



Date: August 13, 2011

To: Jason Sosa

From: Brad Seitz

Re: Audit Results

---

Jason, Attached please find the report with the results from your audit. I have structured the file submission in the following format:

- a) The large PDF File “SOA Final Audit Report 2011” is the complete submission with all attachments. We have included all various reports, attachments and spreadsheets within this report. I have structured the report in the order of the requirements from the RFIP from one to six.
- b) The Secondary File “SOA Final Report Narrative” is part of the file above, but has also been submitted as a separate file for ease of printing and summary findings. This letter is included in both files.

The Third and final submission will be my presentation to be completed on October 6<sup>th</sup>. This final submission will include graphical representations of some of the finding and recommendations for improvement to your program.

Because of the volume of the data, many individuals at Topaz International were involved in this project. Therefore the early submission of any questions will ensure I get answers for you and your team in a timely manner.

If there are any special requests for my presentation in October, I hope that you will let me know. Your satisfaction is my highest priority, so I want to make sure I meet your requirements at that final meeting.

Thank you for this opportunity and I look forward to hearing from you soon!

## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement: 1a) Determine if controls are set accurately to enhance productivity and increase compliance with travel policy and contracts in order to lower cost overall.**

**Topaz International Response:** Topaz International will assess your online tool to determine if your policy and contracts are being applied correctly to requested travel itineraries. We will determine if your online booking tool is offering the lowest possible airfare given your travel policy and available airfares. (Assessment of productivity for this requirement will be accomplished via the proposal in 1c below). We will ensure that the resulting displays of alternatives are the lowest priced itineraries when compared to the same priced itineraries in your designated GDS system. We will pick 50 typical itineraries (we can use historically top city pairs traveled if a top city pair report is provided to us prior to the start date) and price them in your tool and in the GDS to ensure they are accurately reflecting the lowest rates within your policy. This step is accomplished using our experienced auditors who will validate that for specific itineraries is the tool or GDS offering the lowest fares possible. We will search both manually and using proprietary software to ensure the best possible price is found.

**Findings:** It was found that your online tools and your pricing functions using the Apollo system are working effectively to increase compliance and to lower the costs overall. Based on the average of the fifty itineraries priced using both the ResX tool and via the GDS, it was determined that they returned the lowest priced option far greater than Orbitz, Expedia and Travelocity. 46 out of 50 (92%) of airfares were lowest using ResX while 45 out of 50 (90%) were lowest in Apollo. The average pricing for these two options were both lower than any of the three public websites that we tested against.

Further, there were times using Orbitz (3), Expedia (3) and Travelocity (2) when pricing was not possible, and the system returned an unable to price message. Only twice were the tested websites better than both ResX and Apollo, once each with Orbitz and Travelocity.

Overall, our findings suggest that the State of Alaska systems deliver the lowest cost alternatives for typical travel taken by state employees.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *1b. Evaluate ease of functionality and access to content within the booking tool.*

**Topaz International Response:** We believe this can be achieved in the testing that will occur with 1a above, thus no additional cost is needed for this requirement. We will provide written feedback in the final report comparing our experience with your self-booking tool when compared to other tools we have audited, to ensure it is working at or better than other tools.

**Findings:** The functionality and access to content within the booking tool is very good. All airfares priced using the online tool. As will be mentioned in 1c next, the only issue is the time it takes to book via the ResX system, and this could cause issues with travelers whom are impatient with search results.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement: 1c. Determine General Productivity level in completing a transaction as compared to other travel websites.**

**Topaz International Response:** Topaz International considers this to be a time study to determine the actual time it takes to create the exact same itinerary on your dedicated booking site VS three public websites. Our solution will be the creation of typical itineraries' and recreating them on 3 websites (Orbitz, Travelocity, and Expedia) to determine the time it takes to create each one. We will go as far into the booking process until payment.

**Findings:** Using the same city pairs that are typically traveled by the state of Alaska employees in requirement 1a, we found that it takes dramatically longer to book a trip using ResX than it takes with the public online websites in the comparison. It took an average of 2 minutes 23 seconds when booking a reservation on ResX and it took anywhere from 1 minute 20 seconds to 1 minute and 27 seconds when using Travelocity, Expedia or Orbitz. This can be a large issue for State of Alaska travelers that are used to booking with these public sites and are interested in the speed of responses.

