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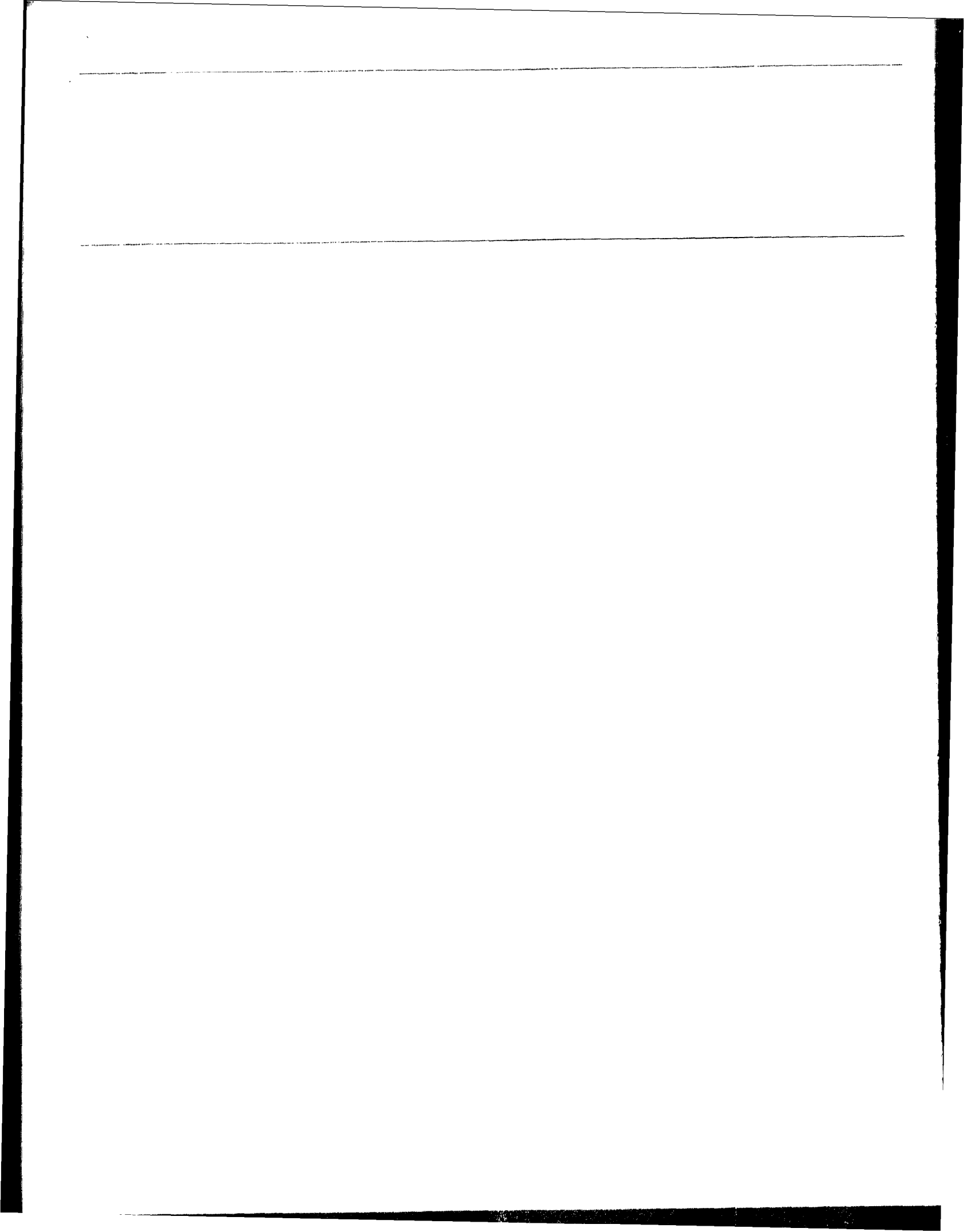
Briefing Report to the Chairwoman,
Subcommittee on Government
Activities and Transportation,
Committee on Government Operations
House of Representatives

April 1991

GSA TRAVEL SERVICES

Small Disadvantaged Businesses Seldom Receive Contracts





General Government Division

B-242966

April 26, 1991

The Honorable Barbara Boxer
Chairwoman, Subcommittee on Government
Activities and Transportation
Committee on Government Operations
House of Representatives

Dear Ms. Chairwoman:

This briefing report responds to your predecessor's request regarding the General Services Administration's (GSA) contracting with travel agencies to provide travel services for government employees. The request stemmed from the Subcommittee's concern that small businesses and small disadvantaged businesses may seldom receive contracts to do this work.

