



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Management Alert

The Department of Energy's Management of Foreign Travel

DOE/IG-0872

October 2012



Department of Energy
Washington, DC 20585

October 16, 2012

MEMORANDUM FOR THE SECRETARY

FROM:

Gregory H. Friedman
Gregory H. Friedman
Inspector General

SUBJECT:

INFORMATION: Management Alert: "The Department of Energy's
Management of Foreign Travel"

INTRODUCTION

The Department of Energy and its workforce of 116,000 Federal and contractor personnel have numerous international exchanges and interactions at different levels and for a variety of important programmatic and other purposes. The Office of Inspector General is currently reviewing the Department's management of international offices and foreign assignments. As part of this review, we developed data on the scope, magnitude and cost of Department-sponsored international travel.

Based on this information, we initiated a special inquiry to determine whether the Department, at the corporate level, had made the maximum use of currently available data to ensure that its foreign travel expenditures were properly managed and controlled. This and related issues have taken on great importance as the Department and all Federal agencies seek ways to reduce program and overhead costs to address looming Federal budget restrictions.

IMMEDIATE CONCERN

According to the Department's centralized travel database, the Foreign Travel Management System (FTMS), Federal and contractor employees made approximately 109,000 individual international trips at a cost of about \$360 million from Fiscal Year (FY) 2007 through FY 2012— a 6-year period. Consistent with the Department's organizational structure and its significant reliance on contractor assistance, the vast majority of these taxpayer-funded trips, in fact about 85 percent, were taken by contractor employees. This equates to over 90,000 contractor employee foreign travel trips in the period with a cost to the government of just over \$300 million.

Despite the sizable expenditure of Federal funds, the Department had not made a concerted effort to reduce contractor international travel costs. In particular, we found that the FTMS was not being fully utilized to identify overall trends in foreign travel, potential wasteful practices, and possible strategies to reduce the Department's international travel expenditures. Further, while the Department implemented a mandatory 30 percent reduction in Federal employee travel, management officials informed us that parallel action had not been taken to manage or control foreign travel by contractors. Based directly on the information sourced from the FTMS, had the

Department applied the 30 percent reduction criteria to the international travel costs incurred by its 100,000 contractor workforce, as much as \$15 million could be saved each year.

We are bringing this matter to your attention in the form of a management alert because: (1) contractor foreign travel offers a significant, near term opportunity to reduce the Department's overall travel costs and, in so doing, help address pressing budget shortfalls; and, (2) the FTMS, if properly maintained, can provide virtually real time, highly transparent information to aid in achieving this goal.

As noted in our Special Report on *Management Challenges at the Department of Energy* (DOE/IG-058, November 10, 2011), we know of no other time in recent memory when there was such a broad consensus concerning the need to reduce Federal spending and address the Nation's mounting debt. In that report, the Office of Inspector General developed a series of operational efficiency and cost reduction ideas for Departmental consideration. The matter discussed in this management alert builds on the ideas for achieving greater efficiency and cost reductions in Department operations, including those of its contractors.

OBSERVATIONS AND CONCLUSIONS

On November 9, 2011, the President signed Executive Order 13589, *Promoting Efficient Spending*, requiring each agency to develop and implement policies and controls to ensure efficient spending on travel and conference-related activities. To further clarify the efficient spending actions required of government agencies, the Office of Management and Budget (OMB) issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, on May 11, 2012. The Memorandum specified that for FY 2013 each agency shall spend at least 30 percent less on travel expenses than in FY 2010. Agencies must also maintain this reduced level of spending each year through FY 2016.

Consistent with the OMB Memorandum, a number of initiatives designed to reduce Federal employee travel, including foreign travel, were in place. Yet, we found that neither the Department nor its Program Offices had made maximum use of the travel data in the FTMS for managerial purposes or taken steps on a corporate basis to reduce the costs of contractor foreign travel that parallel those imposed on the Federal staff.