In addition to the averages, the same patterns hold true when looking at the fastest and slowest times to book travel on these websites.

ResX – Fastest was 70 seconds and Slowest was 285 seconds (4 min 45 sec)

Orbitz – Fastest was 40 seconds and Slowest was 210 seconds (3 min 30 sec)

Expedia – Fastest was 35 seconds and Slowest was 210 seconds (3 min 30 sec)

Travelocity – Fastest was 48 seconds and Slowest was 140 seconds (2 min 10 sec)

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *2a. Verify fare information, including negotiated contract rates are loaded properly and display accurately in the GDS system, and in the online booking tool to allow the lowest and correct pricing?*

**Topaz International Response:** Topaz International will validate and test all 19 contracts to ensure they are loaded correctly and are booking correctly by testing hypothetical itineraries applicable to contracts.

**Findings:** All contracts were tested to ensure they were loaded correctly. However, of the 19 contracts, we could only find correct contracted airfares for the State of Alaska with three of the agreements (Delta, Alaska and ERA). Four other carriers could also be booked via the GDS, however no contracts were loaded for these carriers (Wings of Alaska, Warbelows,, Bering Air and Penair). The remaining 12 are not bookable via the GDS.

All agreements for the online tool are accessed via the GDS used by US Travel. Therefore all airfares successfully loaded into the GDS are also successfully loaded into the online tool.

ERA Aviation had a 100% accuracy rating with all airfares loaded and pricing correctly.

Delta Airlines had a 94% accuracy rating, with all errors resulting from international contracted airfares.

Alaska Airlines had an 83% accuracy rating with all errors resulting from the codeshare pricing contract with American Airlines

The errors for Delta and Alaska are not vital travel routes for State of Alaska travelers therefore the impact of such issues is small.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *2b. Ensure low fare search function accurately displays the lowest available fares.*

**Topaz International Response:** Topaz International will validate and test hypothetical itineraries to ensure the lowest fares are displayed in your GDS system when using the low fare search method used by your TMC. We suggest using your top city pairs traveled for this analysis and this can be obtained from your TMC. This only evaluates the lowest fare display when using a low fare search format in your GDS. We will test 100 itineraries.

**Findings:** We tested 100 airfares using the Apollo \$BBQ function that is utilized by your TMC when searching for the lowest airfares for specific routes. Out of the 100 airfares tested, only one came back with a lower fare.

Final Status of Section:



**State of Alaska Requirement:** *2c. Evaluate functionality and cost of booking travel on rural carriers using e-travel office vs. booking directly.*

**Topaz International Response:** One of the challenges of this analysis is determining the time it takes to book rural carriers. Traditional booking comparisons will not apply to booking a rural carrier because many times they can only be booked directly with a phone call. However, we understand your requirement to determine if the e-booking tool is working correctly. Therefore, we recommend that you create 50 unique itineraries that utilize a rural carrier and we will compare the online booking tool results to booking directly with the rural carrier, either via their website or phone call.

**Findings:** This was the most interesting study we have accomplished in many years. The uniqueness of the State of Alaska with the volume of rural carriers is unmatched for business type travel anywhere in the United States.

We called each of the 17 carriers to determine if special rates would be available for the state of Alaska travelers traveling on official state business, and most times they did not have special rates. In addition, many of these carriers did not have websites, nor were they available in the GDS, the standard booking site for most travel agencies.

For bookings via the GDS the following is a summary of the findings: Lower than contracted rate 11/22%, higher than contracted rate 1/2%, Equal to contracted rate 3/6%, and not available 35/70%.

For bookings via the Internet the following is a summary of the findings: Lower than contracted rate 27/54%, higher than contracted rate 7/14%, Equal to contracted rate 2/4%, and not available 14/28%.

For bookings via a phone call the following is a summary of the findings: Lower than contracted rate 35/70%, higher than contracted rate 8/16%, Equal to contracted rate 0/0%, and not available 7/14%.

