

**REVIEW OF THE FEDROOMS PROGRAM
FEDERAL ACQUISITION SERVICE
REPORT NUMBER A070167/Q/9/P08002
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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

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Date: February 4, 2008

Reply to
Attn of: Audit Manager, San Francisco Field Audit Office (JA-9)

Subject: Review of the FedRooms Program
Federal Acquisition Service
Report Number A070167/Q/9/P08002

To: James A. Williams
Commissioner, Federal Acquisition Service (Q)

The San Francisco Field Audit Office conducted a review of the Federal Acquisition Service's (FAS) FedRooms Program. The audit was included in the Office of Inspector General's fiscal year 2007 Annual Audit Plan.

BACKGROUND

The FedRooms Program (FedRooms) provides lodging options for civilian and military federal travelers on official business and is intended to provide a single lodging search and booking system with multiple travel benefits and assurances for federal travelers. According to the Federal Travel Regulations, first consideration must be given to commercial lodging facilities under FedRooms when federal travelers make their hotel selection.

FedRooms promotes the following benefits with a room reservation:

- Rates at-or-below per diem;
- Federal travelers can cancel a reservation until 4pm (or later, in some hotels) on the day of arrival without penalty;
- No added costs (i.e., maid fee, health club fee, resort fee) or penalties are attached to the rate;
- Federal travelers will not be charged an early check-out fee; and,
- Two-thirds of the FedRooms hotels offer Last Room Availability (LRA).

Carlson Wagonlit Travel (CWT) was awarded the contract on September 21, 2004 to manage FedRooms. CWT's office, which is located in Minnesota, has a total of seven employees (Program Director and six staff members) responsible for managing and marketing the program.

Specifically, CWT is required to abide by the following contract requirements:

- Provide lodging rates at-or-below per diem;
- Negotiate and ensure compliance of FedRooms hotel rates;
- Provide room inventory necessary to meet 75 percent of the estimated room nights for federal employees at top federal travel destinations;
- Maintain an updated list of FedRooms properties on a designated web-site;
- Provide an updated inventory listing for access to Travel Management Centers (TMCs) and electronic Travel Services (eTS);
- Provide help desk services;
- Provide lodging properties that are deemed Federal Emergency Management Agency (FEMA) compliant, with a minimum 2-diamond American Automobile Association (AAA) rating, or equivalent;
- Collect 2.75 percent participating fee for every room night identified as a FedRooms booking (with quarterly remittance of 0.75 percent to GSA);
- Report to GSA on FedRooms rate occupancy activity; and
- Conduct marketing campaigns to promote usage and benefits of FedRooms in partnership with GSA's Office of Travel and Transportation.

As of June 23, 2007, there were 4,491 accepted¹ participating FedRooms hotel properties. Of the 4,491 hotels, 3,372 (or 75 percent) were identified as domestic/transient hotels or short term stays. The remaining 25 percent consisted of 846 long term stay hotels (or 19 percent) and 273 (or 6 percent) international hotels. An estimated 85 percent of the domestic/transient properties were affiliated with the six largest hotel groups involved in the program (Appendix A, Slide A-12).

According to data from the General Services Administration's (GSA) SmartPay travel card, expenditures for official civilian and military travel totaled \$6.8 billion for fiscal year 2006; including hotel and airline costs of \$2.2 billion and \$3.3 billion, respectively. The GSA-run City Pair Airfare Program, a 27 year-old mandated discount air transportation program for federal travelers, attains an estimated 60 percent participation. Whereas, the non-mandated FedRooms Program, now in its fourth year, is experiencing usage of less than 1 percent of total government lodging expenditures.

¹Accepted status indicates CWT has approved a hotel's rate proposal, confirmed the hotel's FedRooms rates were posted, and verified the government's safety requirements.

Prior to the FedRooms Program, the Office of Government-wide Policy (OGP) managed a similar lodging program, i.e., the Federal Premier Lodging Program (FPLP), from 1999 to 2004. Nearly 600 participating hotels in 70 cities were under contract with the lodging program that required payment of a fee directly to GSA. A July 2003 OGP Advisory Board report recommended outsourcing the FPLP in order to not only improve service and reduce operating costs, but also increase the government's purchasing power over hotel lodging with a newly managed program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the review were to determine whether: (1) the FedRooms program provided federal travelers ease of reservation access, best value, reservation flexibility, and FEMA compliant hotels; (2a) federal travelers were using the FedRooms Program; and (2b) FAS could enhance the FedRooms Program.

Our review focused on data related to the FedRooms program from its inception in September 2004 through September 2007. In addition, the basis of our analyses was the domestic/transient or short term stay hotels, which represented 3,372, or 75 percent, of the total participating properties.

