



*"The Real Voyage
of discovery
consists not in
seeking new
landscapes, but in
having new eyes."
-Marcel Proust*

OUT-OF-STATE TRAVEL AND THE E-PROCUREMENT SYSTEM

2018 OHIO FISCAL ACADEMY
COHORT EIGHT CAPSTONE PROJECT

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EXECUTIVE SUMMARY

The expenses associated with state employee out-of-state travel in fiscal year 2018 totaled more than \$5 million. The expenses included lodging, air fare, automobile rental, ground transportation and miscellaneous fees.

Project research began by collecting data on state agencies that incur out-of-state travel expenses. Identifying those agencies with the highest level of travel expenses would allow us to survey them to determine how out-of-state travel is procured. In addition, a survey was created for surrounding states based on the previous survey results and distributed to those states. The results of both the in-state and out-of-state surveys showed valuable data and indicated the need for a standardized process.

While many agencies have built internal mechanisms to form a standard travel process to procure airfare, car rental and hotel services, a statewide electronic system for all agencies to use has not been created. By automating and improving an existing manual process, realizing the benefits of guided procurement process in an electronic system and drawing on the strengths of professional travel service providers as a component of a workflow, the services required to support out-of-state travel can thus be transformed.

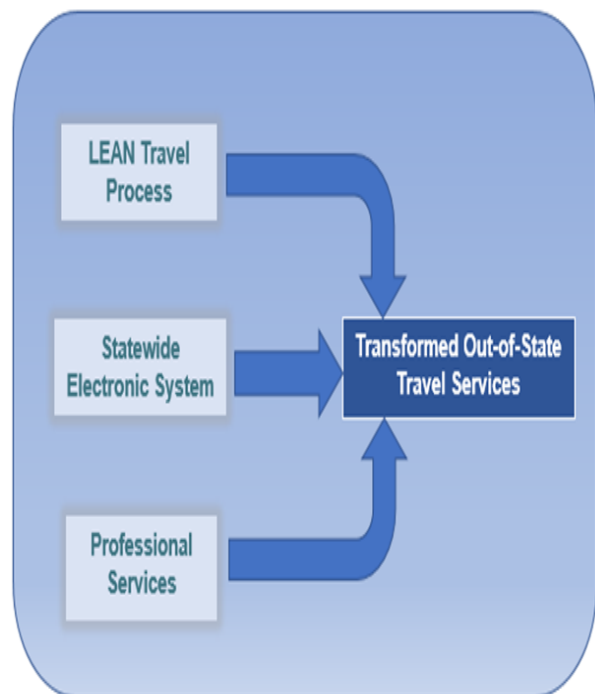
The current out-of-state travel procurement process shows the need for statewide standardization and improved efficiency. Utilizing a LEAN Ohio exercise would reduce time, steps, decision points and delays of the current process state.

In the future, a new eProcurement electronic system is soon to be available for all state agencies to access. By leveraging the new system, the LEAN request to purchase through payment process can be realized electronically. In addition, travel industry systems and software can also be utilized, in combination with the eProcurement system, to support planning and reserving travel services.

Procuring the services of travel specialists, who are educated, trained and experienced in the travel services arena, can be centralized for all agencies use. The added value realized by including travel professionals in the process will improve business traveler services and gain greater degrees of efficiency within the overall business process.

Wayfarer Five advocates this three-pronged approach is a viable enterprise solution and is the premise to support this Ohio Fiscal Academy Capstone project.

Figure 1

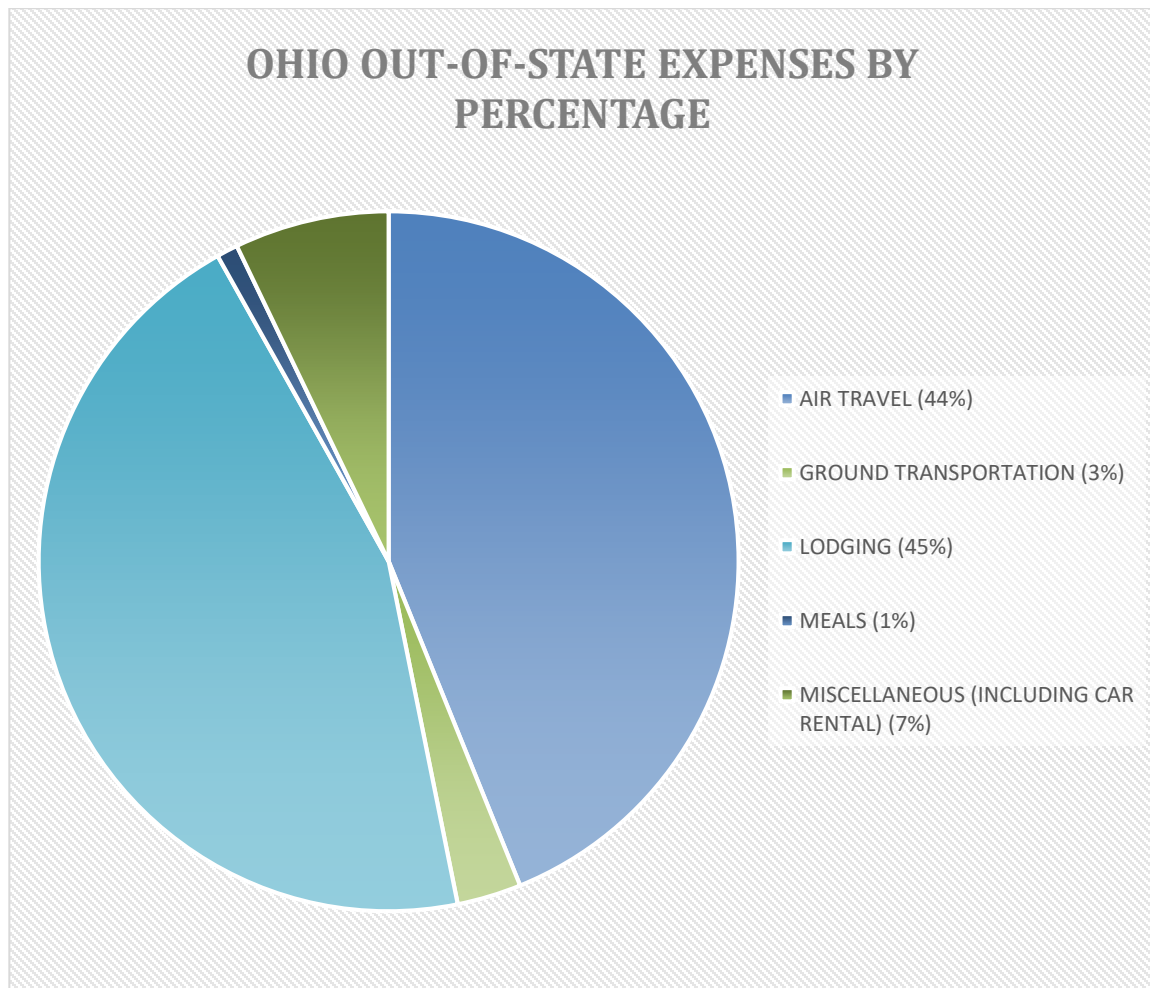


BACKGROUND

Currently, each State of Ohio agency individually supports out-of-state travel activities of its business travelers through separate and inconsistent processes. In addition, each agency uses a multitude of staff positions, from administrative to fiscal personnel, to process travel requests. These staff members are not specialists in the travel industry, yet, tasked with these activities as a secondary responsibility to a primary position. While many agencies have built internal mechanisms to form a travel process to procure air fare, car rental and hotel travel services, a statewide system for all agencies to use has not been created. Wayfarer Five advocates a solution that will transform how agencies procure out-of-state travel services through this Capstone project.

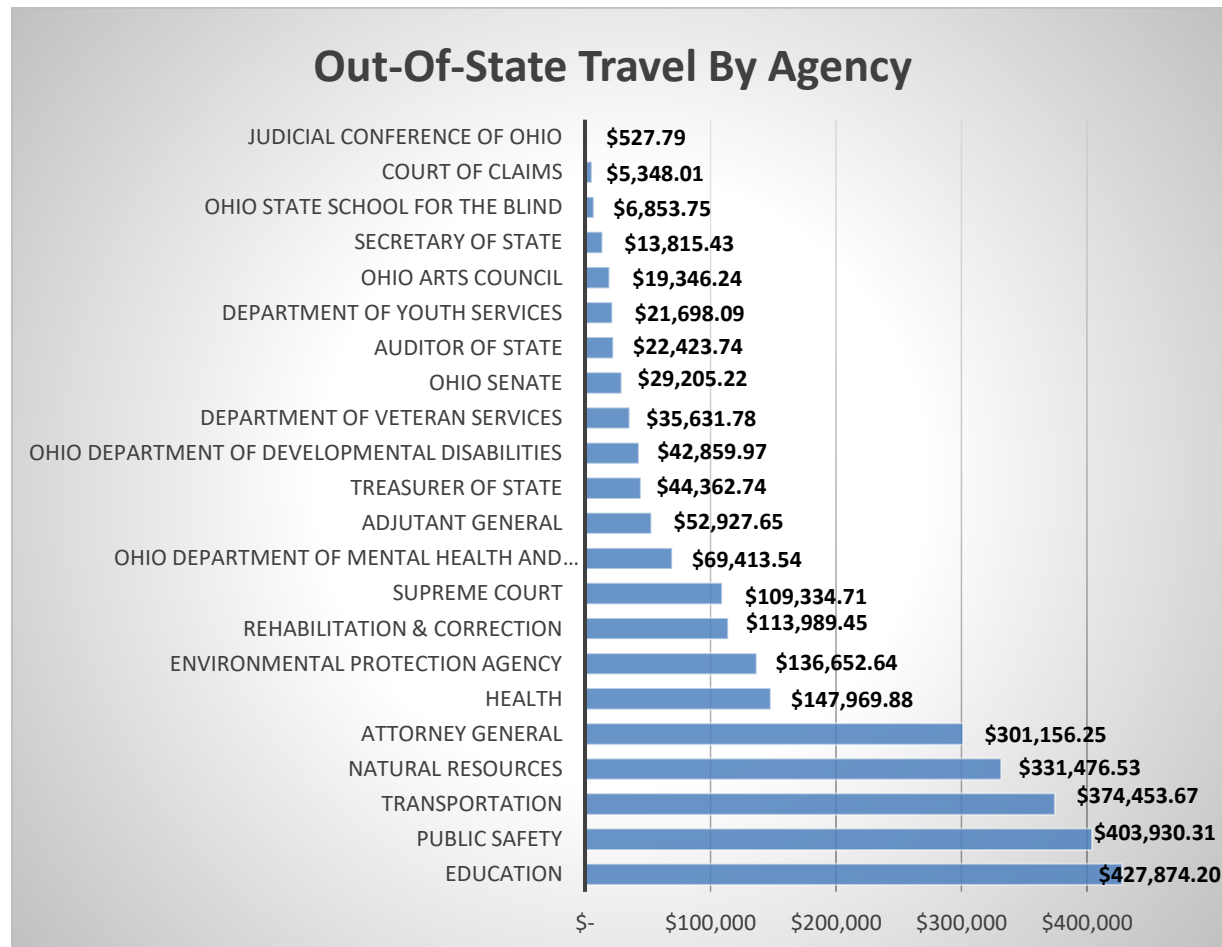
In 2018, state agencies spent upwards of \$5 million on out-of-state travel related expenses. These services included lodging, air fare, car rental, ground transportation and miscellaneous fees. The graph below shows the percentage breakdown in its constituent parts and identifies expenses that the State incurs most.

Figure 2



The dollars spent by each state agency in 2018 on out-of-state travel related expenses show agencies that spend a considerable amount on travel to those that spend very little. The figures show that travel spend is directly related to the duties of the particular agency. The graph below shows the travel spend of the top 20 state agencies.

Figure 3



RESEARCH

A two-part survey was conducted with state agencies with the highest travel spend and then with travel departments of surrounding states. The survey questions were aimed at finding how travel requests were processed. The questions and summarized qualitative responses and conclusions of both surveys are located following page.

How are travel requests processed?

- Response Summary: The predominate method utilized to process travel requests is through either a manual process or an internal agency electronic system.
- Conclusion: *The results indicate that travel requests are processed inconsistently from agency to agency and state to state and that an enterprise system solution is needed.*

How do you procure professional travel services for in-state or out-of-state needs (i.e., airfare, lodging, car rental, etc.)?

- Response Summary: The prevalent method used to procure professional travel services is use of a travel agent.
- Conclusion: *The findings signify the preference of including professional services during the travel booking process.*

Who makes travel arrangements for travelers?

- Response Summary: The responses indicate that the staff resources used to make travel arrangements are very inconsistent from agency to agency and state to state.
- Conclusion: *The information collected indicates that those making travel arrangements are in various positions that most likely do not possess the skills needed to be versed in the travel industry.*

What is the required lead time (in calendar days) to request travel arrangements?

- Response Summary: The most common amount of lead time required to complete travel arrangement requests in the agencies and surrounding states showed a process that takes an average fifteen (15) days and up to as many as thirty (30) days.
- Conclusion: *The replies suggest that our State has an opportunity to improve efficiency and adopt a better mechanism for doing business.*

What is the average turnaround time for all approvals required for travel?

- Response Summary: The average turnaround time to obtain all required travel approvals was between four (4) and five (5) days.
- Conclusion: *The findings indicate that agencies and surrounding states obtain approvals one after the other, instead of in parallel, which can be accommodated in an electronic system with an electronic workflow.*

What is the average turnaround time to process travel arrangements?

- Response Summary: The average turnaround time to process the actual travel arrangements was between four (4) and five (5) days.
- Conclusion: *These numbers show again an opportunity to improve efficiency.*

How are payments made for travel services?

- Response Summary: The responses show that most travel services are paid through travel reimbursement or by using a payment card.
- Conclusion: *The data indicates that we have an opportunity to utilize a procure through pay system to support timely payment or reimbursement*

What are the current estimated dollars to be annually spent on travel?

- Response Summary: The anticipated spend on travel by surrounding states averages more than \$11 million annually. Ohio's FY18 figures reflect a similar spend.
- Conclusion: *By considering changes to how we procure professional travel services, Ohio can realize savings opportunities and serve our business travelers better through a centralized, standardized electronic system.*

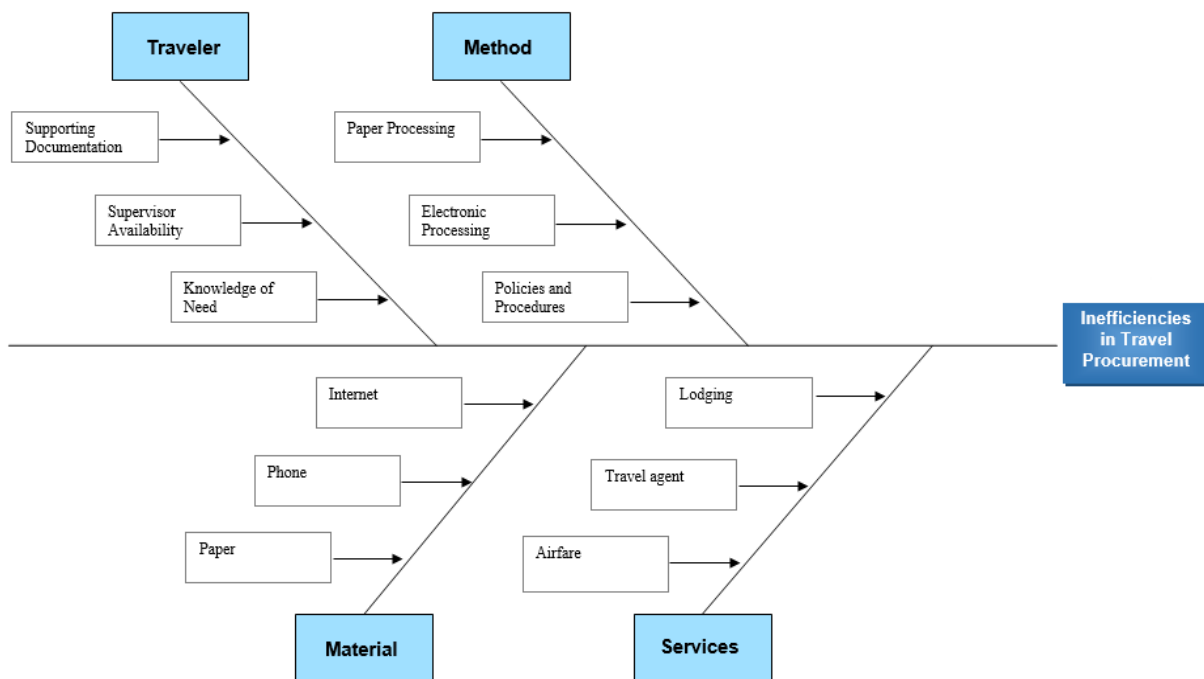
In summary, our research showed a need to achieve statewide standardization and efficiency in the procurement of out-of-state travel services. The Wayfarer Five solution will include a three-pronged approach. 1) adopt a LEAN process, 2) utilize an enterprise electronic procurement system solution and 3) centralize services and draw on the strengths of a professional travel service provider as a component of an electronic workflow.

FINDINGS

LEAN PROCESS

To identify the root cause of out-of-state travel process issues, a Cause and Effect exercise was conducted. The Cause and Effect diagram below takes on the shape of a fish, the backbone of the fish represents the major categories of the cause, while the problem (effect) is the head of the fish.

Figure 4



The information above would be the basis to support the development of a new LEAN process. The LEAN Ohio mission is to make processes simpler, faster, better and less costly.

It was shown previously in our report that the Ohio Department of Health (ODH) spent a significant amount of dollars on out-of-state travel expenses. ODH recognized the importance of managing the process to procure out-of-state travel in a more efficient manner and, therefore, recently opted to identify opportunities for process improvement through a Six Sigma LEAN project. The goals for the LEAN project were to reduce the amount of time, steps, decision points and delays by approximately 50% and ultimately increase business travel satisfaction.

The LEAN project started by mapping out the current manual process. The workflow showed the cumbersome steps that ODH was taking to procure out-of-state travel services. By envisioning a future process that would meet the project goals, the team was able to:

Figure 5

Measure	Current Level	New	Change
Process Steps	24	14	-10
Decision Points	11	6	-5
Delays	3	1	-2

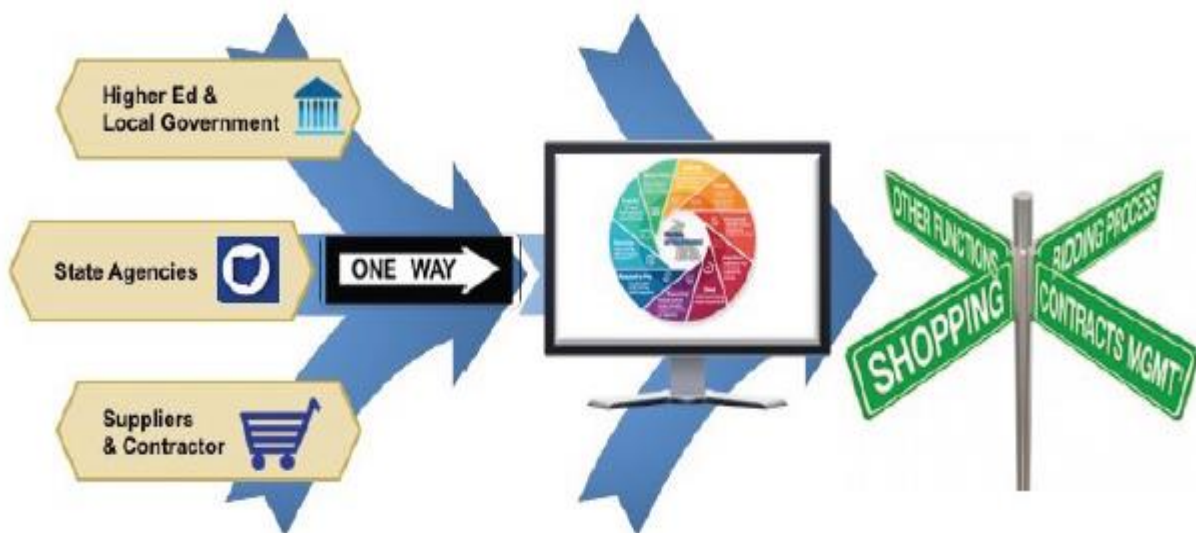
ODH's future state of the workflow process reflected greater than 50% reduction of steps, decision points and delays from the current state to the new future state. The same LEAN process can be potentially work for all state agencies in an electronic workflow system with the ability to configure the process to suit each agency.

TECHNOLOGY

The travel industry has benefited from the evolution of information technology. Its effective utilization of developing technology has brought efficiencies, automation, increased knowledge of customers and identification of business opportunities to the travel industry.

In the future, state agencies will have the opportunity to utilize a new system that will fully automate the procurement process from request-to-purchase through payment. With the adoption of the eProcurement system, state agencies can process all procurement needs in a single enterprise solution. This is an opportunity to leverage a future system to support agency travel needs without requiring an additional system to purchase and implement.

Figure 6



The features of the eProcurement system will include:

- Smart routing to the appropriate procurement action
- Robust rules engine to navigate the procurement process and ensure compliance
- Agency specific workflows and approvals
- Open marketplace to find, compare, select and buy across requisites, contracts, and internet market sources
- Quick quote component for simplified bidding process that automates, standardizes and expands competition
- Development and publishing of solicitations, evaluation of proposals and award of contracts
- Documentation and contract management
- Data reporting of agency spend across all categories

Given the multitude of features that are available in the eProcurement system, a LEAN process can be realized and implemented in this automated environment. In addition, this new system has the ability to incorporate a travel contractor into the procurement process so that the contractor can then further utilize their industry technology to provide state agencies with more efficient travel services.

Travel service professionals are trained to utilize a variety of industry specific software technologies to manage, monitor, and automate travel transactions. One of the principal software technology utilized is a Computerized Reservation System (CRS) that stores and retrieves data to manage and monitor air travel, hotel, or other travel activities. Another crucial software technology employed by travel service professionals is a Global Distribution System (GDS), which is a network system that supports automated transactions between travel agencies and travel service provider of primarily airline, hotel and car rental companies. GDS provides travel professionals a centralized, comprehensive repository of real-time inventory through linkage to the travel service provider's database. Informatics can be shared among databases. This feature is known as database management system (DBMS) and according to (B. Simkin) by using the DBMS intelligently, the travel industry gains accuracy, integrity, completeness and security of travel information.

By taking advantage of the opportunities that exist with travel industry software and combining the efficiency and cost savings benefits with an eProcurement enterprise system solution, all state agencies will reap the rewards of automating a manual process and receiving managed travel services.

TRAVEL PROFESSIONALS

The State currently procures the services of professionals that are educated, trained and experienced in specific arenas. Specialization of services gains greater degrees of efficiency within an overall business environment. Working with a credible travel agency would be optimal. The work experience includes general travel industry knowledge, geography, and detailed knowledge of available modes of transportation.

Specifically, travel professionals are:

- Able to meet the needs of the business traveler
- Proficient in the travel process
- Aware of promotions and discounts
- Versed in the advantages of bundling of services
- Able to estimate and interpret the taxes and fees associated with each travel service
- Capable of amending reservations when travel plans change and offering options to avoid penalties

Employing the services of travel professionals in each agency would be an expensive investment, as each agency would need to conduct its own procurement activities and manage the resulting contracts. Therefore, consideration of centralization of travel services would give agencies the opportunity to augment resources. Each agency would no longer need to conduct its own procurement process, as well as manage the resulting contracts.

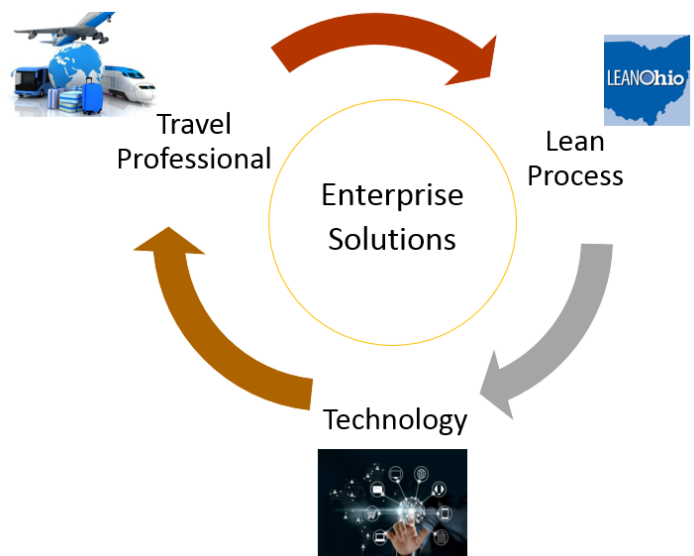
The Department of Administrative Services, Office of Procurement Services should be able to solicit proposals to procure centralized travel services on behalf of all agencies. Professional services would include planning and coordinating out-of-state travel for employees within State of Ohio agencies. This would include the purchasing of airline tickets, ground transportation and hotel accommodations at GSA rates. The centralized travel function would also provide emergency travel services, which may include weather emergencies, plan changes of alternate location or flight and/or extended hotel accommodations.

Wayfarer 5 prescribes that utilizing professional travel services would add increased value to the procurement of travel services, such as convenience, quality of service, and reliability. Travel specialists have the knowledge and skill sets to maximize state dollars by utilizing their experience and expertise that are unique to the travel industry.

CONCLUSION

In conclusion, the adoption of a LEAN process, use of the new eProcurement system, and partnership with a professional travel agent, state agencies will be able to achieve standardization and efficiency in the out-of-state travel procurement process. Wayfarer Five is hopeful that consideration of these suggestions will transform multiple agency processes into one enterprise solution.

Figure 7



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Ohio DAS State of Ohio eProcurement: For State Agencies, Boards and Commissions.
das.ohio.gov