This is an interesting issue that poses many challenges to your travel program. When you have a rate that is available to State travelers, but the supplier chooses to offer rates that are lower than your contracted rate, you may get unhappy travelers. Details of all findings are in the attached reports.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *2d. Evaluate functionality of e-travel when booking travel for multiple people with the same itinerary.*

**Topaz International Response:** We will measure the functionality of the online tool (trip template functionality) and Travel Management Company when booking reservations for multiple people with the same itinerary by emulating both processes as State of Alaska travelers.

**Findings:** During the testing and comparison of the functionality of the trip template tool, it works as well, if not better than any other tool that retains a template of itineraries frequently traveled.. Used many times by administrative and travel arrangers, this functionality allows the user to retain typical itineraries and to recall them for specific dates or travelers with reduction of keystrokes and increased productivity when faced with booking the same trip over and over. During our review of the ResX system and the use of this function, it appears to work satisfactory for this application, and is the same in functionality when compared to other tools on the market, that we have utilized during previous studies.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *2e. To the extent possible, assess how traveler choices are effecting cost.*

**Topaz International Response:** The most effective manner to accomplish this requirement is to assess whether your travelers took the lowest fare possible. This can only be determined by doing a live audit of itineraries. We recommend that you look at 1,623 trips for one month (Statistical Sample with 95% confidence and a +/- error of 2%) and audit them to ensure they are traveling on the lowest fare possible. We are not assessing the performance of your TMC, so there should be no requirement on them to document any itinerary, but they should simply queue over to us the travel reservations. We will keep track of the results to see what any difference is between the booked fare and the lowest fare, and then deliver the results.

**Findings:** Topaz International tested 679 traditionally booked trips and 945 online booked trips for a total testing of 1,624 trips. It was found that when travelers booked via the traditional methods, over 19% of the trips booked had a lower fare. When booking on the online tool, 11% of trips booked had a lower fare. It should be noted that this is NOT a measure of the performance of your TMC, because we do not know if this was due to traveler preferences rather than TMC errors. Topaz International simply followed your travel policy to see if there was a lower airfare within your policy. If the State of Alaska travelers always took the lowest airfares, this would have equated to the following additional savings:

Total of Sample Size = \$30,489

Extrapolated Savings Lost per month = \$95,278

Annual Savings Lost to the State of Alaska = \$1,143,344

We found lower fares on 131 of the traditionally booked trips. Of those, 12 required changing the selected flights to obtain a lower airfare. This would suggest that the travelers could have had a lower airfare, but were either booked incorrectly or they refused the lower alternative. In addition, we found lower fares on 107 of the online booked trips. Of those, 23 required changing the selected flights to obtain a lower airfare.

When travelers choose a higher priced ticket for the exact same flight, it may be due to the difference between a restricted or non-refundable ticket and an unrestricted ticket.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement: 3a. Ensure that the states preferred hotels and negotiated rates are accurately listed in the online booking tool availability display.**

**Topaz International Response:** The first step to ensuring you are getting your preferred rates is to ensure they are loaded correctly. Once they are loaded correctly, you must then ensure they can be booked and can be viewed by both the traditional travel agents and your self-booking tool. This first step will ensure they are loaded correctly.

**Findings:** You have a total of 73 hotels in your travel program. Because of seasonal rates, you have 157 rates that need to be verified for your hotel program. Of those in the online booking tool ResX, 83.4% of the rates were loaded correctly, 10.8% were not found, and 5.7% were loaded incorrectly and the negotiated rates were not available. When looking at the GDS system, 71.3% of the rates were loaded correctly, 24.2% were not found, and 4.5% were loaded incorrectly and the negotiated rates were not available.

It should be noted that some of the rates that were not available may have been attributable to past due dates of the season. However, continually checking hotel rates is a good business practice. To ensure future accuracy and with the small number of hotels you have, this annual and ongoing verification would not be a costly investment to ensure rates are loaded properly.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement: 3b. Evaluate ease of hotel bookings and low rate availability**

**Topaz International Response:** Now, once the rates are determined to be loaded correctly, the next step is to ensure travelers can see the rates via the booking tool and travel agents can see the accurate rates via the GDS so they are offered to travelers first. Our process will complete this step by looking at all rates in both the self booking tool and in the GDS to ensure they are visible and accurate.