To accomplish our objectives, we performed the following steps:

- Analyzed FAS reports, documents, data, surveys, and presentations related to the FedRooms Program and CWT information on corporate lodging, travel card data, marketing presentations and traveler surveys;
- Reviewed applicable Federal Travel Regulations (FTRs), travel advisories and audit reports, and tested FedRooms reservation accessibility on CWT's FedRooms website and E2 solutions travel booking engine;
- Verified FedRooms information using the following websites: American Automobile Association and FEMA's Hotel/Motel Fire Safe List; and,
- Held discussions with travel personnel from the following organizations:
 - Office of Travel and Transportation Services (QMC) and FAS Office of the Controller (QB) at FAS headquarters in Arlington, VA;
 - FAS Travel Management Branch in the Pacific Rim Region in San Francisco, CA;
 - Office of Government-wide Policy, Office of Travel, Transportation and Asset Management at GSA Central Office in Washington D.C.;

- CWT FedRooms Group at corporate headquarters in Minnetonka, MN;
- Department of Defense travel management personnel; and
- Representatives from four government Travel Management Centers (TMCs).

The audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

FedRooms provided all the benefits to federal travelers that the program claimed, which included ease of reservation access, best value, reservation flexibility, and FEMA compliant hotels. Despite the FTR's statement that federal travelers must give first consideration when selecting commercial lodging for official travel, they were not using FedRooms to reserve hotel lodging. The low usage of the program was possibly due to three reasons: marketing not receiving desired results, personal preferences of travelers, and not mandating the use of FedRooms. In addition, several obstacles exist that management needs to address before enhancements to the program can be considered.

Results of our review were presented to FAS management officials on December 4, 2007 (Appendix A).

FedRooms Benefits

The benefits that were claimed under FedRooms were realized for users. Federal travelers on official business can easily access FedRooms through several avenues. The program provided the opportunity to save the government on hotel costs via lower rates and/or fee avoidances (e.g., early checkout or cancellation), and ensured FEMA compliance.

Ease of reservation access: FedRooms provided four methods of access for booking a hotel reservation: electronic travel system's (eTS) booking engine, FedRooms.com web-site, contacting the hotel directly, and a TMC reservation request. The results of our review indicated FedRooms access is readily available to federal travelers.

Federal travelers' use of eTS provides an opportunity for one-stop service for making traveling arrangements such as hotel lodging. Three on-line booking engines (E2 Solutions, GovTrip, and FedTraveler), which do not cover the Department of Defense (DoD), allow the traveler to choose whether to use or not use (i.e., opt in or opt out) the hotel booking module. For those travelers who elect to make hotel arrangements on-line, these systems provide booking access to hotel properties, displaying FedRooms properties first. Travelers who decide not to use eTS' reservation system for hotel

lodging are not required to provide a reason for opting out of the on-line system. The Defense Travel System (DTS), which is the DoD's electronic travel service, allows only viewable access to FedRooms listings and rates, with no 'bookable' FedRooms access. As a result, DoD employees have no direct access through the DTS to make hotel lodging arrangements with FedRooms. Instead, employees would have to access FedRooms through its website or contact the hotel or their travel management center.

CWT's web-site for FedRooms (www.FedRooms.com) provides federal travelers universal internet access to available hotel property information. Based on CWT data, user activity on its website has increased significantly, with a 121 percent increase comparing the first nine months of calendar years 2006 and 2007. However, a June 2007 survey disclosed that federal travelers were four times as likely to utilize hotel web-sites to book reservations rather than the FedRooms website.

By far the most popular method to book a hotel reservation under FedRooms is calling the hotel directly to request lodging at the FedRooms rate. A recent May 2007 survey of more than 1,800 travelers at 19 federal government agencies and state governments revealed that 48 percent of hotel reservations were made by calling the hotel directly.

Finally, another option that federal travelers can turn to when making hotel reservations is to contact their agency's travel agent or TMC (e.g., Adventure Travel, SATO, Omega). According to travel officials from four TMCs, federal travelers must specifically request the FedRooms rate to ensure that the traveler receives the program's benefits.

Best Value: Federal travelers were ensured not only best value with hotel rates at or below the government's domestic per diem lodging rates but also reasonable quality, whereby, the minimum AAA-Diamond hotel rating established for FedRooms properties was met. Additionally, federal travelers were generally receiving better value when compared to CWT's corporate clients.

With an inventory of 3,372 domestic/transient FedRooms hotels, CWT was able to negotiate **below** the government's domestic per diem lodging rates for 1,328 (or 39 percent) of the FedRooms hotels nationwide. Federal travelers were saving an average of \$19.39 at hotels offering below per diem rates. The remaining 61 percent of the hotels were **at** the government's domestic per diem lodging rate. As a result, federal travelers are assured of best value when booking a FedRooms rate (Appendix A, Table 2, Slide A-20)

However, it is important to note that the 39 percent of FedRooms hotels offering below-per diem rates represented only two percent of actual room nights booked by federal travelers during our review period. CWT reported \$10.5 million in total FedRooms lodging revenue for the twelve-month period ended June 30, 2007. Our analysis

indicated federal travelers saved only \$40,594 (or 0.4 percent) staying at FedRooms hotels with rates below the domestic per diem lodging rates.

The FedRooms Statement of Work established a minimum AAA 2-diamond hotel rating (on a 5-diamond scale) for the program. In our review of 375 FedRooms properties in 20 randomly selected U.S. cities, 82 percent of the sampled FedRooms hotels were located on the AAA hotel search-engine (aaa.com). All of the FedRooms hotels that were located on the web-site met the minimum 2-Diamond rating, with 97 percent receiving a rating of 3 or 4 diamonds.

