



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Tuesday, Nov. 9, 2004

Grassley: Federal Government is Too Slow to Cut Wasteful Employee Moves

WASHINGTON – Sen. Chuck Grassley, a long-time watchdog of government waste and mismanagement, has sent a strongly worded letter to the Director of the Office of Management and Budget (OMB) and the Administrator of the General Services Administration (GSA) on government moving expenses. Grassley, chairman of the Finance Committee, expressed his continued, serious concerns about the high cost, wasteful practices, and weak management oversight by the government when it pays to move federal employees to other areas for their jobs.

“The federal government’s employee relocation program appears to be costing taxpayers hundreds of millions of dollars each year,” Grassley said. “Yet, no one has the foggiest idea how many employees are relocated on the taxpayers’ dime, how much it’s costing the taxpayers, and what taxpayers are really getting in return.”

Grassley cites admissions by GSA in a draft report it prepared that acknowledges that the results for statutorily-required biennial reports were not even published over the past six years “because data quantity and quality remained poor in all surveys.” According to GSA officials, many agencies do not even bother to submit data to GSA, or – if they do – their data are so clearly flawed that it is totally useless to try to attempt to consolidate and report on it. GSA says that it currently lacks the authority it needs to force federal agencies to provide the complete and accurate data it needs to prepare its reports. Grassley said he is concerned that OMB has not been very helpful in assisting GSA to collect this information, and believes OMB needs to direct federal agencies to comply with the statutory data collection requirement, and to provide close follow-up to ensure full compliance throughout government.

Grassley said that while many government agencies acknowledge that they do not have accurate cost data, in those instances where some data are available from federal agencies, the cost for many government moves frequently surpasses \$100,000, with a number of individual relocation moves exceeding \$150,000. In fact, at least one employee move actually cost the federal government more than \$250,000.

Grassley said he is concerned about sloppy calculations by federal agencies that have resulted in overpayments to transferees of about \$700 per move. In addition, other recent miscalculations in tables prepared by the National Aeronautical and Space Administration that are used to calculate

employee reimbursements add another \$700 to \$1,000 in overpayments per move. Estimates of the costs to the taxpayers of just these miscalculations, alone, total between \$60 million to \$80 million.

Grassley also is focusing particular attention on the high cost the government is shouldering for reimbursements for the actual sale and purchase of transferees' houses. He is asking GSA to submit a data call to collect very specific, detailed information about those costs, which GSA and the Finance Committee will then be able to analyze and find opportunities for large savings for taxpayers.

Grassley said federal agencies need to do a much better job in tracking and managing their relocation expenses. He recommends that agencies consider using proven, off-the-shelf software systems at little cost – about \$50 to \$100 per move. “It could be that such systems would pay for themselves from the start in savings to the agencies and ultimately, to the taxpayers,” Grassley said.

The text of Grassley's letter to OMB and GSA, as well as other follow-up letters, follows.

November 9, 2004

VIA FACSIMILE: (202) 395-3729 and (202) 219-5742
ORIGINALS BY U.S. MAIL

The Honorable Joshua B. Bolton
Director
Office of Management and Budget
17th Street and Pennsylvania Avenue, NW
Washington, DC 20503

The Honorable Stephen A. Perry
Administrator
General Services Administration
1800 F Street, NW
Washington, DC 20405

Dear Director Bolton and Administrator Perry:

The purpose of this letter is to follow up on my continuing concerns about the inefficient and ineffective oversight and management over the government's employee relocation program. I want to assure you that my longstanding apprehension about potential waste, fraud and abuse in the government-wide relocation program has not wavered in the least. In fact, because employee relocation cost the taxpayers hundreds of millions annually, it has my full attention.

Notwithstanding January and June meetings between the staffs of the General Services Administration (GSA) and my Finance Committee (Committee), it appears that the Office of

Management and Budget (OMB), GSA, and most of the other federal agencies do not have a very good handle on the true costs involved in relocating staff. In fact, GSA has been forthright in acknowledging in the draft of its most recently prepared biennial report to OMB – the so-called TRIP Report (Federal Travel and Relocation) – that the data being provided by agencies to GSA are often badly flawed, incomplete, inaccurate, and therefore of little real value to anyone – the agencies themselves, GSA, OMB, or the Congress.

It would appear to me that not very many agencies seem to be particularly concerned about getting a handle on the true cost of their employee relocation programs, identifying the amount and nature of potential waste that may be involved, or initiating effective monitoring and cost containment measures. In fact, GSA states in the draft of its newest TRIP Report (which is required by PL 103-329, and 5USC5707(c)) that

GSA published its first travel report, *Federal Travel and Relocation*, in October 1998; it covered FY 1996 data. GSA conducted subsequent surveys (1998, 2000, and 2002) but did not publish the results because data quantity and quality remained poor in all surveys.

I am concerned about this because it seems that OMB and GSA hold the key to developing, monitoring and managing sound relocation practices within the federal government. According to 5USC5707(c), “Agencies shall provide to the Administrator (of GSA) the necessary information in a format prescribed by the Administrator and approved by the Director (of OMB).” Apparently, that ball seems to have been slipping through a lot of hands. Accordingly, my question to you both with respect to the mandated biennial relocation reports is: What exactly did OMB and GSA do to attempt to fix the problem of the incomplete or badly-flawed data that was being provided to it by the agencies?

Unfortunately, the absence of complete and accurate relocation data makes it virtually impossible for agencies to manage their costs very well or even to make well-informed staffing decisions. How can GSA – when it is armed with largely meaningless data, yet does not insist that it be provided with accurate and timely data – provide the oversight of this area that is needed? Rather than attempting to provide government-wide leadership, both GSA and OMB appear instead to have closed their eyes to this problem and shrugged their shoulders. It is time for GSA to take the bull by the horns and assert the necessary direction and government-wide leadership in this costly area.

As I have previously indicated, my efforts over the past several years to research relocation costs and practices have identified several deficiencies in the way many government agencies manage and track their relocation expenses. Specifically, I am told by the responsible federal officials that no one has the foggiest idea how many employees are relocated on the taxpayers’ dime, how much it is costing the taxpayers, and what we are really getting for it.

I am relieved to see in GSA’s response to me last fall that it recognizes and shares many of those same concerns. Unfortunately, however, while that response identified several efforts under consideration or in process, it did not provide a clear plan for resolution or implementation. Since then, I understand that GSA has provided additional details to my staff about its plans to issue regulations, obtain improved data from some of the agencies, and established an advisory committee. Nevertheless, I want to reiterate some of my concerns.

1) The Relocation Income Tax Allowance (RITA), which is an allowance that ‘grosses up’ the income of those whose relocation expenses are reimbursed, results in payments that overcompensate

employees;

2) Unassertive relocation policy guidance and the size of expenditures for temporary quarters subsistence expenses (TQSE), shipment of household goods, and home sale programs appear costly, troubling and counterproductive; and

3) The response from almost all the agencies to my earlier data request regarding home sales programs is simply not useful.

I would like to address some of these items more specifically:

Relocation Income Tax Provisions (RITA). I understand that Section 302-17 of the Code of Federal Regulations has not been adjusted for more than 23 years, despite numerous changes in the tax laws. As I noted in my letter to GSA last year, the government is said to be overpaying RITA because it uses a calculation methodology that spans two years and excludes considerations that are standard for tax gross ups paid by corporations. As a consequence, it appears that the government may be overpaying its transferees by about \$700 per move, according to a paper prepared by Orion Mobility for OMB in July of last year. Some have estimated that the annual overpayments could conservatively total as much as \$30 million annually.

