by the Defense Contract Audit Agency. While not yet resolved at the time of GAO's review, the Defense Contract Audit Agency questioned about \$8 million of a total of \$9.6 million of corporate aircraft costs for calendar years 1976 through 1980 at two of the three contractors GAO visited. In these cases, the

contractors did not demonstrate that such use was necessary or that the increased cost was commensurate with advantages gained. Questionable corporate aircraft costs are charged to Government contracts because DOD and civilian procurement regulations do not require specific justification in each instance. (See p. 14.)

First-class air charges are also challenged by the Defense Contract Audit Agency, primarily because the contractors did not successfully demonstrate that the use of such accommodations was necessary. Contractors' interpretations of DOD procurement regulations result in varying practices, and it is not known how much first-class travel is charged to Government contracts. One contractor's first-class travel charges for 1978 exceeded the first-class travel costs reported for all Federal employees during 1981. (See p. 15.)

The Federal contract airline program provides Federal travelers with the use of specified airlines at lower rates. The General Services Administration estimates annual savings of over \$35 million are being achieved by the program. Federal contractors with cost-reimbursable contracts were entitled to use the program but were not generally aware of this service. (See p. 17.)

DOD contractors allocated travel or relocation costs as either direct charges or indirect costs added as part of overhead charges. All contractors said travel and relocation claims were audited. Most audits were made by an independent segment of the contractors' operations and occurred before reimbursement. Also, DOD contractors with negotiated contracts were subject to audit by the Defense Contract Audit Agency. (See app. I.)

RECOMMENDATIONS

GAO recommends that the Secretary of Defense and the Administrator, General Services Administration, revise the relocation allowances to

reflect their proposed changes and require specific justification for corporate aircraft and first-class travel charges.

GAO recommends also that the Administrator, General Services Administration, provide information on the Federal contract airline program to all Federal agencies for dissemination to their contractors. (See p. 18.)

AGENCY COMMENTS

On April 6, 1982, GAO provided the Director, Office of Management and Budget; the Secretary of Defense; and the Administrator, General Services Administration; with draft copies of this report and requested that they provide comments within 30 days. Comments were not provided by DOD and the General Services Administration in this time frame; hence, the report is being issued without their official position on these matters.

The Office of Management and Budget said it did not believe that equity requires that reimbursement policies governing Federal employee travel and contractor travel be identical. GAO clarified those sections of the report to emphasize that Federal employees and contractors be fairly reimbursed for travel costs incurred. The Office said the report identified some areas where improvements can be made. The Office said it is working with DOD and the General Services Administration to improve implementation of procurement policies regarding travel reimbursements and explore ways to increase contractors' use of Federal air fare and other travel discounts. (See app. V.)

CONTRACTOR COMMENTS

Two contractors commenting on a draft of this report agreed that the relocation allowances for Federal and contractor employees are too low and should be increased to compensate for costs being incurred. (See p. 19.)

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ABBREVIATIONS

DCAA	Defense Contract Audit Agency
DOD	Department of Defense
FTRs	Federal Travel Regulations
GAO	General Accounting Office
GSA	General Services Administration

CHAPTER 1

INTRODUCTION

The Chairman, Subcommittee on Government Activities and Transportation, House Committee on Government Operations, requested us to determine the extent that travel costs incurred by contractor personnel on Government cost-reimbursement-type contracts might be reduced. More specifically, the Chairman wanted to know how much contractor travel occurred; how it is computed, billed, and audited; and whether studies have been made or are being made concerning the matter. Subsequent discussions with the Subcommittee office indicated interest in rates paid to contractor personnel while on travel, the regulations governing travel, and a review of travel at selected contractors to compare actual reimbursements with current rates authorized for Federal employees. Information on contractor billing and auditing of travel costs is included in appendix I.

EXTENT OF GOVERNMENT PROCUREMENT AND CONTRACTOR TRAVEL

In fiscal year 1980, the latest year for which data was available during our review, the Government spent \$110.2 billion for the direct purchase of property and services from the private sector. Eighty-eight billion dollars (80 percent) of these procurements were negotiated price contracts (these include cost-reimbursement-type contracts); \$9.9 billion (9 percent) were formally advertised contracts; and \$12.3 billion (11 percent) were procured through other methods, such as the Federal Supply Schedule.

No information exists on the total amount of travel costs included in Federal contracts. However, about two-thirds of the 268 contractors responding to our survey reported charging \$640.8 million in travel and relocation costs during fiscal year 1980 on Federal contracts which totaled \$36 billion. The other contractors with sales of \$10 billion to the Government did not provide travel cost data. (See p. 2 for information on the number of contractors surveyed and the type of information requested.)

REGULATIONS COVERING FEDERAL TRAVEL EXPENSES

Travel expenses under Federal contracts are basically governed by two laws controlling Government procurement--the Armed Services Procurement Act and the Federal Property and Administrative Services Act. Defense agency contractors are

reimbursed for travel expenses according to the regulations issued by the Department of Defense (DOD). The General Services Administration (GSA) issues procurement regulations for civilian agencies. Individual Government agencies also issue their own procurement regulations, as part of the Code of Federal Regulations. Within the Office of Management and Budget, the Office of Federal Procurement Policy is responsible for improving the economy, efficiency, and effectiveness of the Government-wide procurement process and for providing overall direction for procurement policies, regulations, procedures, and forms.

We were mainly interested in comparing the travel provisions of these regulations with travel allowances for Federal civilian employees as set out in the Federal Travel Regulations (FTRs) which are promulgated by GSA. (See app. II for a detailed comparison of these provisions.)

OBJECTIVES, SCOPE, AND METHODOLOGY

Our basic objectives were to obtain data on the amount of Federal contractor travel, identify the potential for cost reductions, and compare travel allowances for Federal and contractor employees. We also wanted to obtain information on how travel costs were being computed, billed, and audited; to determine whether any studies had been made or were being made regarding the subject; and to ascertain contractors' concerns about Federal procurement regulations in the travel area.

Because it was not possible to readily determine the total extent of Federal contractor travel, we concentrated on DOD contracts, which totaled about \$82.9 billion, or 75 percent, of the Federal procurements during fiscal year 1980.

We sent two questionnaires to 95 companies that received \$50 million or more in DOD contract awards during fiscal year 1980. We identified the companies using a DOD publication of companies receiving the largest dollar volume of prime contract awards during fiscal year 1980.

The first questionnaire (see app. III) asked the contractors about the effect of Federal travel and relocation regulations on their operations and the changes needed in the regulations, and it requested studies on travel and relocation policies and controls. The second questionnaire (see app. IV) asked specific information on such matters as contractor travel and relocation policies, the amount of travel and relocation costs charged to the Government, how these costs were allocated to Government contracts, and sales to the Government for fiscal year 1980. We asked for separate responses to the second

questionnaire from all company components that had at least \$10 million in sales to the Government during fiscal year 1980.

We sent followup letters to companies that failed to respond to our initial request. If companies still did not respond, we called them. These efforts produced an 81-percent response rate. Of the 95 companies solicited, 77 companies with 268 components returned the questionnaires by the cutoff date, which was about 3 months after the initial request was mailed.

We also reviewed the travel policies and procedures at three major DOD contractors. Each had \$50 million or more in sales to DOD during fiscal year 1980 and were located in different parts of the country--Southwest, Midwest, and on the west coast. We compared entitlements under contractor travel policies with amounts allowed Federal employees under similar circumstances. By applying the FTRs to 620 randomly selected trips by contractor employees, we determined if contractor personnel received different travel and relocation reimbursements than a Federal employee would receive. The 620 trips are summarized below:

<u>Contractor location</u>	<u>Number of trips for</u>		<u>Total trips</u>
	<u>Business</u>	<u>Relocation</u>	
Southwest	146	7	153
Midwest	210	20	230
West coast	<u>225</u>	<u>12</u>	<u>237</u>
Total	<u>581</u>	<u>39</u>	<u>620</u>

Because of the large number of contractors, we did not try to project our findings to a travel universe. However, we believe the problems we identified from our samples and questionnaires are not isolated. While these results cannot be generalized to all Federal employee and contractor travel in a statistical sense, they are probably representative of practices Government-wide because they operate under the same travel regulations.

We (1) interviewed contractor, DOD, and GSA officials, (2) reviewed travel and relocation policies and procedures, (3) reviewed travel accounting systems and controls, (4) developed information on the use of corporate aircraft, contract airline service, and first-class airline travel, (5) reviewed Defense Contract Audit Agency reports, (6) reviewed

and analyzed various travel studies, 1/ and (7) compared contractor travel policies to the FTRs. While we compared temporary travel reimbursements, we limited ourselves to addressing fair reimbursement of relocation costs only since the differences here were the more significant.

To help obtain reliable information and candid responses, we agreed not to identify any contractors in this report. This review was made in accordance with our Office's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

1/Made by the Employee Relocations Council (a private organization concerned with the transfer of corporate employees) and Merrill Lynch Relocation Management, Incorporated.

CHAPTER 2

FEDERAL TRAVEL REIMBURSEMENT POLICIES DIFFER AND RELOCATION ALLOWANCES ARE INADEQUATE

The Government reimburses contractors and Federal employees different amounts for similar travel and relocation costs incurred while conducting Government business. Also, travel and relocation reimbursements vary from one contractor to another. Federal procurement regulations allow contractors to charge travel and relocation costs to contract expenditures so long as the charges are "reasonable." Lacking criteria for determining what is reasonable, contracting officers have generally accepted these charges without question. In contrast, the regulations for reimbursing Federal employees are quite specific for given situations and set ceilings on allowable amounts.

Our comparison of travel reimbursements showed that, for temporary duty travel, contractor employee reimbursements were slightly different than that for Federal employees. In addition, while relocation payments to contractor employees were 30 percent different, studies by DOD and GSA determined that relocation allowances for both contractor and Federal employees were inadequate. The agencies proposed to increase the allowances but had not incorporated the changes in their regulations at the time we completed our review.