**Findings:** We know what rates are available in the system, and for those properties are those rates visible and easily booked by travelers and travel agents alike? For the most part, they are. The largest issue that we noticed when using the online ResX system was that the initial display of hotels for any specific city does not include the rates. Therefore an unseasoned traveler looking for the cheapest room in Anchorage would not know to book Microtel over the Courtyard, and may end up paying more than necessary or required.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement: 4a. Review of TMC billing of services (surcharges) and airline debit memos.**

**Topaz International Response:** This requires a review of the agreement between the TMC and the state to ensure the agreement and the resulting charges are accurate and reasonable. This is part of review Topaz International completes as part of their travel program audit. Airline Debit Memos are not something we can accurately validate with the information we have available to us. Therefore, we do not audit such information. Our review of the TMC billing will be completed for the past two years, and will be compared to the TMC agreement you have.

**Findings:** The agreement between the State of Alaska and US Travel, including review of the bid documents and responses, and subsequent quarterly presentations and internal documents relating to the reconciliation of charges and charge backs yielded no unusual findings by Topaz International. It would be virtually impossible for US Travel to commit any act of fraud with regard to inflation of charges for services rendered since they charge each ticket at the time of booking, and they charge individual credit cards used by the State of Alaska Travel Employees.

The rates charged by US Travel, while they have increased during the past few years, are still within acceptable range when compared to Topaz International data for fees charged. The range of fees charged by a TMC for a full service transaction is from \$12 to \$45. While the details behind such fees are very important for understanding how such a wide range can be present, for the State of Alaska, the complexity of travel to rural locations, and the retention of commissions by your TMC, your rates seem fair and reasonable.

In addition, the rates charged for transactions other than full service also seem well within the acceptable parameters of Topaz International.

Airline Debit Memos are reconciliations conducted by the airlines that ensure airfares charged by travel agencies worldwide are valid airfares at the time of booking. Sometimes there are errors or forced airfares done by travel agencies that result in airlines seeking additional funds because the airfares booked were done incorrectly. Because Topaz International does not have visibility to such memos, we are unable to validate these charges.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *4b. Evaluate the states cost recover portion of the fee for reasonableness*

**Topaz International Response:** A Topaz International senior consultant will review all materials that pertain to the agreement by the state to recover fees from your travel providers and will assess the contract and the accuracy of the fees involved.

**Findings:** Upon the complete review of the process for cost recovery and the subsequent review of statements and processes for reconciliation of the cost recovery fee from the Travel Management Company, US Travel, it was concluded that the process was complete and reasonable.

The process used to accomplish this may be cumbersome, but it directs the expense of the travel department back to the travelers that use the service, which is both fair and reasonable. The value achieved by the department and the corresponding fees will be a key focus for the department moving forward.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *5a. Review cost savings report for accuracy in reporting savings analysis to the state*

**Topaz International Response:** A Topaz International senior consultant will review all materials that pertain to the agreement by the state to receive reporting concerning their cost savings and will assess the contract and the accuracy of the report and offer suggestions for improvement, if possible.

**Findings:** Upon review of your cost savings report, I was very pleased to see there are no unusual credits for savings that are commonplace in the corporate travel departments today. In addition, I like the two categories of savings defined that can be achieved with or without E- travel. I will review each:

Negotiate Contract Savings – Savings as a result of contract negotiations. It is assumed that the State of Alaska is only calculating the savings from large airlines that you have an agreement with. Is there room for opportunity to negotiate with smaller carriers and calculate savings from hotel negotiated rates?

Rural Air Carrier Contracts – Savings as a result of lower airfares with rural carriers.

Group /Meeting Fares – Savings from using specific fares designated for a meeting or group.

Used Ticket on File – Savings from using a previously cancelled flight. I consider this a good addition because many times unused tickets are forgotten and the value is not recovered.

Name Change for Ticket on File – Savings taking an unused ticket on file and paying for a name change. Once again, using most of the value of the ticket (less the name change fee) is a good business practice.

Airline Credits – Savings by using credits given by an airline – like discounts it is my understanding this is an old Alaska Airline program no longer in use.

Penalty Accepted – Since the basis of your policy is to accept non-penalty fares, this category is acceptable in the opinion of Topaz International.

Contract Savings w/o Negotiation – savings as achieved by purchasing advance purchase tickets. Are other types of discounted tickets acceptable for this category?

