

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**MANAGEMENT OF THE DOD PERSONAL PROPERTY
SHIPMENT AND STORAGE PROGRAM**

Report No. 97-175

June 23, 1997

19991019 127

Department of Defense

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Acronyms

AMC
MSC
MTMC
PPSO
WHIST

Air Mobility Command
Military Sealift Command
Military Traffic Management Command
Personal Property Shipping Office
Worldwide Household Goods Information System for
Transportation



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June 23, 1997

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND TECHNOLOGY**

**SUBJECT: Audit Report on the Management of the DoD Personal Property Shipment
and Storage Program (Report No. 97-175)**

We are providing this report for review and comment. This is the second and final report addressing the efficiency and cost-effectiveness of the transportation of household goods and personal property. Comments from the Assistant Deputy Under Secretary of Defense for Transportation Policy were received too late to be considered in preparing the final report. DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, if the Assistant Deputy Under Secretary does not submit additional comments by July 23, 1997, we will consider the comments received as the response to the final report.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. John A. Gannon, Audit Program Director, at (703) 604-9176 (DSN 664-9176) (jgannon@dodig.osd.mil) or Mr. Stephen T. Hampton, Acting Project Manager, at (703) 604-9194 (DSN 664-9194) (shampton@dodig.osd.mil). See Appendix F for the report distribution. The audit team members are listed on the inside back cover.

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Office of the Inspector General, DoD

Report No. 97-175

(Project No. 6LB-0044.01)

June 23, 1997

Management of the DoD Personal Property Shipment and Storage Program

Executive Summary

Introduction. This is the second and final report addressing the efficiency and cost-effectiveness of the transportation of household goods and personal property. The DoD Personal Property Shipment and Storage Program (the Program) provides worldwide movement and handling of personal property for military and civilian personnel. The Military Traffic Management Command administers the worldwide traffic management aspects of the Program. Personal property shipping offices within the Military Departments arrange the authorized movement of household goods or personal property of DoD personnel. The Military Traffic Management Command reported that the personal property shipping offices arranged about 600,500 personal property shipments in FY 1994 at a cost of about \$1.3 billion, and 596,200 shipments in FY 1995 at a cost of about \$1.2 billion.

Audit Objectives. Our primary audit objective was to determine whether DoD organizations were using the most efficient and cost-effective mode of transportation to move military officers' household goods and other personal property. Because of limited availability of data, our audit focused on the overall management of the DoD Personal Property Shipment and Storage Program for all military personnel. Additionally, we evaluated the adequacy of the management control programs applicable to the audit objectives.

Audit Results. Improvements are needed in the management systems and controls used to manage the worldwide DoD Personal Property Shipment and Storage Program. The total cost of the Program reported by the Military Traffic Management Command for FY 1995 was understated by at least \$167 million. Also, the Command could not fully comply with DoD policies for evaluating the Program and had not met the information reporting requirements of the Under Secretary of Defense for Personnel and Readiness. Additionally, the Command was unable to establish accurate performance measures for the Program. Implementing the recommendations will result in improved management of the DoD Personal Property Shipment and Storage Program and will provide complete statistical data to evaluate the effectiveness of the Program. The management control program could be improved because we identified a material weakness applicable to the management of the Program (see Appendix A).

Summary of Recommendations. We recommend completion of transportation and personal property management policies to clarify the roles and responsibilities for DoD organizations. We also recommend development and implementation of a management plan for administering the worldwide Program.

Management Comments. Comments on the draft report were received from the Assistant Deputy Under Secretary of Defense for Transportation Policy too late to be incorporated into the final report. Therefore, if the Assistant Deputy Under Secretary does not submit additional comments by July 23, 1997, we will consider the comments received as the response to the final report. The comments generally agree that improvement of the overall management of the worldwide DoD Personal Property Shipment and Storage Program is needed and that current initiatives should clarify responsibilities and improve program management.