Some contractors are reimbursed for questionable costs of corporate-owned aircraft operations and first-class airline accommodations. In addition, DOD contractors were not aware of GSA's Federal contract airlines and do not make use of their services.

DIFFERENCES BETWEEN CONTRACTOR AND FEDERAL EMPLOYEE TRAVEL REGULATIONS

The travel regulations for Federal employees allow specific amounts, while the procurement regulations generally limit reimbursement to "reasonable" amounts. This includes reimbursement for the use of private vehicles and the costs of lodging and subsistence on business trips, en route travel, temporary quarters, residential transactions, and relocation inducements. At the three contractors we visited, reimbursements for temporary travel were 4 percent different than allowances for Federal employees and relocation payments were 30 percent different. The differences caused by the varying regulations are discussed below by type of travel expense. (See app. II for a table comparing the differences in the regulations.)

Private automobiles

The FTRs allow 20 cents a mile for the use of private automobiles. (Prior to Dec. 6, 1981, this rate was 22.5 cents a mile.) The procurement regulations allow reimbursement of actual expenses, a mileage rate, or a combination of the two provided the method used does not result in an unreasonable charge. The mileage rate paid by the contractors responding to our questionnaire ranged from 15 cents to 25 cents.

The mileage rate for three contractors we visited ranged from 17 cents to 20 cents. Our comparison of their mileage expenses for 581 trips with estimated mileage expenses using the FTR rate resulted in the following difference:

Expenses using FTRs	\$7,443
Contractor expenses	<u>6,086</u>
Difference	<u>a/\$1,357</u>

a/Our comparison is based on a 22.5-cent FTR rate effective during our review. This rate was reduced on December 6, 1981, to 20 cents, which, if used, would reduce the difference to \$529.

Lodging and subsistence

The FTRs allow reimbursement of lodging and subsistence expenses at a per diem rate not to exceed \$50, except when actual expenses are reimbursed due to unusual travel circumstances or travel to a designated high-rate geographical area. Actual expenses are not to exceed a range of \$56 to \$75, depending on the location.

The procurement regulations allow actual expenses, a per diem basis, or a combination of the two provided the method used does not result in an unreasonable charge.

Most of the contractors responding to our lodging and subsistence questions normally reimbursed actual expenses for lodging and subsistence without any dollar ceiling. As an example, 96 percent of the respondents had no specific dollar ceiling for lodging, and 81 percent did not specify a dollar ceiling for subsistence. (See app. IV, questions A20, A24, and A31, for details on these responses.)

All three contractors we visited normally reimbursed actual lodging expenses without a dollar limit. One contractor reimbursed actual subsistence expenses without dollar limits, and two contractors normally reimbursed subsistence on both an actual basis without a dollar limit and on a per diem basis, depending on the duration of the trip or the employee's position.

Our comparison of contractor-incurred lodging and subsistence expenses for 581 trips versus the same trips when applying the FTR criteria resulted in the following differences.

	<u>Contractors</u>	<u>Using FTRs</u>	<u>Difference</u>
Lodging	\$ 72,818	\$ 65,742	\$7,076
Subsistence	<u>51,595</u>	<u>53,925</u>	<u>(2,330)</u>
Total	<u>\$124,413</u>	<u>\$119,667</u>	<u>\$4,746</u>

Relocations

For en route travel, the FTRs allow reimbursement of a per diem rate not to exceed \$50 for an employee, 75 percent of employee's rate for spouse if traveling with employee (\$50 if not traveling with employee), 75 percent of employee's rate for family members 12 years and older, and 50 percent if under 12 years. The private automobile mileage reimbursement rates range from 8 cents for one traveler to 15 cents for four or more travelers. Reimbursement is limited to one automobile except in special circumstances. This relocation reimbursement is not allowed for family members of new hires.

The procurement regulations allow reimbursement of transportation, lodging, subsistence, and incidental expenses of the employee and members of the immediate family on an actual expense basis or a mileage or per diem basis for en route travel. Reimbursement can also be a combination of the two, provided the method used does not result in an unreasonable charge. The number of automobiles is not specified.

For temporary quarters, the FTRs allow reimbursement for up to 30 days less any time used for a house-hunting trip. Actual expenses are paid up to a percentage of the maximum rate for each locality. (See lodging and subsistence above for maximum rates.) The reimbursement is reduced every 10 days, as follows:

1. During the first 10 days, the FTRs pay 75 percent of the maximum rate for an employee and two-thirds of the employee's rate for each family member.
2. During the second 10 days, the FTRs pay two-thirds of the maximum rate for an employee and two-thirds of the employee's rate for each family member.
3. During the third 10 days, the FTRs pay one-half of the maximum rate for an employee and one-half of the employee's rate for each family member.

This reimbursement is not applicable for new hires.

Under the DOD and civilian procurement regulations, reimbursement for temporary quarters is allowed for up to 36 days and 30 days, respectively, less any time used for a house-hunting trip. For eligible persons, allowable costs and dollar limits are not addressed.

Most contractors responding to our questionnaire reimbursed actual lodging and subsistence expenses incurred by employees and their spouses on house-hunting trips and incurred by employees and their spouses and dependent(s) during en route travel and when occupying temporary quarters on transfers. Most contractors reimbursed these expenses without any dollar ceilings. The mileage rate paid for private automobiles during en route travel ranged from 8 cents to 25 cents. Most contractors reimbursed for up to two automobiles when an employee was transferred.

A table of the percentage of respondents to our relocation lodging and subsistence questions who reimbursed actual expenses without specifying dollar ceilings follows.

	<u>For employees</u>	<u>For employees ' spouses</u>	<u>For employees ' dependents</u>
	------(Percent)-----		
House-hunting trips:			
Lodging	94	94	91
Subsistence	69	69	50
En route travel:			
Lodging	94	93	94
Subsistence	69	69	69
Temporary quarters:			
Lodging	88	88	90
Subsistence	64	79	63

(See app. IV, question E2, for details on these responses.)

The contractors we visited reimbursed lodging and subsistence expenses incurred by employees and their spouses on house-hunting trips and incurred by employees and their spouses and dependents during en route travel and while occupying temporary quarters in most instances without any dollar ceiling. One contractor reimbursed actual expenses without any dollar ceiling. Another contractor reimbursed actual expenses for house hunting and en route travel and actual lodging expenses plus a flat daily rate for temporary quarters. The third contractor reimbursed actual expenses without any dollar ceiling or a per diem

rate depending on the employee's position. All three contractors limited the time period to 30 days for which temporary quarters expenses were reimbursed. The contractors reimbursed for the use of two automobiles en route at mileage rates ranging from 18 cents to 20 cents for each vehicle.

Our comparison of the relocation expenses paid by these three contractors in 39 instances with estimated expenses using FTR criteria resulted in these differences:

	<u>Contractors</u>	<u>Using FTRs</u>	<u>Difference</u>
Lodging	\$13,987	\$12,007	\$1,980
Subsistence	14,328	11,426	2,902
Mileage	<u>7,542</u>	<u>4,188</u>	<u>3,354</u>
Total	<u>\$35,857</u>	<u>\$27,621</u>	<u>\$8,236</u>

Residential transactions

The FTRs allow reimbursement of expenses for canceling a rental agreement, selling expenses up to the lesser of 10 percent of the selling price or \$8,000, and purchase expenses up to the lesser of 5 percent of the purchase price or \$4,000. No reimbursement is allowed for new hires.

The DOD and civilian procurement regulations allow reimbursement of the expense of canceling an unexpired lease up to three times the monthly rent and selling expenses and continuing ownership costs of an unsold vacant former residence up to 11.5 percent and 8 percent, respectively, of the selling price. The DOD regulations allow incidental purchase expenses, such as connecting and disconnecting household appliances. The DOD regulations disallow all of these expenses for new hires except lease cancellation costs. The civilian regulations disallow all of these expenses for new hires.

Most contractors responding to the applicable questions reimbursed an employee for the expenses of selling an existing residence and purchasing a replacement residence. A maximum reimbursable dollar limit or a maximum percentage of selling or purchase price was usually not specified. Two schedules of contractor responses on reimbursing the expenses of residential transactions follow.

Percentage of Contractors That Reimbursed
Employees for Residential Transactions

<u>Types of expense reimbursed</u>	<u>Percentage of contractors</u>
Brokers' fees and commissions	99
Mortgage interest differential (note a)	73
Title search, certificate, or abstract fees	96
Title insurance premiums	88
Recording fees	95
Appraisal fees	93
Legal fees	92

a/This expense item is not reimbursable on Government contracts.

Percentage of Contractors That Do Not
Specify a Maximum Reimbursable Limit

<u>Expenses</u>	<u>Percentage of contractors</u>
Selling	71
Purchasing	61

(See app. IV, questions F1, F2, and F4, for details on these responses.)

Inducements

The FTRs do not allow for payment of inducements to encourage employees to relocate. Under the procurement regulations, relocation inducements are not specifically addressed, but reimbursement for allowances for temporary relocation pay, location allowances, hardship pay, incentive pay, and cost-of-living differentials are allowed as compensation for personal services. Compensation for personal services is limited in total to a reasonable amount for services rendered. We found that relocation inducements have been used to provide some contractor employees with additional compensation for transfers when the relocation allowances are considered inadequate.

Of the contractors that responded to our questions on paying relocation inducements (97 percent of the total respondents), 46 percent paid special allowances to induce their employees to relocate. Only 27 percent of these identified the amount of relocation inducements paid out during fiscal year 1980. This amount was about \$8 million, of which about \$1 million was charged to the Government. (See app. IV, section H, and questions J6 and J7 for details on these responses.)

Two of the contractors we visited paid relocation inducements to their employees. One contractor estimated that it

charged over \$367,000 of its fiscal year 1980 relocation inducements to the Government. The other contractor declined to furnish an estimate. One contractor told us that the term "relocation inducements" is a misnomer and such payments were made to reimburse employees for extra moving costs not permitted by the current relocation allowance regulations.