EasyBiz / Mileage Tickets – Outside Programs that yield savings to the program, these are acceptable savings.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *5b. Review unused ticket reports for optimum tracking methods and utilization of unused tickets.*

**Topaz International Response:** A Topaz International senior consultant will review all materials that pertain to the unused ticket report and process to track and utilize unused tickets, and will offer suggestions for improvement, if possible.

**Findings:** Upon review of the process used, an understanding of the system used, and the challenges facing US Travel, the State of Alaska and their travel partners, US Travel are doing a great job of using tickets as much as possible and even processing name changes to utilize as many tickets as possible. It has been found that on average 6% to 7% of unused tickets face expiration and therefore the lost of their value. Each month the State of Alaska has approximately 3% of their tickets expiring, which is well below the national average.

US Travel utilizes a nationally known system to track and use unused tickets, Rescue by Agency Technologies. This is a widely accepted tool in the industry, is highly rated and does the complicated job well.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** *6a. Survey sample of air and lodging providers who have worked with the TMC for their satisfaction levels with the states managed travel program.*

**Topaz International Response:** We will develop and submit electronically an independent survey to all travel suppliers of the state to determine their satisfaction with the travel program. This survey will be developed in Survey Monkey, and will be submitted via email to all suppliers as provided by the State of Alaska to Topaz International. Following the completion of the survey, results will be compiled and a report will be generated.

**Findings:** An online survey was sent out to 27 key suppliers to the state of Alaska for their travel program. This included 12 hotels, 4 Car Rental Suppliers and 11 Air suppliers. We received a response of 11 or 40%. They were reminded about the survey over three weeks by both Topaz International as well as State of Alaska Travel Office employees. The answers to two key questions were:

**How satisfied are you with the travel program at the State of Alaska?** 73% answered between 10 and 8 suggesting they are satisfied or very satisfied and 27% answered between 7 and 4 suggesting a neutral response. There were no responses from dissatisfied suppliers.

**How likely is it that you would recommend doing business with the State of Alaska Travel Department?** 82% answered between 10 and 8 suggesting they are satisfied or very satisfied and 18% answered between 7 and 4 suggesting a neutral response. There were no responses from dissatisfied suppliers.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** 7a. Verify best option availability as compared to direct airfare / lodging provider's website and the following (Expedia and Travelocity) online travel sales outlets to ensure the same type of availability and pricing.

**Topaz International Response:** We will look at 1,000 air reservations and 360 hotel reservations and compare each of them to three internet sites (Expedia, Travelocity and airline/hotel specific site based on reservation) to ensure that there is not a lower price on the internet. This is our internet study.

**Findings:** The detailed findings are attached but they include the following summary:

We looked at 365 traditionally booked tickets and 635 online booked tickets and compared the itinerary to three major public websites, including Expedia, Travelocity and the Airline Specific website for that trip. While there were lower fares available on the online travel outlets, the overall results show booking via these sites would have increased the total cost by \$1,940 to \$7,666 for traditional bookings and \$11,631 to \$12,510 for ResX bookings. Depending on the website, there were 30% (112) traditional bookings and 14% (88) ResX bookings that could not be priced, and at least ¾ of the time the public websites could not find a lower fare.

We also looked at 160 traditional booked hotel reservations and 200 online hotel reservations booked via the e-travel Res-X system, and the results were similar. While there were lower priced hotels on the online travel outlets, the overall results show booking via those sites would have increased the total cost by \$2,798 to \$3,177 for traditional bookings and \$4,591 to \$5,166 for ResX bookings. Additionally as many as 53 traditional and 46 ResX reservations would not have even been able to have been booked via the online travel sales outlets.

Final Status of Section:



## Topaz International Report Findings – 2011 State of Alaska Travel Review

**State of Alaska Requirement:** 7b. Evaluate TMC fees and expenses in accordance with the contract agreement.

**Topaz International Response:** Topaz International will review two previous years of TMC invoices to the State of Alaska and compare them to contractual agreements to ensure accuracy.

**Findings:** Topaz International reviewed all TMC fees to understand the contract, and to determine if fees and expenses seem accurate. As best as we can determine all fees and expenses that we have reviewed are reasonable. The transaction fees are reasonable as well.

Final Status of Section:

