

# **PROGRAM EVALUATION**

## **TRAVEL BY STATE GOVERNMENT EMPLOYEES**

**Research Report No. 173**

**Legislative Research Commission**

**Frankfort, Ky.**

**Committee for Program Review & Investigation**

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**Research Report No. 173**

*Legislative Research Commission  
Frankfort, Kentucky  
October, 1980*

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## FOREWORD

The Committee for Program Review and Investigation, at its meeting June 7, 1979, voted to proceed with the present study, *Travel by State Government Employees*. The written reactions to the study by the Secretary of Finance and other appropriate officials are included in the appendices to the report.

We thank former Secretary of Finance Gordon Duke and Secretary of Finance George Atkins and their Department's staff for their assistance and cooperation in the course of this study.

Emy Redman Lynch was the project manager for this study and the principal author of this report. The project staff also included Brent A. Neiser and Yair G. Riback. The cover was designed by a University of Kentucky Art Department student, John Cox.

VIC HELLARD, JR.  
Director

The Capitol  
Frankfort, Kentucky  
October, 1980



## TABLE OF CONTENTS

FOREWORD.....	i
TABLE OF CONTENTS .....	iii
LIST OF TABLES .....	iv
LIST OF FIGURES.....	v
SUMMARY.....	vii
I. INTRODUCTION .....	1
II. OVERVIEW OF STATE TRAVEL EXPENDITURES .....	3
Source of Travel Funds .....	6
Agency Travel Expenditures by Type of Travel .....	8
Agency Travel Expenditures by Number of Employees and Dollars Expended Per Employee.....	12
III. DIFFICULTIES IN OBTAINING ACCURATE TRAVEL DATA .....	17
Recording Variation .....	17
Interaccount Billing .....	17
Use of Capital Construction Funds .....	18
IV. OUT-OF-STATE TRAVEL FOR CONFERENCES .....	21
Geographic Travel Destinations.....	22
Conferences.....	24
Seminars .....	26
V. TRAVEL POLICY AND INFORMATION DISSEMINATION .....	29
VI. THE KENTUCKY TRAVEL REIMBURSEMENT SYSTEM .....	31
Timeliness of Reimbursement .....	31
Employee Personal Funds.....	33
Existing Per Diem and Mileage Reimbursement Rates .....	34
Updating Methods .....	36
Indexing Travel Reimbursement Rates .....	37
VII. SUGGESTED METHODS FOR ECONOMIZING ON STATE EMPLOYEE TRAVEL.....	39
Air Fleet .....	39
Common Destination Travel .....	39
Conferences and Seminars .....	40
Discounts .....	42
Motor Pool vs. Private Car Usage .....	42
FOOTNOTES.....	45
APPENDICES:	
A. TRAVEL POLICY MEMORANDUM DESIGNATING HIGH RATE LOCALITIES .....	47
B. DEPARTMENT OF PERSONNEL MEMORANDUM 101, EXTENDED AUTO LIABILITY INSURANCE COVERAGE REIMBURSEMENT.....	51
C. WRITTEN RESPONSES OF THE DEPARTMENT OF FINANCE AND THE DEPARTMENT OF PERSONNEL .....	59

## LIST OF TABLES

1.	Kentucky State Employees Travel, Five-Year Comparison, Fiscal Years 1975-1979 .....	4
2.	Agency Travel Expenditures by Type of Travel, Commonwealth of Kentucky, FY 1979 .....	9
3.	Agencies Spending Largest Amount of Out-of-State Travel Dollars, Commonwealth of Kentucky, FY 1979 .....	11
4.	Travel Per Agency by Number of Employees, and Travel Dollars Expended Per Agency Employee, Commonwealth of Kentucky, FY 1979.....	13
5.	Ten Highest Agency Users of Total Travel Dollars Per Employee, Commonwealth of Kentucky, FY 1979 .....	16
6.	Ten Highest Agency Users of Out-of-State Travel Dollars Per Employee, Commonwealth of Kentucky, FY 1979 .....	16
7.	Annual Amortization Table for Airplane Purchases .....	18
8.	Types of Agency Travel Out-of-State, Commonwealth of Kentucky, FY 1979 .....	23
9.	Agencies With Highest Percentage of Conference Expenditures, Commonwealth of Kentucky, FY 1979 .....	24
10.	Agencies With Highest Conference Expenditures , FY 1979 .....	25
11.	Agencies With Highest Conference Expenditures Per Employee, FY 1979 .....	26
12.	Estimated Per Mile Costs of Operating a Private Passenger Car.....	36
13.	Indexed Employee Travel Reimbursement.....	38



## LIST OF FIGURES

1.	Total Travel Costs, Current Dollars and Inflation Adjusted Dollars, FY 1975-1979 .....	5
2.	Total Kentucky State Travel Expenditures by Source of Funds, FY 1979 .....	6
3.	Types of Travel Expenditures by Source of Funds, FY 1979 .....	7
4.	Employee Reimbursement Process .....	32
5.	State Parks Having Conference Facilities, Commonwealth of Kentucky, FY 1979 (Map).....	41
6.	Miles Driven by State Employees, Motor Pool and Private Cars, FY 1977-1979 .....	43



## SUMMARY

The Committee for Program Review and Investigation in June, 1979, authorized a study on state employee travel expenditures, with primary emphasis on:

1. Out-of-state travel for conferences;
2. The implementation and the adequacy of the current reimbursement system; and
3. Alternative methods for economizing on state travel.

### Overview of State Travel Expenditures

In Kentucky, the Department of Finance determines by regulation the per diem allowance for meals, lodging, taxes and gratuities for state employees on official business. In nineteen states the legislature determines such rates. The Kentucky per diem regulations do not apply to the General Assembly, certain unspecified state officers, the Administrative Office of the Courts, or to "other instrumentalities of state government." These individuals are reimbursed on the basis of actual and necessary expenses.

The Expenditure Analysis Report published by the Department of Finance reported total travel expenses of \$26,374,618.30 paid by the Commonwealth of Kentucky during Fiscal Year 1979. This represents an increase of 96.87 percent since 1975. Almost half of this increase is due to inflation.

In-state travel is shown in the FY 1979 Expenditure Analysis Report as \$18,693,445, motor pool travel as \$2,501,626, and travel by non-state employees as \$881,912. Total out-of-state travel by state employees during FY 1979 was \$4,297,632. The rise in out-of-state travel costs from FY 1975 to FY 1979 was 86.2 percent, a considerably lower rate of increase than for in-state travel. Most of the Commonwealth's travel expenditures are for in-state travel. As employees are not required to designate purpose for travel on in-state travel vouchers, the individual reasons for these expenditures cannot readily be determined.

Recommendations having a significant fiscal impact are accompanied by estimated costs of implementation. Recommendations presented without fiscal estimates are considered to require minimal, if any, state expenditures.

#### *Recommendation*

Both in-state and out-of-state travel vouchers should state clearly the purpose for travel. The Department of Finance should codify such specifics and computerize travel voucher data.

There is a wide range in the amount of travel dollars spent per agency employee, both for total travel and for out-of-state travel. The per employee expenditure of total travel dollars ranges from \$3,939 for the Department of Banking and Securities to \$87 for the Department for Natural Resources and Environmental Protection. Out-of-state expenditures per employee range from \$861 for the Development Cabinet to \$10 for the Kentucky Department of Transportation.

## **Difficulties in Obtaining Accurate Travel Data**

With our present recordkeeping and accounting systems, it is difficult to obtain accurate and analyzable travel data. Some of the difficulties found during the course of this study were expenditure recording variations, absence of relevant information, inconsistencies in interaccount billing procedures and misuse of Capital Construction Funds for travel purposes. Past accounting methods make valid evaluation and legislative oversight difficult, if not impossible.

### *Recommendations*

1. The Department of Finance should clarify the Expenditure Analysis Report categories and encourage agency pre-audit compliance.
2. All state agencies and entities should be (interaccount) billed for services rendered by other agencies and entities of state government, so that the real costs of running such agencies can be known. In turn, these interaccount collections should be counted as income to agencies and not as deductions from operating costs.
3. The divisions of Air Transport and Air Operations of the Department of Finance should improve their accounting and reporting procedures.

## **Out-of-State Travel for Conferences**

All major agencies and departments, as well as a representative sample of boards and commissions, supplied the Committee with information relating to purpose, destination and cost of out-of-state trips. According to that information, 31 percent of all out-of-state travel funds was spent for conferences and 20 percent for seminars. More out-of-state trips were made to Washington, D. C. (1,132) and to Atlanta (909) in Fiscal Year 1979 than to any other cities. The Departments of Education and Human Resources spent the greatest total dollars for out-of-state conferences. The Athletic Commission had the largest per employee expenditure of out-of-state conference dollars (\$614 per employee).

## **Travel Policy and Information Dissemination**

Many states issue a comprehensive manual of travel regulations. Kentucky does not. In fact, there is no one place in state government where all travel law, policies, regulations and memoranda are written down. Therefore, the average employee seldom gets complete travel information.

### *Recommendations*

1. The Department of Personnel should issue a Kentucky Employee Travel Manual. This manual should include not only the Department of Finance regulations but all travel-related regulations and memoranda issued by all agencies. Information on how to fill out a travel voucher properly should also be included. The Department of Personnel should distribute the travel manual to all state employees.

2. The Department of Transportation should place a notice in a prominent place in all state vehicles that drivers are not covered by liability insurance.

### **Kentucky Travel Reimbursement System**

The most frequently voiced employee complaints regarding Kentucky's travel reimbursement system are that:

1. Processing of vouchers is slow;
2. Employees' personal funds are tied up in governmental travel expenditures; and
3. The per diem and mileage reimbursement systems have not kept up with inflation.

Data presented in this study tend to substantiate these claims.

#### *Recommendations*

1. All agencies of state government should be encouraged to establish interaccount billing procedures with the Department of Parks.
2. All agencies should consider establishing imprest cash funds for more timely reimbursement of employee travel expenditures.
3. The General Assembly should consider legislation to update annually the state employee travel reimbursement, both per diem and mileage, by use of the Consumer Price Index.

### **Suggested Methods for Economizing on State Travel**

Chapter VII suggests various ways to economize on state employee travel. Among these suggestions are more efficient use of the air fleet, coordination of common destination travel, coordinated negotiation for lodging and transportation discounts, and greater use of Kentucky's park system.

#### *Recommendations*

1. If the state is going to maintain an air fleet, state officials and employees should be encouraged to use this service.
2. The General Assembly should consider legislation to establish an Office of Employee Travel. This office could be located either in the Department of Tourism or in the Purchasing Division of the Department of Finance.

Preliminary data tends to indicate that motor pool usage is more economical than private car usage. However, there is insufficient information available about the purchase, maintenance and operation of state vehicles to make a recommendation at this time. An analysis of motor pool policies, operations and costs should be undertaken. Vehicles both owned and leased by all state government agencies and entities should be included in such a study.



## CHAPTER I

### INTRODUCTION

Although Kentucky spends millions of dollars annually for employee travel, there has never been an analysis of how these travel monies are spent. In June 1979, the Committee for Program Review and Investigation authorized a study on travel expenditures, with primary emphasis on the following topics.

1. Out-of-state travel for conferences.
2. The implementation and the adequacy of the current reimbursement system.
3. Alternative methods for economizing on state travel.

#### **General Travel Regulations and Management Responsibility**

In KRS 45.180, the Department of Finance is given authority to issue regulations relating to state employee travel. The travel regulations are in 200 KAR 2:010 to 2:100. The Department of Finance is also empowered to reimburse travel expenses incurred for "state business" or in the "best interest of the state."

The executive head of each agency is responsible for assuring that all claims for reimbursement under the regulations were incurred in the performance of official duties undertaken at the ultimate direction of the agency head.

All travel outside the Commonwealth must be authorized by the agency head and have prior approval of the Secretary of Finance. Written requests for out-of-state travel must be submitted to the Department of Finance at least five working days prior to departure. Travel outside North America must also have the Governor's approval. Officials properly authorized to travel outside North America are reimbursed for their actual expenses incurred (200 KAR 2:065).

In Kentucky, the Department of Finance determines by regulation (200 KAR 2:060) the subsistence, or per diem, allowance for meals, lodging, taxes and gratuities for state employees on official business. In nineteen other states the legislature determines per diems.<sup>1</sup> The Kentucky per diem regulations do not pertain to the General Assembly (200 KAR 2:010), certain unspecified state officers (200 KAR 2:060), the Administrative Office of the Courts, or to "other instrumentalities of state government" (200 KAR 2:065). These individuals are reimbursed for "actual and necessary expenses." Travel allowances for commissions, boards, task forces, and similar groups are usually determined by executive order and are variable.

The Department of Finance asserts that more of the above employees may be included under per diem regulations, due to an amendment to KRS 45.180 enacted by the 1978 General Assembly. However, no action to include them has taken place since this law took effect.





## CHAPTER II

### OVERVIEW OF STATE TRAVEL EXPENDITURES

Travel expenses paid by the Commonwealth of Kentucky during the 1979 fiscal year were \$26,374,618.20. This total represents all expenditures reported to the Department of Finance as travel-related by the agencies and entities of state government, plus travel expenditures reported separately to the Committee by the Kentucky Department of Transportation. Included within this total are in-state travel, out-of-state travel, motor pool, and travel by non-state employees. The latter category includes commission and task force members, legislators when not in regular session<sup>2</sup> and others.

As can be seen in Table 1, the FY 1979 total (\$26,374,618) is almost twice the total reported by the same process in FY 1975 (\$13,396,109.52). This represents an increase over the five-year period of 96.87 percent.

The largest increases were in motor pool and non-state employee travel. The motor pool as presently organized was not formed until 1976. The non-state employee category was not frequently utilized before 1977. Prior to 1976-1977, these categories were subsumed under in-state and out-of-state travel and therefore would not constitute a difference in total travel expenditures, but rather a clarification of types of travel.

Motor pool travel is primarily within the Commonwealth of Kentucky. When the motor pool expenditures are added to the reported in-state expenditures, the rate of increase for in-state travel is much more dramatic. The increase for in-state *plus* motor pool expenditures was 122 percent over the five-year period.

The increase in out-of-state travel from FY 1975 to FY 1979 was 86.2 percent, a considerably lower increase than for in-state travel.

The increase in travel expenditures between FY 1975 and FY 1979 should be considered in light of high inflation during that time period. For that reason, Figure 1 shows travel expenditures in current dollars and in inflation-adjusted dollars over the five-year period. Of the \$12,978,509 increase in total travel expenditures from FY 1975 to FY 1979, \$6,224,410 (48 percent) may be attributed to inflation. The real increase in total travel expenditures during this period was \$6,754,099, or 52 percent. This means that the \$26,374,618 spent for travel in FY 1979 could only buy travel worth \$20,150,208 in FY 1975. The volume of actual travel—number of trips, miles traveled, and so on—increased by only 52 percent.

Inflation has been particularly costly to state employees traveling on 1977 subsistence rates. This problem is more fully addressed in Chapter VI, on the Kentucky Reimbursement System.