Federal travelers were generally getting the best value when compared to 18 CWT large corporate clients with at least 100 FedRooms property locations in their program. We reviewed the spreadsheet of CWT's negotiated corporate rates and FedRooms rates compiled by CWT. FedRooms rates compared favorably to corporate rates for the same hotels, with FedRooms receiving the better rate 65 percent of the time.

Reservation Flexibility: FedRooms touts the benefit of reservation flexibility that includes a wide selection of hotels (inventory choice of nearly 4,500 accepted hotels); no fees for either early departure or failure to adhere to the hotel's cancellation policy; and the benefit of Last-Room-Availability (LRA). LRA is a FedRooms benefit that provides federal travelers last minute lodging at an LRA-participating hotel based on room availability. Because relevant data regarding LRA was unavailable, it was not possible to verify or validate LRA requests, or determine if LRA requests were honored or refused within the program. Based on an inventory of 3,913 hotels as of September 1, 2007, 64 percent or 2,495 hotels offered LRA. Travelers can determine if a selected FedRooms property offers LRA from the FedRooms.com web-site.

FEMA Compliance: FedRooms hotels were FEMA compliant as a result of verifying a random selection of 103 FedRooms properties. In accordance with the Hotel and Motel Fire Safety Act of 1990, Public Law 101-391, aimed at improving fire safety in hotels, motels, and other places of public accommodation, Federal employees on official travel should stay in fire-safe accommodations. The U.S. Fire Administration (an entity of the Department of Homeland Security's FEMA) compiles a list of such properties. Selected FedRooms properties on this list were considered FEMA-compliant.

Limited Use of FedRooms

Based on our review of GSA SmartPay and FedRooms data, federal travelers were not using FedRooms to make hotel reservations when planning for official business travel. The low usage may have been attributable to three reasons: CWT's marketing efforts, traveler's personal preferences, and not mandating program usage.

For calendar year 2006, FedRooms usage accounted for less than one-half of one percent of federal travel lodging dollars spent (or 0.47%)². In addition, FedRooms also accounted for less than one-third of one percent of federal travel room nights (or 0.30%)³.

Based on our analysis, we determined that FedRooms activity over the past 2.5 years (from April 2005 through September 2007) showed an increase of only 15 percent based on hotel expenditures. We also discovered that growth on the number of room nights for FedRooms activity was not sustained (Appendix A, Slides A-30 and A-31 for additional details).

Possible Reasons for Low Usage

Low usage of FedRooms by federal travelers may have been due to three reasons. First, marketing-related efforts may not be achieving the desired results even though CWT's attempts to spread the word on FedRooms were quite numerous. CWT's marketing efforts included briefings to agencies' Chief Financial Officer and travel management personnel to convince them that use of FedRooms could result in potential savings to the agency. CWT also advertised the hotel program through various avenues such as government periodicals, travel card billing inserts, and GSA expositions in order to reach a wider range of federal travelers. Also, the FedRooms website appears to have the necessary information to sufficiently inform travelers of the hotel program. Second, personal preferences of travelers may have also contributed to disappointing results of FedRooms usage. Changing the traveler's habits has proven to be difficult; in part because the Fedrooms program offers little additional incentive, and federal travelers generally seem to be satisfied with their own method of booking hotel rooms. Third, not mandating the use of FedRooms for federal travelers may be a possible reason for low usage. According to OGP officials, the likelihood of obtaining Congressional approval to require federal travelers to use FedRooms will not occur anytime soon.

FedRooms Enhancements

Before any enhancements to FedRooms are considered, FAS should first address the program's obstacles through the development of a business plan. If the obstacles are ignored, the viability of the program may be at risk.

²Percentage of lodging dollars calculation: \$7.3 million (FedRooms lodging revenue) / \$1.5 billion (GSA SmartPay federal hotel expenditures) = 0.47%

³Percentage of travel room nights calculation: 62,883 FedRooms nights / 21.2 million total nights = 0.30%.

Obstacles of FedRooms: The obstacles in the program that should be of concern to management include the following: (1) no incentives for federal travelers; (2) no differentiation between the FedRooms rate and the government rate; and, (3) limitation of GSA's per diem rate for lodging. The first obstacle that FAS should address is that federal travelers have no incentive to reserve lodging at a FedRooms rate. We determined that there were no incentives such as free meals, no-cost internet service, and/or courtesy airport shuttle provided by FedRooms hotels to cause dramatic changes in travelers' behavior in booking a FedRooms property over their favorite hotel. With the second obstacle, there was no differentiation between the FedRooms rate and the hotel's government rate. Major hotel chains generally provide most of the FedRooms benefits with their own 'government' rates. As a result, participating hotels can offer travelers their government rate along with the standard benefits, avoiding the 2.75 percent FedRooms fee. As noted earlier, in order to ensure a Fedrooms hotel rate, federal travelers need to specifically request the Fedrooms rate. Finally, dealing with the government's per diem rates for lodging is the third obstacle and a bit of a challenge for FAS. Because these rates already provide a built-in price control or ceiling, hotels are discouraged to offer room rate reductions.

