

Audit Report

IMPLEMENTATION REVIEW OF THE
FEDROOMS PROGRAM
FEDERAL ACQUISITION SERVICE
REPORT NUMBER A070167/Q/9/P08002
DATED FEBRUARY 4, 2008
ASSIGNMENT NUMBER A110185

SEPTEMBER 29, 2011

**Office of Inspector General
General Services Administration**



Office of Audits

Field Audit Office, Pacific Rim Region (JA-9)
450 Golden Gate Avenue, Room 7-5262
San Francisco, CA 94102-3434

Date: September 29, 2011

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

Subject: Implementation Review of the FedRooms Program
Federal Acquisition Service
Report Number A070167/Q/9/P08002
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To: Steven J. Kempf
Commissioner, Federal Acquisition Service (Q)

We have completed an implementation review of management actions taken on our recommendation for the subject audit report. The Federal Acquisition Service (FAS) took appropriate and corrective action to address the audit report's recommendation through the completion of a business plan. However, we noted that the plan did not address one of the three obstacles.

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.

Our office completed an audit of the FedRooms program and issued a report on February 4, 2008. The audit objectives were to determine whether: (1) the FedRooms program provided federal travelers ease of reservation access, best value, reservation flexibility, and FEMA compliant hotels; (2) federal travelers were using the FedRooms Program; and (3) FAS should enhance the FedRooms Program.

We determined that federal travelers were generally not using FedRooms to make hotel reservations when planning for official business travel. The low usage was attributable to lack of marketing efforts, traveler's personal preferences, and not mandating program usage. We reported that, before any enhancements to FedRooms could be considered, FAS needed to address the program's obstacles, which included: (1) no incentives for federal travelers; (2) no differentiation between the FedRooms and

Government rates; and (3) limitation of GSA's per diem rate for lodging that discourages hotels from offering room rate reductions.

We recommended that FAS develop a business plan to address the three obstacles affecting the future viability of the hotel program. In response to the audit report's recommendation, FAS indicated in its action plan (Appendix A) that a business plan would be completed to address the three obstacles facing FedRooms. The Business Plan (Plan), completed by a travel management consultant, was submitted to FAS in October 2008.

Objective, Scope and Methodology

The objective of this implementation review was to determine whether FAS has taken appropriate and corrective steps as outlined in its March 19, 2008, action plan. To accomplish this objective, we:

- 1) Reviewed FAS's action plan and the audit report, Review of the FedRooms Program, Federal Acquisition Service, Report Number A070167/Q/9/P08002, issued on February 4, 2008;
- 2) Evaluated the Runzheimer International Ltd., Final Report, FedRooms Program Business Plan, submitted on October 7, 2008, to determine if action plan steps have been completed and if our recommendation was adequately addressed; and
- 3) Held discussions with agency personnel.

Results of Review

FAS took appropriate and corrective action to address the audit report's recommendation through the completion of a business plan. We determined that two of the three obstacles were addressed in the Plan. However, we noted that the Plan and FAS's comments did not address the audit report's third obstacle: the limitation of the Government's per diem rate for lodging. In addition, the Plan did not address how FAS can get participating hotels in FedRooms to offer room rate reductions even with the per diem's built-in control on hotel pricing.

When we requested FAS to determine whether the Plan addressed this obstacle, FAS responded on September 13, 2011, that the Government's per diem had no impact on FedRooms or FAS's ability to recruit hotels to participate. Further, FAS stated that the distribution channels and online booking engines are driving travelers to the FedRooms program and that the per diem program is proving to be an asset more than a liability. In the coming months FAS intends to further optimize the shared distribution channels.

We believe that FAS's conclusion did not fully address the obstacle. While FAS claimed that the Government's per diem rate had no impact on the FedRooms rate, no comment was provided on the existing limitation that discourages FedRooms hotels from offering a reduction in the FedRooms rate. Despite the per diem's built-in price control, the Government should leverage its buying power. If FedRooms hotels are experiencing low vacancy rates due to high volume bookings by federal travelers, FAS should determine the reasons why hotels are not offering rate reductions in the FedRooms rate. Whatever the conclusion reached by FAS, it must take further action because neither the Plan nor its explanation addressed this third obstacle.

Action Required

The Commissioner, Federal Acquisition Service (Q), is required to submit a revised action plan to the GAO and IG Response Branch (BCBB) of the Internal Control Division (BCB) within 30 days, addressing the audit report's third FedRooms obstacle.

Should you or members of your staff have any further questions concerning this review, please contact Joe Eom or me at (415) 522-2744.

A handwritten signature in blue ink that reads "Perla Corpus". The signature is written in a cursive style.

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

OIG FINAL REPORT ON FEDROOMS®
ACTION PLAN

CONTACT PERSON: Rick Freda (rick.freda@gsa.gov)
TELEPHONE: (703) 605-2172
DATE: March 19, 2008

REPORT NUMBER	NUMBER	COMPLETION DATE
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RECOMMENDATION (QUOTE IN FULL, IF SHORT, OR GIVE SUBSTANCE, IF LONG)
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.

ACTION TO BE TAKEN STEP-BY-STEP

SUPPORTING DOCUMENTATION TO BE SENT TO IG	DOCUMENTATION WILL BE SENT BY
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1. Conduct market research for a refreshed business plan which addresses all obstacles that may interfere with program compliance, utilization, and future success. To ensure a comprehensive and meaningful business plan, we are going to include the findings from "Phase 2" of the FedRooms audit, which is expected to be complete by the end of the year.

FedRooms business plan 1/15/09

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REPORT DISTRIBUTION VIA EMAIL

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Director, Internal Control Division (BCB)

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