DOE/IG-480

INSPECTION REPORT

INSPECTION OF GAIN SHARING OPPORTUNITIES FOR THE DEPARTMENT OF ENERGY

SEPTEMBER 2000

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF INSPECTIONS

U.S. DEPARTMENT OF ENERGY
Washington, DC 20585

September 1, 2000

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman /s/ for Herbert Richardson
Inspector General

SUBJECT: INFORMATION: Report on "Inspection of Gain Sharing Opportunities for the Department of Energy"

BACKGROUND

In 1995, the General Services Administration provided guidance on a program known as "GAIN SHARING" where agencies could give cash awards to employees who participate in programs to save travel dollars. This guidance discussed the authority to offer cash awards to employees for obtaining a free coach class ticket with Frequent Flyer benefits earned on official travel and for incurring lodging expenses at a daily rate less than the maximum lodging rate.

This inspection was initiated to determine if the Department of Energy (DOE) had developed any initiatives to implement General Services Administration guidance on "GAIN SHARING."

RESULTS OF INSPECTION

The inspection determined that four DOE offices implemented a form of "GAIN SHARING," and in Fiscal Year 1999, saved $58,000. During the field work portion of our inspection, we were told by an official from DOE's Office of Financial Policy that the Department had not issued a Department-wide policy on "GAIN SHARING." However, on March 27, 2000, the Chief Financial Officer issued a memorandum to Heads of Departmental Elements authorizing them to implement an incentive program to encourage employees to participate in "Frequent Flyer" programs, convert frequent flyer miles into free airline tickets for use in official travel, and receive a cash award based on the savings achieved through their actions.

In addition, an official from the Office of the Chief Financial Officer said that a memorandum to Heads of Departmental Elements explaining how "GAIN SHARING" may be applied to rental cars and lodging is being considered and is expected to be issued in the near future. The official also said he hopes to have a "GAIN SHARING" policy for management and operating contractors written in the next six months. If such a Department-wide policy is implemented, the Department has an opportunity to realize significant cost savings.

The actions taken by the Chief Financial Officer are consistent with our recommendations. We recommended that the Chief Financial Officer evaluate the existing "GAIN SHARING" programs within the Department, develop Department-wide "GAIN SHARING" policies and procedures, and implement a Department-wide "GAIN SHARING" program.

We also recommended that the Chief Financial Officer, in coordination with the Director of Procurement and Assistance Management, evaluate the feasibility of including the Department management and operating contractors in a Department-wide "GAIN SHARING" program.

MANAGEMENT REACTION

Management concurred with the recommendations and has initiated, or is in the process of initiating, appropriate corrective actions.

Attachment

cc: Deputy Secretary
Under Secretary for Energy, Science and Environment
Under Secretary for Nuclear Security/Administrator for Nuclear Security

INSPECTION OF GAIN SHARING OPPORTUNITIES FOR THE DEPARTMENT OF ENERGY

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Overview

INTRODUCTION AND OBJECTIVE

In November 1989, the General Services Administration (GSA) issued Amendment 3 (54 FR 47523, Nov. 1989) to the Federal Travel Regulation (FTR). Amendment 3 instructed agencies to avail themselves of cost savings opportunities by encouraging employees to participate in frequent traveler programs offered by airlines, hotels, and car rental vendors. Amendment 3 also authorized agencies to reimburse employees for the cost of entering a frequent traveler program when the program was expected to result in savings to the Government. In addition, Amendment 3 specified that frequent traveler benefits earned in connection with official travel could only be used for official travel.

In 1995, GSA provided guidance on a program known as "GAIN SHARING" where agencies could give cash awards to employees who participate in programs to save travel dollars. This guidance discussed the authority to offer cash awards to employees for obtaining a free coach class ticket with Frequent Flyer benefits earned on official travel and for incurring lodging expenses at a daily rate less than the maximum lodging rate.

We noted that during the field work portion of our inspection, the Department of Energy (DOE) had not issued a Department-wide policy on "GAIN SHARING." Consequently, most DOE employees had not been able to avail themselves of these cost savings opportunities. The cost of official travel by DOE Federal employees is significant, totaling $40,341,932[1] in Fiscal Year 1998 and $44,810,844[2] in Fiscal Year 1999. On March 27, 2000, however, the Chief Financial Officer issued some initial guidance on "GAIN SHARING."

For many years, the Office of Inspector General has received complaints regarding the alleged misuse of Government frequent flyer miles by Department employees, and the failure of Department employees to use Government frequent flyer miles to reduce the cost of Government travel. As a result of Office of Inspector General reports, some Department employees have been required to repay the Government the value of airline tickets that were purchased for personal use with Government frequent flyer

[1] This figure includes $10,617,594 from the Albuquerque Financial Service Center that is travel for all employees regardless of whether or not they are DOE or non-DOE. The Albuquerque Financial Service Center could not separate DOE Federal employees travel costs from non-DOE employees.
[2] This figure includes $15,226,991 from the Albuquerque Financial Service Center that is travel for all employees regardless of whether or not they are DOE or non-DOE. The Albuquerque Financial Service Center could not separate DOE Federal employees travel costs from non-DOE employees.

miles. Department employees have also been encouraged to make more effective use of their Government frequent flyer miles.

The OIG initiated another inspection in this area based on a complaint alleging that Richland Operations Office (Richland) employees were accumulating Government frequent flyer miles so that they could use them for personal travel after retirement or after they left the Government. The OIG did not find any evidence that Richland employees were accumulating Government frequent flyer miles so that they could use them after retirement. The OIG then expanded our inspection to include a review of incentive opportunities available to executive agencies for promoting participation in Frequent Traveler programs and reducing the overall cost of travel.

The objectives of this inspection, therefore, were to determine if: (1) "GAIN SHARING" has been adopted by other executive agencies; (2) "GAIN SHARING" offers a viable method of encouraging employees to participate in programs to save travel dollars; and (3) the Department of Energy has developed any initiatives to implement GSA guidance on "GAIN SHARING."

OBSERVATIONS AND CONCLUSIONS

In 1995, executive agencies were informed of the authority to establish incentive award programs to assist them in promoting and encouraging employee participation in frequent traveler programs, and in reducing the overall cost of travel. This authority allowed an employee who obtained a free coach class ticket with frequent flyer benefits earned on official Government travel, or personal travel, to be eligible for a cash award based on the amount of the travel cost savings. This authority also allowed an employee to be eligible to receive a cash award for incurring lodging expenses at a daily rate less than the maximum lodging rate at the temporary duty station.

Incentive award programs based on this authority, commonly referred to as "GAIN SHARING," have been established at the General Services Administration, the Department of Justice (DOJ), and the Department of Education. These incentive award programs have provided a viable method of saving travel dollars.

During the inspection, the OIG was told by an official from the Office of Financial Policy at DOE Headquarters, that the Department of Energy had not issued any Department-wide guidance on "GAIN SHARING." An incentive program involving the use of frequent flyer miles was to be discussed at the Field Chief Financial Officers conference in July 1999, but this issue never made it to the conference agenda. In the past, Department-wide guidance only addressed the use of frequent flyer miles to obtain no-cost transportation tickets, lodgings, and rental cars. The only incentives discussed in the Department-wide guidance were the use of business class upgrades and access to executive clubs. However, these incentives were not always successful in encouraging some employees to make the most effective use of their frequent flyer miles.

Given the current emphasis on reducing the cost of travel throughout the Department, the OIG believes that the Department needs to carefully consider the potential cost savings opportunities offered through a “GAIN SHARING” program. The Department currently has four offices, the Chicago Operations Office (Chicago), Richland, the Bonneville Power Administration (Bonneville), and the Southwestern Power Administration (Southwestern) that have implemented a form of “GAIN SHARING.” In the draft report, the OIG recommended that the Department evaluate these existing programs, develop Department-wide “GAIN SHARING” policies and procedures, and implement a “GAIN SHARING” program Department-wide.

On March 27, 2000, the Chief Financial Officer signed a memorandum to Heads of Departmental Elements authorizing them to implement an incentive program to encourage employees to participate in “Frequent Flyer” programs, convert frequent flyer miles into free airline tickets for use in official travel, and receive a cash award based on the savings achieved through their actions. The OIG believes that significant additional cost savings may be accomplished if the program is expanded to include lodging and rental cars.

The OIG was advised by an official from the Office of Chief Financial Officer that a memorandum to Heads of Departmental Elements explaining how “GAIN SHARING” may be applied to rental cars and lodging is being considered and is expected to be issued in the near future. The official also said he hopes to have a “GAIN SHARING” policy for management and operating contractors written within the next six months.

Details of Finding

OPPORTUNITIES FOR COST SAVINGS THROUGH "GAIN SHARING"

On October 13, 1994, Public Law 103-355, FEDERAL ACQUISITION STREAMLINING ACT OF 1994 (FASA), was enacted. Section 6008, COST SAVINGS FOR OFFICIAL TRAVEL, required the General Services Administration to issue guidelines to ensure that agencies promote, encourage, and facilitate the use of frequent traveler programs offered by airlines, hotels, and car rental vendors by Federal employees who engage in official air travel. The purpose of this requirement was to realize, to the maximum extent practicable, cost savings for official travel. FASA required that, not later than one year after the date of enactment, the Administrator of GSA would report to Congress on efforts to promote the use of frequent traveler programs by Federal employees.

The General Services Administration issued its report to Congress on October 13, 1995. GSA surveyed 98 Federal agencies and reported that 40 agencies said they had agency procedures that instructed and encouraged their employees to utilize frequent traveler benefits. GSA reported that, of the 40 agencies indicating that they had frequent traveler policies and procedures, only five indicated that they had incentive programs in place or proposed for Fiscal Year 1996.

AUTHORIZATION OF INCENTIVE AWARDS ASSOCIATED WITH TRAVEL PROGRAMS

On October 24, 1995, the General Services Administration published GSA Bulletin Federal Travel Regulation 17. This bulletin informed agencies of methods available for use in complying with the requirements of Section 6008 to promote, encourage, and facilitate Federal employee use of airline, hotel, and car rental vendor frequent traveler programs for the purpose of maximizing cost savings while on official travel. This bulletin stated that GSA was issuing the guidelines contained in the bulletin to inform agencies of authority to establish incentive award programs to assist in promoting and encouraging employee participation in frequent traveler programs. Section 3, Cash incentive programs, of this bulletin states that the Government Employees Incentive Awards Act of September 1, 1954 (5 U.S.C. 4501-4507), authorizes an agency to pay a cash award to an employee who by his/her personal effort contributes to the efficiency or economy of Government operations. Section 3 also stated that the Office of Personnel Management has implemented the regulations and instructions under which agency awards programs are carried out 5 CFR part 451.

EXECUTIVE AGENCY ESTABLISHMENT OF "GAIN SHARING" PROGRAMS

The OIG was told by a GSA official from the Relocation Management and Travel Policy Branch Central Office that the General Services Administration, the Department of Justice, and the Department of Education have established "GAIN SHARING" programs.

The General Services Administration

In December 1994, the General Services Administration distributed guidance concerning cash awards for travel savings. This guidance, titled "POLICY AND PROCEDURES FOR TRAVEL SAVINGS AWARD," stated that employees who obtained a free coach class ticket with frequent flyer benefits earned on official Government travel, or personal travel, were eligible for the travel savings award. Savings would be measured against the contract rate in effect at the time of the flight. If there was no contract rate, then the lowest available nonrestricted coach fare was used as the basis for measurement. This guidance also stated that employees who participated in the program could receive cash awards for incurring lodging expenses at a daily rate which was less than the maximum lodging rate for the Temporary Duty station.

The OIG was also told by the GSA official that in 1995, GSA began the "GAIN SHARING" effort under the Government Employees Incentive Act to give federal employees the opportunity to not only save the Government money where possible, but to actually receive a share of the savings as a reward for their efforts. Since the beginning of their program, 774 GSA employees have saved $637,994 in travel expenses, and in the process, have received cash awards totaling $318,997.

Department of Justice

On April 5, 1995, the Attorney General approved the Department of Justice (DOJ) "EMPLOYEE GAIN SHARING AWARDS PROGRAM," which established an award program whereby frequent flyers had a "GAIN SHARING" incentive to establish frequent flyer accounts and manage their business versus personal frequent flyer miles. The DOJ program provided for employees (on their own time) to establish the frequent flyer accounts, track business versus personal miles, and plan and secure the frequent flyer miles for official use. Under this program, the potential for a cash award would provide an incentive for employees to ensure that frequent flyer miles were earned and used for official Government travel. Under this program, cash awards were to be granted based on the actual savings generated by the employee, with the Government realizing the savings in travel costs.

The Department of Justice “GAIN SHARING” program became effective at the beginning of Fiscal Year 1996. Since that time, DOJ has saved a total of $484,811, which includes savings of $70,495 in Fiscal Year 1996, $201,947 in Fiscal Year 1997, and $212,369 in Fiscal Year 1998. The Department of Justice anticipates greater savings, with implementation of “GAIN SHARING” by the Immigration and Naturalization Service, the Drug Enforcement Administration, and U.S. Attorney Offices in all districts.

Department of Education

The Department of Education established a pilot Travel Savings Shared Benefits Program in May 1995. This program rewards employees who save the agency money while on official temporary duty travel. These savings come from the use of less expensive lodging and/or frequent flyer benefits to purchase airline tickets for official travel. The Department of Education saved $44,743 in Fiscal Year 1996, $46,156 in Fiscal Year 1997, and $39,504 in Fiscal Year 1998.

DEPARTMENT OF ENERGY EFFORTS TO ACHIEVE COST SAVINGS FOR OFFICIAL TRAVEL

On July 21, 1995, GSA solicited input from the Department of Energy and other federal agencies on efforts they were taking to encourage the use of frequent flyer programs. The DOE Office of Financial Policy conducted a survey of Departmental implementation efforts and responded to GSA on August 25, 1995. In that response, the Office of Financial Policy stated that DOE had issued Department-wide guidance to DOE Finance Directors, that several DOE sites were operating successful programs, and that more encouragement was needed. DOE sites identified in the DOE response with frequent flyer programs included Oak Ridge, Richland, and Savannah River.

In a September 8, 1995, memorandum from the Department’s Controller to the Heads of Departmental Elements, entitled: “Frequent Traveler Savings Initiative,” the Controller stated that the Department was at a point where getting more from its limited travel dollars “has never been more critical. . . .” The Controller urged the Heads of Departmental Elements to review their frequent traveler practices. The Controller stated that frequent traveler programs provide the Department with a unique opportunity to obtain no-cost transportation tickets, lodgings, and rental cars, and that the Department must take full advantage of such programs already in place and establish new programs at sites where there were none. The Controller cited the use of business class upgrades and access to executive clubs as incentives for employee participation.

Richland Operations Office

A Team Leader from the Financial Management Division, Richland, told us that they established a program in 1993 to improve the utilization of benefits earned by employees through frequent flyer programs. Richland reported that their program had achieved savings of $50,500 in Fiscal Year 1994, $30,400 in Fiscal Year 1995, and $26,000 in Fiscal Year 1996. However, the savings dropped off substantially in Fiscal Year 1997 to $14,808 and in Fiscal Year 1998 to $7,960. According to a Program Management Specialist who monitors the Richland Frequent Flyer Program, the decline in savings from the Richland program was due in part to a lack of incentives for individual employees to make the effort to use frequent flyer miles.

Oak Ridge Operations Office

Oak Ridge routinely provides information to the traveler on benefit accumulations, usage restrictions, and redemption processes. The first priority use of frequent flyer miles is for the purchase of airline tickets. Oak Ridge employees are allowed to upgrade to business class (not first class) on international flights (business class is rarely available on domestic flights), and may join executive clubs of various airlines to have access to fax machines, computers, and other amenities while on travel.

Savannah River Operations Office

Savannah River issued "Traveler's Tips" on the subject of frequent flyer programs. Savannah River travelers are automatically enrolled in the programs of the two airlines serving Savannah River and are encouraged to redeem the benefits. The Savannah River program is voluntary and does not directly benefit, or provide incentive to, the traveler.

ATTEMPTS TO ESTABLISH "GAIN SHARING"

While the Department did not have any Department-wide policy or procedures on "GAIN SHARING," four organizations within the Department have initiated pilot programs that include "GAIN SHARING" principles.

Chicago Operations Office

On July 1, 1997, Chicago began a one year test of a "GAIN SHARING" policy in which Chicago employees could share in any savings resulting from obtaining lodging for less than the maximum allowed amount for the Temporary Duty location and/or from use of frequent flyer miles used to obtain free airline tickets for official travel. After the one year test was completed, Chicago decided to continue the program for an additional year, through June 30, 1999. Chicago has now decided to continue the program indefinitely. Chicago's "GAIN SHARING" program reported savings of $14,425 for Fiscal Year 1999 and $13,284 for the first quarter of Fiscal Year 2000.

Richland Operations Office

The OIG was told by a Program Management Specialist who monitors the Richland Frequent Flyer Program that Richland recently started a pilot program that offers the sharing of cost savings to travelers who use their frequent flyer miles for airline tickets. Richland reported savings of $25,563 for Fiscal Year 1999.

Bonneville Power Administration

The OIG was told by an official from Financial Services, Bonneville, that on October 1, 1995, Bonneville established a cost savings program which included a mechanism to compensate employees who save funds while on official Government travel. These savings are generated from the use of frequent flyer benefits to purchase airline tickets for official travel. Bonneville employee participation in the program is voluntary. Bonneville reported savings of $19,334 for Fiscal Year 1998 and $8,211 for Fiscal Year 1999.

Southwestern Power Administration

The OIG was told by an official from Financial Systems, Southwestern, that a Travel Savings Award Program started as a one year trial in October 1997 and was made permanent for Fiscal Year 1999. These savings come from the use of less expensive lodging for official travel. Effective October 1, 1999, Southwestern also began a Frequent Flyer Airline Savings Program. Southwestern employees are encouraged to participate in "Frequent Flyer" programs, convert the bonus miles into free airline tickets, and receive a cash incentive payment based on the savings achieved through their actions. Southwestern reported savings of $9,718 for Fiscal Year 1999.

EFFORTS TO ADDRESS "GAIN SHARING" AS A DEPARTMENT-WIDE ISSUE

While the Department has not addressed Department-wide cash awards for incurring lodging expenses at a daily rate which was less than the maximum lodging rate for the Temporary Duty station, efforts were underway within the Department to establish an incentive program that would encourage employees to obtain free airline tickets through the use of frequent flyer benefits. In May 1999, a draft memorandum, Subject: DEPARTMENT OF ENERGY AIRLINE SAVINGS PROGRAM, prepared by DOE's Office of Financial Policy, was sent to all Field Chief Financial Officers for comment. The draft memorandum stated that:

> Effectively immediately, the Department of Energy is implementing an incentive program to encourage employees to participate in 'Frequent Flyer' programs, convert the bonus miles into free airline tickets, and receive a cash incentive payment based on the savings achieved through their actions.

The OIG was told by an official from the Office of Financial Policy at DOE Headquarters, that this issue was to be discussed at the Field Chief Financial Officers conference that was held in July 1999. However, the issue of an incentive program involving the use of frequent flyer miles never made it to the conference agenda. Subsequently, in a March 27, 2000, Memorandum to the Heads of Departmental Elements, the Chief Financial Officer issued policy guidance that authorized the Department to implement frequent flyer incentive programs. Because the guidance was limited to the purchase of airline tickets, the OIG believes that cost savings opportunities exist if the program is expanded to include lodging and rental cars. The OIG also believes that application of such incentive programs to management and operating contractors may present significant additional cost savings opportunities, and should be given serious consideration.

RECOMMENDATIONS

We recommend that the Chief Financial Officer:

1. Evaluate the existing "GAIN SHARING" programs within the Department for both airline tickets and lodging, develop Department-wide "GAIN SHARING" policies and procedures, and implement a Department-wide "GAIN SHARING" program.

We recommend that the Chief Financial Officer, in coordination with the Director of Procurement and Assistance Management:

2. Evaluate the feasibility of including the Department management and operating contractors in a Department-wide "GAIN SHARING" program.

MANAGEMENT COMMENTS

In their response to the draft report, the Chief Financial Officer concurred with Recommendation 1. On March 27, 2000, the Chief Financial Officer signed a memorandum to Heads of Departmental Elements providing that they may implement an incentive program to encourage employees to participate in "Frequent Flyer" programs, convert frequent flyer miles into free airline tickets for use in official travel, and receive a cash award of 50 percent of savings achieved. The memorandum did not address savings associated with lodging or rental cars. However, the Chief Financial Officer will provide a memorandum to Heads of Departmental Elements to explain how "GAIN SHARING" may be applied to rental cars and lodging.

With regard to Recommendation 2, the Chief Financial Officer agreed with the recommendations and stated that since this recommendation has contract implications, it should be issued to the Director, Office of Management and Administration.

The Director of Management and Administration concurred with Recommendation 1 and agreed that Recommendation 2 should be addressed to the "Chief Financial Officer in coordination with Director of Procurement and Assistance Management." In addition, an official from the Office of the Chief Financial Officer said that he hopes to have a "GAIN SHARING" policy for management and operating contractors written in the next six months.

INSPECTOR COMMENTS

The actions planned and taken by the Chief Financial Officer and the Director of Management and Administration were responsive to the recommendations.

Appendix

SCOPE AND METHODOLOGY

During our initial inspection of allegations that Richland employees were accumulating Government Frequent Flyer miles for personal use, we interviewed Richland Operations Office officials and collected documentation relevant to Richland's Frequent Flyer program. This inspection was then expanded to include a review of incentive opportunities available to executive agencies for the reduction of their overall travel costs. In reviewing these incentive opportunities, we interviewed Department of Energy Headquarters personnel involved with the DOE Frequent Flyer Program, Operations Office personnel, and officials from GSA and DOJ concerning their "GAIN SHARING" Programs. In reviewing the incentive opportunities, we evaluated:

1. The provisions of the Federal Travel Regulation, GSA Bulletin FTR 17, and the Government Employees Incentive Awards Act of 1954.

2. The Department of Energy guidance on Frequent Traveler Savings Initiatives.

3. Applicable policies, procedures and guidelines relevant to Operations Office Frequent Flyer and "GAIN SHARING" programs.

4. Documentation relating to the implementation of the Operations Office Frequent Flyer and "GAIN SHARING" programs.

5. The "GAIN SHARING" policies and procedures of GSA and DOJ.

6. The "GAIN SHARING" savings of GSA, DOJ, the Department of Education, the Chicago and Richland Operation Offices, and the Bonneville and Southwestern Power Administrations.

This inspection was conducted in accordance with "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency.

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