Our objectives were to (1) determine what practices and procedures GSA uses to select travel service contractors, (2) develop information on the extent to which small and small disadvantaged businesses have received contracts, and (3) explore what options are available to GSA to increase small and small disadvantaged business participation.

On January 31, 1991, we briefed the Subcommittee on the results of our work. As agreed with the Subcommittee, the information we presented at the briefing is summarized in this report. Answers to the Subcommittee's specific questions are contained in appendix I. A complete list of the travel agencies that received contracts during the last 3 fiscal years, indicating which agencies were small, small disadvantaged, or woman owned, is in appendix II.

Background

GSA began to contract with private travel agencies to provide travel services for government employees in 1982. Five GSA regional offices—located in Atlanta, Kansas City, Fort Worth, San Francisco, and Washington, D.C.—award travel service contracts.

Outside of the Washington, D.C., metropolitan area, GSA generally awards one contract for each major city. The contracted travel agency may be used by any civil agency located within the geographic scope of contract. For federal agencies located outside major urban areas, GSA has aggregated requirements to cover one or more states under a single award. In the Washington, D.C., area, contracts are awarded for specific

federal agencies. During the last 3 fiscal years, GSA awarded 88 travel service contracts with a total estimated value of about \$253 million.

Travel agency services are paid for by commissions from airlines, railroads, hotels/motels, car rental firms, etc. Unlike most government contracts, the agreements do not require direct GSA or government agency payments to the travel agencies. This use of no-cost contracts provides an opportunity for the government to contract with the best travel agencies without regard to price.

Travel service contracts are generally awarded under two types of competitive procedures: (1) full and open competition—which means that all responsible sources (providers of goods or services) are permitted to submit offers on a procurement—and (2) full and open competition after exclusion of sources—which means a specific provider or a class of providers may be excluded prior to competition. An example of exclusion of sources is excluding large businesses from procurements reserved for small businesses. This type of exclusion is called a small business set-aside award.

The Small Business Administration (SBA) establishes business size standards for businesses on an industry-by-industry basis. Travel agencies are considered small businesses if their annual receipts (i.e. commissions) are \$500,000 or less.

Contracting opportunities may be increased for small disadvantaged businesses by using SBA's 8(a) Program. Section 8(a) of the Small Business Act authorizes SBA to enter into contracts with other agencies and offer contracting opportunities for businesses eligible for program participation. Participating firms, commonly referred to as 8(a) contractors, must be small businesses that are at least 51 percent unconditionally owned by a U.S. citizen (or citizens) determined by SBA to be socially and economically disadvantaged.

Public law 95-507 defines socially disadvantaged individuals as those who have been subjected to racial or ethnic prejudice or cultural bias because of their identities as members of groups, without regard to their individual qualities. Economically disadvantaged individuals are defined by Public Law 95-507 as socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared with others in the same or similar line of business who are not socially disadvantaged. Also, such diminished opportunities must have precluded or be

likely to preclude such individuals from successfully competing in the open market.

Individuals who certify that they are members of named groups—Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Native Hawaiians, Subcontinent-Asian Americans—are considered socially and economically disadvantaged. Others must be qualified by SBA. Woman-owned businesses, for example, qualify for contracts reserved for small or small disadvantaged businesses only if they meet the eligibility requirements applied to all other businesses.

Requiring contractors to submit subcontracting plans is another commonly used way to increase the opportunity for small and small disadvantaged businesses to participate in federal contracts. Such contracting could include, for example, the winning contractor subcontracting the ticket delivery service or any other part of the work. These plans generally are required on government contracts that exceed \$500,000 (or \$1 million for construction) and that offer subcontracting opportunities.

Results in Brief

GSA compares the competing contractors in terms of their ability to provide travel services for government travelers. The evaluation factors GSA uses in the selection process include: bidder's equipment capability, personnel qualifications, offeror's qualifications, project management, rebates, and any special requirements included in the request for proposals. GSA awards the contract to the offeror with the best score after making a separate determination that the firm is capable of doing the work.