TABLE 1

KENTUCKY STATE EMPLOYEE TRAVEL

FIVE-YEAR COMPARISON  
FISCAL YEARS 1975-79

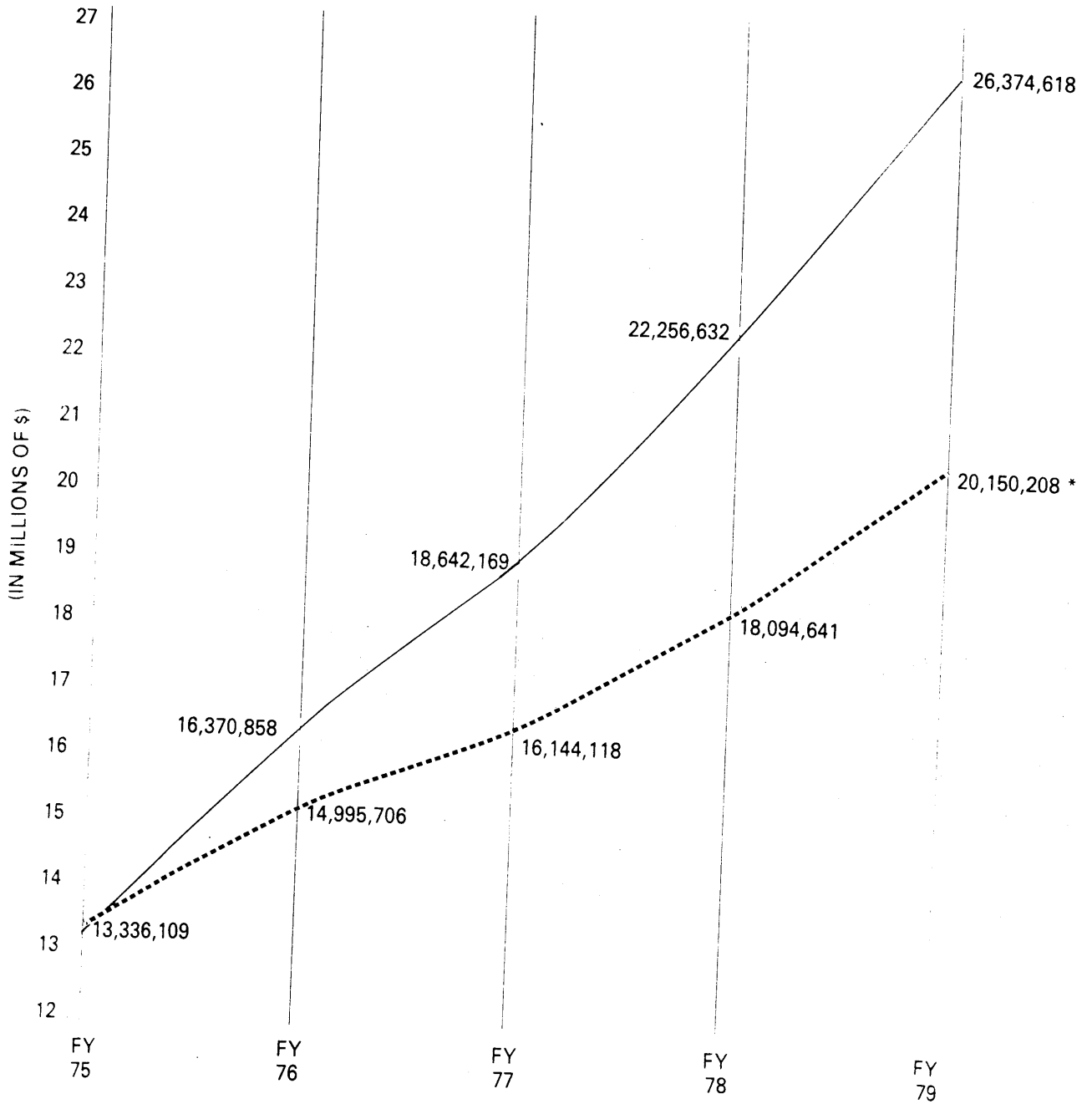
	Total Travel	Annual % Change	In-State Travel	Annual % Change	Out-of-State Travel	Annual % Change	Motor Pool Travel	Annual % Change	Non-State Employee Travel	% Change
FY '79	26,374,618.89 *	+ 18.5%	18,693,445.93	+ 31.3%	4,297,632.63	+ 19.5%	2,501,626.99	+ 88.4%	881,912.60	+ 23.7%
FY '78	22,256,632.49	+ 19.3%	14,227,545.80	+ 14.0%	3,594,007.02	+ 23.3%	1,327,749.96	+ 55.6%	712,806.79	+138.0%
FY '77	18,642,169.11	+ 13.8%	12,477,976.16	+ 6.3%	2,917,988.14	+ 13.5%	853,085.35	+331.3%	299,494.79	+534.8%
FY '76	16,370,858.69	+ 22.2%	11,736,058.69	+ 24.4%	2,569,842.76	+ 11.3%	197,775.51	+ 69.1%	47,173.53	+307.3%
FY '75	13,396,109.52		9,432,807.03		2,306,950.97		116,939.42		153.00	
1975-1979		+ 96.8%		+ 98.1%		+ 86.2%		+2,039.2%		+5,763.1%

SOURCE: Expenditure Analysis Report, Kentucky Department of Finance; and information supplied by the Kentucky Department of Transportation.

The table does not include additional expenditures of Kentucky Air Fleet which are not coded by the Department of Finance as travel costs.

FIGURE 1

TOTAL TRAVEL COSTS, CURRENT  
DOLLARS AND INFLATION  
ADJUSTED DOLLARS, \*  
FY 1975-1979



————— Current dollars  
..... Inflation-adjusted dollars

SOURCE: The U.S. Department of Commerce, Bureau of the Census,  
*Statistical Abstracts of the United States*, 1978,  
99th edition, page 482.

\* The base year for inflation adjustment is 1974.

## Source of Travel Funds

Figure 2 presents the funding sources for most of the state's travel expenditures. The Department of Transportation's travel data is not included in this figure, as their accounting system does not record travel expenditures by source of funds.

Over 37 percent (\$8,710,700) of travel expenditures incurred by Kentucky state employees in FY 1979 were paid for by federal funds. As demonstrated in Figure 3, the majority of the federal funds were spent for in-state travel. Federal funds also account for a large proportion (42.7 percent) of travel expenditures by non-state employees.

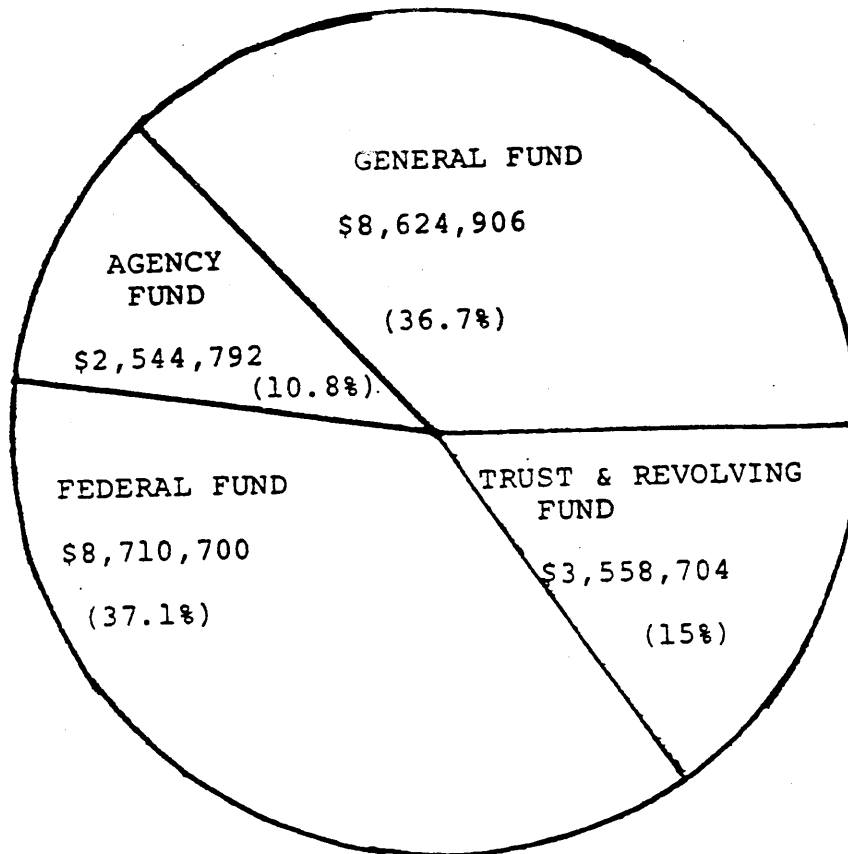
Although federal funds provide the greatest amount of travel monies, the General Fund follows closely, with 36.7 percent. The Trust and Revolving Fund provides 15 percent and the Agency Fund 10 percent.

The primary sources of out-of-state travel monies are the General Fund (41.5 percent) and the Trust and Revolving Fund (36.7 percent).

FIGURE 2

TOTAL KENTUCKY STATE TRAVEL EXPENDITURES\*  
BY SOURCE OF FUNDS,  
FY 1979

Total Expenditures \$23,439,104



SOURCE: Division of Accounts, Kentucky Department of Finance, FY 1979.

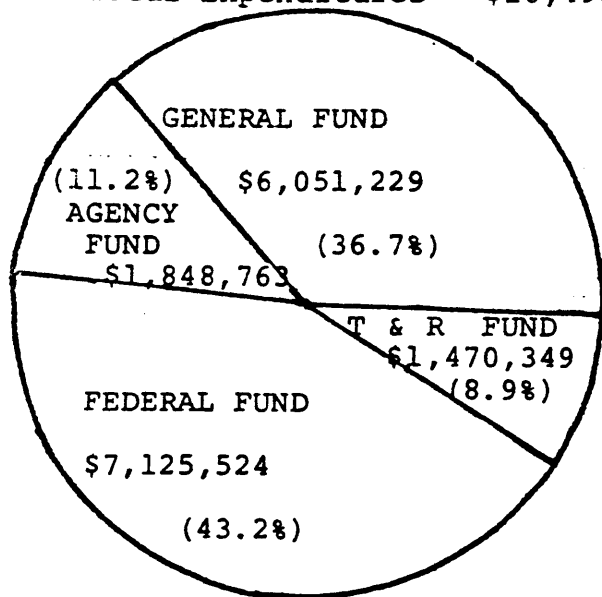
\* Department of Transportation totals are not included as comparable source data is not available.

FIGURE 3

TYPES OF TRAVEL EXPENDITURES BY SOURCE OF FUNDS\*  
FY 1979

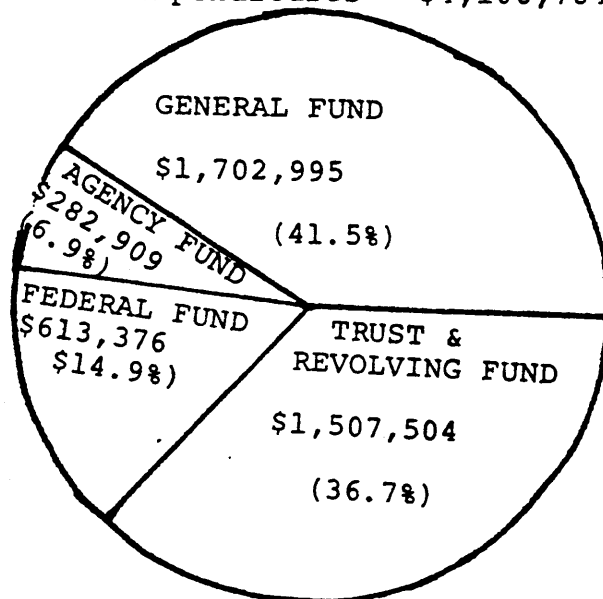
3-A  
IN-STATE TRAVEL

Total Expenditures - \$16,495,866



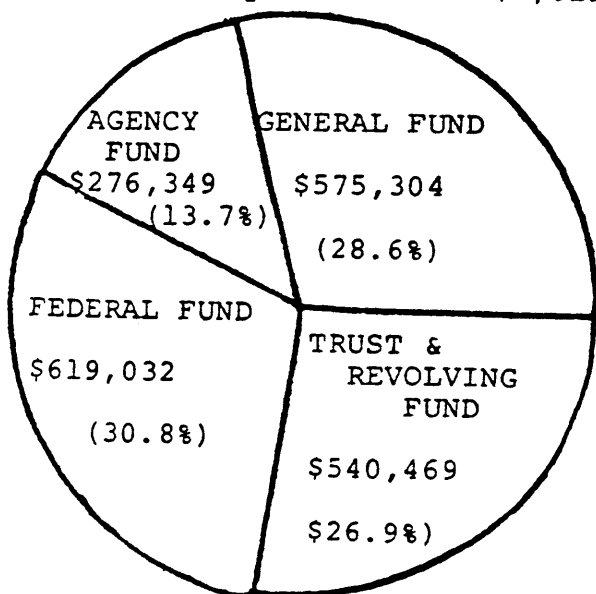
3-B  
OUT-OF-STATE TRAVEL

Total Expenditures - \$4,106,784



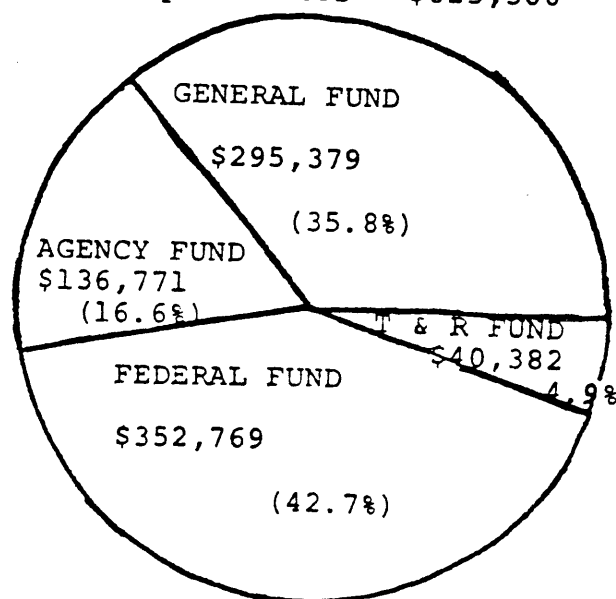
3-C  
MOTOR POOL

Total Expenditures - \$2,011,153



3-D  
NON-STATE EMPLOYEES

Total Expenditures - \$825,300



\* Department of Transportation totals are not included, as comparable source data is not available.

## Agency Travel Expenditures by Type of Travel

Table 2 presents data for the agencies listed alphabetically, including the total amount of travel funds spent, the amount spent for each type of travel, and the percent of total agency travel funds spent for each type of travel. The list of agencies and entities in Table 2 is not exhaustive, but all of the larger agencies and departments, as well as a representative sample of the many commissions and boards are included.<sup>3</sup> The totals presented at the bottom of the table are for all of state government and are presented for comparison only. They are not numerical totals of the agencies and entities listed in the table.

As can be seen in Table 2, there are disproportionate agency users and non-users for each travel category.

### **In-State Travel**

The Commonwealth spent \$18,693,445 (71 percent of all travel expenditures) in FY 1979 for in-state travel. As employees are not required to designate purpose for travel on in-state travel vouchers, the individual reasons for these expenditures cannot be determined. The agencies with high total travel expenditures—such as the Departments of Transportation, Human Resources, Education, and Justice—employ extensive field service staffs, which may account for theirs being a large proportion of the in-state travel funds expended. However, the percentage spent for conferences or for other purposes cannot be ascertained under the present recording system for in-state travel expenditures.

Some agencies spend over 90 percent of their entire travel budgets for in-state travel. Those having the highest proportions are the Alcoholic Beverage Control Board (96 percent), the Auditor of Public Accounts (96 percent), the Department of Banking Securities (96 percent), and the Department of Fish and Wildlife (96 percent). Each of these agencies, incidentally, uses less than 1 percent of its travel funds on motor pool travel.

### *Recommendations*

1. In-state travel vouchers should include purpose for travel.
2. Both in-state and out-of-state travel purposes should be computer coded.

TABLE 2.

AGENCY TRAVEL EXPENDITURES,  
BY TYPE OF TRAVEL

COMMONWEALTH OF KENTUCKY  
FISCAL YEAR 1979

Dept./Agency	Total Travel	In-State (%)	Out-of-State (%)	Motor Pool(%)	Non-State (%)
	769,454	637,575 (83)	25,510 (3)	106,368 (14)	
Agriculture	35,471	16,269 (46)	5,591 (16)	183 (0)	13,429 (38)
Agriculture, Governor's Council on	88,477	85,305 (96)	2,837 (3)	128 (0)	207 (0)
Alcoholic Bev. Control	27,883	19,603 (70)	6,085 (22)	1,764 (6)	431 (1)
Arts Commission	1,778	460 (31)	1,229 (69)	-----	-----
Athletic Commission	142,460	82,432 (58)	45,524 (32)	13,446 (9)	1,055 (1)
Attorney General	125,512	120,205 (96)	5,257 (4)	-----	48 (0)
Auditor of Pub. Accts.	279,655	269,229 (96)	10,172 (4)	254 (0)	-----
Banking & Securities	53,591	42,208 (79)	10,575 (20)	74 (0)	731 (1)
Blind, Bureau for	234,115	162,617 (69)	53,627 (23)	17,871 (8)	-----
Commerce	601,669	520,963 (87)	56,587 (9)	19,121 (3)	4,998 (1)
Courts, Adm. Office of	95,557	45,655 (48)	41,336 (43)	8,866 (10)	-----
Dev. Cabinet (Secy's. Ofc)	110,584	61,127 (55)	28,540 (26)	20,017 (18)	898 (1)
Educ. TV Authority	2,095,320	1,562,794 (75)	233,932 (11)	49,076 (2)	249,517 (12)
Education	82,499	13,787 (17)	59,860 (73)	8,645 (10)	207 (0)
Energy	38,873	23,430 (60)	7,053 (18)	8,147 (21)	243 (1)
Fair & Expo. Center	324,780	189,834 (58)	88,814 (27)	43,384 (13)	2,748 (1)
Finance	670,389	647,122 (96)	21,552 (3)	1,683 (0)	32 (0)
Fish and Wildlife	182,924	42,553 (23)	12,508 (7)	-----	127,863 (70) **
General Assembly	31,807.	12,157 (38)	19,133 (60)	517 (2)	-----
Governor's Office *	34,570	24,300 (70)	7,561 (22)	2,619 (8)	-----
Harness Racing Comm.	43,085	28,108 (65)	5,333 (12)	9,643 (22)	-----
Heritage Commission	111,505	31,553 (28)	37,098 (33)	275 (0)	42,571 (38)
Higher Educ., Council	22,201	9,174 (41)	10,074 (45)	2,370 (11)	582 (3)
Higher Educ. Asst. Auth.					

\* No air fleet inter-account billing reported.

\*\* Includes in-state and out-of-state travel for legislators when general assembly was not in session.

For FY 1980 these expenditures are being placed in the appropriate category.

Table 2, page 2

Dept./Agency	Total Travel	In-State (%)	Out-of-State (%)	Motor Pool (%)	Non-State (%)
Historical Society	19,578	8,656 (44)	3,645 (19)	6,178 (32)	1,097 (6)
Housing, Bldgs. & Construc.	633,833	529,224 (84)	29,980 (5)	56,492 (9)	18,136 (3)
Human Resources	5,863,308	5,023,910 (86)	252,750 (4)	462,410 (8)	130,239 (2)
Human Rights Commission	68,725	37,034 (54)	13,237 (20)	13,905 (20)	4,550 (7)
Dept. of Insurance	55,224	37,250 (67)	15,326 (28)	2,648 (5)	-----
Dept. of Justice **	1,166,708	941,648 (81)	158,556 (14)	40,479 (3)	25,979 (2)
Ky. Housing Corp.	4,423	3 (0)	-----	4,419 (99)	-----
Ky. Retirement Systems	11,514	8,376 (73)	1,236 (11)	1,901 (16)	-----
Dept. of Labor	752,102	561,924 (75)	89,591 (12)	12,126 (2)	88,460 (12)
Legislative Res. Comm.	48,186	12,594 (26)	33,663 (70)	1,295 (3)	635 (1)
Library and Archives	163,007	72,715 (45)	35,485 (22)	39,048 (24)	15,759 (10)
Local Government	160,098	96,968 (61)	38,904 (24)	12,945 (8)	11,281 (7)
Military Affairs	154,926	68,363 (44)	19,811 (13)	59,691 (39)	7,060 (5)
Mines and Minerals	244,429	160,266 (66)	15,277 (6)	68,887 (28)	-----
Natural Resources	94,850	39,056 (41)	47,639 (50)	8,046 (8)	109 (0)
Parks Department	567,470	362,754 (64)	66,344 (12)	138,372 (24)	-----
Personnel Department	26,392	14,917 (56)	7,543 (26)	3,929 (15)	-----
Public Information	162,491	50,547 (31)	79,767 (49)	30,247 (19)	1,928 (1)
Public Service Comm.	81,637	60,594 (74)	19,668 (24)	1,374 (2)	-----
Pub. Prot. & Reg. Cabinet	2,060	1,193 (58)	866 (42)	-----	-----
Racing Commission	57,246	44,470 (78)	10,716 (19)	-----	-----
Real Estate Comm.	18,196	12,400 (68)	5,796 (32)	-----	-----
Revenue Department	744,951	483,702 (65)	261,184 (35)	65 (0)	-----
Secretary of State	10,913	1,695 (16)	6,367 (61)	2,343 (23)	-----
State Treasurer	18,753	9,643 (51)	6,746 (36)	2,257 (12)	-----
Teachers' Retirement	15,148	10,676 (70)	2,581 (17)	1,886 (12)	-----
Transportation	2,887,236	2,188,896 (76)	190,848 (7)	501,879 (17)	5,613 (0)
Commission on Women	12,746	5,768 (45)	4,304 (34)	85 (1)	2,589 (20)
Total State Gov't. Travel	\$26,344,325	\$18,672,406 (71)	\$4,290,289 (16)	\$2,499,824 (10)	\$881,806 (3)

Source: Expenditure Analysis Report, Kentucky Department of Finance; and information supplied by the Kentucky Department of Transportation.

\*\* No correctional institutions included



### Out-of-State Travel

The agencies with the largest absolute out-of-state travel expenditures are the Department of Revenue, the Department for Human Resources, the Department of Education, the Department of Transportation, and the Department of Justice. As shown in Table 3, these five departments collectively spent \$1,097,267, or more than 26 percent of all the out-of-state travel dollars expended by state government.<sup>4</sup>

When out-of-state travel expenditures are ranked according to percentage of total agency travel budget, the highest users are the Athletic Commission (69 percent), the Department of Energy (73 percent), the Secretary of State's Office (61 percent), the Governor's Office (60 percent), the Legislative Research Commission (70 percent) and the Department for Natural Resources and Environmental Protection (50 percent).

The purposes and destinations of out-of-state trips are discussed in Chapter IV.

TABLE 3  
AGENCIES SPENDING LARGEST AMOUNT OF  
OUT-OF-STATE TRAVEL DOLLARS  
COMMONWEALTH OF KENTUCKY  
FISCAL YEAR 1979

	\$ Spent On Out-of-State Travel	% of Total Agency Travel Funds Spent for Out-of-State Travel
Department of Revenue	\$261,183	35%
Department for Human Res.	252,749	4%
Department of Education	233,932	11%
Department of Transportation	190,848	7%
Department of Justice	158,555	14%
Department of Labor	89,591	12%
Department of Finance	88,813	27%
Department of Public Info.	79,767	4%
Department of Parks	66,343	12%
Department of Energy	59,860	73%
Admin. Office of the Courts	56,586	9%
Department of Commerce	53,627	23%
	\$1,097,267	

SOURCE: Expenditure Analysis Report, Kentucky Department of Finance; and information supplied by the Kentucky Department of Transportation.

### Motor Pool

The present state motor pool was established July 1, 1976, in an effort to cut travel costs and to end the abuse of assigning state vehicles to individual employees. It is operated as part of the Department of Transportation. Its usage is almost entirely limited to in-state travel.

Some agencies make extensive use of these vehicles, while others scarcely use this service at all. A frequent reason given for not using it has been inconvenience. In Frankfort cars may be picked up at the Frankfort Airport, the Capital Plaza, or at the motor pool garage on Barrett Avenue, which usually means that a driver must take his own car to pick up a state car. Agencies and offices located outside Frankfort find motor pool usage particularly inconvenient. However, the total avoidance by some agencies of the motor pool suggests that there may be other reasons than inconvenience. A thorough study of the motor pool would perhaps determine these reasons.

As may be seen in Table 2, many Frankfort-based agencies use less than 1 percent of their total travel budget on motor pool travel. Especially noticeable among these agencies are the Auditor of Public Accounts, the Department of Fish and Wildlife and the Department of Revenue. Each of these agencies does extensive in-state driving, yet they do not utilize the motor pool for these purposes. The Governor's Office was billed only \$516.89 for use of state cars in FY 1979.

### **Travel by Non-State Employees**

This category of travel expenditures may include commission, board and task force members, guest lecturers, legislators (when not in regular session) and others not considered employees of the state. The non-state employee category both clarifies and confuses the analysis of travel expenditures. While clarifying that these monies are not spent for employee travel *per se*, reports on this category do not specify whether expenditures were for in-state or out-of-state travel.

Some agencies tend to lump non-state employee travel either under in-state or under out-of-state travel in reporting to the Department of Finance. Some agencies with commissions and task forces have no funds recorded in the non-state employee category. Expenditures tend to be categorized in the Expenditure Analysis Report in whatever form the agencies choose. Inappropriate classification negates the informational gains of having additional categories.

### *Recommendation*

The Department of Finance should clarify the Expenditure Analysis Report categories and encourage agency pre-audit compliance.

Most non-state employee travel expenditures were reported by the Department for Human Resources, the Department of Education, the Department of Labor, the Governor's Commission on Agriculture and the General Assembly. (Before October, 1979, all travel by legislators when the General Assembly was not in session was recorded as non-state employee travel.)

### **Agency Travel Expenditures by Number of Employees and Dollars Expended Per Employee**

In Table 4, agencies are ranked by the number of employees. The four agencies with the greatest number of employees account for \$12,012,569, or 45.5 percent of all state travel monies.

TABLE 4

TRAVEL PER AGENCY BY NUMBER OF EMPLOYEES, AND  
TRAVEL DOLLARS EXPENDED PER AGENCY EMPLOYEECOMMONWEALTH OF KENTUCKY  
FISCAL YEAR 1979

<u>AGENCY</u>	<u>NO. OF EMPLOYEES</u>	<u>TOTAL TRAVEL</u>	<u>TOTAL TRAVEL DOLLARS PER EMPLOYEE</u>	<u>OUT-OF- STATE</u>	<u>OUT-OF-STATE TRAVEL DOLLARS PER EMPLOYEE</u>
Human Resources	12,089	\$5,863,308	\$ 485	\$252,749	\$ 21
Transportation	8,807	2,887,235	328	190,848	22
Education, Dept. of	3,678	2,095,319	570	233,932	64
Justice, Dept. of	3,250	1,166,707	359	158,555	49
Parks, Dept. of	2,651	567,469	214	66,343	25
Courts, Adm. Ofc. of	2,000	601,669	301	56,586	28
Finance, Dept. of *	1,275	324,779	255	88,813	70
Natural Resources	1,092	94,850	87	47,639	44
Revenue, Dept. of	896	744,951	831	261,183	292
Labor, Dept. of	572	752,102	1,315	89,591	157
Agriculture, Dept. of	313	769,453	2,458	25,510	82
Fish & Wildlife	305	670,389	2,198	21,552	70
Housing, Bld., & Constr.	273	633,832	2,321	29,980	110
Military Affairs	212	154,926	731	19,811	93
Mines & Minerals	202	244,429	1,210	15,276	76
Personnel, Dept. of	199	26,392	133	7,542	38
Energy, Dept. of	182	82,498	453	59,860	329
Educ. TV Authority	180	110,583	614	28,540	159
Public Information	179	162,490	908	79,767	446
Library & Archives	165	163,007	988	35,484	215
Legislative Research Comm.	171	48,186	282	33,662	197
Attorney General	150	142,460	950	45,524	303
General Assembly	144	182,923	1,270	12,507	374**

Table 4, Page 2

	<u>NO. OF EMPLOYEES</u>	<u>TOTAL TRAVEL</u>	<u>TOTAL TRAVEL DOLLARS PER EMPLOYEE</u>	<u>OUT-OF-STATE</u>	<u>OUT-OF-STATE TRAVEL DOLLARS PER EMPLOYEE</u>
Blind, Bureau for	140	53,591	383	10,574	76
Commerce, Dept. of	102	234,114	2,295	53,627	526
Auditor of Public Accts.	88	125,512	1,426	5,257	60
Local Government	86	160,098	1,862	38,904	452
Public Service Comm.	83	81,637	984	19,668	237
Higher Education, Council on	79	111,504	1,411	37,097	470
Banking & Securities	71	279,655	3,939	10,171	143
Governor's Office *	70	31,807	454	19,132	273
Insurance, Dept. of	69	55,223	800	15,325	222
Heritage Commission	66	40,085	607	5,332	81
Secretary of State	55	10,912	198	6,367	116
Alcoholic Beverage Control	54	88,476	1,638	2,837	53
Treasurer	54	18,753	347	6,745	125
Historical Society	62	19,578	377	3,645	70
Human Rights Commission	49	68,725	1,403	13,236	270
Development Cabinet (Secy's Ofc.)	48	95,556	1,991	41,335	861
Kentucky Housing Corp.	40	4,422	111	-----	-----
Higher Education Ass't. Authority	35	22,201	634	10,073	288
Kentucky Retirement Systems	32	11,513	360	1,236	39
Teachers Retirement	32	15,147	473	2,581	81
Racing Commission	25	57,245	2,290	10,716	429
Arts Commission	29	27,882	961	6,085	210
Women, Commission on	29	12,746	440	4,303	148
Real Estate Commission	21	18,195	866	5,795	276
Harness Racing Commission	17	34,569	2,033	7,560	445
Agriculture, Governors Council on	22	35,471	1,612	5,590	254
Public Protection & Regulation	6	2,059	343	866	144
Athletic Commission	6	1,778	296	1,228	204

SOURCE: Information taken from Expenditure Analysis Report, Kentucky Department of Finance.

\* Does not include any air fleet billing.

\*\* Adjusted for out-of-state travel included in the non-state employe travel category. Out-of-state travel totaled \$53,953 of total legislative travel funds. Legislative travel totals include the clerks and staffs of the House and the Senate.

There is a wide range in expenditures per agency employee, both for total travel and for out-of-state travel. Some reasons for this variation may be: (1) large field staffs, (2) responsibilities for economic development and tourism, and (3) frequent required trips to meet with federal officials.

As noted earlier, the statistics on expenditures per employee provide a more meaningful measure of travel among or across agencies. It would obviously be unfair to say that an agency of 10,000 employees having travel expenditures of \$1,000,000 is more travel-intensive than an agency of 1,000 employees with travel expenditures of \$950,000. Even the "per employee" measure is less than perfect, however, since it cannot account for variations in need for travel.

Also, agencies with a higher percentage of professional employees may tend to have higher travel rates per employee. Agencies made up primarily of clerical or skilled and unskilled laborers (who do little travel on state business) tend to usually have lower per person travel expenditures. Unfortunately, it was impossible to analyze the data on this basis: the Department of Personnel was unable to supply the numbers or percentages of professional employees in each agency, nor could it supply the number of salaried vs. hourly employees.

Tables 5 and 6 present agencies with the greatest expenditures of travel dollars per employee for total travel dollars and for out-of-state travel dollars. Individual agency travel expenditures per employee may be compared with the average expenditure per employee for all agencies. The average per employee expenditure was \$1,002 for total travel and \$200 for out-of-state travel.

Five of the highest per employee in terms of total travel monies—the Department of Banking and Securities, the Department of Agriculture, the Alcoholic Beverage Control Commission, the Department of Housing, Buildings and Construction, and the Department of Fish and Wildlife—report relatively low usage of out-of-state travel funds. These five agencies require extensive in-state travel in order to carry out their mandated functions on the local level. However, whether they require travel costing as much as \$3,939 per employee per year should be evaluated. This is over three times the average travel cost per employee for all agencies.

Five of the ten agencies having the highest total travel expenditures per employee are also included in the ten highest agencies ranked by out-of-state travel per employee. These are the Development Cabinet, the Department of Commerce, the Department of Local Government, the Harness Racing Commission, and the Racing Commission. The Development Cabinet, at \$861 per employee, has the highest average.

TABLE 5  
TOTAL TRAVEL DOLLARS PER EMPLOYEE,  
TEN HIGHEST AGENCY USERS  
COMMONWEALTH OF KENTUCKY  
FISCAL YEAR 1979

	TOTAL TRAVEL PER EMPLOYEE	OUT-OF-STATE TRAVEL PER EMPLOYEE
AVERAGE FOR ALL AGENCIES	\$1,002	\$200
<b>AGENCY</b>		
Banking and Securities	\$3,939	\$143
Dept. of Agriculture	2,458	82
Housing, Bldg. & Construction	2,321	110
Dept. of Commerce	2,295	526
Thoroughbred Racing Comm.	2,290	429
Dept. of Fish and Wildlife	2,198	70
Harness Racing Commission	2,033	445
Development Cabinet (Secy's Ofc.)	1,991	861
Dept. of Local Government	1,862	452
Alcoholic Beverage Control Comm.	1,638	53

SOURCE: Information derived from the Expenditure Analysis Report, Kentucky Department of Finance.