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Part I - Audit Results

Audit Background

This is the second and final report addressing the efficiency and cost-effectiveness of the transportation of household goods and personal property. The first report, "Permanent Change of Station Management Information System," discussed the collection and the use of management information on the permanent change of station of military officers in DoD decisionmaking.

The DoD Personal Property Shipment and Storage Program. The DoD Personal Property Shipment and Storage Program (the Program) provides worldwide movement and handling of personal property for military and civilian personnel. The Military Traffic Management Command (MTMC) evaluates and administers the Program under the guidelines of DoD Directive 4500.9, "Transportation and Traffic Management," January 26, 1989, and DoD Directive 4500.34, "DoD Personal Property Shipment and Storage Program," April 10, 1986, and updated May 20, 1994.

DoD guidance provides that the Commander, MTMC, develop and periodically review the Program in collaboration with DoD Components and evaluate, supervise, and technically direct the traffic management aspects of the Program worldwide. MTMC is also required to provide data semiannually to the Under Secretary of Defense for Personnel and Readiness on the movement of household goods for all permanent change of station moves completed in accordance with DoD Instruction 1315.16, "Permanent Change of Station Management Information System," July 22, 1992.

Personal Property Shipping Offices. Under the direction of the Military Departments, the Personal Property Shipping Offices (PPSO) arrange the movement of household goods or personal property of military and civilian personnel. Travel orders for a permanent change of station, temporary duty, separation or retirement, or an assignment to or from Government quarters provide the authorization to PPSOs for shipping the personal property of military and civilian personnel.

Defense Transportation System Organization. The Program uses the Defense Transportation System (the Transportation System) to move military personnel and their personal property. The Transportation System consists of commercial and military transportation assets, services, and systems organic to, contracted for, or controlled by DoD. The U.S. Transportation Command, a unified command established in 1987, is the single manager of the Transportation System, comprised of the nation's land, sea, and air mobility assets. In 1992, the Secretary of Defense expanded the U.S. Transportation Command's control of the Transportation System to include peacetime and wartime operations. The

U.S. Transportation Command has three component commands that administer the Transportation System: the MTMC, the Military Sealift Command (MSC), and the Air Mobility Command (AMC).

Transportation Requirements for the Program. DoD Directive 4500.9 establishes general guidelines for DoD organizations to select modes of transportation for the movement and handling of personal property. DoD organizations are required to procure quality, reliable, safe, and secure transportation services that meet DoD requirements at the lowest overall cost. PPSOs select the modes of transportation for military and civilian personnel moves. Appendix C identifies and defines the terms for the Program and Appendix D summarizes DoD guidance affecting the Program. MTMC reported that the PPSOs arranged about 600,500 personal property shipments in FY 1994 at a cost of about \$1.3 billion and 596,200 shipments in FY 1995 at a cost of about \$1.2 billion.

Evaluation of Data Records at AMC. Our evaluation of data records at AMC on personal property shipments of military officers disclosed data errors and potential administrative policy problems outside the scope of this audit. We reported our observations to the Commander, AMC (see Appendix E). AMC officials agreed that errors in entering data caused customer billing errors. Personnel at AMC are evaluating the data errors and policy problems. The AMC personnel have not determined how to minimize the errors, but are continuing to evaluate the problem. AMC officials expect resolution on the policy problem by the summer of 1997, before issuing the FY 1998 "U.S. Government Airlift Rates and Non-U.S. Government Airlift Rates."

Audit Objectives

The primary audit objective was to determine whether DoD organizations were using the most efficient and cost-effective mode of transportation to move military officers' household goods and other personal property. Because of limited availability of data, our audit focused on the overall management of the Program. See Appendix A for a discussion of the scope, methodology, and management control program coverage and Appendix B for a summary of prior audit coverage related to the audit objectives.