Contractor Employees

The Department's science, energy research, national security, and environmental management missions are largely carried out through a system of national laboratories, technical facilities and site remediation efforts that are managed and operated by contractors. Per the FY 2011 Agency Financial Report, there were over 100,000 contractor employees and 16,000 Federal employees working for the Department. As illustrated in the following table utilizing information derived from FTMS, over the last 6 years, these employees have taken nearly 109,000 international trips at a cost of over \$360 million. About 85 percent of these trips, or just over 90,000 trips, were taken by contractor employees. Further, from 2007 until 2011, the number of contractor employee international trips increased by over 35 percent, with aggregate travel costs increasing in each of the 5 years. Although the data for 2012 was incomplete, we project a small reduction in trips between 2011 and 2012.

Total Foreign Trips and Travel Costs FY 2007 through FY 2012¹							
FY	Closed Trip Reports		Travel Costs				Contractor Percentage of Total Costs
	Contractor Employees	All Employees	Federal Employees	Other Employees ²	Contractor Employees	Total	
2007	12,731	14,869	\$6,220,904	\$1,025,542	\$37,436,348	\$44,682,794	84%
2008	13,724	16,226	\$8,652,609	\$893,023	\$44,868,028	\$54,413,660	82%
2009	16,094	18,560	\$7,838,732	\$1,079,335	\$52,081,136	\$60,999,203	85%
2010	17,226	20,011	\$8,304,987	\$1,376,354	\$59,228,476	\$68,909,817	86%
2011	17,200	20,157	\$8,297,953	\$1,693,050	\$59,430,495	\$69,421,498	86%
2012	16,261	19,137	\$7,159,079	\$2,017,223	\$53,389,215	\$62,565,517	85%
Total	93,236	108,960	\$46,474,264³	\$8,084,527	\$306,433,698	\$360,992,489	85%

Neither the Department nor its key Program Offices had included contractors in their most significant travel cost reduction efforts. A National Nuclear Security Administration (NNSA) official confirmed that contractor foreign travel was not considered in the reduction efforts. An Office of Science official indicated that his office does not control or oversee, nor does it seek to control or oversee, travel expenditures incurred by the management and operating contractors running Science laboratories. A Program Official from the Office of Environmental Management noted that the Department had traditionally taken the position that contractors were responsible for determining whether trips, including international travel, were necessary.

Given the magnitude of contractor-incurred international travel costs, we concluded that the Department could benefit by focusing greater corporate attention on reducing such costs. We noted that the Department had interpreted the OMB requirement to reduce travel costs by 30 percent to apply only to Federal employee travel. As such, officials told us that the Department excluded contractor employee costs from its planned travel reductions. Consequently, the Department had not, for example, established goals in contractor performance plans for reductions in foreign travel.

In discussing the preliminary results of our review, management informed us that the Chief Financial Officer had recently collected data on various contractor costs. Management also stated that the Department had selected contractor travel costs as the first area to receive an in-depth review. Based on the results of that review, management planned to develop strategies for reducing costs. As demonstrated in our analysis, we concluded that contractor foreign travel costs are of such a magnitude to warrant inclusion in any Department strategy to reduce contractor costs.

¹ 2012 projected based on trips and costs reported as of June 30, 2012.

² Other employees include other Federal agency employees, invitational travelers, university employees, subcontractors, and foreign nationals.

³ Includes eight trip reports for Office of Inspector General travel associated with criminal investigations, including cases relating to international cyber security and foreign corrupt practices.

Foreign Travel Analysis

The Department had not used available tools to identify opportunities to reduce contractor foreign travel costs. Specifically, our review disclosed that the FTMS contained invaluable cost and related information on both Federal and contractor travel. And, that this information was detailed, timely and could be arrayed in a number of standard report formats for managerial purposes. Further, despite the complexity of the Department's contracting structure, the FTMS made contractor employee travel costs highly transparent.

We found that the Department operates the FTMS to record, track, and secure approval for all foreign travel including contractor travel. The FTMS is used, for example, to ensure that travelers obtain the necessary authorizations to travel to foreign countries and to track travelers in case of emergency situations. Although there are a number of standardized reports in FTMS that could be used to analyze foreign travel costs, the Department did not use the system in developing its agency-wide response to the Executive Order and the OMB Memorandum. To illustrate how useful the FTMS can be, as noted previously, through our testing and analysis of travel data in the system, we determined that the Department experienced an upward trend in the number of foreign trips taken and travel costs incurred during four of the past five fiscal years.