TABLE 6  
OUT-OF-STATE TRAVEL DOLLARS PER EMPLOYEE,  
TEN HIGHEST AGENCY USERS  
COMMONWEALTH OF KENTUCKY  
FISCAL YEAR 1979

	OUT-OF-STATE TRAVEL PER EMPLOYEE	TOTAL TRAVEL PER EMPLOYEE
AVERAGE FOR ALL AGENCIES	\$200	\$1,002
<b>AGENCY</b>		
Development Cabinet (Secy's Ofc.)	861	1,991
Dept. of Commerce	526	2,295
Council on Higher Education	470	1,411
Dept. of Local Government	452	1,862
Public Information	446	908
Harness Racing Commission	445	2,033
Thoroughbred Racing Comm.	429	2,290
General Assembly	303	1,270
Department of Energy	329	453
Attorney General's Office	303	950

SOURCE: Information derived from the Expenditure Analysis Report, Kentucky Department of Finance.

## CHAPTER III

### DIFFICULTIES IN OBTAINING ACCURATE TRAVEL DATA

Once again, lack of information on vouchers and the failure to enter various types of travel data into the computer system create data collecting problems. Purpose for travel, destination, and commercial airline charges are examples of travel information that, if coded, would facilitate analysis of travel expenditures.

#### Recording Variation

Codification itself, however, is not without difficulties. Agencies code travel expenditures into various categories. This information is reported to the Department of Finance, where it is entered into detailed computer files. Summary information by expenditure code is subsequently reported in the Expenditure Analysis Report.

Upon inquiry to agencies, Program Review and Investigation Committee staff found that conference fees were variously coded into the Expenditure Analysis Report as "travel," "miscellaneous," and "training expense." Similar variations in reporting have been found in other travel categories.

#### *Recommendation:*

There should be clarification of, and strict adherence to, travel coding classifications.

#### Interaccount Billing

Interaccount billing (billing between agencies) is not consistent, nor does it allow for tracking (and hence understanding) flows and transfers of funds. The billing frequently does not specify the service rendered. In some cases there is no billing, although a service has been rendered. For example, in FY 1978 and FY 1979, the Governor's Office and the Department of Finance were not billed for any air fleet travel.<sup>5</sup> Yet, in their audit of the air fleet, the Auditor's Office stated that the most frequent users of the air fleet were the Governor's Office and the Department of Finance. The Department of Air Operations estimates that the unbilled expenditures for the Governor's Office, the Lieutenant Governor's Office and the Department of Finance in FY 1979 were approximately \$160,000. The failure to bill these offices not only understates the visible costs of operating the Governor's Office, the Lieutenant Governor's Office and the Department of Finance, but also hampers efforts to obtain accurate state travel expenditures. To illustrate this point, the visible and nonvisible costs of the Kentucky air fleet will be examined.

The total interaccount billing by the Divisions of Flight Operations and Air Transport in FY 1979 to the state agencies was \$513,217.65.<sup>6</sup> This is a visible, labeled travel expenditure in the state's accounting system.

The published cost of operating the Divisions of Flight Operations and Air Transport in FY 1979 was \$1,100,436.89.<sup>7</sup> This total does not include either depreciation or amortization on the Kentucky Air Fleet planes, which were purchased through capital construction funds.

### Use of Capital Construction Funds

In its review of Capital Construction Funds, the Auditor's Office reported that such funds "have been used not only for purchasing of planes but also for aircraft maintenance."<sup>8</sup> The Auditor also showed that the total spent from this fund for airplanes maintained by the Department of Air Operations and Air Transport is \$3,085,198. To obtain a clearer picture of true air fleet costs and thus total state travel costs, it is necessary to include amortization or depreciation with the air fleet operating expenses. (An "Engine Reserve" account, which serves much the same purpose as a depreciation account, was implemented in January, 1979. A full fiscal year's cost data is not yet available, however.)

Below is an amortization table listing various interest rates and a range of years for payments on this \$3,085,198.

TABLE 7

#### ANNUAL AMORTIZATION TABLE (INTEREST AND PRINCIPAL) FOR AIRPLANE PURCHASES (\$3,085,198.00)

Term	5%	6%	7%	8%	9%	10%	11%	12%
3 Years	1,132,911	1,154,203	1,175,620	1,197,160	1,218,822	1,240,604	1,262,503	1,284,519
5 Years	712,603	732,415	752,451	772,708	793,181	813,867	834,763	855,864
7 Years	533,183	552,667	572,468	592,581	613,000	633,717	654,726	676,022
10 Years	399,547	419,180	439,263	459,785	480,736	502,102	523,871	546,031

Under a conservative rate of interest and period of repayment, the additional cost of maintaining the air fleet would be between \$420,000 and \$500,000 yearly. Added to the FY 1979 operational expenditures for the Divisions of Air Operations and Air Transport of \$1,100,436.89, this figure boosts the estimated yearly cost for maintaining the air fleet to between \$1,520,436.89 and \$1,600,436.89. Subtracting the interaccount billing and other trust and agency receipts for air fleet services in FY 1979 (approximately \$605,000) yields a deficit for the air fleet operation of \$915,436 to \$995,436.

\$1,100,436	FY Operation cost, Departments of Air Operations and Transport
+ 420,000	Conservative estimate of Amortization Costs
\$1,520,436	
- 605,000	FY 1979 interaccount billing by Departments of Air Operations and Transport
\$ 915,436	Air Fleet deficit



Only the \$513,217 interaccount billing is recorded as travel expenditures in the state accounting system. Trust and agency account receipts of roughly \$92,000 for other airport operations are recorded as other receipts. To obtain a more accurate measure of the Commonwealth's yearly travel costs, this deficit should be added to known (visible) travel costs.

\$26,374,618.20	Visible Travel Costs
+ 1,087,219.24	Additional Air Fleet Costs
\$27,461,837.44	Revised Estimate of Total FY 1979 Travel Costs

The preceding analysis and discussion are correct for budgeting and cost allocation purposes, but the total air fleet costs thus presented may overstate the *true economic costs* of its operation. Used airplanes appear to hold their value quite well; in fact, they may even *appreciate* in value, in which case the true capital costs or true depreciation costs are zero (or negative).

Lack of billing, miscoding, and use of Capital Construction funds are but a few examples of the difficulties involved in analyzing state spending. Such methods of accounting make determination of the true costs of operating agencies and legislative oversight difficult, if not impossible.



## CHAPTER IV

### OUT-OF-STATE TRAVEL FOR CONFERENCES

Major state government agencies and selected other entities were requested to supply information for the present study relating to purpose, destination and cost of out-of-state travel. To obtain detailed out-of-state travel information, each travel voucher provided had to be examined, because such information is not coded into computer files. All the agencies listed in Table 8 were cooperative in providing this data.

Using the Department of Finance's Expenditure Analysis Report it was seldom possible to obtain accurate total out-of-state travel figures by agency that were consistent with the results obtained when summing all of the agency-supplied data. For example, the information supplied in the Expenditure Analysis Report shows that in Fiscal Year 1979 the Department for Natural Resources and Environmental Protection spent \$47,639 for out-of-state travel. A calculation of the trips taken by that agency from its own data reveals total out-of-state travel expenditures of \$171,378, a difference of \$123,739. These differences may be the result of reporting errors, coding discrepancies or mere lateness of reports. This chapter will use agency-supplied data for consistency in analyzing various types of out-of-state travel.

Both conferences and seminars were given various names on travel vouchers, but the definitions that are used in the present report attempt to isolate three basic types of travel: "conferences," "seminars," and "other trips" consisting primarily of normal agency business. Conference travel includes conventions, conferences or annual meetings where the state employee is not designated as a panelist or speaker. A seminar may be any training session, seminar, workshop, class, course, institute or college session where the primary purpose of the trip was for the state employee to receive specific training or instruction. Events where state employees only share ideas and methods do not constitute seminars. "Other trips" include all other agency travel.

Short of interviewing each state employee who traveled out-of-state in Fiscal Year 1979, it is impossible to ascertain the necessity of each trip. Because of time constraints staff were unable to conduct such interviews, and only cursory evaluations were made of each trip as listed by the agencies. The vast majority of those trips clearly relate directly to legitimate agency functions.

Table 8 presents data for state agencies and entities surveyed for this report. Even though this is not a comprehensive listing, all major agencies and departments, as well as a representative sample of boards and commissions, are included. The data in each column from left to right show the number of employees, total out-of-state travel expenditures, conference expenditures as a percentage of agency out-of-state travel, seminar expenditures as a percentage of agency out-of-state travel, and other trips as a percentage of agency out-of-state travel, for Fiscal Year 1979. Totals and averages of this data are included in the table. The totals for conferences and seminars account for slightly over one-half of all out-of-state travel expenditures. Mandatory meetings, agency business and such routine tasks as conducting audits or returning prisoners comprise the "other trip" category.

Executive security is another travel purpose which falls under the "other trip" category. The Kentucky State Police handle executive security for the Governor and Lt. Governor on both in-state and out-of-state trips. Executive security personnel do not turn in standard state employee travel vouchers. Instead, each carries a Master Charge card and turns in Master Charge receipts to a superior officer, who reviews each receipt before authorizing payment. In Fiscal Year 1979 a total of \$7,024.99 was put on Master Charge and approved for payment by the State Police. This amount might more appropriately have been taken from the budget of the Governor or Lt. Governor than that of the State Police in the Justice Cabinet, as indicated on Table 8.

### Geographic Travel Destinations

More out-of-state trips were made to Washington, D.C. (1,132) and Atlanta (909) by the agencies listed in Table 8 in Fiscal Year 1979 than to any other cities. Southeastern regional offices of most of the major federal agencies are located in Atlanta, of course. The Department for Human Resources, with 278 trips, leads our sample of state agencies in travel to Atlanta, while the Department for Natural Resources and Environmental Protection had 136 trips to that city.

Trips to Washington, D.C. are frequent by agencies which work to secure federal funding for Kentucky, such as the Department of Education (137 trips), the Department for Human Resources (122 trips), the Governor's Office (97 trips), the Department of Finance (94 trips), the Department of Energy (73 trips), the Development Cabinet (71 trips), and the Department of Transportation (59 trips).

State employee trips to Florida totalled 424 in Fiscal Year 1979. The agencies which traveled to Florida the greatest number of times include the Justice Cabinet (131 trips), the Department for Human Resources (59 trips), the Department of Education (49 trips), and the Department of Transportation (39 trips).

Trips to Chicago included those of the Department of Revenue (42 trips), the Department of Labor (32 trips), and the Department of Finance (22 trips). A total of 284 trips was made to Chicago in Fiscal Year 1979.

New York City had 180 visits by the agencies we sampled, with the leaders being the Department of Revenue (55 trips, mostly for tax audits), the Department of Finance (22 trips), and the Kentucky Housing Corporation (14 trips).

Trips to the Los Angeles and San Francisco areas totalled 165: The Department of Education, 29 trips; the Justice Cabinet, 15; and the Department of Finance, 10.

TABLE 8

## TYPES OF AGENCY TRAVEL OUT-OF-STATE

## COMMONWEALTH OF KENTUCKY

FISCAL YEAR 1979

	NO. OF EMPLOYEES	TOTAL OUT-OF-STATE EXPENDITURES	% OF AGENCY OUT-OF-STATE TRAVEL (CONFERENCES)	% OF AGENCY OUT-OF-STATE TRAVEL (SEMINARS)	% OF AGENCY OUT-OF-STATE TRAVEL (OTHER TRIPS)
Agriculture, Dept. of.	313	\$ 24,769	53%	16%	31%
Agriculture, Gov. Council	22	5,276	16%	8%	76%
Alcoholic Beverage Control	54	2,837	91%	-0-	9%
Arts Commission	29	4,290	67%	25%	8%
Athletic Commission	7	1,228	100%	-0-	-0-
Attorney General	150	40,552	55%	20%	25%
Auditor of Public Accounts	88	5,160	72%	19%	9%
Banking & Securities	71	11,962	29%	45%	26%
Blind, Bureau for	140	10,956	32%	47%	21%
Commerce, Dept. of	102	53,627	17%	3%	80%
Courts, Admin. Office of	2,000	67,635	29%	63%	8%
Development (Secy's Office)	48	33,569	41%	11%	48%
Educational TV Authority	180	28,540	49%	29%	22%
Education, Dept. of	3,678	230,527	60%	18%	22%
Energy, Dept. of	182	59,860	18%	11%	71%
Environmental Quality Comm.	10	110	-0-	-0-	100%
Fair Board	250	9,776	-0-	-0-	100%
Finance, Dept. of	1,275	84,034	12%	35%	53%
Fish & Wildlife	305	20,866	29%	10%	61%
General Assembly	144	50,122	78%	-0-	22%
Governor's Office	70	25,076	25%	7%	68%
Harness Racing Commission	17	7,160	96%	-0-	4%
Heritage Commission	66	13,155	11%	13%	76%
Higher Educ., Council on	79	34,845	42%	5%	53%
Higher Educ. Asst. Authority	35	9,861	12%	13%	75%
Historical Society	62	4,144	20%	49%	31%
Housing, Bldg., & Constr., Dept.	273	31,310	17%	11%	72%
Human Resources	12,089	254,800	27%	36%	37%
Human Rights Commission	49	13,211	87%	11%	2%
Insurance, Dept. of	69	12,258	83%	3%	14%
Justice, Dept. of	3,250	198,727	21%	18%	61%
Ky. Housing Corp.	40	22,048	47%	5%	48%
Ky. Retirement System	32	1,107	93%	-0-	7%
Labor, Dept. of	572	80,899	20%	29%	51%
Legislative Research Comm.	171	30,756	74%	14%	12%
Library & Archives	165	33,826	73%	17%	10%
Local Gov't., Dept. of	86	29,733	47%	14%	39%
Military Affairs	212	33,356	86%	5%	9%
Mines & Minerals	202	15,682	55%	29%	16%
Natural Resources, Dept. of	1,092	171,378	19%	38%	42%
Parks, Dept. of	2,651	64,891	19%	8%	73%
Personnel, Dept. of	199	6,767	54%	11%	35%
Public Information, Dept. of	179	78,564	7%	5%	88%
Public Service Commission	83	16,370	31%	14%	55%
Racing Commission	25	8,291	95%	-0-	5%
Real Estate Commission	21	8,327	96%	-0-	4%
Revenue, Dept. of	896	259,216	4%	.5%	95.5%
Secretary of State	55	11,006	63%	8%	29%
State Treasurer	54	8,627	80%	-0-	20%
Teacher Retirement	32	2,581	63%	7%	30%
Transportation, Dept. of	8,807	190,848	21%	29%	50%
Women, Ky. Commission on	29	3,366	53%	17%	30%
TOTAL	40,710	\$2,427,882			
AVERAGE	782	\$ 46,690	31%	20%	49%

SOURCE: Information compiled from agency travel data.

## Conferences

Table 9 presents the ten agencies from our sample with the highest conference expenditures as a percentage of total out-of-state travel. The reason most of these top agencies are commissions is that they have a small number of employees and nearly all commissioners travel to annual conventions, conferences or meetings held by the major associations in their field.

TABLE 9  
AGENCIES WITH HIGHEST PERCENTAGE  
OF CONFERENCE EXPENDITURES  
  
COMMONWEALTH OF KENTUCKY  
FISCAL YEAR 1979

	Conference Expenditures As A Percentage of Agency Out-of-State Travel	Conference Expenditures By Agency
Average For All Agencies:	46 %	\$14,686
<b>AGENCY</b>		
Athletic Commission	100 %	\$ 1,228
Real Estate Commission	96 %	7,993
Harness Racing Commission	96 %	6,913
Kentucky State Racing Commission	95 %	7,891
Kentucky Retirement Commission	93 %	1,030
Alcoholic Beverage Control Commission	91 %	2,582
Human Rights Commission	87 %	11,521
Military Affairs, Department of	86 %	28,595
Department of Insurance	83 %	10,231
State Treasurer	80 %	6,906

SOURCE: Information compiled from agency travel data.