Management of the DoD Personal Property Shipment and Storage Program

Improvements are needed in the management systems and controls used by MTMC to manage and evaluate the worldwide DoD Personal Property Shipment and Storage Program. The management systems and controls were not adequate because MTMC narrowly focused its responsibilities for managing the Program. Additionally, DoD guidance clarifying roles and responsibilities for the Program were not established. As a result, the \$1.2 billion total cost of the Program reported by MTMC in FY 1995 was understated by at least \$167 million. The MTMC also had not fully complied with DoD policies for evaluating the Program, had not met the information reporting requirements of the Under Secretary of Defense for Personnel and Readiness, and will be unable to establish accurate performance measures for the Program.

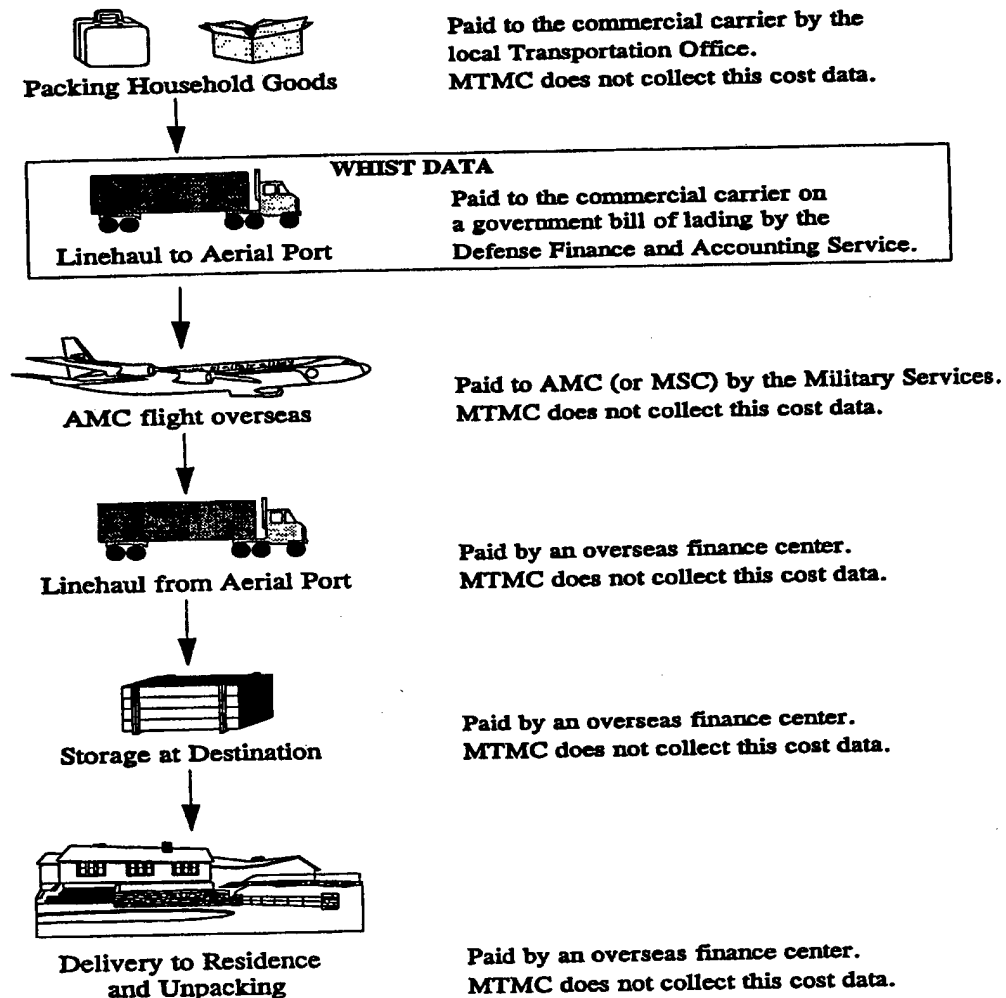
Management Systems and Controls

Improvements are needed in the management systems and controls used by MTMC to manage and evaluate the worldwide Program. MTMC is required to collect and maintain statistics and other data needed for information analysis and effective management of the Program in accordance with DoD Directive 4500.34.

Automated Management System. The MTMC automated management system did not collect all the information needed to fully evaluate the Program. Specifically, the Worldwide Household Goods Information System for Transportation (WHIST) did not collect essential data at the PPSOs, and other DoD organizations. The WHIST is the central data base that MTMC uses to collect management information on personal property shipment, storage, and related quality assurance data for the Program.

The WHIST provides a wide variety of data for managing the Program including data on commercial carrier suspensions. The WHIST also has reference tables on carrier linehaul rates, guides on codes for selecting transportation modes, rates and locations for property storage, and transit times of shipments that are linked to the Transportation Operational Personal Property Standard System (the Standard System). See Appendix C for a description of the Standard System. WHIST relies primarily on the Defense Finance and Accounting Service finance centers for information on paid shipments that use a Government bill of lading. By focusing on personal property that was shipped on a Government bill of lading, MTMC had been excluding significant data on personal property shipments. The data excluded from WHIST are depicted in the figure below, which illustrates a complex overseas personnel move that can involve several different carriers and billings for personal property shipment and handling.

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Overseas Direct Procurement Method

Only the data on the continental linehaul segment of the complete move would be maintained in WHIST. Costs paid by the PPSO or an overseas finance center will not be maintained in WHIST. In one instance, for the shipment of a military officer's personal property from Germany to Virginia, WHIST had recorded the commercial carrier costs of \$622.44 for the shipment from the Government bill of lading, 24 percent of the total cost of the shipment. The air transportation costs of \$2,021 (about 76 percent of the total costs of the shipment) that AMC provided were excluded from the data base.

In addition to being incomplete, the WHIST also contained significant data errors of omission on Government bills of lading shipments. For instance, for 126,700 computer records on military officers' personal property shipments in FY 1995, 19,500 records in WHIST had no dates showing when personal property was put into storage, but had dates for property taken out of storage (a 15.4 percent rate of omission). Additionally, MTMC personnel did not initially

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enter the data base element (code of service) for FY 1995 Marine Corps data into WHIST. Without that data, the method and mode selection process for transportation of Marine Corps personal property shipments could not have been evaluated by MTMC or any oversight organization.

Management Controls. Additional management controls are needed to ensure that PPSOs maintain complete and accurate records and to ensure that program, policy, and procedure reviews are performed that would facilitate effective management of the Program.

Complete and Accurate Records. The MTMC did not periodically ensure that PPSOs maintained complete and accurate records. Our testing of data records at the Joint Personal Property Shipping Office, Washington, D.C., the largest DoD PPSO in terms of volume of shipments processed, showed that the data records were incomplete. We judgmentally selected automated data files from WHIST to test whether personnel at the PPSO appropriately selected the use of premium air transportation. Data files in both the MTMC WHIST and Standard System, and manual records at the PPSO contained incomplete and inaccurate information for determining whether the PPSO was selecting the most cost-effective method and mode of shipping personal property.

For example, the Standard System was programmed to automatically set the standard delivery date for a particular channel of movement of personal property at the lowest cost mode (usually land or water versus air). When a traveler requested a required delivery date for a shipment that was less than the standard time in the Standard System, the air mode of transportation was usually required to meet the deadline. Through further examination of records on selected shipments, we determined that the justification for some air shipments were not documented in the PPSO files. Additionally, complete files that we needed to evaluate our selections were missing. Further, the codes in the data files for selected modes of transportation were inconsistent with other data elements and with manual records. Consequently, we could not determine whether a shortened delivery date and the military air transportation were justified. In consonance with this example, WHIST or the Standard System did not have actual or complete costs on the shipments, so the effect of selecting premium air transportation could not be materially evaluated without a time-consuming, labor-intensive effort.

Program Reviews. The MTMC program reviews were deemphasized and those performed did not ensure that DoD organizations were performing the traffic management functions assigned, in compliance with DoD policy. Additionally, MTMC did not use the reports of the Military Departments to monitor or evaluate the adequacy of the Program.

The MTMC Regulation 55-6, "Transportation and Travel, Personal Property Movement and Storage Program," August 31, 1987, requires that MTMC area commands and field offices schedule and perform a personal property management assistance visit for each installation within their geographical area of responsibility at least once every 2 years. During the visits, representatives

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were to assist the PPSOs in executing the Program and to provide the results of the reviews to MTMC Headquarters. In 1993, MTMC Headquarters eliminated its office for reporting the results of management assistance visits.

As a result of staff downsizing, MTMC area commands deemphasized management assistance visits. In 1992, the MTMC Eastern area command discontinued management assistance visits completely. The MTMC Western area command began providing management assistance visits in 1996 that were limited in scope and notified MTMC Headquarters when issues could not be resolved with PPSOs. Management assistance visits that were performed were limited to checklists that focused on commercial carrier evaluations, compliance reporting with specific requirements of DoD Regulation 4500.34, and traffic distribution records. Management assistance visits did not regularly evaluate the adequacy of data bases, record maintenance, cost-effectiveness of the transportation selected, and policies and procedures used by the PPSOs for moving personal property.

In addition to deemphasizing management assistance visits, MTMC did not use the reports of the Military Departments to monitor and evaluate the adequacy of the Program. Because the Military Departments establish, operate, staff, support, and supervise the PPSO, they also conduct internal reviews and audits of the PPSO. There was no evidence that the results of those reviews were forwarded to, shared with, or coordinated with MTMC.

Policy and Procedure Reviews. The MTMC did not regularly review policies within the Military Departments affecting the Program to determine the adequacy of implementing procedures. DoD Regulation 4500.34 allows for the individual Military Departments to establish policy on the approval process for use of the premium mode of air transportation. Our evaluation of policies within the Military Departments on the process involving the airlift clearance authority for granting the use of air transportation to move personal property showed that the policies were not uniform or standard. Each Military Department used a different process for approving premium air transportation. Prior audits discussed the Military Department weaknesses that allowed the Military Departments to ship cargo without getting proper authorization.

For example, Inspector General, DoD, Report No. 94-148, "Air Clearance Process," June 27, 1994, stated that in FY 1992, DoD shipping organizations transported about 33 percent of their cargo to aerial ports without first obtaining air clearance approval from the airlift clearance authorities. As a result, DoD unnecessarily expended \$27.1 million to airlift cargo to overseas destinations during FY 1992.

To determine whether weaknesses in the Military Department's procedures still allowed for unnecessary airlifted cargo, we tested the Navy procedures for granting approval for the use of premium air transportation to ship personal

*Personnel property is processed within AMC as cargo. As a matter of practice, AMC does not differentiate personal property shipments from mission types of cargo.

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property. We selected personal property shipments of 30 Navy officers made by air during FYs 1994 and 1995 originating from the PPSO at Fort Belvoir. For the 30 Navy officers selected, 33 percent (10 shipments) of their premium air shipments were not documented as having been granted authorization. Our limited tests indicated that the Navy procedures had not been effectively improved since the 1994 Inspector General, DoD, report. As part of its oversight function, MTMC should be reviewing the Military Department's policies and procedures related to shipping personal property as well as collecting and evaluating the data necessary to avoid management control weaknesses in shipments made by premium air transportation.

Management of Program and Implementation of Program Guidance

MTMC Program Management. The MTMC narrowly focused its responsibilities for managing the Program. MTMC officials stated that their primary role in the Program was to solicit and negotiate commercial rates with contract carriers, review the quality performance of contract carriers, develop automated systems, and collect selected data on paid Government bills of lading. MTMC officials believed that the cost-effectiveness of the Program was accomplished by acquiring the lowest bidders and providing that data on the lowest bidders to the Standard System and the PPSOs. Although we agree that the above stated responsibilities are necessary and important, MTMC has additional responsibilities to effectively manage the entire program, worldwide. However, the MTMC officials had no formal plan to change its management focus and direction.

Since 1990, prior audits and direction from the Office of the Assistant Deputy Under Secretary of Defense for Transportation Policy have identified needed improvements in the management of the Program. For instance, General Accounting Office Report No. NSIAD-95-48 (OSD Case No. 9828), "DoD Household Goods: Increased Carrier Liability for Loss and Damage Warranted," May 1995, stated that MTMC did not have adequate household goods shipment and claims data for an accurate evaluation of contractor performance and of the effects of increased carrier liability. The report recommended that MTMC correct inaccuracies in the database regarding claims payment and recoveries from the carrier. The report also recommended that MTMC develop the procedures required to determine the overall household goods program costs.

On March 31, 1995, the Office of the Assistant Deputy Under Secretary for Transportation Policy issued a memorandum to the Commander, MTMC, through the U.S. Transportation Command requiring MTMC to ensure that its database contains all the data elements necessary to track overall household goods program costs and carrier performance to include claims and recovery. Because personnel in the Office of the Assistant Deputy Under Secretary of Defense for Transportation Policy did not define overall household goods

Management of the DoD Personal Property Shipment and Storage Program

program costs, MTMC focused on improving the accuracy of the claims data and did not change its data collection practices to include total costs on the Program.

Program Guidance. DoD guidance clarifying roles and responsibilities for the Program were not implemented, which contributed to the lack of management systems and controls for the Program. Since 1992, when the U.S. Transportation Command acquired its expanded peacetime mission, new, revised policies and guidance were not completed for managing the worldwide Program. As a result, the DoD guidance is a mixture of policies and procedures that dilute the effectiveness of the controls over the total Program.

The MTMC is required to administer the Program in accordance with DoD Directives 4500.9 and 4500.34, which provide direction for the Transportation System and the Program. The U.S. Transportation Command had not completed the consolidation of the guidance for the Program and the transportation system. Consequently, directions for administering the Program overlapped and guidance on program responsibilities was unclear.

Administering the Direction. Direction for administering the Program overlapped between the Office of the Assistant Deputy Under Secretary for Transportation Policy and the U.S. Transportation Command. DoD Regulation 4500.9 states that the U.S. Transportation Command, in conjunction with the Military Departments and theater commands, will provide technical direction and supervision over all traffic management functions incident to personal property movements within the Transportation System. The Commander, MTMC, will administer the worldwide traffic management aspects of the Program, as directed by U.S. Transportation Command. In contrast, the implementing guidance for the Program, DoD Regulation 4500.34, assigns responsibility for the administration of the Program to MTMC and excludes the U.S. Transportation Command. Consequently, MTMC could get its direction from the U.S. Transportation Command through DoD Directive 4500.9 or from the Assistant Deputy Under Secretary for Transportation Policy through DoD Directive 4500.34.

Guidance on Program Responsibilities. Guidance on MTMC responsibilities for shipping personal property within the Defense Transportation System was not clear. DoD Regulations 4500.9 and 4500.34 both have provisions for MTMC to administer or evaluate the worldwide traffic management aspects of the Program. The confusion caused by the guidance is apparent in the definition of traffic management in DoD Directives 4500.9 and 4500.34. DoD Directive 4500.9 states that traffic management applies to the procurement of commercial transportation services by AMC, MSC, and MTMC. Whereas, DoD Directive 4500.34 makes no distinction between military and commercial transportation services in its definition of traffic management. In further contrast, DoD Directive 4500.34 requires that MTMC review the Program for standards, efficiency, economy, and cost-effectiveness, to include the use of military transportation resources.

As a result of the difference in the guidance, MTMC could have misinterpreted its responsibilities for evaluating the worldwide Program. For example,

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MTMC officials stated that they were responsible primarily for administering the Program involving commercial movers, which could be concluded from DoD Directive 4500.9. However, if the DoD Directive 4500.34 definition and procedures were correct, MTMC would be responsible for administering the entire Program, which includes military and commercial assets controlled by AMC and MSC. To be effective, the Program needs clear, comprehensive policy that will reinforce the coordination of the Assistant Deputy Under Secretary, the U.S. Transportation Command, AMC, MTMC, MSC, and the Military Departments.

Program Costs, Requirements, and Performance Measures

Total Program Costs. The MTMC reported a \$1.2 billion total cost of the Program in FY 1995 that was understated. Authorized shipments can involve several DoD and commercial organizations to execute a personnel move including: a local packing company, a linehaul carrier, AMC, MSC, and an unpacking company. Each of those organizations separately bill the Government for their services in moving military personal property. Because WHIST collects data on only Government bill of lading shipments and costs paid to the Government bill of lading carriers, the WHIST records were incomplete and MTMC did not maintain accurate statistics on the total Program. Of the personal property moves identified in WHIST for FY 1995, 38 percent did not account for the total costs of the move because those moves provided services that were not billed on a Government bill of lading.

Our analysis of data at AMC and MSC showed that transportation costs for personal property shipments were a significant part of total costs. However, MTMC had discontinued its collection of summary data on AMC airlift and MSC sealift costs in support of the Program in FY 1994. As a result, in FY 1995, MTMC did not account for approximately \$167 million for military airlift and sealift in its total Program costs.

Cost-Effective Transportation in the Program. The MTMC did not collect and maintain statistics and other data required for information analysis and effective management of the Program. Statistics should also support evaluation of the quality of service provided to members of DoD. Additionally, the MTMC did not periodically evaluate the effectiveness of the PPSOs in executing traffic management functions, as required. Consequently, MTMC could not determine whether PPSOs were complying with existing guidance. As a result, neither MTMC nor higher level management in DoD had assurance that PPSOs were shipping personal property at the lowest overall cost to the Government while meeting the needs of military officers.

Information Reporting Requirements. The MTMC had not met the information reporting requirements of DoD Instruction 1315.16. The Instruction required MTMC to semiannually submit the total costs of the Program to the Defense Manpower Data Center. MTMC had not done so since 1992. We reported that deficiency in Report No. 97-101, "Permanent Change

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of Station Management Information System," February 24, 1997. In comments on the final report, the Under Secretary of Defense for Personnel and Readiness decided to terminate the Permanent Change of Station Management Information System. However, the Under Secretary reiterated the need for permanent change of station information through formalized, recurring reports. Should MTMC attempt to comply with the Under Secretary's requests for information, it could not provide complete and accurate data because of its current management systems and controls.

Program Performance Measures. The MTMC could not establish accurate performance measures for the Program and evaluate the cost-effectiveness of the worldwide Program. The Government Performance and Results Act of 1993 states that performance goals for programs in DoD should be expressed in objective, quantifiable, and measurable form and defines the level of performance to be achieved by the Program. Cost-effectiveness is an important measure of the performance of any program and is a specific requirement for MTMC in DoD Directive 4500.34. However, MTMC had not developed the means to verify and validate the cost-effectiveness of the Program. Our analysis of WHIST showed that data were unreliable and incomplete for all types of shipments. Without the complete and accurate costs, MTMC could not accurately determine the cost-effectiveness of the Program.

Conclusion

Improvements are needed in the management of the Program. DoD policies and procedures affecting the Program needed to be coordinated, revised, and implemented to ensure the comprehensive Program had adequate oversight and evaluation. MTMC management systems and controls did not provide complete management cost data and statistics to DoD Components for evaluation and oversight. As a result, MTMC could not provide assurance that PPSOs were selecting the appropriate methods and modes of transportation for personal property shipments to meet the needs of military officers at the lowest overall cost to the Government and taxpayers.