Officials from the Department's Office of Management and the Chief Financial Officer told us that data from the FTMS system was used for budget and certain other purposes, but that it was not viewed with an eye toward managing the overall volume of foreign travel. Program Officials from Fossil Energy, NNSA, and Energy Efficiency and Renewable Energy told us that they used FTMS as a means of ensuring that all ministerial requirements had been met prior to beginning a foreign trip. Specifically, the database, among other things, tracked compliance with requirements to obtain country clearance, receive needed area training, and satisfy counter intelligence needs. Other Program Officials acknowledged that they had not performed any analyses of contractor foreign travel. As such, Federal managers missed an opportunity to identify trends in international travel and areas for potential cost savings, most especially related to contractor travel.

We also found that the FTMS provided a number of useful data points that could be used to examine the purpose of the travel, destinations, frequent travelers, and the number of travelers attending certain events. Evaluating attributes such as these could be useful in highlighting areas for possible reductions in foreign travel costs by identifying opportunities to consolidate trips or reduce the number of travelers making the same trips such as to conferences. To illustrate, through our limited review of FTMS data, we found a number of examples in which groups of contractor employees attended the same conference. In one query we found 32 contractor employees from 5 laboratories that traveled to India for a conference at a cost of \$141,174; and, in another example, we identified 18 employees from 1 laboratory who traveled to a conference in Japan at a cost of \$56,463. In yet another example, 45 individuals from 6 laboratories attended a conference in Poland. This included 27 participants from 1 particular national laboratory. We were unable to determine the total travel cost for the 45 individuals to attend the conference because a significant number had not completed their travel reports at the time of our review. These trips reflect only a limited sample of conference-related international travel during the 6-year period included in the scope of our review.

To be clear, we are not in a position to assert that these trips were unnecessary or that travel costs or the numbers of Department-sponsored attendees were unreasonable. We do believe, however, that, as part of the government-wide effort to reduce spending, Department managers need to focus on not only whether international travel is justified on a mission basis and whether the number and frequency of trips is appropriate, but of greatest importance, whether they are affordable in light of budget realities. In this regard, FTMS data provides a veritable treasure chest of useful information to serve as a basis for evaluating the volume, purpose and necessity for foreign travel, and, in turn, making informed travel decisions.

Data Reliability

In our view, the FTMS is a valuable tool for management. Yet, there were certain structural and data reliability issues that need to be addressed. For example, we noted that the purpose of almost 13,000 trips recorded in FTMS was characterized as "other" because there were a limited number of predefined choices for identifying the purpose of the travel. In addition, in some instances, travelers attending one of the conferences previously mentioned appeared to have used different conference names, rendering at least some of the summary data of questionable reliability. If the Department decides to make greater use of the FTMS going forward, attention to these areas will help enhance its reliability.

Contractor Governance

The Department's governance approach to its management and operating contractors focuses on obtaining mission results as opposed to directing the contractors' operations. Yet, the Department has previously established goals and provided incentives to contractors to improve performance in a number of operational areas. For example, the Department required its contractors to comply with recently issued Federal guidance related to reducing attendance at and sponsorship of conferences. Applying this same rationale to contractor foreign travel, even in the face of the interpretation of OMB guidance, could have a dramatic impact on Departmental travel expenses.

Federal Employee Travel Reductions

The Department has moved swiftly to identify and reduce travel by Federal employees. Its efforts in this area have focused largely on achieving a 30 percent reduction of non-exempted⁴ Federal employee travel. Our inquiries found that responsibility for achieving travel reductions was delegated to the Under Secretaries and then to the individual Program Offices. Accordingly, the Department's Office of Management formally asked all Program Offices to submit their travel reduction plans for consolidation into a Departmental submission to OMB.

During our review, we found that some Program Offices implemented the travel reductions through budget plans and oversight of budget execution at the sub-program levels. For example, the Office of Science provided an initial travel budget allotment based on achieving

⁴ The OMB Memorandum exempted such activities as investigation, safety and health, and oversight from the reduction requirements.

the 30 percent travel reduction from a budget execution standpoint. However, each sub-program office within the Office of Science made its own determinations on the best mix of foreign and domestic Federal employee travel to support its missions. Similarly, a NNSA official told us that NNSA did not review foreign travel from a corporate level as this assignment was delegated to the sub-program level. We were also aware of other efforts to reduce the number of trips in the Department, such as promoting the use of its video conferencing instead of traveling to conduct meetings.