In order to address these obstacles, FAS should develop and deploy a business plan. Included in a business plan are corresponding performance measures, which not only track how well program results compare to the program's intended purpose, but also establish a mechanism for making changes when needed. As directed by the Government Performance and Results Act of 1993, Federal agencies are held accountable for achieving program results. Specifically, agencies should develop a business plan (whose focus is usually on a particular product, service, or program) with such elements as goals, objectives, timelines, and performance measures (Appendix A, Slide A-35).

CONCLUSION

While we recognize that FedRooms has only been in existence for over 3 years, progress has been made with the inclusion of over 4,000 hotels and increased accessibility. However, actual program utilization has been less than one percent of total federal lodging expenditures or room nights, since its inception. With the government's buying power of 21 million annual room nights⁴ for official business travel, the government is in a position to leverage its buying power, thereby dramatically increasing its opportunity for savings under FedRooms.

⁴GSA SmartPay Travel Card data, calendar year 2006.

RECOMMENDATION

We recommend that the Commissioner of the Federal Acquisition Service:

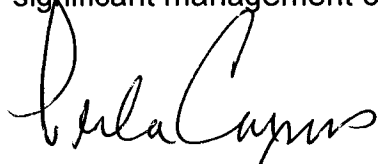
1. Develop a business plan for FedRooms that includes addressing the obstacles that may affect the future viability of the program. These obstacles include providing incentives to federal travelers and differentiating the FedRooms rate from the hotel's government rate. In addition, the plan should take into consideration the impact of the government's per diem rates for lodging on the FedRooms program.

MANAGEMENT COMMENTS

The Commissioner, Federal Acquisition Service concurred with the recommendation to develop a business plan for FedRooms. See Appendix B for a copy of the Commissioner's response.

MANAGEMENT CONTROLS

The examination of management controls was limited to those necessary to achieve the specific objectives and scope of the audit. Based on our limited review, we found no significant management control problems.



PERLA CORPUS
Audit Manager
San Francisco Field Audit Office (JA-9)

GSA, Office of Inspector General
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Federal Acquisition Service
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Appendix A

Audit Objectives, Scope & Methodology

Audit Objectives

- 1. Did FedRooms provide federal travelers: ease of reservation access; best value; reservation flexibility; and Federal Emergency Management Agency (FEMA) compliant hotels?**
- 2a. Were federal travelers using the FedRooms Program?**
- 2b. What could the Federal Acquisition Service (FAS) do to enhance the FedRooms Program?**

Review of the FedRooms Program

Audit Scope

Information related to the FedRooms Program from its inception in September 2004 through September 2007.

Methodology

- Analyzed FedRooms' reports, documents, data, surveys, and presentations provided by FAS;
- Analyzed Carlson Wagonlit Travel (CWT) corporate lodging information, GSA SmartPay (travel card) data, presentations and traveler survey results provided by CWT;
- Reviewed Federal Travel Regulations (FTRs); advisory and audit reports;
- Reviewed FedRooms reservation accessibility on CWT's www.FedRooms.com and E2 Solutions travel booking engine (<http://ets.prod.carlson.com>);
- Verified FedRooms information to the following web-sites: American Automobile Association (www.aaa.com), FEMA's Hotel/Motel Fire Safe List (www.usfa.dhs.gov/applications/hotel/#searchlist).

Review of the FedRooms Program

Methodology

(continued)

- **Held discussions with personnel from the following organizations:**
 - Office of Travel & Transportation Services (QMC) and FAS Office of the Controller (QB) at FAS headquarters in Arlington, VA;
 - FAS Travel Management Branch in the Pacific Rim Region, San Francisco, CA;
 - Office of Government-wide Policy, Office of Travel, Transportation and Asset Management at GSA Central Office;
 - Carlson Wagonlit Travel, FedRooms Group at corporate headquarters in Minnetonka, MN;
 - Department of Defense travel management personnel; and
 - Representatives from 4 government Travel Management Centers (TMCs).

Review of the FedRooms Program

Background

- ❑ FedRooms is the official government-wide, sponsored lodging program that provides FTR-compliant hotel rooms for federal travelers (civilian and military) while on official business.
- ❑ The FTR states that first consideration must be given to commercial lodging facilities under the FedRooms Program when federal travelers make their hotel selection.

Review of the FedRooms Program

Background

- ❑ FedRooms succeeded the Federal Premier Lodging Program (FPLP), which was managed by the GSA Office of Government-wide Policy (OGP) from 1999 to 2004. More than 600 participating hotels in 70 U.S. cities were under contract with FPLP. Program revenue was based on a funding fee of \$3 per room rental night.
- ❑ A 2003 OGP Advisory Board Report recommended outsourcing a comprehensive lodging program in order to leverage the government's overall buying power for hotel lodging at-or-below per diem lodging rates without a mandated program.

Review of the FedRooms Program

Background

FedRooms promotes the following benefits with a room reservation:

- ✓ Rates are at-or-below per diem;
 - Note: the FedRooms rate and a hotel's "government" rate are not the same.
 - FedRooms rates are negotiated specifically for federal travelers; and, hotels must agree to the program terms & conditions.
 - "government" rates are determined by each hotel.
- ✓ Federal travelers can cancel a reservation until 4pm (or later, in some hotels) on the day of arrival without penalty;
- ✓ No added costs (i.e., maid fee, health club fee, resort fee) or penalties are attached to the rate;
- ✓ Federal travelers will not be charged an early check-out fee; and,
- ✓ Two-thirds of the FedRooms hotels offer Last Room Availability (LRA).

Review of the FedRooms Program

Background

- Federal travelers have several options for making a FedRooms reservation:
 1. the website www.FedRooms.com;
 2. the government agency's electronic travel service (eTS); GSA uses e2 Solutions from CWT;
 3. the government agency's travel management center (e.g., Adventure Travel for GSA); or
 4. the hotel's toll free reservation phone number, direct line, or website.

Review of the FedRooms Program

Background

- ❑ Total Federal Travel Costs: Based on calendar year 2006 travel card data, expenditures for official civilian and military travel totaled \$6.8 billion. Included in the total were hotel and airline costs of \$2.2 billion* and \$3.3 billion, respectively.
- ❑ FedRooms versus City Pair Airfare Program: Unlike the GSA-run City Pair Airfare Program, **FedRooms** is **not** mandated for federal travelers. City Pairs is an established program that was initiated 27 years ago, whereas, FedRooms has been in operation for only 3 years. As a result, FedRooms usage comprises less than 1% of total government lodging expenditures; as compared to an estimated 60% participation in the City-Pair program.

*Total hotel costs are believed to be significantly understated due to federal travelers who chose not to use the federal charge card while on official business. According to an FAS Travel official, the estimate for total hotel expenses may run as high as \$4.0 billion.

Review of the FedRooms Program

Background

- ❑ In an effort to increase the government's leverage, FAS awarded a contract on September 2004 to Carlson Wagonlit Government Travel to manage the FedRooms lodging program.
- ❑ The contract is currently in its third of four option years. Among the contract requirements were:
 - Provide room inventory necessary to meet 75% of the estimated room nights for federal employees at top federal travel destinations.
 - Maintain an updated designated web-site with FedRooms inventory.
 - Provide an updated inventory listing for access to TMCs and electronic Travel Services.
 - Provide lodging rates at-or-below per diem.
 - Provide lodging properties that are deemed FEMA compliant; and have achieved a minimum 2-diamond American Automobile Association (AAA) rating, or equivalent.
 - Report quarterly to GSA, FedRooms rate occupancy activity.
 - In partnership with GSA, conduct marketing campaigns to promote usage and benefits of FedRooms.

Review of the FedRooms Program

Background

In accordance with the contract, CWT also provides the following services:

- Negotiating FedRooms Hotel Rates;
- Ensuring Compliance of Hotel FedRoom Rates;
- Collecting 2.75% from participating FedRooms Hotels (with quarterly remittance of 0.75% to GSA); and
- Providing help desk services.

CWT Staff - A total of 7 employees (Program Director and 6 staff members) located in Minnetonka, MN are responsible for managing and marketing the FedRooms Program.

Review of the FedRooms Program

Background

Total Participating Hotels:

As of 6/23/2007, the number of 'accepted' participating **FedRooms** hotels totaled 4,491.

'accepted' status indicates CWT has approved a hotel's rate proposal, confirmed the hotel has posted the FedRooms rates, and verified the government's safety requirements;

- 3,372 (75%) domestic/transient (domestic) hotels [short term stays];
- 846 (19%) extended stay hotels [long term stays];
- 273 (6%) international hotels.

Review of the FedRooms Program

Participating Hotels

The six largest hotel groups (below) represent 85% of FedRooms locations.

Table 1 – Largest hotel groups and brands of participating FedRooms properties

Source – CWT's accepted status of domestic properties, as of 6-23-2007.

Results in Brief:

- ❑ The FedRooms Program provided all the benefits as claimed such as ease of reservation access, best value, reservation flexibility, and FEMA compliant hotels.
- ❑ Federal travelers were generally not using FedRooms to make their hotel lodging arrangements for official business travel. Program obstacles existed that may risk the viability of the program. Before enhancements can be considered, FAS must address program obstacles through the development and deployment of a business plan.

Review of the FedRooms Program

Objective 1: Did FedRooms provide federal travelers: ease of reservation access, best value, reservation flexibility, and FEMA compliant hotels?

FedRooms did provide the following services as claimed:

- ✓ **Ease of Reservation Access** - There were ample options for Federal Travelers to access FedRooms.
- ✓ **Best Value** – Federal travelers were given hotel rates that were either at or below per diem and compare favorably to contractor's negotiated hotel rates for corporate clients.
- ✓ **Reservation Flexibility** – Federal travelers would not be subject to hotel fees such as early check-out or cancellation.
- ✓ **FEMA Compliant Hotels** – Federal travelers were assured that hotels in the FedRooms Program were FEMA compliant.

Review of the FedRooms Program

Ease of Access: There are 4 methods that are intended to provide the federal traveler access to making a FedRooms hotel reservation:

1. Logging online via an electronic travel system's (eTS) booking engine:
 - ✓ e2 Solutions, GovTrip, or FedTraveler provide electronic travel services to **non**-Department of Defense (DoD) federal agencies; and,
 - ✓ DTS (Defense Travel System) provides electronic travel services to DoD employees;
2. Accessing the www.FedRooms.com web-site;
3. Calling the hotel directly to request the **FedRooms** rate; or
4. Contacting their travel agent at their agency's Travel Management Center (TMC), e.g., Adventure Travel, SATO, Omega.

Review of the FedRooms Program

Ease of Access- eTS

1. All 3 (non-DoD) eTS systems offer 2 options:

- ✓ Opt-out: Allows traveler to skip the eTS' hotel reservation with no reason required.
- ✓ Opt-in: Allows traveler to use the system's hotel booking section with access to FedRooms properties, which are displayed first among the listed hotels.

DoD's DTS system:

- currently has 'viewable' access to FedRooms properties and rates;
- No "bookable" FedRooms access at this time.

DoD employees have the other 3 options:
website – www.FedRooms.com, Hotel's Reservation Number,
and their TMC agent.

Review of the FedRooms Program

Ease of Access: On-line / Telephone / TMCs

2. **www.FedRooms.com** provides the traveler access to available hotel property information without logging into their eTS account. The website has seen a significant increase user activity for the first 3 quarters of 2007 compared to 2006; indicating a 121% percent increase. However, a federal traveler survey indicated 4 times as many reservations are made through hotel web-sites compared to FedRooms.com.
3. A 2007 FedRooms-initiated survey of nearly 2,000 federal travelers from more than 20 different agencies indicated that 48% of FedRooms reservations were made by calling the hotel directly.
4. FedRooms listings were available to all 4 TMCs that we contacted. However, federal travelers must specifically request the FedRooms rate.

Review of the FedRooms Program

Best Value:

CWT ensured best value by negotiating rates at or below the government's domestic per diem lodging rates. Furthermore, federal travelers are ensured best value based on the AAA-Diamond quality rating for FedRooms hotels.

In our review, the negotiated rates compared favorably to corporate client rates.

Review of the FedRooms Program

Best Value: (continued):

At or Below Per Diem Rate

- ✓ With an inventory of 3,372 domestic FedRooms hotels representing 75% of FedRooms properties, CWT was able to negotiate **below** the domestic lodging rates for 1,328 (or **39%**) of the FedRooms hotels nationwide *(the scope of the Best Value review was limited to a review of domestic/transient hotels).*
- ✓ The average daily savings for these hotels offering below-per diem rates was \$19.39.
- ✓ The remaining 61 percent of the hotels were **at** the government domestic per diem rate for lodging.

Therefore, the government was receiving best value for the FedRooms inventory.

Table 2 - Number of FedRooms Hotels with Below-Per Diem Rates

(Difference between Per Diem Rate and Hotel Rate.)

Review of the FedRooms Program

Best Value: (continued)

At or Below Per Diem Rate (continued)

- ✓ However, the 39% of FedRooms hotels with below-per diem rates represented only 2% of actual room nights.
- ✓ CWT reported \$10.5 million in total FedRooms lodging revenue. Federal travelers saved only **\$40,594 (0.4 percent)** for the twelve month period ended June 30, 2007, as a result of staying at FedRooms hotels with rates **below** the domestic per diem lodging rates.

Review of the FedRooms Program

Best Value: (continued)

Comparison of FedRooms Rates vs. Corporate Rates

- ✓ Federal travelers were generally getting the best value when compared to CWT's corporate clients.
- ✓ FedRooms rates compared favorably to CWT's negotiated corporate rates for the same hotels. The data compiled by CWT, titled FedRooms rate comparison to large Corporate Hotel Programs, included an analysis based on corporate lodging programs and FedRooms program data, obtained from the CWT worldwide hotel database. The analysis compared large corporate programs (those with at least 90 FedRooms hotel locations in their program) to FedRooms.
- ✓ FedRooms rates were lower than corporate rates 65% of the time.

Review of the FedRooms Program

Best Value: (continued)

Minimum Hotel Standards

FedRooms properties met the AAA 2-diamond minimum rating, as established in the FedRooms Statement of Work for 20 randomly selected U.S. cities:

- ✓ 375 FedRooms hotels were listed in selected cities;
- ✓ 82% of the sampled FedRooms hotels were located on the AAA hotel search-engine (aaa.com);
- ✓ **All** of the FedRooms hotels that were located on aaa.com met the minimum AAA 2-Diamond rating (on a 5-diamond scale):
 - ◆ 2-Diamond = 12% of hotel sample
 - ◆ 3-Diamond = 85% of hotel sample
 - ◆ 4-Diamond = 4% of hotel sample

Review of the FedRooms Program

Reservation Flexibility:

FedRooms benefits offer reservation flexibility such as wide selection of hotels, no added fees and Last Room Availability (LRA).

Benefits of using FedRooms include:

- ✓ 3,372 (accepted domestic) hotels.
- ✓ 846 extended stay hotels.
- ✓ 273 international hotels.
- ✓ LRA (64% hotel participation).
- ✓ No early-departure penalty.
- ✓ No add-on fees at check-out.
- ✓ 4 p.m. (or later) day of arrival cancellation policy.

Review of the FedRooms Program

Reservation Flexibility: (continued):

Nearly two-thirds of FedRooms hotels offer Last Room Availability.

LRA - is a traveler benefit linked to hotel lodging programs. It allows a traveler to obtain last minute lodging at an LRA-participating hotel, if a room is available. Similar benefits are offered to preferred corporate lodging programs.

Because relevant data regarding LRA was unavailable, it was not possible to verify or validate LRA requests, or determine if LRA requests were honored or refused.

According to CWT, the number of domestic hotels in FedRooms offering last room availability: (Figures, as of September 1, 2007)

LRA = 2,495 hotels (64%)

Non-LRA = 1,418 hotels (36%)

Federal travelers can locate LRA status for a selected FedRooms property from the **FedRooms.com** web-site.

Review of the FedRooms Program

FEMA Compliance:

FedRooms hotels were FEMA compliant.

Based on a random selection of 103 FedRooms properties (or 3 percent), all were determined to be FEMA compliant.

The Hotel and Motel Fire Safety Act of 1990, Public Law 101-391, is an Act of Congress aimed at improving fire safety in hotels, motels, and other places of public accommodation. The Act states that Federal employees, when on official travel, should stay in fire-safe accommodations. The U.S. Fire Administration (an entity of the Department of Homeland Security's Federal Emergency Management Agency [FEMA]) compiles a list of such properties.

Review of the FedRooms Program

Audit Objective #1:

Did FedRooms provide federal travelers: ease of reservation access, best value, reservation flexibility, and FEMA compliant hotels?

Conclusion:

The benefits that were claimed under the FedRooms Program were provided to users of the program. Federal travelers on official business can easily access the program through several avenues. The program provided the opportunity to save the government on hotel costs via lower rates and/or fee avoidances (early checkout or cancellation), and ensured FEMA compliance.

Review of the FedRooms Program

Audit Objective #2a:

Were federal travelers using the FedRooms Program?

Based on GSA SmartPay, FedRooms, and TMC reservation data, Federal travelers were not using FedRooms to make hotel reservations when planning for official business travel.

➤ **For calendar year 2006, FedRooms usage accounted for less than one percent of the:**

✓ Federal **travel lodging dollars** spent - **0.47%**
(\$7.3 million of \$1.5 billion); and,

✓ Federal **travel room nights** - **0.30%**
(62,883 FedRooms nights vs. 21,222,811 total room nights).

➤ **A Carlson Wagonlit Government Travel query of over 100,000 reservations booked for the 12 month period ending August 2007, revealed that less than 5% were FedRooms reservations.**

Review of the FedRooms Program

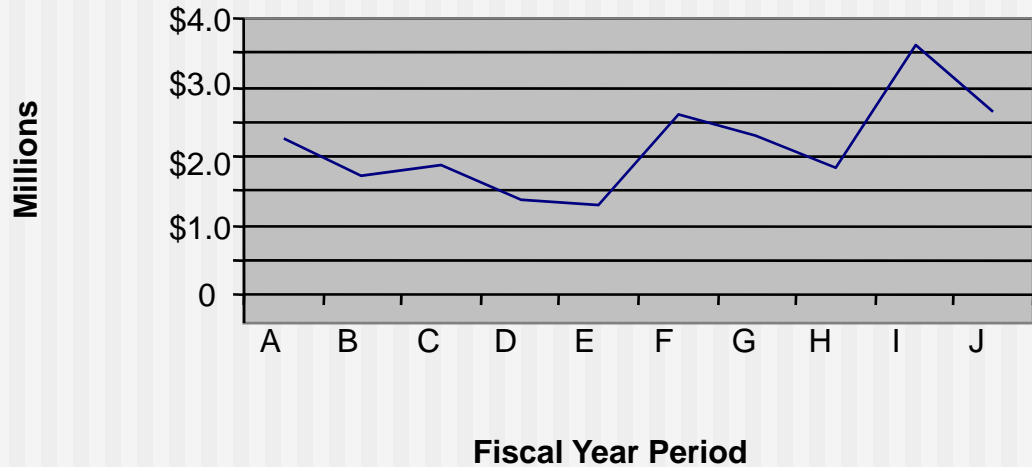
Possible reasons for low FedRooms usage:

- ❑ Marketing and Information efforts of the FedRooms Program have not achieved the desired results:
 - ✓ CWT marketing provides briefing to Agency-wide CFO and travel management officials;
 - ✓ Advertising (government periodicals, travel card billing inserts, and Expositions); and,
 - ✓ Web-based FedRooms information (FedRooms.com, GSA web-page, eTS).
- ❑ Personal choice:
 - ✓ Minimal incentive or no added value for the traveler (or his/her agency) to use FedRooms;
 - ✓ Federal travelers are satisfied with their current methods of booking hotel rooms.
- ❑ No Mandate:
 - ✓ Efforts to obtain Congressional approval unlikely anytime soon.

Review of the FedRooms Program

FedRooms activity over the past 10 quarters, based on Hotel Expenditures:

FedRooms Hotel Expenditures
3rd Quarter 2005 Through 4th Quarter 2007



Review of the FedRooms Program

Audit Objective #2b:

What could FAS do to enhance the FedRooms Program?

Enhancements to the FedRooms Program cannot be considered until FAS addresses program obstacles through a business plan. If the obstacles are ignored, the viability of the program may be at risk.

Review of the FedRooms Program

Obstacles of the FedRooms Program:

- ❑ **No tangible benefits to the federal traveler;**
 - No added incentives such as free meals, Internet, airport shuttle, etc. to use the program.
- ❑ **FedRooms rate did not differentiate from the hotel's government rate;**
 - Major hotel chains, those participating as well as those not participating in the FedRooms program, generally provide most of the FedRooms benefits with their own 'government' rates.
 - Hotels, who participate in the FedRooms Program, can also offer federal travelers the 'government' rate, which will **not** cost them the 2.75 percent FedRooms fee.
 - In order to ensure the FedRooms hotel rate, Federal travelers when making reservations, either through eTS, TMC, or hotel reservation number, are required to specifically request the FedRooms rate.
- ❑ **GSA's per diem rates for lodging, which provide a built-in price control for hotel rates, discourage hotels to offer rate reductions.**

Review of the FedRooms Program

In order to address program obstacles, FAS should develop and deploy a business plan.

- Included in the business plan are corresponding performance measures, which not only track how well results compare to the program's intended purpose but also establish a mechanism for making changes when needed.
- As directed by the Government Performance and Results Act of 1993, Federal agencies are held accountable for achieving program results. Specifically, agencies should develop a business plan (whose focus is usually on a particular product, service, or program) with such elements as goals, objectives, timelines, and performance measures.

Review of the FedRooms Program

Elements of a Business Plan:

- **Goals** – Based on the analysis and alignment to the overall mission of the program, a set of goals is established that build on strengths to take advantage of opportunities.
- **Objectives** – Objectives are selected to be timely and indicative of progress toward goals.
- **Timelines** – Responsibilities are assigned, including implementation of the plan, and achievement of goals and objectives. Ideally, deadlines are set for meeting each responsibility.
- **Performance Measures** – An established basis from which progress can be measured.

Review of the FedRooms Program

Audit Objective # 2:

2a. Were federal travelers using the program?

2b. What could FAS do to enhance the FedRooms Program?

Conclusion:

Federal travelers were generally not using the FedRooms program to reserve hotel accommodations for official business travel. Program obstacles such as no incentives for federal travelers, no differentiation between the FedRooms rate and the government rate, and limitation of GSA's per diem rate for lodging may affect the viability of the program. Before any enhancements of the program are considered, FAS must first address program obstacles by developing and deploying a business plan.

Review of the FedRooms Program

Overall Conclusion

While we recognize that the FedRooms Program has only been in existence for 3 years, progress has been made with the addition of nearly 4,000 hotels and increased accessibility. However, actual program utilization has been less than 1% of total federal lodging expenditures since its inception. With the government's buying power of 21 million annual room nights* for official business travel, the government is in position to leverage its buying power, thereby dramatically increasing its opportunity for savings under the FedRooms Program.

*GSA SmartPay Travel Card data, calendar year 2006.

Review of the FedRooms Program

Recommendation

We recommend that the Commissioner of the Federal Acquisition Service:

1. Develop a business plan for the FedRooms Program that includes addressing the obstacles that may affect the future viability of the program. These obstacles include providing incentives to federal travelers and differentiating the FedRoom's rate from the hotel's government rate. In addition, the plan should take into consideration the impact of GSA's per diem rates for lodging on the FedRooms program.



January 30, 2008

MEMORANDUM FOR JAMES P. HAYES
REGIONAL INSPECTOR GENERAL FOR AUDITING
PACIFIC RIM REGION (JA-9)

FROM: JAMES A. WILLIAMS
COMMISSIONER
FEDERAL ACQUISITION SERVICE (Q)

A handwritten signature in blue ink that reads "James A. Williams".

SUBJECT: OIG Draft Report, "Review of the FedRooms
Program, Federal Acquisition Service" (A070167)

My staff and I have reviewed the subject report and concur with the report's recommendation. Specific comments are provided below.

Recommendation: Develop a business plan for FedRooms that includes addressing the obstacles that may affect the future viability of the program. These obstacles include providing incentives to federal travelers and differentiating the FedRooms rate from the hotel's government rate. In addition, the plan should take into consideration the impact of the government per diem rates for lodging on the FedRooms program.

Comment: Agree. The Federal Acquisition Service will develop a business plan to address the cited obstacles and others that may affect the viability and success of the FedRooms program.

However, please note that there is no assurance that a hotel's generic government (GOV) rate will be at or below per diem. Hotels increase and decrease their GOV rates based on market conditions. A typical Federal traveler may not know that a hotel's GOV rate is above per diem until after having taken a trip.

Only FedRooms rates are audited to be at or below per diem. Participating FedRooms hotels are prohibited from offering generic GOV rates that are different from their FedRooms rate.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Ms. Cathy Fick at (703) 605-5452 for additional information.

cc: Andrew Patchan (JA)
Assistant Inspector General for Auditing (JA)

**REVIEW OF THE FEDROOMS PROGRAM
FEDERAL ACQUISITION SERVICE
REPORT NUMBER A070167/Q/9/P08002**

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