Small disadvantaged businesses have had little success in winning GSA travel service contracts. During the last 3 fiscal years, GSA awarded a total of 88 travel service contracts, with a total estimated value of about \$253 million. Large businesses, including one large minority firm, received about 90 percent of the total estimated dollar value of government travel service contracts and about 69 percent of the total number of awards. Small businesses (excluding small disadvantaged businesses) received about 9 percent of the estimated dollar value and about 27 percent of the total number of awards. Small disadvantaged businesses received three contracts, with a total value of about \$2.9 million—about 1 percent of the estimated dollar value and about 3 percent of the total number of awards.

We found that GSA does not require contractors receiving GSA travel service contracts to submit subcontracting plans. GSA has no statutory obligation to require subcontracting plans because travel service contracts do not result in direct payments from the government. However, GSA is not prevented from requesting subcontracting plans or from using them in the evaluation process.

The military services, which award their own contracts for travel services, generally award large regional contracts to large travel agencies. However, in attempts to increase the participation of small and small disadvantaged businesses, (1) the Air Force has created smaller acquisitions by allowing installations to contract for their own travel services and (2) the Army has required offerors to submit subcontracting plans. These options are available to GSA if it should choose to give small and small disadvantaged businesses greater opportunity to receive travel service contracts.

Approach

In addressing our objectives, we answered the following specific questions concerning GSA's program to provide travel services for government employees:

- What is GSA's process for awarding contracts for travel services?
- How many contracts were awarded for travel services during the last 3 fiscal years—1988, 1989, and 1990?
- How many travel service contracts were reserved for small businesses or small disadvantaged businesses?
- Are travel service contracts required to contain subcontracting plans?
- What options are available to increase small and small disadvantaged business participation?

Answers to these questions can be found in appendix I.

We interviewed GSA officials responsible for awarding travel service contracts and analyzed GSA contract award data for fiscal years 1988, 1989, and 1990. We also interviewed Department of Defense travel management officials and a representative from the Interamerican Travel Agents Society, which represents over 250 minority travel agencies. Further details on our objectives, scope, and methodology are included in appendix III.

We discussed our findings with GSA agency officials, who generally agreed with the information we developed.

Copies of this briefing report are being sent to the Senate Committee on Governmental Affairs, House and Senate Committees on Small Business, the Administrators of GSA and SBA, and other interested parties. Copies will be made available to others upon request.

Major contributors to this report are listed in appendix IV. If you have any questions regarding this report, please call me on (202) 275-8676.

Sincerely yours,

A handwritten signature in black ink that reads "L. Nye Stevens". The signature is written in a cursive style with a large initial "L" and a stylized "Nye Stevens".

L. Nye Stevens
Director, Government Business
Operations Issues

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Abbreviations

DOD	Department of Defense
FSS	Federal Supply Service
GSA	General Services Administration
FY	Fiscal year
SBA	Small Business Administration

Answers to Questions Concerning GSA's Program to Provide Travel Services

Question 1: What is GSA's process for awarding contracts for travel services?

GSA's travel service contracts generally are competitively awarded and administered by five GSA regional offices located in Atlanta, Kansas City, Fort Worth, San Francisco, and Washington, D.C. GSA requests federal agencies to submit their estimated travel needs annually. After agency requirements are received, GSA prepares solicitation documents that describe the services needed and the government contract clauses that will apply to the proposed contract.

GSA procedures call for coordinating each solicitation with SBA to identify potential set-aside determinations. The solicitation is then published in the *Commerce Business Daily*, a publication that announces proposed U.S. purchases, contract awards, and other related notices. GSA also issues solicitations to contractors on its bidders mailing list. Potential bidders are generally given 30 days to submit proposals.

When offerors' proposals have been received, they are evaluated and scored by a technical review panel composed of GSA personnel and representatives from the agencies that will be using the services. Point scores are assigned for the following factors:

- Project management - The offeror's ability to manage the delivery of the required travel services. This determination is made by assessing the elements in the offeror's project management plan.
- Offeror's qualifications - The offeror's experience in volume travel service delivery.
- Equipment capability - The offeror's ability to provide the required data processing and automated reservation, ticketing, and accounting services.
- Personnel qualifications - The number and qualifications of the personnel the offeror is prepared to commit to the project.
- Rebates or fees - The cash value of the rebate or fee.

Project management and offeror's qualifications are considered most important, followed by equipment capability, personnel qualifications, and rebates. The evaluation of proposals may include an assessment of responses to special contract requirements contained in the solicitation. For example, offerors may be asked if they can provide overnight ticket delivery services for travelers.

**Appendix I
Answers to Questions Concerning GSA's
Program to Provide Travel Services**

After completing the evaluation process and making a separate determination that the firm is capable of doing the work, GSA awards a contract to the offeror with the best score.