RECOMMENDATIONS

We concluded that there are opportunities to achieve reductions in the cost of international travel. By making the maximum use of existing FTMS system and by applying a mandatory reduction to the contractor's foreign travel through the consolidation of trips or reductions in the number of travelers making the same trip, the Department could reduce foreign travel by as much as \$15 million per year. To achieve this, we recommend that the Director, Office of Management:

1. Develop a corporate strategy for reducing contractor foreign travel expenditures;
2. As part of this process, consider: (1) establishing overarching foreign travel goals, incentives and cost control measures that assist the Department in meeting tight budget restrictions now and in the future; and, (2) extending current Federal workforce travel reduction requirements to contractor employees;
3. Render the Department's sizable investment in international travel as transparent as possible by ensuring that Department and contractor officials make full use of available data tools, such as the FTMS, for managerial and cost control purposes;
4. Modify, as necessary, the trip and cost data fields in FTMS to address concerns raised in this report and, in so doing, enhance its overall reliability and usefulness; and,
5. Ensure that data entries to FTMS are complete, so that the system is fully populated.

Furthermore, although this report focuses on contractor international travel, the Department should consider whether contractor international travel initiatives should be applied to domestic travel as well.

Finally, we will be shortly issuing a separate report on our review of the Department's management of international offices and foreign assignments.

MANAGEMENT REACTION

Management concurred with our recommendations. It noted that foreign travel is necessary to carry out the Department's nuclear security mission and to respond to emergencies, such as the nuclear disaster in Fukushima, Japan. Management stated that in addition to the analysis of contractor foreign travel costs discussed previously, its analysis will identify management best

practices. And, the Department will instruct each of its management and operating contractors to assess their foreign travel needs and submit an action plan for reducing unnecessary foreign travel and achieving costs savings for taxpayers.

AUDITOR COMMENTS

The Office of Inspector General recognizes the Department's activities, including those related to National security. The actions outlined by management should, if effectively executed, address our recommendations.

Management's comments are attached in their entirety.

Attachment

cc: Deputy Secretary
Associate Deputy Secretary
Administrator, National Nuclear Security Administration
Acting Under Secretary for Science
Acting Chief Financial Officer
Director, Office of Management
Chief of Staff

MANAGEMENT COMMENTS**Department of Energy**


Washington, DC 20585

October 15, 2012

MEMORANDUM FOR RICKEY R. HASS

DEPUTY INSPECTOR GENERAL FOR AUDITS AND INSPECTIONS
OFFICE OF INSPECTOR GENERAL

FROM:

INGRID KOLB
DIRECTOR
OFFICE OF MANAGEMENT


SUBJECT:

Management Response to Management Alert: "The Department of
Energy's Management of Foreign Travel"

Thank you for the opportunity to review and comment on the Management Alert: "The Department of Energy's Management of Foreign Travel." As the Management Alert correctly notes, the Department has implemented numerous initiatives to reduce travel expenses, including foreign travel conducted by the contractor personnel who support our critical national security, public safety and scientific missions. Consistent with the guidance provided by the Office of Management and Budget (OMB), the Department is committed to identifying and reducing travel expenses in a manner that balances our responsibility to protect our Nation's security with our commitment to be good stewards of taxpayer money.

As you are aware, the Department plays a vital role in protecting our nation's security. Since 2009, the President has asked the Department to significantly increase its nuclear security efforts to meet his goal of securing all vulnerable nuclear material around the world within four years. Those efforts, which are critical to preventing nuclear terrorism, cannot be conducted via Skype or other teleconferencing services. As a result, the Department's foreign travel expenditures reflect that increased focus on our national security mission. For example, the Department's leadership in securing vulnerable nuclear materials worldwide through our Global Threat Reduction Initiative requires extensive and necessary foreign travel, especially by contractors who serve as scientists at our laboratories. For Fiscal Years 2010-2012, more than 42 percent of the foreign travel conducted by the Department's contractors has come from the National Nuclear Security Administration, which has a crucial national security mission. This includes, for example, \$150,685.86 spent to remove dangerous nuclear material from Libya prior to the Arab Spring uprisings, and \$2.4 million spent to lock down hundreds of nuclear weapons-worth of highly enriched uranium and plutonium in Kazakhstan.

Similarly, following the nuclear disaster in Fukushima, Japan, the Department provided critical support and assistance, necessitating large foreign travel expenditures by our Federal and contractor staff. In fact, since the Fukushima disaster, more than 750 contractor personnel

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from at least 25 different sites visited Japan to assist in emergency response and recovery efforts at a cost of about \$4.5 million.

It is also important to note that the Department has already worked to significantly reduce foreign travel costs by both Federal and Contractor employees. As your report indicates, the Department significantly reduced Contractor foreign travel costs by at least ten percent between FY2011 and FY2012.

In addition -- while the Department has realized significant cost savings by partnering with other nations in constructing large scale scientific research facilities (e.g., Large Hadron Collider) -- the location of these facilities around the globe necessitates frequent international travel by our scientists. In executing these critical missions, the Department has demonstrated leadership in aggressively controlling costs. We have vigorously advocated the use of less costly non-refundable airline tickets to save taxpayer dollars. GSA has recognized the Department as a leader in their use. We have implemented a comprehensive process for reviewing conferences that has significantly reduced costs by limiting participation, employing best practices, and cancelling or consolidating conferences. Inasmuch as travel costs are a significant component of total conference expenditures, these actions are dramatically reducing travel costs for both Federal and contractor employees. To further reduce costs, the Department promotes the use of video conferences instead of traveling to conduct face-to-face meetings or to participate in conferences. To date, we have deployed technologies such as *Video Tele-Conferencing*, *Goto Meeting*, *SKYPE* and *WEBEX*.

To further improve our management of travel resources, the Chief Financial Officer's (CFO) Office of Risk Management has launched a comprehensive, in-depth analysis of contractor travel costs to identify potential cost efficiencies and management best practices. Subject matter experts from across DOE including program offices and laboratories will conduct this review and will complete their initial assessment of foreign travel in three months. The findings of this review will be used in formulating a comprehensive cost management strategy that balances our vital national security mission and our commitment to be responsible stewards of taxpayer funds.

Comments Specific to the Recommendations:

Recommendations 1 and 2: "Develop a corporate strategy for reducing contractor foreign travel expenditures. As part of this process, consider (1) establishing overarching foreign travel goals, incentives and cost control measures that assist the department in meeting tight budget restrictions now and in the future and (2) extending current Federal workforce travel reduction requirement to contractor employees."

Response: Agree. Expenditures must be necessary, reasonable and carefully managed. The CFO will perform an in-depth analysis of contractor foreign travel costs to identify opportunities for improving cost management and recommend necessary process and system improvements. Once that review is complete, the Department will adopt a policy that will align the foreign travel expenses of our contractor work force with the OMB guidance in a manner that achieves

the required reduction in travel expenses while controlling for the appropriate exceptions for travel that is considered to be critical. The Department will instruct each of our Management and Operations contractors to assess their foreign travel needs, and to submit to the Department an action plan for implementing the policy to reduce unnecessary foreign travel and achieve cost savings for taxpayers.

Recommendation 3 and 4: **"Render the Department's sizable investment in international travel as transparent as possible by ensuring that Department and contractor officials make full use of available data tools such as the FTMS for managerial and cost control purposes."**
"Modify as necessary the trip and cost data fields in FTMS to address concerns raised in this report and in so doing enhance its overall reliability and usefulness."

Response: Agree. Travel costs must be reported in a manner that will promote effective management. As part of the analysis of foreign travel costs, the CFO will evaluate the processes and reporting tools being used and advise on their efficacy. If risks and gaps in systems or processes are identified or additional data fields are needed, specific improvements will be recommended and implemented.

Recommendation 5: **"Ensure the data entries in FTMS are complete so that the system is fully populated."**

Response: Agree. MA will collaborate with Departmental elements to ensure that data entries in FTMS are complete.

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