In addition, I understand that the National Aeronautical and Space Administration (NASA) has been providing a calculation from the RITA tax multiplier tables for the past several years. However, I was surprised to receive information from both government and industry sources that the tables for the past two years indicate that the calculation NASA released appears to be off the mark. Specifically, we are told that 2003 information (released in March 2004 by GSA) showed the federal tax tables at 27% as the median federal tax bracket, when we understand that it should have been 25% (based on the new Jobs and Growth Tax relief Reconciliation Act (JGTRRA) that was passed on May 28, 2003, almost a year earlier). Some experts in the field have calculated that this error quite probably has caused the government to overpay transferees another \$700 to \$1,000 per move for every agency that used those tables – which I am advised is nearly all of the agencies. Also, we are told that even though the RITA tables captured the newly-passed lower federal tax brackets of 10% and 15%, they used incorrect income thresholds, which likely caused an approximate additional \$150 per move RITA overpayment. For just that year alone, I am told those errors likely may have cost the government somewhere between \$30 and \$50 million. This is over and above the \$30 million annual overpayment I referred to in the preceding paragraph.

Furthermore, some experts also are reporting several errors in state tax multipliers in the 2004 tax tables – such as for Maryland, New York, North Carolina and several other states. Once again, I am curious as to why would NASA, rather than GSA, would be creating the tax calculation model that agencies rely upon. It would seem as though GSA has been shirking its responsibility by continuing to entrust this task to NASA and – by not ensuring that tax tables reflect current rates – may have cost the government millions of dollars.

In GSA's prior correspondence to me, it stated that GSA is "aware that the Relocation Income Tax provisions of the Federal Travel Regulation (FTR) need to be changed and we have initiated the process." Since quite a number of months have elapsed, I would now like to see the results of GSA's efforts to ensure RITA will not overcompensate federal employees for their moves. Therefore, I would like GSA to please provide to me the revised RITA provisions, a step-by-step report on any implementation measures that have already been undertaken by GSA, and GSA's timetable and plan for final implementation. Also, please include the name of the GSA official that is being held

accountable for completing this process. I can assure you that I'm not willing to wait another 23 years or another 23 months to see these revisions.

Relocation Policy Guidance. I understand that GSA established the Relocation Best Practices Committee (RBPC), and that the RBPC suggested a Relocation Policy Guide to be issued to all federal agencies. I am told that the Guide contains proposed best practices for temporary quarters subsistence expenses (TQSE) and the shipment of household goods. Each of those two proposed best practices includes the statement "it is recommended that you..." Unfortunately, such a soft touch cannot, and probably will not, compel anyone to follow these guidelines.

While guidelines can be instructive, I remain concerned that guidelines in and of themselves will never change current practices. It seems that there needs to be some strong leadership and direction in this matter.

Further, I have reviewed the legislative and regulatory checklist developed by GSA, assisted by the RBPC, and submitted to my staff last year. A number of the proposals – such as the reduction of temporary quarters subsistence expenses to a maximum of 60 days – seems to have merit, and for that I am grateful. However, while these proposals are steps in the right direction, they cannot be effective unless there are good tools in place to measure and manage the relocation program. In this same regard, please advise me as to which invited agencies are not participating actively in the RBPC.

Home Sales Programs. I previously requested some specific data on FY 2002 home sales from 11 agencies or bureaus. Unfortunately, for the most part, the responses were very slow in arriving, and – except for one agency – were inadequate. Obviously, the home sale and home purchase are the largest of the big dollar relocation items, and so this is where I want to begin to look.

So that there can be no further confusion or omission by any agency with respect to the needed data elements or what those elements mean, the prescribed format and definitions are enclosed. Accordingly, I would like a copy of the home sale reports for FY 2003, itemized by employee or property, provided to each of the agencies listed below by the relocation management company on contract to them. I have enclosed a home sale data element template that is to be adhered to, with the data provided back to GSA and then to the Committee electronically in the prescribed Excel spreadsheet format so that it can be readily sorted and analyzed. Providing this data should be no problem for the relocation companies, as they already collect and maintain this data, and this is a service for which agencies are already paying.

Since the actual data collection and reporting of this information is a GSA responsibility, it is imperative that we strengthen and institutionalize this process. Therefore, to get the ball rolling, I am asking that GSA manage this data call and the data collection process. All agencies do not need to be included in this data call, although – at a minimum – the following agencies should be providing this data: Department of Commerce, Department of Health and Human Services, Department of Labor, Department of Justice, and the Social Security Administration. However, to the extent there may be additional agencies that GSA wants to include for its analysis and reporting purposes, those agencies may be included at this time, as well.