Question 2: How many contracts were awarded for travel services during the last 3 fiscal years—1988, 1989, and 1990?

Travel service contracts are awarded for a 1-year period and contain annual renewal options for up to 4 additional years. During the last 3 fiscal years, GSA awarded 88 travel service contracts, with a total estimated value of about \$253 million to 68 different contractors. Sixty-one contracts, with a total estimated value of about \$227 million, were awarded to large businesses, and 27 contracts, with a total estimated value of about \$25 million, were awarded to small businesses. Twenty-one of the small business awards (valued at about \$16 million in total) were reserved specifically for small businesses. Of these 21 awards, small disadvantaged businesses received 3, with a total value of about \$2.9 million.

Small disadvantaged businesses have had little success in obtaining travel service contracts from GSA during the last 3 years. According to GSA, small disadvantaged businesses often fail to get contracts because they lack the necessary working capital to successfully compete with large businesses, and they frequently submit incomplete bid proposals. Sufficient working capital is important because small disadvantaged businesses must be able to purchase or lease the necessary equipment without assistance from GSA and carry the government's receivables for more than 30 days.

The following tables show the categories of businesses that were awarded GSA travel service contracts each year and in total.

**Table I.1: Travel Service Contracts
Awarded During Fiscal Year (FY) 1988**

Type of business	Number of awards	Percent of total awards	Estimated value	Percent of estimated value
Large	2	20	\$3,550,200	35.6
Small	8	80	6,414,800	64.4
Small disadvantaged	0	0	0	0
Total	10	100	\$9,965,000	100.0

**Appendix I
Answers to Questions Concerning GSA's
Program to Provide Travel Services**

**Table I.2: Travel Service Contracts
Awarded During FY 1989**

Type of business	Number of awards	Percent of total awards	Estimated value	Percent of estimated value
Large	18	60.0	\$110,580,586	91.5
Small	11	36.7	9,293,000	7.7
Small disadvantaged	1	3.3	986,100	0.8
Total	30	100.0	\$120,859,686	100.0

**Table I.3: Travel Service Contracts
Awarded During FY 1990**

Type of business	Number of awards	Percent of total awards	Estimated value	Percent of estimated value
Large	41	85.4	\$112,924,895	92.5
Small	5	10.4	7,220,987	5.9
Small disadvantaged	2	4.2	1,900,000	1.6
Total	48	100.0	\$122,045,882	100.0

**Table I.4: Total Travel Service Contracts
Awarded During FYs 1988, 1989, and
1990**

Type of business	Number of awards	Percent of total awards	Estimated value	Percent of estimated value
Large	61	69.3	\$227,055,681	89.8
Small	24	27.3	22,928,787	9.1
Small disadvantaged	3	3.4	2,886,100	1.1
Total	88	100.0	\$252,870,568	100.0

Question 3: How many travel service contracts were reserved for small businesses or small disadvantaged businesses?

During the last 3 fiscal years, GSA awarded 21 travel service contracts that were reserved for small businesses and that had a total estimated value of about \$16 million. Small disadvantaged businesses received two awards with a total estimated value of about \$1.9 million. One of these two had an estimated value of about \$800,000 and was reserved for small disadvantaged businesses using the 8(a) program. Table I.5 shows the number and estimated value of contracts that were reserved for small businesses or small disadvantaged businesses during the last 3 fiscal years.

**Appendix I
Answers to Questions Concerning GSA's
Program to Provide Travel Services**

Table I.5: Travel Service Contracts Reserved for Small or Small Disadvantaged Businesses During FYs 1988, 1989, and 1990

Year	Number of set-asides for small businesses	Estimated value	Number of set-asides for small disadvantaged businesses	Estimated value
1988	8	\$6,414,800	0	\$0
1989	10	7,212,800	0	0
1990	2	1,610,425	1	800,000
Total	20	\$15,238,025	1	\$800,000

Of the 27 contracts with a total estimated value of about \$25.8 million that were awarded to small or small disadvantaged businesses during this 3-year period (see table I.4), a total of 6 contracts with a total estimated value of about \$9.8 million were won by small or small disadvantaged businesses without using set-asides. In other words, all providers were allowed to compete for these contracts.

Question 4: Are travel service contracts required to contain subcontracting plans?

Public Law 95-507 requires contractors competing for federal contracts to submit subcontracting plans for contracts that exceed \$500,000 (or \$1,000,000 for construction). Since travel service contracts are not assigned a dollar value, competing travel agencies are not required to submit subcontracting plans.

Subcontracting plans address, among other things, goals for using small and small disadvantaged businesses and a description of the efforts to assure that small and small disadvantaged businesses will have equal opportunity to compete for subcontracts. GSA's Office of General Counsel decided that the provisions of Public Law 95-507 are not intended to cover travel service contracts because the government does not pay directly for the services. Although GSA presently does not require subcontracting plans, it is not prohibited from requiring subcontracting plans and using them when evaluating proposals.

Question 5: What options are available to increase the participation of small and small disadvantaged businesses?

The military services, which award their own contracts for travel services, generally award large regional contracts to large travel agencies. However, the Air Force has created smaller acquisitions and the Army

has required subcontracting plans both in attempts to increase participation by small and small disadvantaged businesses. For example, the Air Force has created smaller acquisitions by allowing individual military installations to procure their own travel services, and the Army has required offerors to submit subcontracting plans on a large volume award.

The Air Force and Army have been working closely with the Interamerican Travel Agents Society, an association of minority travel agents, to achieve their goal. Although information on the success rates of these efforts was not available at the time of our work, we believe these options are logical approaches to meet the objective of providing increased opportunities for small and small disadvantaged businesses to receive government travel services contracts.

Both of these options are also available to GSA. GSA normally satisfies the travel requirements of smaller agencies by adding them to existing contracts that contain provisions for expansion. GSA uses this method because it can be done quickly and avoids the costs associated with awarding a separate contract. We believe that (1) creating smaller acquisitions by separately contracting for some of these agencies and (2) requiring subcontracting plans for large contracts are two options available to GSA should it choose to give small and small disadvantaged businesses greater opportunity to obtain travel service contracts. The option to create smaller acquisitions could require additional GSA resources.

GSA Travel Service Contracts Awarded During Fiscal Years 1988, 1989, and 1990

Contractor ^a	Estimated value of contract award	Disadvantaged business	Small business	Woman-owned business
FY 1988				
Ask Mr. Foster	\$ 50,200	No	No	No
Omega Travel	107,000	No	Yes	Yes
Around the World Travel	1,543,000	No	Yes	No
Carolina Motor World Travel	259,000	No	Yes	No
Mary Miller Travel	1,189,000	No	Yes	Yes
Omega Travel	1,359,000	No	Yes	Yes
Adventure Travel	709,000	No	Yes	No
Carolina Motor World Travel	675,700	No	Yes	No
Rightway Travel Inc.	573,100	No	Yes	Yes
Travel and Transport	3,500,000	No	No	No
Total 10	\$9,965,000			
FY 1989				
American International Traveler	\$ 400,000	No	Yes	No
Serrurier-Morris Inc.	1,010,000	No	Yes	Yes
Ask Mr. Foster & Double A	1,177,400	No	Yes	No
Gartrell Travel Service	317,000	No	Yes	No
Four Seas and Seven Winds Travel	2,954,300	Yes	No	No
Dube Travel Agency and Tours	552,400	No	Yes	No
New England Travel Services	581,600	No	Yes	No
Crimson Travel	5,184,600	No	No	No
Garber Travel	376,700	No	Yes	No
Balboa Travel	1,318,100	No	No	No
MTS Travel	986,100	Yes	Yes	No
Gisell's Travel	1,915,400	No	No	Yes
AIT Travel	3,412,500	No	No	No
Lifeco Travel	738,400	No	No	No
Travel Unlimited	2,080,200	No	Yes	No
Do-More Travel	947,200	No	Yes	Yes
Spain Travel	678,000	No	Yes	Yes
Bassett Travel	1,983,400	No	No	No
Thomas Cook Travel	1,172,500	No	Yes	No
Scheduled Airlines	6,500,000	No	No	No
Travel Services USA	9,925,700	No	No	No
Omega World Travel	4,476,987	No	No	Yes
Rosenbluth Travel	3,327,000	No	No	No
Omega World Travel	11,944,469	No	No	Yes

(continued)

**Appendix II
GSA Travel Service Contracts Awarded
During Fiscal Years 1988, 1989, and 1990**

Contractor^a	Estimated value of contract award	Disadvantaged business	Small business	Woman-owned business
Ask Mr. Foster	12,716,458	No	No	No
American Express	19,689,000	No	No	No
Scheduled Airlines	8,391,300	No	No	No
Ask Mr. Foster	2,500,000	No	No	No
UStravel Systems, Inc.	2,800,000	No	No	No
Ober United Travel	10,802,972	No	No	No
Total 30	120,859,686			

FY 1990

Lifeco Travel Center	\$ 1,836,500	No	No	No
USTS-University Travel	6,792,680	No	No	No
Global Travel	3,240,562	No	Yes	Yes
Lifeco Travel Center	1,107,800	No	No	No
Tri-City Cosmopolitan Travel	1,063,134	No	No	No
USTS-Travelwise	3,525,008	No	No	No
Professional Travel Corp.	13,400,000	No	No	No
All Around Travel	50,000	No	Yes	No
Travel One	7,537,000	No	No	No
Jewelcore Travel	60,000	No	No	No
Church Travel	140,000	No	No	No
Mon Valley Travel	300,000	No	No	No
Connecticut Travel Service	415,000	No	No	No
Syracuse Auto Club Services	110,000	No	No	No
Around the World/Woodside	1,470,000	No	Yes	No
SATO, Inc.	1,500,000	No	No	No
Revere Travel	90,000	No	No	No
American Express	1,080,000	No	No	No
USTS-Spokane	527,531	No	No	No
VTS Travel Enterprises	135,000	No	No	No
Sir Travel	937,100	No	No	No
Thomas Cook Travel	2,724,800	No	No	No
World Tours	1,100,000	Yes	Yes	No
Corporate Travel	6,240,600	No	No	No
Lifeco Travel Center	2,911,750	No	No	No
Balboa Travel	998,300	No	No	No
Lifeco Travel Center	370,000	No	No	No
The All Season's Travel Group	2,000,000	No	No	Yes
Topp Travel	1,950,000	No	Yes	Yes
Carlson Travel Network	15,954,953	No	No	No
Carefree Travel Inc.	510,425	No	Yes	Yes

(continued)

**Appendix II
GSA Travel Service Contracts Awarded
During Fiscal Years 1988, 1989, and 1990**

Contractor*	Estimated value of contract award	Disadvantaged business	Small business	Woman-owned business
Carlson Travel Network	2,100,000	No	No	No
Omega World Travel	4,623,050	No	No	Yes
Omega World Travel	4,427,689	No	No	Yes
Embassy Travel Service	800,000	Yes	Yes	No
Scheduled Airlines	6,500,000	No	No	No
American Express	2,607,000	No	No	No
Around the World Travel	3,521,000	No	No	No
Automobile Club	120,200	No	No	No
Bentley Hedges Services	2,500,000	No	No	No
Church Travel Agency	337,000	No	No	No
Federick Poe Travel	1,500,000	No	No	No
Lifeco Travel	884,400	No	No	No
Mon Valley Travel	1,830,800	No	No	No
Omega World Travel	350,000	No	No	Yes
Rosenbluth Travel	3,690,300	No	No	No
USTS-Forster Joyce Travel	5,346,700	No	No	No
USTS-Hartford Region	829,600	No	No	No
Total 48	\$122,045,882			

*Contractors are eligible to receive more than one award, therefore names may appear on the listing more than once.

Objectives, Scope, and Methodology

Our objectives were to (1) determine the practices and procedures used by GSA to select travel service contractors, (2) develop information on the extent to which small and small disadvantaged businesses have received contracts, and (3) explore what options are available to increase small and small disadvantaged business participation in providing government travel services.

To determine the process GSA used to select travel service contractors, we interviewed GSA contracting personnel and small disadvantaged business representatives. We also reviewed the written procedures GSA uses to award travel service contracts.

To develop information on whether small and small disadvantaged businesses received awards, we obtained contract award data from GSA for fiscal years 1988, 1989, and 1990. We used this data to determine the extent to which awards were made to large businesses, small businesses, woman-owned businesses, and small disadvantaged businesses. We did not verify the data provided by GSA.

To explore what options are available to increase small disadvantaged business participation, we interviewed Department of Defense military services officials because of the Department's recent initiatives to increase small disadvantaged business participation in the travel services area. We also interviewed a representative from the Interamerican Travel Agents Society—an association of minority travel agents—to obtain the association's views on small disadvantaged business participation in travel service contracts with the government.

We did our work at GSA's National Capital Region, where the highest dollar value of travel service contracts are awarded, and at GSA's Federal Supply Service in Arlington, Virginia, which collects information on travel service contracts awarded by the GSA regions. Our work was done from June 1990 to December 1990 in accordance with generally accepted government auditing standards.

Major Contributors to This Report

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