Table 10 shows the ten agencies from our sample with the highest conference expenditures. Even though the Department of Education and the Department for Human Resources have high total expenditures they are below average in per employee conference expenditures because of their large number of employees. The Development Cabinet spends a large amount per employee for conference and seminar travel, probably because of its high number of professional employees and the nature of their work with federal agencies, such as the Appalachian Regional Commission and the Economic Development Administration.

TABLE 10  
 AGENCIES WITH HIGHEST CONFERENCE EXPENDITURES  
 COMMONWEALTH OF KENTUCKY  
 FISCAL YEAR 1979

	Conference Expenditures By Agency	Conference Expenditures As A Percentage of Agency Out-of-State Travel
Average For All Agencies:	\$14,686	46%
<b>AGENCY</b>		
Department of Education	\$138,636	60%
Department for Human Resources	70,120	27%
Department of Justice	42,729	21%
Department of Transportation	40,320	21%
General Assembly	38,911	78%
Department for Natural Resources	33,478	19%
Department of Military Affairs	28,595	86%
Library and Archives	24,552	73%
Legislative Research Commission	22,916	74%
Attorney General	22,479	55%

SOURCE: Information compiled from agency travel data.

Table 11 shows the ten agencies of our sample which had the highest per employee expenditures for conferences and the corresponding number of conference trips. A number of relatively small commissions are represented on this table. Many people serving on these commissions may expect travel as part of their payment for service and the decision to travel is often made and approved by the commissioners themselves.

TABLE 11  
 AGENCIES WITH HIGHEST CONFERENCE EXPENDITURES PER EMPLOYEE  
 COMMONWEALTH OF KENTUCKY  
 FISCAL YEAR 1979

	Conference Travel Per Employee	Number of Conference Trips
Average For All Agencies:	\$ 94	40
<b>AGENCY</b>		
Harness Racing Commission	\$407	10
Real Estate Commission	381	19
Racing Commission	316	12
Development Cabinet (Secy's Ofc.)	285	30
General Assembly	270	79
Kentucky Housing Corporation	246	34
Human Rights Commission	235	24
Council on Higher Education	188	38
Athletic Commission	175	4
Department of Local Government	163	39

SOURCE: Information compiled from agency travel data.

### Seminars

A professional employee's enhancement of skills and knowledge and exposure to innovation in a particular field can be effectively achieved through seminars. The private sector, the federal government and other state governments emphasize in-service training, which can take the form of workshops, institutes, courses, classes or seminars.

The state agency in our sample with the highest total out-of-state seminar expenditures was the Department for Human Resources, which spent \$92,762 in FY 1979. Other agencies with high seminar expenditures included the Department for Natural Resources and Environmental Protection (\$65,952), the Department of Transportation (\$56,114), the Administrative Office of the Courts (\$42,707) and the Department of Education (\$42,260). The agencies from our sample with the highest percentage of agency out-of-state travel for seminars



include the Administrative Office of the Courts (63 percent), the Historical Society (49 percent), the Bureau of the Blind (47 percent) and the Department of Banking and Securities (45 percent).

Agencies with the highest per employee expenditures for seminars were the Development Cabinet (\$77), the Arts Commission (\$76), and the Department of Banking and Securities (\$75). Some exceptional out-of-state trips were listed among the travel data in our sample, a few examples of which are mentioned below.

In one instance a large number of state employees attended seminars at the same location, Reno, Nevada, but at varying times over the summer. A number of Kentucky circuit and district judges attended the National Judicial College in Reno. According to information supplied by the Administrative Office of the Courts, fifty-nine such trips were made by judges or court officials in Fiscal Year 1979. These seminar trips may have been more economical if group travel or charter flights were arranged.

As Table 8 shows, the cost of out-of-state travel to both conferences and seminars is appreciable. In our sample of agencies, in Fiscal Year 1979 31 percent of the total out-of-state travel expenditures, or \$763,714, was spent on out-of-state conferences. In addition, 20 percent of the sample agencies' out-of-state travel expenditures, or \$489,863, was spent on seminars. This accounts for over one-half of all out-of-state travel in Fiscal Year 1979.

In the past, justification for conference expenditures has rested primarily on the need for exchange of ideas and contacts with counterparts in other organizations. It is expected that such exposure will improve job performance. It may also be a factor in lowering turnover. Businesses and colleges encourage and underwrite attendance at professional meetings, and the state may offer such benefits to remain competitive with other professional employers.

To encourage such opportunities, yet minimize misuse, a lower per diem rate could be established for non-mandatory trips. Mandatory trips could receive the full per diem rate or "actual" expenses.



## CHAPTER V

### TRAVEL POLICIES AND INFORMATION DISSEMINATION

All of the agencies listed in Table 2 were asked if they had published agency policy relating to travel. Most responded that they simply abide by the regulations promulgated by the Department of Finance and have no written agency policies. Four agencies did have rules pertaining to one facet of travel, but no overall policy.

Decisions as to which employee(s) should travel, frequency of travel, and destination are made solely by departmental or agency heads. With no written agency policy, these decisions could be arbitrary or based on favoritism. Our data shows that only a small number of employees do the majority of an agency's out-of-state travel. Where travel is discretionary as to person or purpose, clear guidelines should be issued.

Administrative regulations relating to travel are issued primarily by the Department of Finance. However, regulations and memoranda important to travel policy are also issued by the Department of Personnel, the Department of Parks, the Department of Transportation, the Department of Insurance—and possibly others. There is no one place in state government where all travel law, policies, regulations and memoranda are available in written form. Many states issue every employee a comprehensive manual of travel regulations; Kentucky does not. Therefore, travel information seldom reaches all employees.

An example of the failure to disseminate *pertinent* travel information involves automobile liability insurance for motor pool vehicles.

The state does not carry driver liability insurance for employees driving state cars. In Kentucky an injured party may sue either the driver or the car owner. Many employees drive state cars without this knowledge. There is no notice posted in the car. There are no regulations issued relating to auto liability insurance. In order to be covered an employee must acquire a rider on his personal insurance policy. The price of this rider varies widely for different insurance companies—from \$3.60 to \$85 yearly.

Many employees do not know that they can get reimbursement, after one year, for the cost of this rider on their insurance policy. The General Assembly appropriated funds in the 1978 session for such reimbursement. These funds are in the general appropriations bill,<sup>9</sup> and are administered by the Department of Personnel.

Even though an employee finds out that he is not covered by liability insurance, obtains a rider, and knows that legislation has been passed to cover his reimbursement, he probably does not know the process by which this reimbursement may be obtained. There are no administrative regulations relating to this program; the Department of Personnel has, however, issued two explanatory memoranda to cabinet secretaries, agency heads and to agency personnel and fiscal officers.<sup>10</sup>

The process requires action by the department head, the agency head, the insurance carrier, the Department of Personnel and the Department of Finance. Unless an employee is paying a disproportionately high rate for this coverage, he may give up on the process. It is not surprising that only a small percentage of state government employees have been reimbursed

for obtaining this rider. Only \$43,085 has been paid out for reimbursement since the biennial appropriation of \$1,100,000 for this purpose in 1978.

The greatest concern is that an employee will discover too late that he is operating a state vehicle without driver liability coverage. Employees should be made aware of this situation and state vehicles should display a warning in a prominent place. The fact that there is reimbursement legislation and a process, albeit delayed and complicated, to collect these funds should also be made known to employees.

A comprehensive travel policy manual would solve many of these problems of policy clarification and information dissemination.

### *Recommendations*

1. All state vehicles should display a notification of lack of driver liability insurance in a prominent place.
2. The Kentucky Department of Personnel should publish an employee travel manual, including all travel policy, regulations and voucher information.
3. In agencies where there is a significant amount of discretionary travel, clear guidelines as to allowable travel should be set forth.

## CHAPTER VI

### THE KENTUCKY TRAVEL REIMBURSEMENT SYSTEM

The most frequent employee complaints regarding Kentucky's travel reimbursement system are listed here.

1. Slow processing of vouchers.
2. Employees' personal funds are tied up in governmental travel expenditures.
3. The failure of the per diem system to reflect inflation in travel costs.
4. The failure of the mileage reimbursement to reflect inflation in travel costs.

#### Timeliness of Reimbursement

A common employee complaint is the excessive time it takes to be reimbursed for travel expenditures. This problem is not simply explained or solved.

The employee requesting reimbursement submits a voucher to his field or program director, from whom it is forwarded successively to the agency head, to the agency personnel or fiscal officer, and to the Department of Finance. The Department of Finance issues a warrant to the Treasurer. A check is issued by the Treasurer and sent to the agency, to the fiscal or personnel officer, to the field director and finally back to the individual employee.

At each stage of this process there is some delay, which in most cases may be termed inter-agency, intra-agency, or voucher error delay.

#### Inter-agency Delay

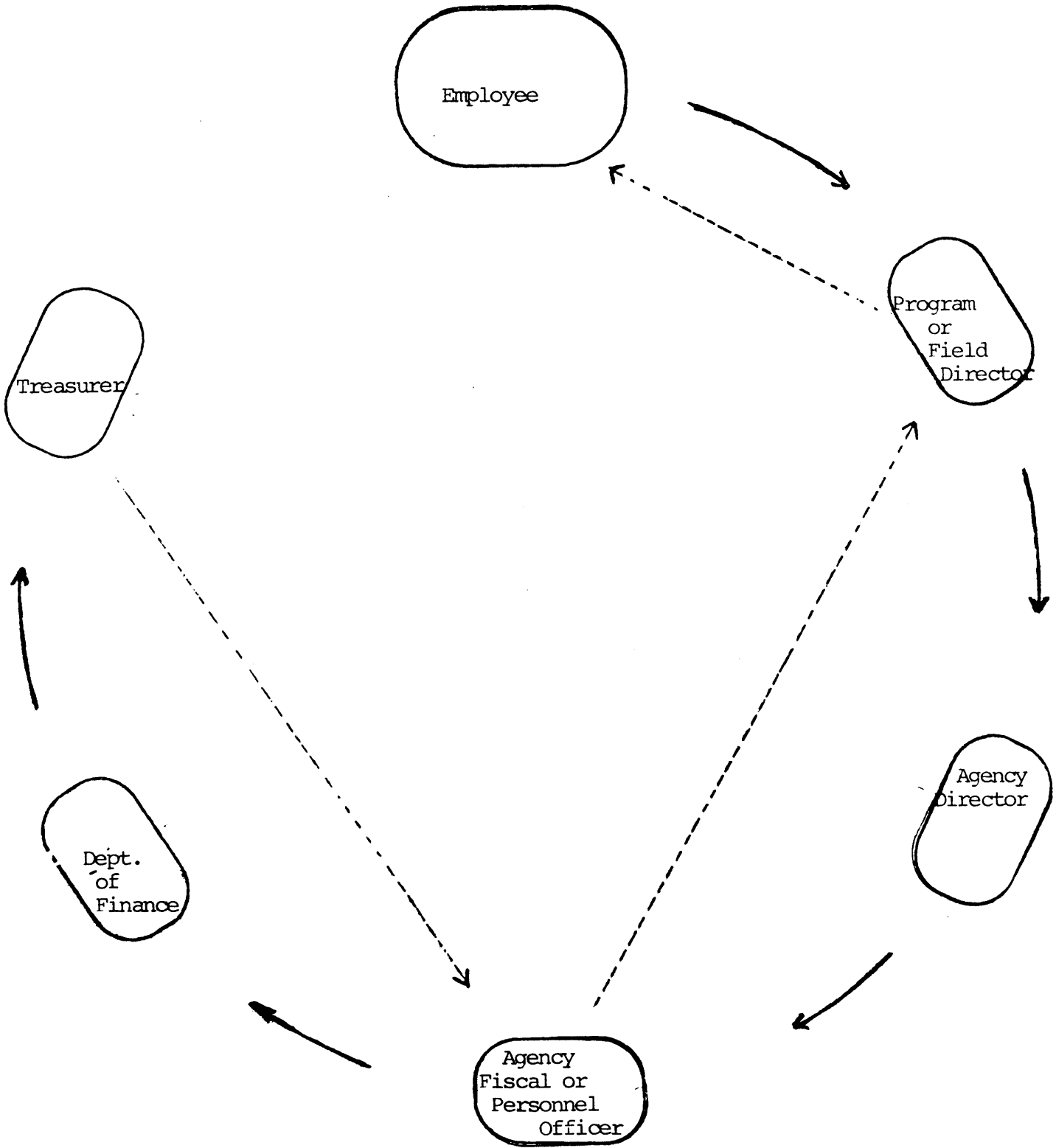
Agencies interviewed said that anywhere from seven to thirty days pass between the time a voucher leaves an agency and a check is received by that agency. In most cases it is ten to fourteen days. These delays are only for the inter-agency phase of reimbursement. There is apparently no correlation between the size of the agency and the length of time for inter-agency processing.

Upon inquiry, the Division of Accounts of the Department of Finance quoted an internal study<sup>11</sup> which showed that vouchers were processed in less than one and one-half days. This stage of the process includes receipt and approval of the vouchers, computerization of the information and issuing a warrant to the Treasurer. The Treasurer's Office estimates that the time for processing warrants from the Department of Finance for travel vouchers is one to two hours. However, the Treasurer must have both a warrant and a computer tape of the voucher in order to write the check. If the Department of Finance does not send both at the same time, the process is delayed.

With normal functioning, then, the Department of Finance and the Treasurer would only account for two of the average ten to fourteen days for the agency-to-agency processing of travel vouchers. The other ten to twelve days of average inter-agency delay cannot readily be identified.

FIGURE 4

EMPLOYEE REIMBURSEMENT PROCESS



———— Voucher  
- - - - - Check

## Voucher Error and Intra-agency Delay

According to the Department of Finance, 8.5 percent of all vouchers have errors requiring the return of the voucher to the agency or the employee for correction. This delay may more than double the processing time of the voucher. Many of the errors are due to employee unfamiliarity with travel regulations. A comprehensive travel manual could prevent these mistakes and facilitate the processing of travel vouchers.

Intra-agency delays can extend the reimbursement time another two weeks. Reimbursement time may thus run as long as one and one-half months. Employees' personal funds are tied up for this period, often losing interest that could be earned on savings deposits. Such delay may also inflict the hardship of delaying necessary purchases.

To adequately verify all the points of delay in the reimbursement process would require the tracking of a large number of vouchers throughout the entire processing and delivery system. Such an analysis would require much time and is beyond the scope of this study.

## Employee Personal Funds

In the past, employees' cash flow has been restricted by slow reimbursement. Employees have been forced to withdraw from their savings and on occasion to borrow from the Credit Union to finance work-related travel. The Credit Union had an average of \$93,000 outstanding on travel loans per month in 1979; it charges 1 percent interest each month.<sup>12</sup> It is possible that hardship to the employees could be partially alleviated by alternative methods of reimbursement. Some alternate methods are listed below.

1. Employee cash restriction has been somewhat mitigated by the use of *travel agencies* to bill the Department of Finance directly. The Travel Center at Capital Plaza booked approximately \$150,000 of state employee travel during the first three quarters of 1979. Information from the Capital Travel Agency was not made available to the committee. Travel agencies receive from 7 to 15 percent commission from airlines, hotels and car rentals for rendering this travel service.

2. *State Parks*, particularly during the off-season, are still a travel bargain and could be used more by employees. The Department of Parks will charge agencies via interaccount billing for employee travel. Agreements with state parks may be written to include both rooms and meals. This alternative would save some cash expenditure by employees and increase off-season revenues for the parks system. However, few agencies have established this interaccount billing procedure with the Department of Parks.

3. Many states have set up means for employees to receive *travel advances*. The federal government and private industry also utilize this method. This process involves additional paperwork and usually only advances 80 percent of expected travel expenses.

4. In accordance with previous legislation [KRS 45.180(6)], the Department of Finance may issue rules and regulations allowing heads of *budget units* to establish *imprest cash funds* for *reimbursement* of travel expenses. This method could eliminate from seven to thirty days of the voucher delay. It has the disadvantage of allowing payments to be made without a central independent pre-audit of vouchers. This section of the statute has never been implemented, but has the potential of providing a useful service to employees.

## *Recommendations*

1. All agencies of state government should be encouraged to establish employee interaccount billing procedures with the Department of Parks.
2. All agencies of state government should consider implementing KRS 45.180(6), to establish imprest cash funds for more timely reimbursement of employee travel expenses.

## **Existing Per Diem and Mileage Reimbursement Rates**

In accordance with KRS 45.180, the Department of Finance promulgates regulations relating to travel by state employees. The per diem regulations do not pertain to the General Assembly and employees thereof, state officers, the Courts, or to certain "other instrumentalities of state government." These individuals are reimbursed on the basis of actual expenses incurred; thus their reimbursement reflects current inflated costs.

The Department of Finance regulations instituted in January, 1977, provide for a subsistence or per diem travel allowance for meals, lodging, taxes and gratuities for state employees on official business.

For in-state travel over a 24-hour period, the maximum per diem is \$33. For out-of-state travel the maximum allowance is \$44. For localities judged to be high-rate areas, the maximum per diem is \$60 per 24-hour period.<sup>13</sup> Per diem vouchers must include a copy of the hotel bill if the employee requests the full per diem rate. There is no reimbursement for food if the employee is out of town for less than eight hours (even if the necessary trip takes place during dinner hours). Reimbursement for the use of privately owned automobiles authorized for official travel is sixteen cents per mile.

These per diem rates were instituted in January of 1977. Since that time travel costs have risen steadily. In 1979 alone the estimated inflation rate is 13 percent.<sup>14</sup> Aggregate inflation since January, 1977, may be higher than 27 percent. There has been no increase in reimbursement to compensate per diem employees for increased travel costs.

Many employees complain that in some areas the price of a hotel room alone is higher than the per diem reimbursement. The average hotel/motel room daily rental in the Southeastern region of the United States is \$39.50.<sup>15</sup> This region includes Florida, Atlanta and New Orleans, which may tend to inflate the average rate. However, both Louisville and Lexington are considered high-rate areas for traveling federal employees.

The AAA Kentucky Hotel and Motel Guide of January, 1979 listed single room rates from \$25-\$30. However, when telephone calls were made to a random selection of these hotels and motels, only one of the sample had a room available at the lower prices. Kentucky hotels and motels with large meeting rooms and those located near convention centers average \$10 to \$15 more per night.

As can be seen from the above rates, when hotel charges are subtracted from the per diem allowance, little is left for food. It appears from the above analysis that employees' complaints are legitimate. Employees may lose money when traveling on state business. This hardship could discourage necessary travel by state employees.

Program Review and Investigation Committee staff have reviewed employee travel studies from other states published since 1970. Due to inflation, information on per diem or



subsistence rates provided little help for comparison. In order to obtain more timely data, questionnaires regarding current per diem and mileage rates were sent to legislative analysts and auditors in seven surrounding states. Reimbursement from the five states responding is compared below.

STATE	EMPLOYEE REIMBURSEMENT	LEGISLATIVE REIMBURSEMENT <sup>16</sup>
Indiana	actual room plus \$15 food	\$44
Illinois	actual room plus \$13 food	actual room plus \$14 food
N. Carolina	\$31 in-state; \$39 out-of-state	\$44
Tennessee	actual room plus \$12 food	same travel rate
W. Virginia	actual room plus \$15 food	same travel rate

Four states provide reimbursement for the actual cost of the room and a set allowance for meals. If this meal allowance were added to the average cost of a hotel room in Kentucky, the cost would range from \$39.50 to \$42.50 per day. Adjusting for motels or hotels with large meeting rooms or located near a convention center, the cost would be from \$49.50 to \$57.50.

Three of the above states (Indiana, Illinois and North Carolina) indicated that new travel rates are presently under consideration.

### **Failure of the Mileage Reimbursement Rate to Reflect Inflation**

According to Department of Finance regulation (200 KAR 2:050) an employee may receive sixteen cents per mile for private automobile use when traveling on state business. The relationship of this regulation to the present costs of motor vehicle operation is a clear example of the unadaptability of Kentucky's reimbursement system. The mileage rate has not been updated since January, 1977, while gasoline and other transportation costs have been rising at an unprecedented rate.

The American Automobile Association publishes annual estimates of the operating costs for private passenger cars,<sup>17</sup> which include a combination of variable and fixed costs, with a built-in expansion formula for graduated gasoline prices. (For every ten cents per gallon increase in the price of gas, the per mile cost of running a car increases by one cent, if the car gets ten miles per gallon, and by one-half cent if the car gets twenty miles per gallon.)

Table 12 is based on the AAA estimates and a gasoline price of 94.2 cents per gallon. The estimates assume that the automobile is driven at least 15,000 miles per year. For lower mileage, the fixed costs and thus cost per mile would be higher than figures presented in the table. Table 12 shows that car operation costs run considerably higher than Kentucky's present reimbursement rate.

TABLE 12

ESTIMATED PER MILE COSTS OF  
OPERATING A PRIVATE PASSENGER CAR  
UNITED STATES, 1979

	Rural (Low Cost)	Metropolitan (High Cost)	Average Cost
Compact	16.1 cents	20.2 cents	18.2 cents
Intermediate	18.1 cents	22.6 cents	20.4 cents
Standard	19.2 cents	24.1 cents	21.7 cents

SOURCE: Based on figures developed by Runzheimer and Company, Rochester, Wisconsin, for the American Automobile Association, *Your Driving Costs*, January, 1979.

In the five surrounding states responding to our questionnaire, the present average mileage reimbursement is 18.4 cents per mile.

STATE	PER MILE REIMBURSEMENT
Indiana	16 cents
Illinois	20 cents
North Carolina	19 cents
Tennessee	17 cents (19.96 cents for legislators)
West Virginia	20 cents

*Recommendation*

Mileage rates should be updated to reflect increased costs.

**Updating Methods**

In some states, travel policy and subsistence rates are negotiated in the same manner as salaries, hours, benefits and other terms and conditions of employment.<sup>18</sup> In many states (see Chapter I) the legislature determines the actual per diem and mileage rates. In Kentucky, with only one session in a two-year period, a set reimbursement approach could not be responsive to changing conditions. If a travel allowance is to remain adequate over a two-year period in the face of continually rising costs, it must initially be set at a level higher than actual costs, which results, of course, in some overcompensation. However, unless the per diem rate is set approximately 20 percent higher than necessary it cannot remain adequate during the latter part of a two-year period as costs overtake the allowance. Undercompensation becomes a problem and an inconvenience is created for employees who must travel.

The per diem could be legislatively determined, however, if it were tied to a price index. In Kentucky, this system is presently used to update the salaries of constitutional officers.

## A Method for "Indexing" Kentucky State Government Employee Travel Reimbursements to the Consumer Price Index

"Indexing" simply means adjusting a price to reflect an increase or decrease in cost. The Consumer Price Index (CPI) is the most widely used and best known price index. "The CPI is a monthly statistical measure of the average change in prices of goods and services purchased by consumers for day-to-day living."<sup>19</sup>

Table 13 indexes the state employee travel reimbursement schedule. The CPI item "Private Transportation" is selected to index the per-mile rates for private auto usage, because its sub-components relate strictly to automobile ownership. The CPI item "Food Away from Home" is used to index per diem subsistence reimbursements. Hotel and motel rooms are not treated separately in the CPI. However, increases in hotel costs tend to be correlated with increases in costs of food away from home.

In Table 13 all reimbursements are rounded to the nearest cent per mile for private auto use and to the nearest dollar per day for subsistence. The table computes the percentage change in the relevant CPI item from the base years each time, rather than computing a year-to-year change. Either method would lead to the same result.

The CPI indicates, then, that, as of September, 1978, Kentucky State Government employees were being reimbursed 12 percent less than they were in 1977 for private automobile usage, and 18 percent less for subsistence. If the 1977 reimbursement schedule was fair, then clearly an adjustment is necessary.

The CPI was revised in 1978 to include "all urban consumers" rather than "urban wage earners and technical workers." The "all urban consumers" index is broader than the old index, but still does not reflect prices in rural areas, which are generally lower than in urban areas. Thus, if Kentucky's reimbursement schedule is indexed by the method shown in Table 13, travelers to some rural areas would be slightly overcompensated.

### *Recommendation*

The General Assembly should consider legislation to update annually the state employee travel reimbursement, both per diem and mileage, by use of the Consumer Price Index.

TABLE 13

INDEXED EMPLOYEE TRAVEL REIMBURSEMENT,  
COMMONWEALTH OF KENTUCKY

	Reimbursement Schedule January, 1977	CPI September 1976	CPI September 1977	% Change In CPI	Indexed Reimbursement Schedule January, 1978	CPI September 1978	% Change In CPI September 1976 TO September 1978	Indexed Reimbursement Schedule January, 1979
Private Auto Use	\$ .16/mile	168.6*	177.8	5.46	\$ .17/mile	188.3	11.68	\$ .18/mile
Subsistence								
In-State	\$ 33/day	188.7**	203.7	7.95	\$ 36/day	232.2	18.28	\$ 39/day
Out-of-State	\$ 44/day	188.7**	203.7	7.95	\$ 47/day	232.2	18.28	\$ 52/day
High Cost Areas	\$ 60/day	188.7**	203.7	7.95	\$ 65/day	232.2	18.28	\$ 71/day

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor, Monthly Labor Review.

\* The Component "Private Transportation" of the CPI, as reported in the Monthly Labor Review, November, 1977 (September 1976 CPI), and December, 1978 (September, 1977 and September, 1978 CPI).

\*\* The Component "Food Away from Home" from the same sources.

## CHAPTER VII

### SUGGESTED METHODS FOR ECONOMIZING ON STATE EMPLOYEE TRAVEL

#### Air Fleet

With the recent negative publicity surrounding the air fleet, due primarily to its poor recordkeeping, failure to bill certain agencies and individuals, and the unsanctioned use of Capital Construction funds, many agencies are hesitant to make use of these facilities. If the state wishes to maintain an air fleet, however, with its inherent high fixed costs, employees should be encouraged to use this service rather than commercial carriers. If the air fleet is to be permanent, greater utilization would tend to lower costs per trip or per passenger.

In addition, if the fleet is to be maintained, *accounting and reporting procedures must be improved*. In the past neither passengers, dates nor destinations have been regularly recorded. Agencies and individuals have not been billed for services they have received. The Auditor's studies indicate that 40 percent of the flights are not billed out.<sup>20</sup> Billing should reflect the true costs of operating the air fleet.

Thorough analysis of air fleet cost efficiency would require detailed comparison of actual air fleet costs per trip and per passenger with estimated costs of obtaining equivalent services by other means—commercial airlines, charter aircraft, private vehicles and motor pool vehicles. Perhaps such a study should analyze the five passenger aircraft in the air fleet separately from the seven special purpose aircraft.

#### Common Destination Travel

On any given day many employees travel to common destinations. (Frequency of travel to certain out-of-state cities is indicated in Chapter IV.) There were 1,132 trips to Washington and 909 trips to Atlanta in FY 1979: on average five employees traveled to Washington and three employees traveled to Atlanta each workday of FY 1979. These trips are scattered among many different agencies and there is no control point at which the trips can be coordinated. Even within single agencies there is little coordination (see Chapter IV). With the high rates of travel to Washington and Atlanta, the state should also investigate the possibility of annual rental of hotel rooms in those areas.

Destination and purpose of in-state travel is not entered into the computer system and therefore is not presently accessible. If this information were available, it would probably show patterns similar to the out-of-state travel data.

Travel funds could be saved by avoiding individual travel to common destinations. The air fleet, the motor pool, and group rates (for housing as well as travel) could be more efficiently utilized if there were communication and coordination among agencies. With a coordination point located within state government, employees could pre-file destinations and group travel could be arranged by air fleet, motor pool or by commercial carrier. Mandates or incentives could be used to encourage individual and agency compliance.

### *Recommendation*

Legislation should be enacted to form an Office of Employee Travel. This office could be located either in the new Department of Tourism or in the Purchasing Division of the Department of Finance.

### **Conferences and Seminars**

A great deal of money and time is spent on conference and seminar travel by Commonwealth employees. Helping to keep employees current in their field can be beneficial to the state in at least two ways. An employee can learn to perform his job more efficiently by keeping up with the latest techniques and maintaining necessary contacts with peers in other states, and states may be able to keep highly qualified personnel by providing them conference and seminar benefits offered by academia and industry.

Our data shows that there, unfortunately, are agencies in which a few employees use over half of the agencies' travel funds. This imbalance could mean abuse by a few employees and the consequent slighting of professional personnel who need in-service training.

There are many ways in which money might be saved on conference and seminar travel.

1. When more than one employee is going to a conference or seminar, group travel and group rates should be arranged.

2. Consideration should be given to having a lower per diem rate for optional conferences and seminars than for mandated travel. If so, there should be no "as necessary" reimbursement for conference travel. Employees probably would not mind a few "out-of-pocket" expenditures on such trips if they could be fully reimbursed for mandatory travel.

3. If more conferences and seminars were held in Kentucky, particularly at state parks, there would be less travel expense, more revenue for the state and for the park system. An Office of Employee Travel could coordinate conference and seminar travel for all of the state agencies. When an agency is interested in a training program or seminar, the Travel Office could arrange travel, housing and the training unit. It could also contact national professional organizations to interest them in Kentucky as a conference site.

4. Kentucky has one of the best park systems in the country. Sixteen of the parks have meeting areas adequate for conferences (see Figure 5). There should be greater use of the park system during the off-season for in-state conferences and seminars. The rates are reasonable, the facilities are comfortable and attractive, and revenue would thus be returned to the state.

FIGURE 5

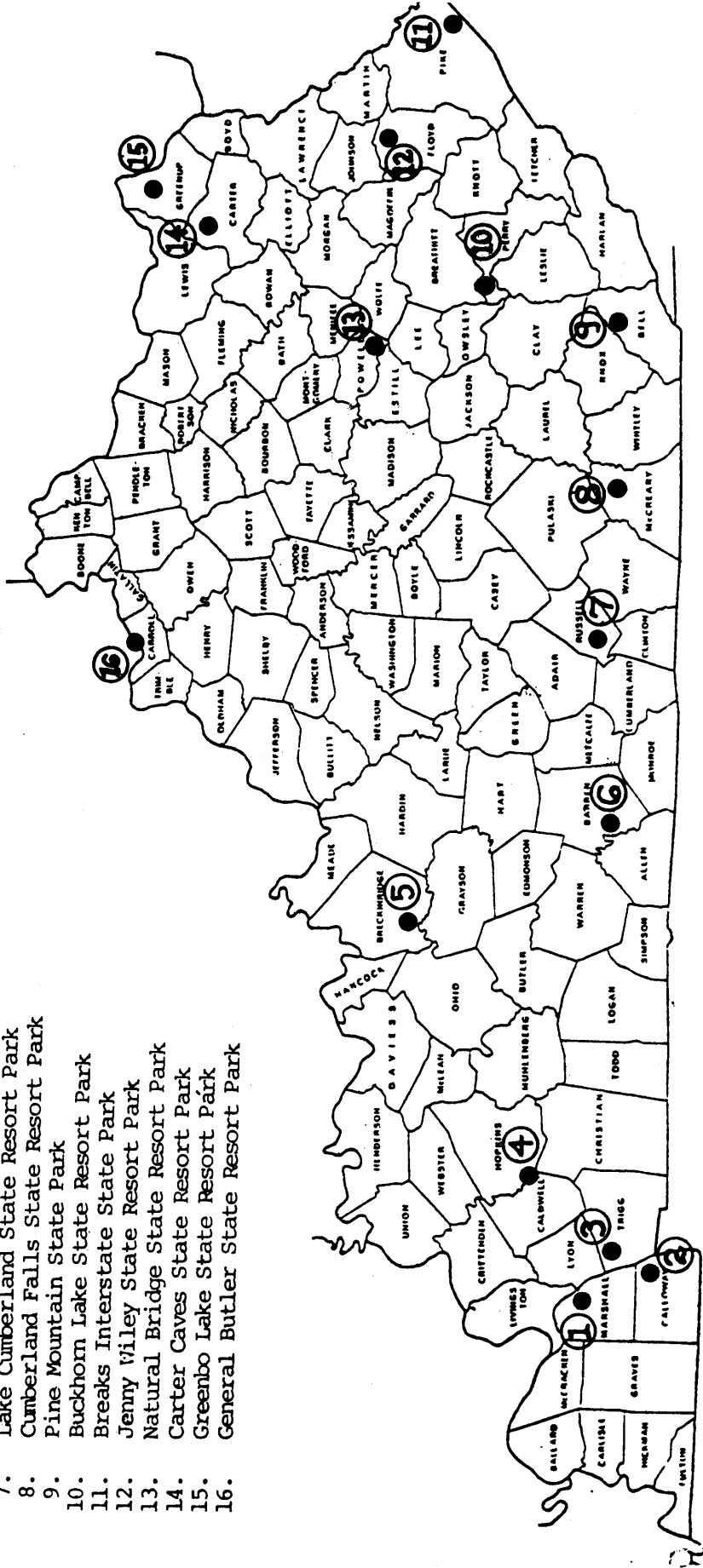
STATE PARKS HAVING CONFERENCE FACILITIES

COMMONWEALTH OF KENTUCKY

FY 1979

KEY

1. Kentucky Dam Village State Park
2. Kenlake State Park
3. Lake Barkley State Resort Park
4. Pennyrile Forest State Park
5. Rough River Dam State Park
6. Barren River Lake State Park
7. Lake Cumberland State Resort Park
8. Cumberland Falls State Resort Park
9. Pine Mountain State Park
10. Buckhorn Lake State Resort Park
11. Breaks Interstate State Park
12. Jenny Wiley State Resort Park
13. Natural Bridge State Resort Park
14. Carter Caves State Resort Park
15. Greenbo Lake State Resort Park
16. General Butler State Resort Park



SOURCE: Kentucky State Parks, 1979.