CONTRACTORS' COMMENTS ON PROCUREMENT REGULATIONS

Forty-seven percent of the respondents to our questionnaire believed Federal regulations governing travel and relocation expenses had an adverse effect on their operations. An additional 16 percent indicated no adverse effect but voiced specific problems with existing regulations.

Thirty contractors reported \$5.8 million in relocation costs that could not be allocated to the Government. Among these were real estate transactions, certain relocation inducements, taxes caused by relocation, relocation expenses over 30 days, new hire relocations, insurance on household goods, and miscellaneous relocation costs.

The concerns most frequently noted by contractors follow:

- Certain costs, such as closing costs for disposition of current home and miscellaneous expenses associated with relocation and buying a new home, were not allowed.
- The limit on the numbers of days for house hunting and temporary quarters was unrealistic.
- Certain costs not allowed for newly hired employees were normal costs of doing business and should be allowed.
- Certain costs associated with acquiring a home at a new location were not allowed.
- Mortgage rate differential assistance payments were not addressed in the regulations.
- Closing costs and continuing costs of ownership of the vacant former residence, such as maintenance of building and grounds, could not exceed a percentage of the sale price of the property being sold.
- Payments for employee income taxes resulting from reimbursed relocation costs were unallowable.
- Quantitative criteria and use of formulas or ratios as a substitute for actual costs were impractical.

The contractors generally believed that all necessary and reasonable costs incurred for travel or relocation on Government-related projects should be chargeable against a contract.

RELOCATION ALLOWANCES ARE INADEQUATE

GSA and the Office of Personnel Management, in coordination with the Office of Management and Budget, conducted a comprehensive study of the adequacy of employee relocation allowances. This review included a sampling of employees who moved during fiscal year 1979 and was conducted to obtain actual costs and other related problems encountered during their relocation.

Based on the data obtained from this study, relocation allowances for Federal employees were considered inadequate and in the March 20, 1981, "Federal Register," GSA proposed changes to the FTRs' relocation allowances. The proposed changes that relate to the areas discussed above follow.

For en route travel, the private vehicle mileage reimbursement rate would be increased to a range of 15 cents for one traveler to 21 cents for four or more travelers.

The reimbursement of actual expenses for lodging and subsistence for temporary quarters would be increased for the first 10 days to 100 percent of the maximum rate for the locality for the employee.

Residential transactions would be changed by increasing the reimbursement for selling expenses to the lesser of 10 percent of the selling price or \$15,000 and purchase expenses to the lesser of 5 percent of the purchase price or \$5,000.

As of May 1982, action on these proposed FTR changes was still pending.

The Defense Acquisition Regulatory Council is the body through which provisions of the DOD procurement regulations are amended. In response to industry and Government requests, the Council evaluated data reflecting current policies and practices of industry concerning the relocation of employees. As a result of this review, the Council concluded that certain reimbursement provisions of the DOD procurement regulations for relocation costs should be revised.

The Council proposed the changes summarized below and circulated them to industry and the Government for comment on January 22, 1982.

- The regulations allow costs for a transferred employee to be paid during a period of up to 36 days. The Council is proposing 60 days for the employee and 45 days for the spouse and dependents.
- The allowability of closing costs on the residence owned by the transferred employee and the continuing costs of ownership of the vacated former residence is limited to 11.5 percent of the sale price of the property sold. The Council is considering raising the limitation to 14 percent.
- The regulations provide that the costs incident to acquiring a home in a new location are allowable except for certain specified costs. The proposed coverage would reduce the exclusions but would establish an overall limitation of 5 percent of the new residence purchase price.
- The payments to newly hired employees for the purchase or sale of residences are unallowable. The proposed coverage treats payments to new hires in the same manner as payments to current employees. However, on payments to new hires for purchase and closing costs of residences, the employee would have to remain employed with the contractor for 24 months.
- Payments to employees for mortgage interest differential payments are unallowable. The proposed coverage recognizes these expenses as allowable costs and establishes a formula for mortgage interest differential payments. Coverage is also proposed to allow rental differential payments.
- The regulations place a limitation on the costs of canceling unexpired leases to no more than three times the monthly rental. The proposed coverage eliminates the restriction.
- With respect to miscellaneous expenses incident to relocation, the flat \$500 limitation for which no documentation is necessary would be raised to \$1,000.
- The proposed coverage also addresses types of payments not previously covered, making unallowable job counseling/placement expenses for spouses and dependents, costs for company loans (bridge loans), and payment specifically for employee property taxes at the new locations.

Neither of the above studies address temporary travel reimbursement. In addition, there are no relocation reimbursement

changes pending to the civilian procurement regulations, although GSA officials told us that civilian procurement revisions usually follow revisions to the DOD regulations.

CONTRACTOR TRAVEL COSTS COULD BE REDUCED

Reducing charges for corporate aircraft and first-class airline service and using GSA's Federal contract airlines are ways that contractors and ultimately the Government could reduce their travel costs.

Questionable corporate aircraft charges made to Government contracts

DOD contractors charged corporate aircraft expenses to Government contracts that, in many instances, were considered unallowable. While not yet resolved at the time of our review, the Defense Contract Audit Agency (DCAA) questioned \$8.1 million of a total of \$9.6 million of corporate aircraft costs for calendar years 1976 through 1980 at two of the three contractors we visited primarily because the costs exceeded fares of commercial airlines. In these cases, the contractors did not demonstrate that such use was necessary or that the increased cost was commensurate with advantages gained. Thirty-four percent of the respondents to our question on corporate aircraft said they charged Federal contracts for certain corporate aircraft operating costs. These respondents charged \$15.3 million in corporate aircraft expenses to Federal contracts during fiscal year 1980.

Reasonable contractor aircraft costs are allowed by the procurement regulations if the contractor can show that the use of such aircraft is necessary for the conduct of business. Any increase in cost, in comparison with alternative means of transportation, must be commensurate with the advantages gained. Some factors to be considered in determining the necessity for such aircraft are whether:

- Scheduled commercial airlines or other suitable less costly travel facilities are available at reasonable times and frequency, serving the required destination.
- The increased flexibility in scheduling would result in time savings and more effective use of key personnel.
- Critical or emergency situations might arise that could not be accommodated by commercial airlines or less costly travel facilities.
- National or industrial security demands privacy for key personnel who must work en route.

--A contract requirement exists for flight testing of equipment.

The procurement regulations state that, where the need for contractor-owned aircraft has been demonstrated, optimum use of such aircraft, rather than scheduled commercial service, should be made where a cost advantage will result to the Government. However, the procurement regulations do not require that each flight in corporate aircraft be justified.

DCAA is responsible for auditing all DOD contracts and for providing accounting and financial advisory services to all DOD components responsible for acquiring and administering contracts. It is also responsible for preventing or avoiding wasteful, careless, and inefficient contractor operations. This entails, with regard to travel and relocation costs, determining the accuracy and reasonableness of contractor cost representations.

Corporate aircraft charges are significant because they are used in developing the annual overhead rate on cost-based contracts. This rate is a percentage or dollar factor that expresses the ratio of the allowable indirect expenses to the direct labor, manufacturing costs, etc., for the computation of the overhead charges. DCAA audits the annual overhead proposals and is involved, along with the contracting officer, in resolving disagreements with the contractor.

DCAA recommended that the contractors limit the Government's cost for use of company-owned aircraft to transport corporate personnel to travel costs that would have been incurred if commercial airlines were used. There were about \$7.2 million in contractors' corporate aircraft costs identified in the DCAA reports we examined, for the period 1976 through 1980, that were in excess of the costs of commercial flights. DCAA's primary contention in these instances was that the contractors did not successfully demonstrate that the use of such aircraft was necessary and that the increase in cost compared with alternative means of transportation was commensurate with the advantages gained as required by the DOD procurement regulations. Neither the corporations nor the contracting officers had acted on DCAA's recommendations to eliminate these costs from the process used to calculate the annual overhead rate. Defense officials said they recognized the problem and are studying changes to the regulations to overcome it.

Contractor use of first-class travel

Some contractors are charging first-class air fares to Government contracts. Some of these charges are permissible; yet, although many have been questioned in the past by DCAA, they continue to occur. The contractors' interpretations of existing regulations which result, in part, from nonspecific criteria is

one reason why such costs continue to be charged to Government contracts. At one contractor we visited, an official said the Government was responsible for identifying and disallowing such charges.

The procurement regulations state that the cost differences between first-class and coach accommodations are unallowable, except when coach accommodations are not reasonably available to meet necessary mission requirements. These exceptions are where coach accommodations would

- require circuitous routing,
- require travel during unreasonable hours,
- greatly increase the duration of the flight,
- result in additional costs which would offset the transportation savings, and
- offer accommodations which are not reasonably adequate for the physical or medical needs of the traveler.

The contractors responding to our questionnaires indicated that about 4 percent of their air travel was by first-class service. Twenty respondents indicated that between 10 and 20 percent of their travel was by first-class air service, while one respondent said that 98 percent of its travel was first-class air service. We do not know how much of the above first-class travel costs was charged to Government contracts.

At one contractor we visited, travel policies permitted personnel at the vice-president level or higher to automatically use first-class air service. The charges for such trips were allocated to both commercial and Government contracts as overhead. The contractor made no attempt to isolate the excess of first-class fares over coach fares before charging the accounts. Consequently, it was up to the DCAA auditors to identify and disallow such charges. According to a contractor official, DCAA probably does not identify all these charges; therefore, some unallowable first-class charges are being paid by the Government. DOD procurement regulations do not allow for the position within an organization to warrant first-class travel in connection with Government contracts.

DCAA questioned \$367,624 in excess first-class travel charges for the above mentioned contractor during 1978 and \$72,230 in similar first-class overcharges for 1979. Both of these charges have yet to be resolved since final overhead rates have not been negotiated. The 1978 first-class travel costs for this single contractor exceeded the \$310,000 first-class travel costs reported for all Federal employees during 1981.

At another contractor we visited, the travel policies authorized first-class travel for members of the board of directors, officers of the corporation, and employees accompanying an officer, if approved by the officer. DCAA noted that the procurement regulations require that unallowable costs be identified and excluded from any billing, claim, or proposal applicable to a Government contract. This contractor did not always identify unallowable first-class air fare, and, in few instances was the first-class air fare identified as meeting the exceptions stated earlier in this section. DCAA questioned about \$55,000 in first-class travel costs that were claimed during 1976, \$62,000 claimed during 1977, and \$84,000 claimed during 1978.

At the third contractor we visited, only coach space was normally authorized. Board members and company officers were allowed to travel first class, but the difference in cost between first class and coach was not charged to Government contracts.

We believe the different contractor practices in allocating first-class air travel charges result primarily from guidelines that give contracting officers and contractors significant latitude in making decisions on the allowability of the extra costs.

Contractors not using Federal contract airlines

GSA's Federal contract airline program has existed for over a year. Although contractors with cost-reimbursable contracts could benefit from it, they are not using the program. The program is not mandatory for such contractors, but they are authorized to use it. GSA has not developed procedures for contractors to use this service. Another reason the service is not used is that Federal agencies have not informed contractors of its existence.

In an attempt to assure that travel is economical and cost effective, GSA established its Federal contract airline program on May 5, 1980. It designed the program to provide discount air fares to travelers on Government business. In essence, the Government has agreed, except for certain travel conditions, to place all of its air travel with the contract air carriers providing scheduled service between certain cities.

Reduced air fares on 11 city-pair routes became effective July 1, 1980, and has subsequently been expanded to about 150 city-pair routes. GSA estimates annual savings of over \$35 million through the use of contract airlines. We have not verified this estimate. Presently, cost-reimbursable contractors are authorized to use the contract air fare program.

None of the three contractors we visited were aware of GSA's Federal contract airline program and, therefore, had

never used the service. The contractors expressed an interest in having information on the program to evaluate its application to their operations. They thought that any avenue that would slow spiraling airline costs was worth investigating.

CONCLUSIONS

We limited ourselves to addressing fair reimbursement of relocation costs only. While the differences in travel reimbursement policies result in contractor personnel receiving different amounts than Federal employees, the amounts are not significant for temporary duty travel. Contractors responding to our questionnaire cited regulations relating to relocation expenses as having the greatest adverse impact on their operations. Even though contractor employees receive different relocation payments, agencies' studies show that relocation allowances are inadequate for both contractor and Federal personnel. Proposed increases in the allowances had not been incorporated in the regulations at the time we completed our work. We believe these increases are necessary to fairly compensate Federal employees and to reimburse Federal contractors for the relocation costs incurred.

The procurement regulations do not require specific justification for first-class air travel or corporate aircraft charges for each trip. Because the regulations are general in nature, they allow contractors in some instances to apply questionable first-class and corporate air travel charges to Government contracts. To overcome this problem, the regulations could require contractors to cite for each trip the regulatory exception justifying use of first-class or corporate aircraft.

Although relocation inducements are not addressed in the procurement regulations, such payments have been made to some contractor employees. We believe that, if action is taken to increase the relocation allowances to provide adequate reimbursements for costs incurred, relocation inducement payments would not be necessary.

By not disseminating GSA Federal contract airline service information to contractors, Federal agencies are not providing contractors with the opportunity to use this service. By not taking advantage of the lower airline fares, higher than necessary costs may be being charged to Government contracts.

RECOMMENDATIONS

In order to fairly compensate Federal employees and to reimburse Federal contractors for travel costs incurred, we recommend that the Secretary of Defense and the Administrator, General Services Administration:

--Revise the relocation allowances to reflect their proposed changes.

--Require charges for corporate aircraft and first-class travel to be specifically justified in each instance.

We recommend also that the Administrator, General Services Administration, provide information on the Federal contract airline program to all Federal agencies for dissemination to their contractors.

AGENCY COMMENTS

On April 6, 1982, we provided the Director, Office of Management and Budget; the Secretary of Defense; and the Administrator, General Services Administration; with draft copies of this report for review. We requested that they provide comments within 30 days. Comments were not provided by DOD and GSA in this time frame; hence, the report is being issued without their official position on these matters.

The Office of Management and Budget said it did not believe that equity requires that reimbursement policies governing Federal employee and contractor travel be identical. Since the intent of our report is not to address the consistency and equity in reimbursing Federal employee and contractor travel, but rather that they be fairly reimbursed for travel costs incurred, we revised our report to clarify that intent. The Office did agree, however, that Federal procurement regulations and practices should assure that travel costs charged to contracts do not exceed reasonable amounts. The Office said that the report identified some areas where improvements can be made. The Office said it is working with DOD and GSA to explore ways to (1) improve the implementation of current procurement policies regarding travel reimbursements and (2) have contractors make greater use of Federal air fare and other travel discounts. While the Office's actions should improve implementation of existing regulations, we continue to believe there is a need to require specific justification for certain expenses to insure that travel costs charged to Federal contracts are reasonable. (See app. V.)

CONTRACTOR COMMENTS

We requested comments on a draft of this report from the contractors we visited and comments were received from two contractors.

One contractor said that

--travel costs could be better controlled by focusing attention on the need to make the trip in the first place,

--relocation allowances for Federal employees are too low,

--the current relocation allowances for contractor employees are inadequate and should be increased, and

--the Government does not directly reimburse contractors for travel expenses but purchases goods or services the price of which includes such elements of cost.

Another contractor said that the costs questioned by DCAA are subsequently negotiated and resolved with the contracting officer and, during the interim period, the Government's interests are protected against overpayment by the amounts withheld on the contracts.

CONTRACTOR BILLING AND AUDITING OF TRAVEL COSTS

Most contractors charged travel and relocation costs to Government contracts as both direct and indirect costs. Ninety-eight percent of the respondents said their policies required internal audits of 100 percent of their employees' claims of travel and relocation expenses.

Eighty-five percent of the contractors that responded to our question on accounting for travel and relocation costs and all three contractors we visited charged travel and relocation costs to Government contracts as both direct and indirect costs. A schedule of contractor responses on charging these costs follows.

Contractors' Methods of Charging Travel
and Relocation Costs to Government Contracts

	<u>As direct costs</u>	<u>As indirect costs</u>	<u>As both direct and indirect costs</u>
Percentages of contractors	1	14	85

All contractors that responded to our question on the auditing of travel costs said their policies required that travel and relocation claims be audited for compliance with the contractors' policies. Most of these audits are made before reimbursement. However, these audits do not examine the propriety of charging the claim to the Government contract. DCAA reviews subsequently address this matter.

The following schedule shows contractor responses on auditing travel and relocation reimbursement claims.

Travel and Relocation Reimbursement Claims

	<u>Percentage of contractors responding</u>
Employee travel and relocation claims are audited	100
Contractor policies required 100 percent of travel and relocation claims to be audited	98
Audits are made by a group not controlled by traveler or transferee	100
Claims are audited:	
Before reimbursement	66
After reimbursement	3
Some before and some after reimbursement	31
Resolution of audit questions on employee claims is by the:	
Audit group	31
Audit group and employee	57
Audit group and employee's supervisor	49
Audit group and individual who authorized travel or relocation	54
Employee's supervisor	16
Individual who authorized travel or relocation	27

Note: Multiple responses were possible on the method of resolving audit questions. (See app. IV, section I, for more details regarding this subject.)

DCAA had also issued audit reports addressing travel costs at the three contractors we visited. Significant issues in the DCAA audit reports regarding contractor use of corporate-owned aircraft and first-class air service are discussed in chapter 2.

COMPARISON OF PROCUREMENT REGULATIONS WITH FTRs

<u>Type of travel expense</u>	<u>Procurement regulations allowances</u>	<u>FTR allowance</u>
Air travel	<p>Less than first class only, except when not reasonably available or adequate to meet requirements.</p> <p>Contractor-owned, -leased, and -chartered aircraft allowed, if cost is reasonable, necessary for the conduct of business, and any cost increase is commensurate with advantages gained.</p> <p>Although the procurement regulations do not address the use of Federal contract carriers, Federal agencies are to encourage cost-reimbursable Government contractors to obtain Federal contract carrier services when acceptable to the contract airline.</p>	<p>Less than first class only, except when not reasonably available or adequate to meet requirements.</p> <p>Use only Federal contract carriers for air travel between city-pairs now under contract, except when not available or adequate, or more costly.</p>
Private automobiles	<p>Private automobiles, rental cars, taxi cabs, baggage, parking and tolls are not specifically addressed, but the following are allowed for transportation: actual costs, mileage basis, or a combination of the two, provided the charge is reasonable.</p>	<p>When advantageous to the Government, 20 cents per mile. (Before to Dec. 6, 1981, this was 22.5 cents.)</p>
Rental car and taxi cabs	<p>Private automobiles, rental cars, taxi cabs, baggage, parking and tolls are not specifically addressed, but the following are allowed for transportation: actual costs, mileage basis, or a combination of the two, provided the charge is reasonable.</p>	<p>When advantageous to the Government, or a Government owned or rented vehicle is not available.</p>
Baggage		<p>Charges for excess baggage, transfer, storage, checking, and handling.</p>
Parking and tolls		<p>Allowed in addition to mileage rate.</p>

<u>Type of travel expense</u>	<u>Procurement regulations allowances</u>	<u>FTR allowance</u>
Lodging and subsistence	Actual costs, per diem, or a combination of the two, provided the charge is reasonable.	Per diem not to exceed \$50 daily (average lodging cost plus \$23 for subsistence), except in unusual travel circumstances or high-rate geographical areas. In high-rate geographical areas, actual costs are not to exceed a range of \$56 to \$75 daily.
Communications and miscellaneous	Not specifically addressed, but incidental expenses are allowed on an actual cost, or per diem or mileage basis, or a combination of the two, provided the charge is reasonable.	Telephone, teletype, telegraph, cable, radio, administrative services, rental of room, currency conversion, check cashing costs, travelers checks, travel document costs, and other costs allowed in connection with official business.
<u>Type of relocation expense</u>		
House hunting	Includes costs of finding a new home, such as advance trips by employee and spouse to locate living quarters, and temporary lodging during transition period limited to a maximum of 36 days for DOD and 30 days for civilian.	One round trip for employee and spouse not to exceed 6 days. Not allowed for new hires.

Type of relocation
expenseProcurement regulations allowancesFTR allowance

Shipping

Transportation of household and personal effects to the new location.

Household goods limited to 7,500 pounds if single or 11,000 pounds for a family. Commercial carriers' actual charges are allowed for mobile homes, or 11 cents per mile in addition to the 8 to 15 cents en route automobile mileage rate if transported privately.

Storage

Not specifically addressed.

Limited to 60 days. Weight limits are the same as for shipping. Long-term storage is allowed in special situations (isolated duty stations, etc.).

Type of relocation expense

Procurement regulations allowances

FTR allowance

Miscellaneous expenses

Necessary and reasonable miscellaneous expenses incidental to relocation limited to actual or reasonably estimated cost (DOD and civilian) or a flat amount not to exceed \$500 for DOD. Not allowed for new hires.

Limited to a maximum of 1 week's base pay if single or 2 weeks' base pay if married (limited to the maximum pay of a GS-13) with documentation; and \$100 if single or \$200 if married without documentation. Not allowed for certain new hires.

Residential transactions

Expense of canceling an unexpired lease up to 3 times the monthly rent, selling expenses, and continuing ownership costs of unsold vacant former residence up to 11.5 percent (DOD)/8 percent (civilian) of the selling price. DOD procurement regulations allow certain incidental purchase expenses but disallow all of these expenses for new hires except lease cancellation costs. The civilian procurement regulations disallow all of these expenses for new hires.

Expenses of canceling a rental agreement, selling expenses up to the lesser of 10 percent of the selling price or \$8,000, and purchase expenses up to the lesser of 5 percent of the purchase price of \$4,000. Not allowed for new hires.

Inducements

Compensation for personal services allows for offsite pay, incentive pay, location allowance, hardship pay, and cost-of-living differential. Compensation for personal services is limited in total to a reasonable amount for services rendered.

Not allowed.

Type of relocation expenseProcurement regulations allowancesFTR allowance

En route during move

Transportation, lodging, subsistence, and incidental expenses of employee and immediate family members on an actual cost, or a mileage or per diem basis, or a combination of the two, provided the charge is reasonable.

Per diem rate not to exceed \$50 for employee, 75 percent of employee's rate for spouse if traveling with employee (\$50 if not traveling with employee), 75 percent of employee's rate for members 12 years and older, 50 percent if under 12 years. Private automobile mileage rate ranges from 8 cents for one traveler to 15 cents for four or more travelers. Limited to one automobile except in special circumstances. Not allowed for family members of new hires.

Temporary quarters

See house-hunting trips above.

Allows reimbursement for up to 30 days less any time used for a house-hunting trip. Actual expenses paid up to the maximum rate for the locality (see lodging and subsistence above) as follows:

First 10 days:

75 percent of maximum rate for employee, two-thirds of employee's rate for each family member.

Second 10 days:

Two-thirds of maximum rate for employee, two-thirds of employee's rate for each family member.

Third 10 days:

One-half of maximum rate for employee, one-half of employee's rate for each family member. Newly hired employees are not eligible for any of the charges in this category.

QUESTIONNAIRE SENT TO CORPORATE ORGANIZATIONS WITH \$50 MILLION IN SALES TO GO

UNITED STATES GENERAL ACCOUNTING OFFICE

Survey of Effects of Federal Regulations on Contractor Travel and Relocation Costs



The purpose of this questionnaire is to obtain a corporate overview of the effects, if any, of Federal regulations on contractor travel and relocation practices. A more detailed description of corporate travel and relocation policies and procedures are requested on a separate questionnaire which should be completed by each component of your organization that had more than \$10 million of business with the Federal Government in fiscal year 1980.

This questionnaire should be answered by someone generally knowledgeable of travel and relocation practices throughout the corporation. If you have any questions, please call Ed Hyde or Charles Burgess on (314) 425-4121.

Please return the questionnaire within 10 days to:

United States General Accounting Office Suite 300, Levee House Building 800 North Third Street St. Louis, Missouri 63102

- 1. Please identify the corporation for which your responses apply, and the person primarily responsible for completing this questionnaire.

Corporation 77 responses were received
Name to the 95 questionnaires sent
Title (81% response rate)
Telephone Number () -

- 2. Please identify the components of your corporation which had at least \$10 million of sales to the Federal Government during fiscal year 1980 and specify the approximate amount of those sales.

Table with 2 columns: Component, Approximate sales during fiscal year 1980. Includes horizontal lines for data entry.

- 3. Have Federal regulations governing travel and relocation expenses reimbursable under Government contracts adversely affected your operations in the marketplace? n=73

46.6% Yes (Continue)
37.0% No (Go To Question 5)
16.4% No, but gave an opinion

- 4. Please specify the specific regulations which had an adverse impact on your operations and describe an example (or examples) of these impacts. (Add attachments if additional space is needed)

See Chapter 2 for a summary of the responses.

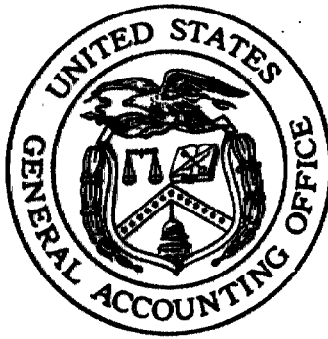
- 5. Please describe any changes you feel are needed in Federal regulations governing travel and relocation expenses reimbursable under Government contracts. (Add attachments if additional space is needed)

See Chapter 2 for a summary of the responses.

- 6. Please provide a copy of fiscal year 1980 SEC Form 10K for your corporation and the components identified in question 2.
7. Please furnish a copy of any studies or reports the corporation has made which you believe would be beneficial to our understanding of industry trends regarding travel or relocation policies and procedures, internal control over travel or relocations, audits of travel or relocation claims, or travel or relocation cost reduction efforts.
8. If you would like to have a copy of the GAO report on this survey, check here: _____

NOTE: The "n" associated with each response represents the number of company entities that answered the question, and the percentages are based on the number of responses. Multiple responses were possible to certain questions, such as A30 in appendix IV, and the sum of the percentages for these questions exceeds 100.

QUESTIONNAIRE AND RESPONSES OF
ENTITIES WITH AT LEAST \$10 MILLION
IN SALES TO THE FEDERAL GOVERNMENT



OFFICIAL GOVERNMENT BUSINESS

UNITED STATES GENERAL ACCOUNTING OFFICE

Survey of Contractor Travel and Relocation Policies and Costs

This questionnaire should be completed by someone knowledgeable of the component's travel and relocation policies. We believe most of the questions can be answered directly from the component's policies and procedures, with only a small amount of data coming from accounting, cost, and sales records. Generally, the questions can be answered by checking appropriate boxes or filling in blanks. When a more extensive response is appropriate and insufficient space is provided on the questionnaire, please provide the data on a separate sheet keyed to the applicable question. When the answer calls for an amount, please show only whole numbers. The term fiscal year 1980, as used in this document, refers to the component's—not the Federal Government's—fiscal year 1980.

If you have any questions, please call Ed Hyde or Charles Burgess on (314) 425-4121.

Please identify the component (e.g., company, division) to which the responses in this questionnaire apply, the parent organization, and the person primarily responsible for completing the questionnaire along with his or her telephone number.

Component 268 responses
Parent Organization
Name
Title
Telephone Number () -

I. DOMESTIC TRAVEL ALLOWANCES

For purpose of this questionnaire, domestic travel is defined as a trip from one place to another in the contiguous United States required to carry out activities for which the contractor incurs costs. This travel may include short term assignments to temporary duty sites. The contractor may incur costs which include, but are not limited to:

- transportation; --admission, registration, and exhibition fees;
--arrival and departure fees; --telephone calls, telegrams, etc.
--mileage for privately owned vehicles; --check cashing, travelers checks;
--car rental; --travel incentives, bonuses, allowances;
--fuel and oil; --incidental expenses.
--parking.
--lodging (rented, leased, or owned);
--subsistence (actual cost or per diem basis);
--entertainment;
--cleaning and laundry.

Please respond to the following questions on the basis of travel policies and procedures that were in effect on June 1, 1981.

SECTION A REIMBURSEMENT PRACTICES

A1. Are employees reimbursed for the use of privately-owned automobiles in conducting company business? n=268

100.0% Yes (Continue)
0.0% No (Go To Question A3)

A2. Are employees reimbursed on cents per mile basis for using privately-owned automobiles in conducting company business? n=267

100.0% Yes. They are reimbursed 20 cents per mile.
0.0% No. Please explain the basis for reimbursement.

A3. Are employees reimbursed for costs of rental cars used for business travel? n=268

100.0% Yes (Continue)
0.0% No (Go To Question A7)

A4. Are receipts required for rental cars used for business travel? n=268

100.0% Yes
0.0% No

A5. Are there any restrictions on when a car can be rented? For example, is rental authorized only when public transportation is not available or its rental has been shown to be more economical than other means of transportation? n=268

69.8% Yes
30.2% No

A6. Are rental cars normally limited to economy or subcompact models? n=267

71.5% Yes
28.5% No

NOTE: The "n" associated with each response represents the number of company entities that answered the question, and the percentages are based on the number of responses. Multiple responses were possible to certain questions, such as A30 in this appendix, and the sum of the percentages for these questions exceeds 100.

A7. Are parking costs incurred during business reimbursed? n=268

100.0% Yes (Continue)
0.0% No (Go To Question A8)

A8. Are receipts required for parking costs incurred during business travel? n=267

80.9% Yes
19.1% No

A9. Are road tolls incurred during business travel reimbursed? n=267

99.6% Yes (Continue)
0.4% No (Go To Question A11)

A10. Are receipts required for road tolls incurred during business travel? n=267

56.2% Yes
43.8% No

A11. Are employees reimbursed for costs of taxicabs used for business travel? n=268

100.0% Yes (Continue)
0.0% No (Go To Question A15)

A12. Are receipts normally required for taxicab fares paid for business travel? n=268

65.7% Yes, they are required for fares over \$ 20 mean
14.2% Yes, they are always required.
20.1% No

A13. Is there a maximum amount that will be paid for a taxicab fare without prior approval of a higher level employee? n=261

5.0% Yes (Continue)
95.0% No (Go To Question A16)

A14. What is the maximum allowed for a taxicab fare without prior approval? n=6

\$ 28 mean

A15. What percentage of your component's air travel is coach class and what percentage is first class?

Coach	97 %	n=234
	mean	
First Class	4 %	n=194
	mean	

A16. Are employees reimbursed for costs of handling, checking, storing, or transferring excess luggage during a business trip? n=268

86.2% Yes (Continue)
13.8% No (Go To Question A20)

A17. Are receipts required for the handling, checking, storing, or transferring of excess luggage during a business trip? n=230

67.0% Yes
33.0% No

A18. Are there maximum amounts which will be reimbursed for the handling, checking, storing, or transferring of excess luggage? n=231

6.1% Yes (Continue)
93.9% No (Go to Question A20)

A19. In connection with excess luggage, what is the maximum reimbursement allowed per business trip for: n=0

\$ ---

A20. What method is most frequently used to reimburse employees for lodging and subsistence costs (meals, laundry, telephone, tips, etc.) incurred on official business?

Lodging	n=268
98.1% Actual costs	
1.5% Per diem	
0.4% Both	n=267
Subsistence	
79.0% Actual costs	
18.7% Per diem	
2.3% Both	

A21. Using information readily available, estimate the percentage of the fiscal year 1980 lodging and subsistence costs that resulted from claims for actual costs and the percentage from claims for per diem rates.

91 % Actual costs (If 100%, go to
mean Question A24) n=243

18 % Per diem n=116
mean

A22. Some companies pay a per diem for business travel which varies by location or on some other basis (e.g. whether or not it is short term to a temporary duty site). Other companies pay a flat per diem rate. If the amount your company pays is variable, please attach a table to this questionnaire which shows the lodging and subsistence rates and the factors which determine them. If your company pays a flat per diem, what is that rate for lodging and subsistence?

Lodging \$ 41 n=3
mode (note a)

Subsistence \$ 21 n=64
mode (note a)

Combined 47 n=43 mode (note a)

A23. On what basis is per diem paid?
n=115

27.0% Quarter Day Basis

1.7% Half Day Basis

62.6% Daily Basis

8.7% Other Basis. Please explain. _____

A24. When using actual cost reimbursement, is there a dollar limit on costs that can be claimed for lodging? n=267

4.5% Yes (Continue)

95.5% No (Go To Question A27)

A25. Does the limit for actual cost reimbursement for lodging vary by location or other basis? n=24

41.7 Yes. Please attach a table of amounts and go to A27.

58.3% No (Continue)

Note a--The way the data was tabulated did not permit calculating the mean, thus the mode is used for this response.

A26. What is the limit of actual cost reimbursement per day for lodging? n=3

\$ 55
mean

A27. Does your policy on actual cost reimbursement for lodging contain any limiting terminology, such as "reasonable" and "necessary," that is applied to determining how much will be reimbursed? n=268

91.8% Yes. Please provide the specific terminology. _____

8.2% No

A28. Are employees provided formal guidance on appropriate lodging? For example, are they given lists of hotels and motels that the component or corporation has standing reservations with or tables of reasonable maximum limits? n=268

68.3% Yes

31.7% No

A29. Are receipts required for lodging when actual costs are reimbursed? n=268

5.2% Yes, receipts are required for expenses over \$ 18.
mean

94.8% Yes, receipts are always required

0.0% No

A30. Is reimbursement for actual lodging costs limited to any of the following groups of employees? (Check all that apply) n=268

- 97.0% No. All employees who travel are reimbursed for actual costs of lodging
- 0.4% Employees who travel frequently
- 0.4% Employees who are component officers
- 0.7% Employees who are paid on salary basis
- 0.0% Employees who are paid on hourly or wage basis
- 3.7% Other. Please explain _____

A31. When using actual cost reimbursement, is there a dollar limit on costs that can be claimed for subsistence? n=253

- 18.6% Yes (Continue)
- 81.4% No (Go To Question A34)

A32. Does the limit for actual cost reimbursement for subsistence vary by location or other basis? n=53

- 35.8% Yes. Please attach a table of amounts and go to A34.
- 64.2% No (Continue)

A33. What is the limit of actual cost reimbursement per day for subsistence? n=29

\$ 24 Per day
mean

A34. Does your policy on actual cost reimbursement for subsistence contain any limiting terminology, such as "reasonable" and "necessary," that is applied to determining how much will be reimbursed? n=250

89.6% Yes. Please provide the specific terminology. _____

10.4% No

A35. Are receipts required for subsistence when actual costs are reimbursed? n=257

- 58.4% Yes, receipts are required for expenses over \$ 23 mean
- 24.1% Yes, receipts are always required
- 17.5% No

A36. Is reimbursement for actual subsistence costs limited to any of the following groups of employees? (Check all that apply) n=253

- 85.8% No, all employees who travel are reimbursed for actual costs of subsistence.
- 0.4% Employees who travel frequently
- 4.3% Employees who are component officers
- 2.0% Employees who are paid on salary basis
- 0.0% Employees who are paid on hourly or wage basis
- 14.2% Other. Please explain _____

A37. Must employees switch to a per diem basis for reimbursement after claiming actual costs for a certain number of days? n=262

- 26.0% Yes, they must switch after claiming actual expenses for 38 days. mean
- 74.0% No

A38. Which of the following miscellaneous costs incurred during business travel are reimbursed? (Check blank if Yes.) n=268

Yes

- 99.6% Business Telephone Calls
- 86.2% Limited Personal Telephone Calls
- 85.8% Administrative Services (shorthand, typing, etc.)
- 91.0% Conference Room Rentals
- 38.4% Check Cashing Costs
- 63.4% Travelers Checks

II. DOMESTIC RELOCATION ALLOWANCES

For this questionnaire, relocation is defined as a permanent transfer or change of duty station in the contiguous United States involving current employees and/or their dependents for which the contractor incurred such costs as:

- travel costs (as previously defined in this questionnaire in I. above;
- house-hunting trips;
- temporary quarters and subsistence.
- packing and unpacking;
- trailer rental;
- shipping and storage of employees' and dependent's household goods;
- miscellaneous moving fees--such as disconnecting and connecting appliances, equipment, and utilities; cutting and fitting rugs, draperies, and curtains; and registering and paying taxes on such personal property as automobiles.
- expenses of real estate transactions including brokers fees and real estate commissions, advertising, repairs, title fees, insurance, legal fees, loan termination and origination fees, and lease termination fees;
- losses on sale/purchase of residences;
- lease break penalties;
- mortgage interest differential;
- lease management, maintenance, interest, taxes, and insurance on unsold residences.
- allowances paid employees to induce them to relocate--such as cost-of-living, relocation, location, high-rate or high-risk geographical area, resettlement and incidental allowances, adjustments, incentives, and bonuses.

Please respond to the following questions on the basis of relocation policies and procedures that were in effect on June 1, 1991.

SECTION B REIMBURSEMENT FOR HOUSE-HUNTING TRIPS

B1. Are employees normally reimbursed for house-hunting trips? n=267

- 92.9% Yes (Continue)
- 7.1% No. Please explain the usual circumstances under which employees would not be reimbursed for these costs. Then go to section C.

B2. Is there a limit on the number of house-hunting trips that are allowed? n=249

- 81.5% Yes (Continue)
- 18.5% No (Go To Section C)

B3. How many house-hunting trips are allowed? (Please write in or check the box, whichever is appropriate.) n=203

- $\frac{1}{\text{mean}}$ Trips are allowed 97.0%
- 3.0% As many trips as necessary are allowed.

B4. Are employees reimbursed for costs of a spouse to accompany them on a house-hunting trip? n=241

- 99.2% Yes
- 0.8% No

B5. Are employees reimbursed for costs of dependents to accompany them on a house-hunting trip? n=242

- 9.1% Yes (Continue)
- 90.9% No (Go To Question B7)

B6. Is there a limit on the number of dependents for which the employee can be reimbursed? n=22

- 9.1% Yes, that limit is $\frac{5}{\text{mean}}$ dependents.
- 90.9% No

B7. Is there a limit on the length of house-hunting trips? n=238

77.3% Yes, that limit is 6 days.
mean

22.7% No

B8. Is the number of days allowed for temporary quarters reduced by the number of days spent house-hunting? n=239

22.6% Yes

77.4% No

B9. For each of the following, what type of common carrier costs are reimbursed during house-hunting trips? (Check one box in each row)

	Allowable Common Carrier Cost		
	Coach	First Class	None
n=239 Employee	99.2%	0.4%	0.4%
n=239 Spouse	99.2%	0.4%	0.4%
n=239 Dependent(s)	8.8%	0.0%	91.2%

B10. For each of the following what mileage rate is paid for use of a privately-owned automobile on house-hunting trips? (Fill in each blank. If no additional mileage is paid for spouse or dependents, write in 0)
n=236

Employee mileage rate	<u>20</u>	Cents Per Mile
n=11 mean		
Additional mileage for spouse	<u>20</u>	Cents Per Mile
n=1 mean		
Additional mileage for one dependent	<u>20</u>	Cents Per Mile
n=1 mean		
Additional mileage for two dependents	<u>20</u>	Cents Per Mile
n=1 mean		
Additional mileage for three dependents	<u>20</u>	Cents Per Mile
n=1 mean		
Additional mileage for four or more dependents	<u>20</u>	Cents Per Mile
n=1 mean		

SECTION C

TRAVEL TO NEW LOCATION

C1. Are employees normally reimbursed for transportation, lodging, and subsistence costs incurred enroute to a new location?
n=267

100.0% Yes (Continue)

0.0% No. Please explain the usual circumstances under which employee would not be reimbursed for these costs.
Then go to section D.

C2. For each of the following, what type of common carrier costs are reimbursed during enroute travel to a new location? (Check one box in each row)

	Allowable Common Carrier Cost		
	Coach	First Class	None
n=266 Employee	98.9%	0.4%	0.7%
n=264 Spouse	99.6%	0.4%	0.0%
n=264 Dependent(s)	98.9%	0.4%	0.7%

C3. What mileage rates are allowed enroute to a new location when driving privately-owned automobiles? (If none is allowed, write 0 in the blank)

n=267 First automobile	<u>20</u>	Cents Per Mile
n=216 Second automobile	<u>20</u>	Cents Per Mile
n=55 Third automobile	<u>20</u>	Cents Per Mile
n=53 Fourth or larger number automobile	<u>20</u>	Cents Per Mile

SECTION D TEMPORARY QUARTERS ALLOWANCES

D1. Are employees normally reimbursed for lodging and subsistence costs incurred while occupying temporary quarters after vacating their old residences and before occupying new ones? n=267

98.9% Yes (Continue)

1.1% No. Please explain the usual circumstances under which employees would not be reimbursed for these costs. Then go to section E.

D2. Is there a maximum number of days the employee may remain in temporary quarters and be reimbursed? n=257

87.5% Yes, the limit is 33 days mean

12.5% No

SECTION E REIMBURSEMENT RATES

E1. Is the reimbursement rate for dependents on house-hunting trips, travel to new location, and for temporary quarters reduced as the number of dependents increases?

	Yes	No
n=22		
House-hunting	0.0%	100.0%
n=245		
Travel to new	8.6%	91.4%
n=241		
Temporary quarters	8.7%	91.3%

E2. What is the reimbursement rate for lodging and subsistence on house-hunting trips, travel to new location and temporary quarters for employees, employees' spouses, and employees' dependents? (If these reimbursements vary by location, please attach a table of the amounts. If reimbursement is not allowed, please enter 0 in the appropriate blank or blanks)

NOTE: Reimbursed rates are not given due to the complex responses to this question. Instead, a count is presented of the contractors that reimburse each expense along with

	House-Hunting Trips	Travel To New Location	Temporary Quarters
<u>Employees</u> the percentage of these contractors that use each reimbursement method.			
	n=249	n=265	n=262
Lodging: actual cost-no limit	94.4%	93.6%	88.5%
actual cost-daily limit	0.0%	1.1%	0.8%
daily per diem rate	5.6%	5.3%	10.7%
<u>Subsistence:</u> actual cost-no limit	n=247 69.2%	n=261 69.4%	n=256 64.1%
actual cost-daily limit	10.9%	10.3%	10.1%
daily per diem rate	19.8%	20.3%	25.8%
<u>Employees' Spouses</u>			
	n=246	n=261	n=257
Lodging: actual cost-no limit	94.3%	93.5%	88.3%
actual cost-daily limit	0.0%	1.1%	1.6%
daily per diem rate	5.7%	5.4%	10.1%
<u>Subsistence:</u> actual cost no limit	n=241 68.9%	n=255 69.0%	n=198 78.8%
actual cost-daily limit	11.2%	11.0%	2.5%
daily per diem rate	19.9%	20.0%	18.7%
<u>Employees' First Dependent</u>			
	n=22	n=256	n=250
Lodging: actual cost-no limit	90.9%	94.1%	89.6%
actual cost-daily limit	0.0%	0.4%	0.0%
daily per diem rate	9.1%	5.5%	10.4%
<u>Subsistence:</u> actual cost-no limit	n=22 50.0%	n=255 69.4%	n=243 63.3%
actual cost-daily limit	31.8%	9.8%	10.1%
daily per diem rate	18.2%	20.8%	26.6%

SECTION F EXPENSES CONNECTED WITH RESIDENTIAL TRANSACTIONS

F1. For which of the following expenses connected with residential transactions can employees receive at least some reimbursement? (Check if Yes) n=238

- Yes
- 98.7% Real estate brokers fees and commissions
 - 93.7% Cost of cancelling rental agreements
 - 72.7% Mortgage interest differentials
 - 95.8% Title search, title certificate, or abstract fees
 - 88.2% Title insurance premiums
 - 95.0% Recording fees
 - 92.9% Appraisal fees
 - 92.0% Legal fees
 - 16.8% Losses on sale of residences
 - 6.7% Losses on purchase of comparable residences at new locations
 - Expenses of unsold residence at point of origin, including:
 - 36.1% Taxes
 - 36.6% Insurance
 - 29.8% Interest
 - 36.6% Maintenance
 - 42.9% Lease management fees

If no expenses connected with residential transactions are reimbursed, skip to Section G.

F2. What is the maximum total reimbursement for expenses in connection with the sale of a residence? If there is no limit, check here 70.8% and go to Question F4.
 n=236 There is a limit 27.1%
 There is no reimbursement 2.1%
 Dollar limit in connection with sale of residence \$8,250
 n=4 mean

F3. Can the maximum total limit be expressed as a percentage of the sale price? n=62

- 88.7% Yes, the maximum allowable percentage of the sale price is 8%
 mean
- 11.3% No

F4. Is there a maximum total reimbursement for expenses in connection with the purchase of a residence? n=238

- 61.3% No, there is no limit on reimbursement for expenses connected with purchasing a new residence. (Go to Question F6)
- 8.9% Yes, the dollar limit in connection with purchase of a residence is (Only five contractors gave a dollar limit that averaged \$45.00)
- 19.8% There is no reimbursement
- F5. Can the maximum total limit be expressed as a percentage of the purchase price? n=43
 - 72.1% Yes, the maximum allowable percentage of the purchase price is 2%
 mean
 - 27.9% No

F6. How often, if at all, do you use a commercial home-buying service, such as Merrill-Lynch or American Home Equity? n=241

- 24.5% Always (Continue)
- 41.1% Sometimes (Continue)
- 34.4% Never (Go To Question F8)

F7. When a commercial home-buying service is used, what portion of the selling expenses do you pay? n=156

- 92.3% All
- 5.8% Some. Please specify usual percentage 11%
 mean
- 1.9% None

F8. Do you ever purchase an employee's home? n=240

- 5.0% Always (Continue)
- 12.1% Sometimes (Continue)
- 82.9% Never (Go To Question G1)

F9. When you purchase an employee's home, what portion of the selling expenses do you pay? n=41

- 90.3% All
- 7.3% Some. Please specify usual percentage 8%
 mean
- 2.4% None

SECTION G MOVING EXPENSES

G1. Are employees normally reimbursed for the costs of shipping their household goods when transferred? n=267

100.0% Yes (Continue)

0.0% No. Please explain the usual circumstances under which employees would not be reimbursed for these costs. Then go to G4.

G2. Is there a limit on the number of pounds that the company will pay to ship? n=267

36.3% Yes (Continue)

63.7% No (Go To Question G4)

G3. What is the maximum number of pounds the company will pay to ship for each group below? (Write N/A in each blank where company does not have a specific policy)

n=82	
Pounds per household	<u>11,300</u>
n=43	mean
Pounds per unmarried individual	<u>9,700</u>
n=42	mean
Pounds per married employee	<u>11,300</u>
n=26	mean
Additional pounds per dependant	<u>400</u>
	mean

G4. Are employees reimbursed for costs of shipping mobile homes when transferred? n=265

74.0% Yes (Continue)

26.0% No (Go To Question G8)

G5. What is the maximum reimbursement, if any, for shipping mobile homes expressed as a mileage rate, weight limit, or dollar amount? (Check the box or complete the applicable blank(s) only) n=193

28.0% There is a maximum

72.0% There is no maximum

23 Cents Per Mile n=21
mean

11,100 Pounds Weight Limit n=15
mean

\$2,700 Maximum Dollar Amount n=6
mean (Eight contractors include mobile homes in G3--limits for household goods).

G6. Are employees reimbursed for costs of shipping automobiles, trucks, and etc? n=267

80.5% Yes (Continue)

19.5% No (Go To Question G8)

G7. What is the maximum reimbursement, if any, expressed as a mileage rate, weight limit, quantity of vehicles, or dollar amount? (Check the box or complete the applicable blank(s) only) n=214

67.3% There is a maximum

32.7% There is no maximum

20 Cents Per Mile n=65
mean

5,000 Pounds Weight Limit n=1
mean

2 Quantity of Vehicles n=97
mean

Maximum Dollar Amount n=0

G8. Are employees reimbursed for the costs of shipping animals? n=265

49.1% Yes (Continue)

50.9% No (Go To Question G10)

G9. What is the maximum reimbursement expressed as number of animals, weight limit, or maximum dollar amount? (Check the box or complete the applicable blank(s) only) n=127

18.1% There is a maximum

81.9% There is no maximum

1 Number of Animals n=5
mean

--- Pounds Weight Limit n=0

\$100 Maximum Dollar Amount n=3
mean

G10. Does the component pay for the temporary storage of employees' household goods?
n=266

97.4% Yes (Continue)

2.6% No (Go To Part III)

G11. Is there a maximum period that household goods can be stored? n=259

15.1% No

84.9% Yes, goods can be stored a maximum of 54 days.
mean

G12. Are miscellaneous moving expenses reimbursed—such as disconnecting and connecting appliances, equipment, and utilities; cutting and fitting rugs, draperies, and curtains; automobile registration and taxes; and drivers licenses, insurance, and newly acquired items for new residences? n=262

85.1% Yes (Continue)

14.9% No (Go To Section I)

G13. Is documentation required to receive reimbursement for miscellaneous moving expenses?
n=225

49.8% Yes

50.2% No

G14. What is the maximum amount allowed for miscellaneous moving expenses for married employees and for single employees with and without dependents? n=220

77.7% There is a maximum
22.3% There is no maximum

Married employees \$1,500 (n=63) or
mean 4 weeks salary (n=102)
Single employees without dependents \$1,600 (n=62) or
mean 4 weeks salary (n=102)
Single employees with dependents \$1,600 (n=62) or
mean 4 weeks salary (n=95)
mean

SECTION H SPECIAL INDUCEMENTS

Because of high interest rates and differences in housing costs and climate across the country and other factors, some companies have had to provide special inducements for relocation. These inducements can include cost-of-living differentials, resettlement and incidental allowances, incentives, and bonuses.

H1. Does your company pay employees special allowances as inducements for relocation? n=259

46.3% Yes (Continue)

53.7% No (Go To Section I)

H2. What is the maximum amount of inducements that can be paid in total for a transfer?

19.0 There is a maximum n=105

81.0 There is no maximum

\$ 9,400 n=7
mean

H3. Please describe the specific inducement allowances paid by your company and give the maximum amount paid for each. n=113

<u>Inducements</u>	<u>Percentage of Responses</u>
Interest differential	45.1%
Associated taxes	20.4%
Bonus	22.1%
Resettlement allowance	23.9%
Location differential	23.0%
Loan or advance	9.7%
Others	36.3%

III. AUDITS OF TRAVEL AND RELOCATION CLAIMS FOR REIMBURSEMENT

II. Are claims for reimbursement of travel and relocation expenses audited for mathematical accuracy and compliance with policy? n=257

100.0% Yes (Continue)

0.0% No (Go To Part IV)

12. Are claims audited by a group that is not controlled by the employee who submitted the claim? n=267

100.0% Yes
0.0% No

13. When are claims audited--before or after reimbursement? (Check either or both that apply) n=267

65.5% Before
3.0% After
31.5% Some before, some after

14. When an employee's reimbursement claim is questioned as a result of an audit, who normally resolves it? (Check all that apply) n=267

31.5% The audit group
56.6% The audit group and the employee
48.7% The audit group and the employee's supervisor(s)
53.6% The audit group and the individual(s) who authorized the employee's travel or relocation
15.7% The employee's supervisors
27.0% The individual(s) who authorized the employee's travel or relocation

15. What percentage of travel and relocation claims are required by policy to be audited?

$\frac{98}{\text{mean}}$ % Travel claims must be audited n=244
 $\frac{99}{\text{mean}}$ % Relocation claims must be audited n=238

IV. ACCOUNTING FOR TRAVEL AND RELOCATION COSTS

J1. How are travel and relocation costs charged to Federal Government contracts? (Check applicable blanks only) n=249

1.2% As direct costs
13.7% As indirect costs (overhead)
85.1% As both direct and indirect costs

J2. What were the total direct and indirect travel costs charged to Federal contracts during fiscal year 1980 that resulted from operations of corporate-owned aircraft? (Check box or fill in blank) n=195

$\frac{\$15,334,000}{\text{total}}$

65.6% None of the operations of corporate aircraft were charged or corporation does not have aircraft

J3. What were the total direct and indirect travel costs charged to Federal Government contracts during fiscal year 1980? (Please include corporate aircraft costs identified in J2) n=178

$\frac{\$547,716,000}{\text{total}}$

J4. What were the total direct and indirect relocation costs charged to Federal Government contracts during fiscal year 1980? n=161

$\frac{\$93,130,000}{\text{total}}$

J5. Please attach a schedule showing the categories of travel and relocation costs incurred in doing business with the Government during fiscal year 1980 which were not allocated to Government contracts. These costs might include such expenses as first-class air fares, losses on sales of employee residences, and cost of acquiring new residences. n=30

total costs not allocated \$5,802,000
See p. 42 for categories.

J6. What were the total direct and indirect costs of allowances paid employees to induce them to relocate during fiscal year 1980? (If none, write in 0) n=35

$\frac{\$8,124,000}{\text{total}}$

J7. About how much of the inducement costs in J6 above is included in the relocation costs in J4 above? n=36

25.0% All \$518,000
41.7% None
33.3% Some. Please specify amount
 $\frac{\$783,000}{\text{total}}$

V. FISCAL YEAR 1980 SALES

K1. What were the total sales during fiscal year 1980? n=211

\$ 283,547,000,000
total

K2. What were the sales to the Federal Government during fiscal year 1980 resulting in contracts awarded or amended, options exercised, and orders placed? Do not include foreign sales made through the Federal Government. Please break the sales down into competitively priced (i.e. where price was the major consideration in the contract award) and negotiated price contracts. n=172

\$ _____	Competitively priced contracts	(000 omitted) \$7,921,813
\$ _____	Negotiated price contracts	\$27,396,268
\$ _____	Total	\$35,318,081

See p. 43.

K3. Please indicate the dollar volume of sales to DOD and to three other Federal agencies to which the largest total volume of sales were made during fiscal year 1980.

FEDERAL AGENCY	SALES
DOD	\$ _____
1. See p. 44	\$ _____
2. _____	\$ _____
3. _____	\$ _____

VI. COPY OF GAO REPORT

If you wish to receive a copy of our report that includes the responses to this questionnaire, please complete the following.

NAME _____
 ADDRESS _____

VII. Please return the completed questionnaire within 10 days to:

U.S. General Accounting Office
 Suite 300, Levee House Building
 800 North Third Street
 St. Louis, Missouri 63102

Question J5 (p. 40)Categories of travel and relocation costs not allocated to Government contracts during fiscal year 1980

Question J5 received 146 responses. The percentage of the respondents that did not allocate certain costs follow.

<u>Category of cost</u>	<u>Percent of responses</u>
Relocation expenses over 30 days	38.4
Taxes caused by relocation	44.5
Real estate expenses	74.0
First-class air fare	55.5
Dependents' travel	5.5
Independent (noncontract) travel	1.4
Company-owned aircraft	4.8
Unallowable trips	13.0
Conferences and conventions	4.1
Entertainment	7.5
Other travel expenses	25.3
New hires' real estate expenses	2.1
Insurance on shipping household goods	3.4
Certain relocation inducements	30.1
Tax caused by foreign assignment	0.7
Certain relocation expenses for new hires	10.3
Other relocation expenses	29.5

Question K2 (p. 41)Sales to the Federal Government during
fiscal year 1980

As shown on p. 41, 172 contractors broke out sales to the Government between competitively and negotiated-price contracts. An additional 78 contractors provided only total sales to the Government. A schedule of the total sales to the Government of all 250 contractors follows.

	<u>Sales to the Federal Government</u>
	(000 omitted)
Contractors that broke out sales	\$35,318,081
Contractors that did not break out sales	<u>10,743,304</u>
Total	<u><u>\$46,061,385</u></u>

Question K3 (p. 41)Volume of sales to Federal agencies

This question, involving sales to DOD and over 15 other agencies, received 196 responses. A schedule of the responses follows.

<u>Number of contractors with sales to the agency</u>	<u>Agency</u>	<u>Total sales</u>
		(000 omitted)
191	DOD	\$35,819,722
105	National Aeronautics and Space Administration	3,413,227
37	Department of Energy	808,271
32	Department of Transportation	91,156
8	Department of Commerce	8,182
7	Tennessee Valley Authority	151,671
6	General Services Administration	64,518
5	Departments of Education and of Health and Human Services (formerly Department of Health, Education and Welfare)	104,018
4	National Science Foundation	37,542
4	Department of State	17,062
4	Environmental Protection Agency	13,530
3	Department of the Labor	24,041
3	Department of Interior	5,047
3	U.S. Postal Service	4,778
2	Veterans Administration	30,000
66	Other	<u>950,972</u>
Total		<u>\$41,543,737</u>

Note: This does not agree with the total on p. 43 because some contractors declined to break out their Government sales by agency.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAY 18 1982

Mr. William J. Anderson
Director
General Government Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Anderson:

I appreciate the opportunity to comment on the draft of the GAO report entitled, "Travel and Relocation Reimbursements for Federal and Contractor Employees Should be Consistent." (FPCD-82-35).

This report deals with the differences between contractor and Federal employee travel regulations, and how they result in different reimbursements for similar travel and transfers. The report also indicates that contractor travel costs could be reduced by eliminating improper charges for corporate aircraft and first class air fare costs, and by promoting greater use of Federal air fare discounts by contractor personnel.

[See GAO note.]

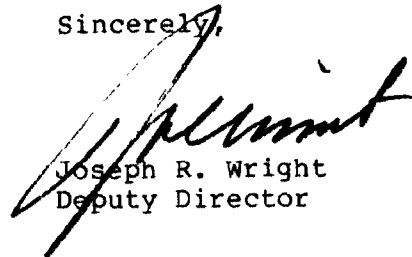
To correct the problems identified in the report, GAO recommends that the Director of the Office of Management and Budget issue a directive requiring consistency between the Federal Travel Regulations and the travel related portions of Federal procurement regulations. It was further recommended that the directive require that charges for corporate aircraft, first-class travel, and relocation inducements be specifically justified.

We do not believe that equity requires that reimbursement policies governing Federal employee travel and contractor travel be identical. As pointed out in your report, some contractors permit more generous travel expenses for their senior executives than for other employees. We do not believe that Federal travel policies should treat employees differently according to status. Conversely, we do not believe that contractors should have to adhere to Federal reimbursement practices that might inhibit their ability to compete effectively for employees.

We do agree, however, that Federal procurement regulations and practices should assure that travel costs charged to contracts do not exceed reasonable amounts. We have met with representatives of the Department of Defense (including the Defense Contract Audit Agency), the General Services Administration, and our Office of Federal Procurement Policy on this issue. They have stated that current contract monitoring and auditing practices require a close examination of the propriety of corporate aircraft, first class air travel, and relocation allowances charged to contracts, and that improper charges are identified and disallowed. We will work with the General Services Administration and the Department of Defense to explore ways that the implementation of current procurement policies can be improved and ways that contractors can make greater use of Federal air fare and other travel discounts.

Your report provides the first broad examination of contractor travel practices. Although we do not agree that an OMB directive is needed, you have identified some areas where improvements can be made. The information in the report will be useful, and we appreciate the opportunity to review it and provide comments. Thank you for the opportunity to comment on it.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Wright", is written over the typed name and title.

Joseph R. Wright
Deputy Director

GAO note: Because the intent of our recommendation for consistency and equity in the regulations was misinterpreted, we revised the recommendations to clarify our intention.

(963156)

22051

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