Expense Management. GSA's earlier response on expense management has not assuaged my concern that at this very moment agencies cannot or will not track relocation expenses in any meaningful manner to enable analysis of data for program management. In fact, inadequate expense management is a common thread that runs through it all. I am especially concerned that agencies

seem quite comfortable with what is from all appearances a flagrant disregard for regulations that require biennial reports of relocation data be submitted to GSA (FTR Subchapter B, Part 300-70). This causes me to wonder whether the agencies are equally lax in reporting travel expenses, as required by the same regulation. GSA should provide me a list of all organizations contacted for the biennial survey, a list of those who failed to respond, and a list of those for which responses appear incomplete, inadequate or inaccurate. If GSA thinks it would be helpful, we would be pleased to work with it to arrive at some good options to assure broad agency cooperation and participation in the biennial survey.

In an encouraging note, GSA has stated that efforts are underway to launch test programs that will help agencies collect relocation data electronically. I presume such programs will also enable agencies to share that data with GSA. In any event, I question whether costly or time-consuming systems development will be required, since there already are a number of proven, off-the-shelf systems that agencies could consider utilizing at little cost (approximately \$50-100 per move). One might think that such systems would pay for themselves from the start in savings to the agencies.

Because I believe that data collection and analysis are keys to effective program management, I am pleased to learn that your office has taken the lead in coordinating a data-gathering effort. I am extremely interested to know the status of these test programs, the names of all agencies participating, the successes and challenges of these programs, initial findings or data runs, and any plans that may exist for rolling out a program of this type government wide.

At the end of the day, I remain concerned that few agencies comply with the requirement to report relocation data to GSA and of the few who do comply, even fewer supply accurate and meaningful data. As a legislator who has expended significant energy throughout his career rooting out waste, I am prepared to offer any assistance I can to help you in your efforts to assure that taxpayer dollars are expended prudently.

I look forward to your response to my questions above by November 22, 2004.

Sincerely,

Charles E. Grassley
Chairman

cc: The Honorable Sean O'Keefe, Administrator, National Aeronautics and Space Administration
Enclosures (2)

November 9, 2004

Via Facsimile: (202) 268-2503

Original via USPS

The Honorable John E. Potter
Postmaster General
United States Postal Service
475 L'Enfant Plaza SW

Washington, DC 20260-0010

Dear Postmaster General Potter:

Expenditures for relocating federal employees by government agencies have been of longstanding interest to me. Naturally, I want to ensure that the government is managing the process of moving employees as efficiently as it possibly can, and that agencies are clearly aware exactly what these moves are costing them and the taxpayers.

Earlier this year, in response to a prior letter from the Finance Committee (Committee), we received some information that previously had been requested from a handful of agencies, including the United States Postal Service. That requested data related to only one cost category for employee relocations – the fees for home sales. After reviewing that limited data, the Committee has selected three moves about which I would like to have some further information. The particular moves are identified below.

United States Postal Service: Fees for Home Sales

Agency	Agency Identifier	Order Date	Acquisition Price	Resale Price	Fee
USPS	OH	4-9-02a	\$505,000	\$415,000	\$225,000
USPS	VA	4-9-02a	\$972,500	\$900,000	\$176,571
USPS	CO	4-9-02	\$430,000	\$355,000	\$132,171

As you will note, each of these moves commenced in CY-2002. Because sufficient time has elapsed, it is likely that most or all of the other associated final costs should be available to you by now. Accordingly, the Committee would like to review the remaining cost data for these three moves. The new information should include the amount for airfare and/or mileage, per diem, shipment of goods, temporary lodging, storage, shipment of vehicles, and any miscellaneous expenses. If additional categories of expenses have been used, please note and include them, as well. I would like to have this information not later than November 22 , 2004.

Sincerely,

Charles E. Grassley,
Chairman

November 9, 2004

Via Facsimile: (202) 324-6490

Original via USPS

The Honorable Robert S. Mueller, III
Director

Federal Bureau of Investigation
935 Pennsylvania Avenue NW
Washington, DC 20535

Dear Director Mueller:

Expenditures for relocating federal employees by government agencies have been of longstanding interest to me. Naturally, I want to ensure that the government is managing the process of moving employees as efficiently as it possibly can, and that agencies are clearly aware exactly what these moves are costing them and the taxpayers.

Earlier this year, in response to a prior letter from the Finance Committee (Committee), we received some information that previously had been requested from a handful of agencies, including the United States Secret Service. That requested data related to only one cost category for employee relocations – the fees for home sales. After reviewing that limited data, the Committee has selected six moves about which I would like to have some further information. The particular moves are identified below.

Federal Bureau of Investigation: Fees for Home Sales

Agency	Identifier	Order Date	Appraised Value	Acquisition Price	Resale Price	Fee
FBI	TR2102-00471A	4-30-02	\$1,275,000	\$1,275,000	\$995,000	\$258,187
FBI	1373293	11-22-02		\$830,000	\$750,000	\$192,975*
FBI	1347071	7-12-02		\$757,500	\$536,250	\$176,119*
FBI	1336671	5-30-02		\$611,000	\$579,000	\$142,058*
FBI	TR102-00374A	4-3-02	\$701,000	\$701,000	\$690,000	\$141,952
FBI	1336662	5-30-02		\$565,000	\$555,000	\$131,363*

* Footnote from Cendant Mobility: *"Fees paid by agencies vary by agency based on conditions that include but are not limited to annual volume, property values, contract length and terms, employee and property eligibility criteria, and complexity of contract management."*

As you will note, each of these moves commenced during CY-2002. Because sufficient time has elapsed, it is likely that most or all of the other associated final costs should be available to you by now. Accordingly, the Committee would like to review the remaining cost data for these six moves. The new information should include the amount for airfare and/or mileage, per diem, shipment of goods, temporary lodging, storage, shipment of vehicles, and any miscellaneous expenses. If additional categories of expenses have been used, please note and include them, as well.

I would like to have this information not later than November 22 , 2004.

Sincerely,

Charles E. Grassley,
Chairman

November 9, 2004

Via Facsimile: (202) 406-5740

Original via USPS

The Honorable W. Ralph Basham

Director

United States Secret Service

245 Murray Drive
Building 410
Washington, DC 20223

Dear Director Basham:

Expenditures for relocating federal employees by government agencies have been of longstanding interest to me. Naturally, I want to ensure that the government is managing the process of moving employees as efficiently as it possibly can, and that agencies are clearly aware exactly what these moves are costing them and the taxpayers.

Earlier this year, in response to a prior letter from the Finance Committee (Committee), we received some information that previously had been requested from a handful of agencies, including the United States Secret Service. That requested data related to only one cost category for employee relocations – the fees for home sales. After reviewing that limited data, the Committee has selected four moves about which I would like to have some further information. The particular moves are identified below.

United States Secret Service: Fees for Home Sales

Agency	Agency Identifier	Order Date	Appraised Value	Acquisition Price	Resale Price	Fee
USSS	02-503	8-27-02	\$910,000	\$910,000	\$810,000	\$182,000
USSS	02-423	10-4-02	\$835,000	\$835,000	\$761,390	\$167,000
USSS	02-416	8-1-02	\$782,000	\$782,000	\$745,000	\$156,400
USSS	02-479	9-20-02	\$625,000	\$625,000	\$500,000	\$125,000

As you will note, each of these moves commenced in the latter half of CY-2002. Because sufficient time has elapsed, it is likely that most or all of the other associated final costs should be available to you by now. Accordingly, the Committee would like to review the remaining cost data for these four moves. The new information should include the amount for airfare and/or mileage, per diem,

shipment of goods, temporary lodging, storage, shipment of vehicles, and any miscellaneous expenses. If additional categories of expenses have been used, please note and include them, as well.

I would like to have this information not later than November 22 , 2004.

Sincerely,

Charles E. Grassley,

Chairman