## Discounts

State employees now get small "government" discounts at one motel chain throughout the state and two individual hotels in Louisville. The state has no travel purchasing division or office to solicit such discounts; these establishments came to state government to offer their services. Moreover, the Kentucky Hotel and Motel Association has offered its newsletter free of charge to solicit such discounts. But no office within state government is authorized to make such a request. Should the state establish such an agency, it could also solicit discounts from restaurants and car rental agencies.

### *Recommendation*

An Office of Employee Travel (or an existing functional unit within state government) should negotiate discounts or government rates with hotels, motels and other appropriate vendors of food, lodging and transportation services across the Commonwealth to reduce travel costs.

In the past the American Society of Travel Agents has maintained policies which prohibit governments from writing their own business-travel airline tickets and receiving accompanying discount savings. The National Association of State Purchasing Officials has recently asked the anti-trust divisions of the federal and states' justice departments to investigate this restriction for possible anti-trust violations.<sup>21</sup>

An Office of Employee Travel could actually function as a travel agency for state employees; savings in commissions could run over a million dollars a year.

## Motor Pool vs. Private Car Usage

Figure 6 demonstrates that Kentucky state employees use private automobiles much more frequently than motor pool vehicles. Private car usage took an upward jump in FY 1978 and had a slight decline in FY 1979. At sixteen cents per mile, the 55.2 million mile private car reimbursement was \$8,832,000 in FY 1978 and is estimated to have been \$8,576,000 in FY 1979. This is almost one-third of all state employee travel expenditures. With gasoline and automobile prices rising, these costs will also continue to rise.

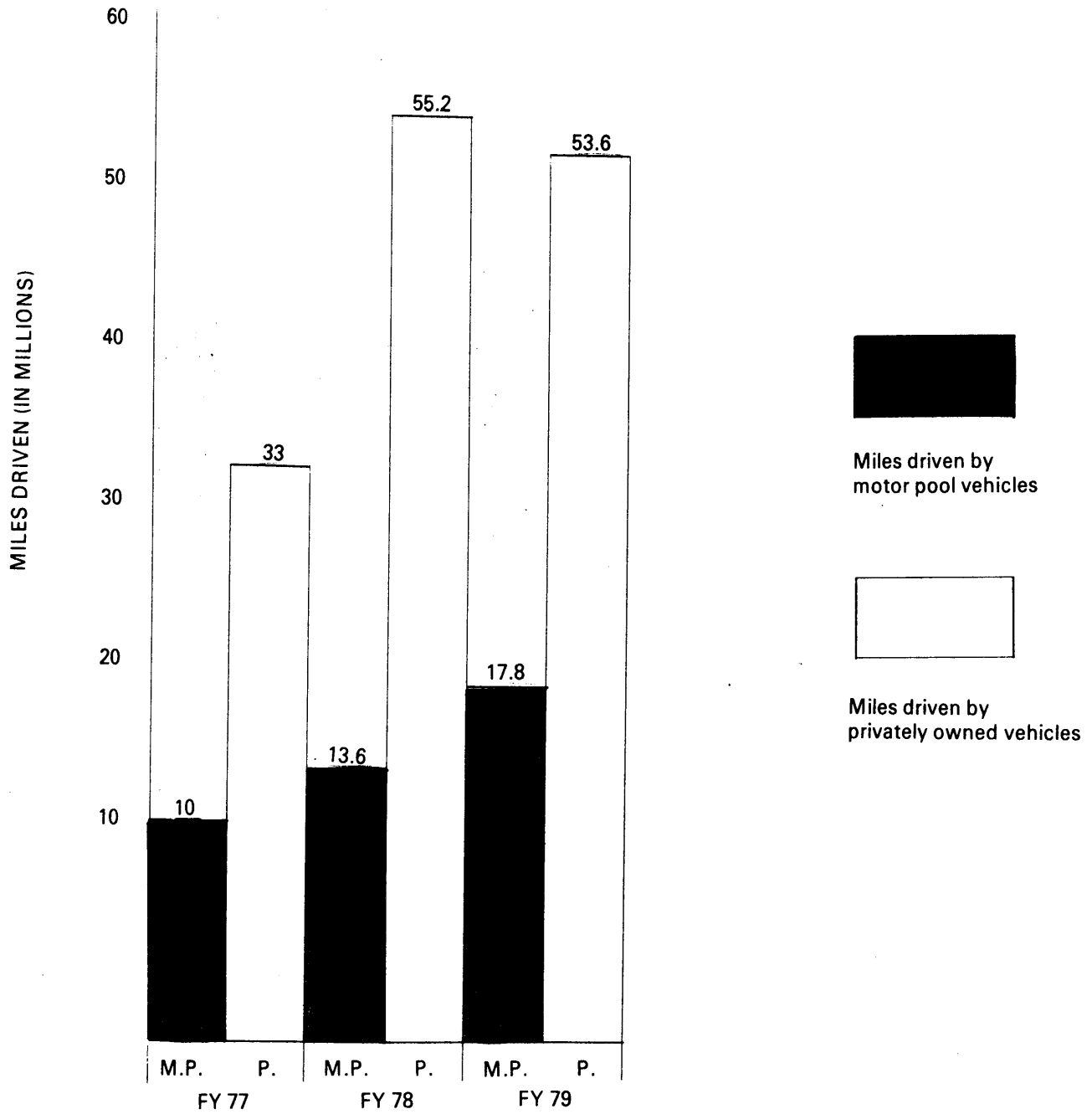
At present gasoline prices, our data indicates, it costs about twenty cents per mile to operate a standard size private automobile. The motor pool states that its per mile charges to agencies for pool vehicles are:

14.6 cents	compact automobile
15.8 cents	full size automobile
18.6 cents	station wagon
22.3 cents	mini-bus

Considering the present cost of operating and maintaining private vehicles and the price charged by the motor pool, it may be that the state does not want to encourage the use of private vehicles by raising the mileage reimbursement. Other states have various methods of encouraging motor pool usage. In nineteen states, if a state car is available, an employee may not elect to use his private automobile.<sup>22</sup> Some states have one private car mileage reimbursement rate if a state car is available and a higher rate of reimbursement if no state car is available. A few states pay full mileage reimbursement only when there is more than one passenger.



**FIGURE 6**  
**MILES DRIVEN BY STATE EMPLOYEES \***  
**MOTOR POOL & PRIVATE CARS,**  
**FISCAL YEARS 1977-1979**



SOURCE: Kentucky Department of Finance

\* FY 1979 figures are estimates on 7 months of data available from the Department of Finance.

Encouraging increased motor pool usage assumes that such travel would be more economical. However, in Kentucky such assumptions are presently unsubstantiated.

Whether the rates charged by the motor pool in Kentucky truly reflect actual motor pool costs is unknown. It would be necessary to ascertain auto purchase prices, fleet mix, gasoline costs, maintenance costs and operational costs to properly evaluate motor pool efficiency.

Determining travel costs in terms of motor pool expenditures is further complicated by the number of vehicles currently leased by individual agencies on a yearly basis. The cost effectiveness of agency leasing has not been analyzed and the amount spent on them may not be coded into the Expenditure Analysis Report under "travel," since it may be variously coded under such categories as "vehicles," "miscellaneous," or "maintenance."

For these reasons, the Program Review and Investigation Committee staff is presently unable to evaluate the cost efficiency of motor pool vs. private car usage. Increased motor pool usage may be the more cost-effective method of employee travel. However, without further motor pool and leasing cost information, such recommendations would be unsupported.

#### *Recommendation*

An analysis of motor pool policies, operations and costs should be undertaken. Included in the study should be vehicles owned or leased by the agencies and entities of state government.

## FOOTNOTES

1. The Council of State Governments. *State Subsistence, Mileage, and Air Travel Rates and Regulations, 1975*.
2. Since October, 1979 (FY 1980), interim travel by legislators is no longer categorized as non-state employee travel.
3. The Environmental Quality Commission (EQC) was omitted from the original sample. Late in its investigation staff determined that travel information received from the Department of Finance via the Expenditure Analysis Report was in error. EQC travel data included travel information of at least one other Commission.
4. While this is a relevant statistic, it is important to note that travel expenditures per employee may provide a better, more comparable measure of travel use among agencies. These statistics begin with Table 4.
5. Interaccount Billing (copies of actual vouchers), Office of Policy and Management, Kentucky Department of Finance.
6. Auditor of Public Accounts, Audit of the Office of Air Transport, Division of Flight Operations, July 10, 1978.
7. Expenditure Analysis Report, Year End FY 1979, Kentucky Department of Finance, July 16, 1979.
8. Review of the Capital Construction Fund, Auditor of Public Accounts, January 9, 1979.
9. Chapter 167, page 513, Budget Appropriation for the Department of Personnel.
10. A copy of the Department of Personnel's Memorandum No. 101 is in Appendix B.
11. Division of Accounts Pre-Audit, Analysis of Sample Results, July 1, 1978 through December 31, 1978, Transaction Type: Travel, Kentucky Department of Finance.
12. Actual funds borrowed from the Credit Union may be greater than presented. Some employees increased existing "open ended" personal loans rather than reapply for travel loans.

13. A list of the high-rate areas, as determined by the Department of Finance, is included in Appendix A.
14. Bureau of Labor Statistics, U. S. Department of Labor.
15. The American Hotel and Motel Directory Corporation, 888 Seventh Avenue, New York, N. Y., 10019.
16. The Council of State Governments, *Legislative Compensations. Revised: February 19, 1979.*
17. American Automobile Association, *Your Driving Costs*, 1979, Falls Church, Virginia.
18. Legislative Commission of Expenditure Review, State of New York, *State Travel Costs*, December, 1977.
19. Bureau of Labor Statistics, U. S. Department of Labor, *Monthly Labor Review*, Vol. 99, No. 12, December, 1975, p. 80.
20. Auditor of Public Accounts. *Review of the Utilization and Control of State Owned Aircraft*, July 10, 1978, p. 9.
21. The Council of State Governments, *State Headlines*, October 19, 1979, No. 79-21.
22. The Council of State Governments, *State Subsistence, Mileage, and Air Travel Rates and Regulations*, 1975.

APPENDIX A  
TRAVEL POLICY MEMORANDUM DESIGNATING  
HIGH RATE LOCALITIES



COMMONWEALTH OF KENTUCKY



Executive Department for  
Finance and Administration

Number

BO-120-15-00

Effective Date

July 1, 1978

Expiration Date

POLICY

Replaced

Authorized By

SUBJECT: Travel Reimbursement

Kentucky Administrative Regulations relating to travel require the Secretary of the Department of Finance to issue a list of localities, which qualify for reimbursement as a "high rate locality".

Effective January 1, 1978, the following localities were designated "high rate localities":

*Anaheim, California	Corporate limits
Atlanta, Georgia	Corporate limits (including Atlanta Airport)
Atlantic City, New Jersey	Corporate limits
Baltimore, Maryland	Corporate limits
Boston, Massachusetts (including Cambridge, MA)	Corporate limits
Chicago, Illinois	Cook County
Cleveland, Ohio	Corporate limits
Dallas, Texas	Corporate limits
Denver, Colorado	Corporate limits
Detroit, Michigan	Corporate limits
Hilton Head, South Carolina	Island
Honolulu, Hawaii	Island
Houston, Texas	Corporate limits
Jacksonville, Florida	Corporate limits
Kansas City, Missouri	Corporate limits
Las Vegas, Nevada	Corporate limits
Los Angeles, California	County of Los Angeles
Miami, Florida and Miami Beach	Corporate limits
Milwaukee, Wisconsin	Corporate limits
Minneapolis, Minnesota	Corporate limits
Montreal, Canada	City
Newark, New Jersey	Corporate limits
New Orleans, Louisiana	Corporate limits
New York, New York	Boroughs of the Bronx; Brooklyn, Manhattan, Queens and Staten Island
Oakland, California	Corporate limits
Philadelphia, Pennsylvania	City limits
Phoenix, Arizona	Corporate limits

Pittsburg, Pennsylvania	Corporate limits
Portland, Oregon	Corporate limits
St. Louis, Missouri	Corporate limits
San Diego, California	Corporate limits
San Francisco, California	Corporate limits
Seattle, Washington	Corporate limits
Tampa, Florida	Corporate limits
Toronto, Canada	City
Tulsa, Oklahoma	Corporate limits
Washington, DC	Corporate limits of Washing- ton, DC; the cities of Alexandria, Falls Church of Arlington, Loudown, and Fairfax in Virginia, and the counties of Montgomery and Prince George in Mary- land

\*Effective July 1, 1978

See 200 KAR Chapter 2 for all travel regulations. If further assistance is necessary, contact the Department of Finance, Division of Accounts.



APPENDIX B

DEPARTMENT OF PERSONNEL MEMORANDUM 101,  
EXTENDED AUTO LIABILITY INSURANCE COVERAGE REIMBURSEMENT





COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF PERSONNEL  
CAPITOL ANNEX  
FRANKFORT, KENTUCKY 40601

Addie D. Stokley  
Commissioner

Julian M. Carroll  
Governor

PERSONNEL MEMORANDUM # 101

TO: Cabinet Secretaries  
Agency Heads  
Personnel Officers  
Fiscal Officers

FROM: Addie D. Stokley, Commissioner  
Department of Personnel *Addie D. Stokley*

SUBJECT: Increased Employee Benefits--Extended Non-Owned  
(Drive Other Car) Auto Liability Insurance  
Coverage Reimbursement

DATE: October 1, 1979

The Department of Personnel is pleased to announce that increased benefits are being provided under the extended non-owned (drive other car) auto liability insurance coverage reimbursement program. These increased benefits are summarized as follows:

1. The limits of "extended non-owned (drive other car) coverage" for which we provide reimbursement have been increased from 10/20/5 to 100/300/50 - figures more in line with coverage generally carried by the average employee;
2. Claims in the amount of \$5.00 or less need not be accompanied by insurance agent's verification.

In an effort to promote a more efficient document-processing system, the following changes have been made in the procedures for reimbursing the cost of "extended non-owned (drive other car) coverage" to employees required to drive State vehicles:

1. A new, simplified, Form P-25 (Request for Extended Non-Owned Coverage Reimbursement) has been provided (attached);
2. Detailed guidelines are provided for the employee (on back of Form P-25) and for the employing agency (attached);
3. Agencies will now be reimbursed by means of an inter-account bill (explained in agency guidelines).

It is hoped that these changes, to take effect July 1, 1979, will make filing for reimbursement more beneficial and easier for both the employee and the employing agency. Should there be any questions about the program or the procedures, please direct all inquiries to the following office:

Department of Personnel  
Division of Employee Services  
Room 254, Capitol Annex  
Frankfort, KY 40601

Phone: (502) 564-6700

In order to help ensure a full understanding of the policies and procedures to effectively administer the automobile liability insurance reimbursement program, the moving expense reimbursement, and the workmen's compensation program, there will be a meeting at 2:00 p.m. October 10th in the auditorium of the State Office Building.

10/10/78  
10/10/78  
10/10/78

COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF PERSONNEL

REQUEST FOR EXTENDED NON-OWNED COVERAGE REIMBURSEMENT

EMPLOYEE'S STATEMENT

NAME (type or print)

1. \_\_\_\_\_  
Last First MI

AGENCY (type or print)

2. \_\_\_\_\_  
Department Bureau Division Unit Work Location

3. CLAIM PERIOD  
From \_\_\_/\_\_\_/\_\_\_ to \_\_\_/\_\_\_/\_\_\_

I hereby certify, subject to the provisions of KRS 523.100 (unsworn falsification to authorities), that these are proper charges in discharge of official business and that all data furnished herewith are true and correct to the best of my knowledge.

(Must be a 12-month period ending before claim is submitted, date entered in Item 5.)

4. CLAIM AMOUNT  
\$ \_\_\_\_\_

EMPLOYEE'S SIGNATURE \_\_\_\_\_ DATE \_\_\_/\_\_\_/\_\_\_

If Claim Amount (#4) is \$5.00 or less, do not fill out Section II (Agent's Verification). Submit as is with travel voucher. If claim amount is greater than \$5.00, take this form to insurance agent to complete Section II (Agent's Verification).

II. AGENT'S VERIFICATION

AGENT'S NAME (type or print)

CARRIER (Insurance Company)

6. \_\_\_\_\_  
Last First MI

7. \_\_\_\_\_

8. Has individual named in Section I had "Extended Non-Owned Coverage" (Drive Other Car Coverage) with this company for all, or part, of the "claim period" stated in Item #3?

yes  no

If coverage was for part of this period, please indicate what part:

From \_\_\_/\_\_\_/\_\_\_ To \_\_\_/\_\_\_/\_\_\_

9. How much was this individual charged for the "Extended Non-Owned Coverage" (Drive Other Car Coverage) over the above-indicated claim period? \$\_\_\_\_\_.  
(If this individual's regular coverage is greater than 100/300/50, then indicate the pro rata share of "Extended Non-Owned Coverage" (Drive Other Car Coverage) for the limits of 100/300/50: \$\_\_\_\_\_.)

AGENT'S SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ AGENT'S TELEPHONE \_\_\_\_\_

10. \_\_\_\_\_ / / ( ) - \_\_\_\_\_

## Eligibility

1. An eligible employee is any full-time employee of the Commonwealth who has purchased "extended non-owned coverage" (drive other car coverage) to his auto liability insurance because he must use a State vehicle in the performance of his job.
2. In order to file for reimbursement for the cost of "extended non-owned coverage," the eligible employee must satisfy the following requirements:
  - a. The employee must have been in State service the preceding 12 months.
  - b. The employee must have been in a job which required the use of a State vehicle for the preceding 12 months.
  - c. The employee must have carried "extended non-owned coverage" for the preceding 12 months.

NOTE: REIMBURSEMENT IS MADE ONLY FOR THE COST OF THE "EXTENDED NON-OWNED COVERAGE," NOT FOR ENTIRE COST OF THE AUTO LIABILITY INSURANCE POLICY.

## Instructions

1. Employee completes Section I (Items 1-4) on Form P-25.
  - a. No alteration (erasure, x-out, sno-pak, mark out) of Items 3 or 4 is acceptable. If a mistake is made on Items 3 or 4, another form must be completed.
2. If Claim Amount (Item 4) is \$5 or less, go to step 4 in instructions.  
NOTE: IF CLAIM AMOUNT IS OVER \$100, SEE SPECIAL CASES BELOW.
3. Employee has his insurance agent complete Section II (Items 6-10) on Form P-25.
  - a. No alteration (erasure, x-out, sno-pak, mark out) of Items 8 or 9 is acceptable. If a mistake is made on Items 8 or 9, another form must be completed.
  - b. If coverage has been obtained from more than one insurance company during the 12-month claim period, each company's agent completes separate Form P-25's - Section II - Agent's Certification. All forms should be attached and submitted at the same time.
4. Employee prepares a travel expense voucher to accompany Form P-25; this expenditure is indicated in the "miscellaneous" section of the travel expense voucher.
5. Employee submits Form P-25 and travel expense voucher to his employing agency for reimbursement.

## SPECIAL CASES

If any of the following conditions exist, employee should contact the State agency listed below for reimbursement procedures:

Division of Employee Services  
Department of Personnel  
New Capitol Annex  
Frankfort, KY 40601 (Phone: (502) 564-6700)

1. Claim Amount is over \$100.
2. Employee does not own an automobile.
3. Termination of eligibility before 12 months for one of the following reasons:
  - a. terminated State employment
  - b. placed on official leave without pay
  - c. transferred to a position that does not require use of State vehicle

# Sample Inter-Account Bill

FORM B120-2  
FORMERLY AP-2

## COMMONWEALTH OF KENTUCKY INTER-ACCOUNT BILL

Departmental Bill No. \_\_\_\_\_  
Date TODAY'S DATE

1  
Charge  
Department of Personnel

Supplied to: CHARGE  
 Department: DEPARTMENT OF PERSONNEL Fund: \_\_\_\_\_  
 Division or Institution: \_\_\_\_\_ Account No. \_\_\_\_\_  
 Allotment or Revolving Acct. Name: \_\_\_\_\_

Supplied by: CREDIT  
 Department: EMPLOYING AGENCY Fund: \_\_\_\_\_  
 Division or Institution: \_\_\_\_\_ Account No. XXX-XX-XXXX  
 Allotment or Revolving Acct. Name: \_\_\_\_\_

Send this Bill in Quadruplicate Directly to:  
 DIVISION OF ACCOUNTS  
 EXECUTIVE DEPARTMENT FOR  
 FINANCE AND ADMINISTRATION  
 CAPITOL ANNEX  
 FRANKFORT, KY. 40601

Insert Encumbrance Number Below

LEAVE BLANK  
 VOUCHER NO. \_\_\_\_\_  
 ENCUMBRANCE LIQUIDATION

2  
Program  
Title

3  
Names of Employees  
Who received reimbursements

4  
Claim periods,  
Item 3 on form P-25

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT	LEAVE BLANK
EXTENDED COVERAGE REIMBURSEMENT					
		Connie Baldwin	3/78-3/79 F 82576	25.80	
		Chris Belvey	4/78-4/79 H 45203	3.60	
		Bob Huddleston	7/78-7/79 F 78903	4.40	
		Norma Johnson	2/78-2/79 H 12347	5.30	
		Nick Piacsek	1/76-1/79 F 88034	75.00	
		Rae Smith	4/76-4/79 F 99992	115.00	
		Anna Merla Vansant	2/78-3/79 H 55532	3.60	
		Terri Watkins	3/78-3/79 F 65732	25.80	
The above claims have been reviewed and found correct. We maintain the necessary documentation in our files for audit purposes.					
TOTAL AMOUNT				258.50	

5  
Voucher  
Numbers

6  
Claim accounts  
Item 4 on p.

7  
Statement must be  
Included with each  
Agency request for  
reimbursement

I hereby certify that the items listed above were furnished to the organization unit indicated and that the prices charged are proper.

Approved: \_\_\_\_\_  
 HEAD OF BILLING DEPARTMENT OR AUTHORIZED AGENT  
 CONTROLLER

PARTIAL DELIVERY  CHECK ONE  
 COMPLETE OR FINAL DELIVERY

I certify that the items described above were received and inspected by me, that the quantities were as stated, and that the condition was satisfactory except as otherwise noted.

RECEIVING DEPT. HEAD OR AUTHORIZED AGENT

FINANCE DEPT. COPY

## Instructions for State Agencies

1. If claim amount is less than \$100 authorized agency head signs travel expense voucher.

This certifies the following:

- a. employee has been in State service for the 12 month claim period in Item on Form P-25.
- b. employee has been in a job which required the use of a State vehicle for the 12 month claim period in Item 3 on Form P-25.
- c. employee has carried "extended non-owned coverage" (drive other car coverage) for the 12 month claim period in Item 3 on Form P-25.

NOTE: DO NOT SIGN TRAVEL VOUCHER IF CLAIM AMOUNT IS OVER \$100 UNLESS FORM AND TRAVEL EXPENSE VOUCHER HAS BEEN STAMPED AND APPROVED BY THE DEPARTMENT OF PERSONNEL, DIVISION OF EMPLOYEE SERVICES.

2. Agency submits Form P-25 and travel expense voucher to Department of Finance.
3. Agency retains copy of Form P-25 for their own files.
4. Each month employing agency prepares an inter-account billing the Department of Personnel for extended non-owned coverage reimbursements.
5. See sample on back for instructions on preparing inter-account billing.

### INSTRUCTIONS

#### How to Change to New System

A moratorium has been placed on extended non-owned (drive other car) coverage reimbursements from July 1, 1979 to October 30, 1979.

If employees wish to file for the higher limits (100/300/50), agencies have until October 30, 1979 to rescind reimbursement requests made after July 1, 1979.

All old P-25's which remain in the Department of Personnel after October 30, 1979 will be processed.

Only the revised P-25 will be accepted after October 30, 1979.



APPENDIX C  
WRITTEN RESPONSES OF THE DEPARTMENT OF FINANCE  
AND THE DEPARTMENT OF PERSONNEL



JOHN Y. BROWN, JR.  
GOVERNOR



GEORGE L. ATKINS  
SECRETARY

DEPARTMENT OF FINANCE  
FRANKFORT 40601

February 19, 1980

Mr. Buddy Adams, Chairman  
Committee for Program Review  
and Investigation  
Legislative Research Commission  
Capitol Building  
Frankfort, Kentucky 40601

Dear Representative Adams:

The Department of Finance welcomes and appreciates the opportunity to review and offer comments to the draft final report on Travel By State Government Employees. It is our analysis that the recommendations in this report may be reduced to the following underlying concerns:

1. The need to develop an information system or systems which readily identify the costs and purposes of travel.
2. The need to reimburse employees for travel expenses on a more timely basis.
3. The need to revise the travel regulations to reimburse employees more equitably while economizing on travel.

Our comments with respect to each of these factors are as follows:

DEVELOPMENT OF INFORMATION SYSTEM

The Department of Finance is in full agreement that the management information system with respect to all financial data, including travel, is inadequate and detracts from decision making, thwarts comparative analysis, minimizes central accountability, and precludes equitable treatment of all state agencies and programs. As your staff has found, funds and expenditures cannot be properly tracked at the central level in state government and financial reporting cannot be readily and reliably determined. We share your and your committee's frustration in being able to appropriately identify travel expenditures.

Changes in accounting for travel can be accomplished but making only these changes will result in applying a patch to a woefully inadequate system. For that reason we recommend that we initiate a comprehensive change in the state's financial management that will require a commitment of substantial sums of money over a time frame of several years. It will lead also to a merger with an equally necessary major overhaul of the Commonwealth's personnel and payroll system.

This agency has initiated a program and an accompanying budget request to redesign both the accounting system and a financial information system. Your support of this proposal will result in an improved source of information for both the legislative and executive branches of government.

#### TIMELY REIMBURSEMENT FOR TRAVEL EXPENDITURES

With respect to this concern the report makes two recommendations: that agencies establish inter-account procedures with the Department of Parks, and that agencies be encouraged to establish imprest cash accounts for more timely reimbursement of employees. We, of course, support the use of Park facilities where feasible and concur with this recommendation.

With respect to the establishment of imprest cash accounts, the committee should consider the ramifications of such a program. Based on the cost of travel (\$26,500,000 per year) and reimbursement time (averages two weeks with as much as thirty day delay), it is estimated that imprest cash accounts would need to total at least ten percent of the total cost of travel or \$2,650,000 last fiscal year. This would result in the State losing significant interest potentials each year. Secondly, KRS 64.710 prohibits the "advancing" of travel funds to employees which would require close monitoring. Finally, significant problems may be created between this Department and the various imprest cash account managers if our auditing as required by KRS 45.180 determines that the reimbursement should not be made. These three points lead me to believe that the use of imprest cash accounts may not be the best solution to this very important concern.

Let me also point out that if the committee investigates other payment timeframes, such as those to vendors, it will be amazed at the length of delay in processing payments. In fact many vendors refuse to do business with the State because of this delay.

Let me propose two alternatives to this problem. As a short term solution, I have asked the staff of the Department of Finance to give first priority to the processing of travel vouchers. Secondly, I will also request that other department heads direct their fiscal offices to give first priority to processing travel vouchers. Timely and correct submission and preparation of travel vouchers will of course do much to shortening the delay.

Mr. Buddy Adams

Page 3

As a longer range solution, I again offer you the alternative of developing a financial management information system which would include the long range capability of using data processing techniques to make payments. In this system an agency could enter payment information on a computer video terminal and that payment request could be audited and approved without delays encountered by mail, etc. I am positive that such a system is both feasible and cost effective.

#### REVISION OF TRAVEL REGULATIONS

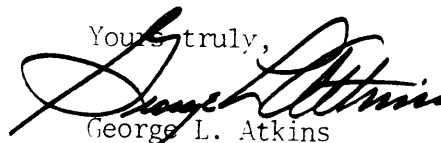
I am pleased to advise you that this Department is currently drafting travel regulations which will include revisions in the reimbursement schedules. The studies and recommendations on travel expense by the LRC staff indicate a very intensive and thorough effort. This information has been most helpful and has been carefully considered in drafting these regulations. We agree with their studies in many ways, especially that mileage and lodging costs are too low, and these rates unfairly penalize those workers who must travel. In implementing regulations this agency will consult the Department of Personnel when we develop a program to insure that all employees who travel as part of their jobs are informed of the travel regulations.

In these times of both inflation and the need to reduce state expenditures it is important for us to realize that, in part, control of travel is exercised thru reimbursement processes. Rates which deter unnecessary travel while not penalizing an employee for necessary travel which is a requirement of the job also help control expenditures. Because our budget is prepared on a biennium basis, I am not sure that the recommendation to tie the auto mileage reimbursement to the Consumer Price Index is feasible. Rather the reimbursement rates logically should be reviewed prior to the beginning of the budget preparation cycle.

In order to reduce travel expenses the report proposes the creation of an Office of Travel which would coordinate employee travel and negotiate discounts and governmental rates for travel. As proposed, I am unsure as to whether or not the reductions to be realized would support the staff required. If the committee chooses to support this concept, I would recommend consideration be given to incorporating both the Office of Air Transport and the Motor Pool within the Office, thus giving the Office the resources to fully coordinate and monitor state government travel.

Once again, thank you for permitting us the opportunity to review and comment on this draft final report. If you have any questions concerning these comments, I trust you will contact me.

Yours truly,



George L. Atkins  
Secretary



COMMONWEALTH OF KENTUCKY  
**DEPARTMENT OF PERSONNEL**  
CAPITOL ANNEX  
FRANKFORT, KENTUCKY 40601

DICK ROBINSON  
COMMISSIONER

JOHN Y. BROWN, JR.  
GOVERNOR

February 20, 1980

Rep. Buddy Adams, Chairman  
Committee for Program Review and Investigation  
Legislative Research Commission  
State Capitol  
Frankfort, Kentucky 40601

Dear Representative Adams:

Thank you for the review copy of the draft final report on Travel by State Government Employees by the Committee for Program Review and Investigation.

It is my understanding that revision of travel regulations and procedures is currently underway in the Department of Finance. Since that department has primary responsibility for travel provisions affecting all state employees who must travel in connection with their jobs, it is my view that the response of this department should wait upon the completion and review of those revisions. In any event, this department is willing to facilitate in any way appropriate the distribution of travel information to all state employees who must travel in the course of their work for the state. In that connection, we will work with the Department of Finance.

I am sure your study will aid in the clarification of important matters affecting employee travel. I appreciate the opportunity to review your draft.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dick Robinson".

Dick Robinson  
Commissioner