Recommendations for Corrective Action

We recommend that the Assistant Deputy Under Secretary of Defense for Transportation Policy:

1. Direct the Commander, U.S. Transportation Command, to complete the revision of policies and procedures affecting the DoD Personal Property Shipment and Storage Program to ensure that the roles and responsibilities of organizations are sufficiently clarified to effectively manage the worldwide DoD personal property shipping and storage program.

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2. Direct the Commander, Military Traffic Management Command, to develop and implement a plan for the management of all aspects of the worldwide personal property shipping and storage program. Specifically,

a. Identify and collect program management data, such as total costs that include complete charges for direct procurement method moves and local moves and moves involving military transportation, required to evaluate and manage the worldwide personal property program.

b. Establish, in coordination with the Military Departments, an oversight mechanism that will ensure that Personal Property Shipping Offices comply with established regulations that the most appropriate and cost-effective method and mode of shipping personal property is used.

Management Comments Required

The Assistant Deputy Under Secretary of Defense for Transportation Policy comments on the draft report were received too late to be incorporated into the final report. Therefore, if the Assistant Deputy Under Secretary does not submit additional comments by July 23, 1997, we will consider the comments received as the response to the final report.

Although the Assistant Deputy Under Secretary of Defense for Transportation Policy comments received do not conform to the requirements of DoD Directive 7650.3, they generally agree that improvement of the overall management of the worldwide DoD Personal Property Shipment and Storage Program is needed and that current initiatives should clarify responsibilities and improve program management.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

Program Scope. We collected and evaluated data on the management of shipments of military officers' personal property during FYs 1994 and 1995. Data on storage of personal property was excluded from our evaluation because that function was evaluated in Report No. 97-092, "Household Goods Storage," February 12, 1997. Of the 600,500 personal property shipments that the PPSOs arranged in FY 1994, MTMC reported that about 125,650 shipments had about \$390.5 million in transportation costs for military officers' shipments. In FY 1995, about 128,800 of the 596,200 shipments had about \$367.5 million in transportation costs for military officers. MTMC provided data records on 126,700 shipments for military officers that were used for our analysis of the FY 1995 data. The difference in total military officers' shipments for FY 1995 compared to the data records MTMC provided for analysis was caused by the continuous updating of WHIST data as Government bills of lading are paid.

Program, Policy, and Procedures Evaluation. We reviewed DoD, U.S. Transportation Command, MTMC, and Military Department policies and procedures for shipping personal property of military personnel that were in effect for the period September 1984 through August 1995. We interviewed personnel at the U.S. Transportation Command on matters of policy and procedures and reengineering the Program. We also interviewed budget and cargo administration personnel at the AMC located at Scott Air Force Base, Illinois, to determine interfaces between AMC and MTMC on procedures for using AMC aircraft to move personal property. Additionally, we examined data records on the billing to DoD organizations for AMC transportation for FYs 1994 and 1995. We also interviewed the program manager for the Standard System to determine procedures for the interfacing among DoD financial and administration data bases. We reviewed procedures and examined data records on the clearance and approval of personal property shipped by air for FYs 1994 and 1995. We examined data files and manual records on military officers' personal property shipments from FY 1994 through FY 1995 at the Joint Personal Property Shipping Office, Washington, D.C., located at Fort Belvoir, Virginia. We judgmentally selected military officers' files on personal property shipments from FY 1994 through FY 1995 at the Joint Personal Property Shipping Office - Washington, D.C.; AMC; and the MTMC WHIST database and compared the data.

Limitation to Scope. Our attempt to evaluate the process for shipping personal property to determine whether the PPSOs were selecting the most efficient and cost-effective mode and method of transporting personal property resulted in a limitation to the scope of the audit. Because of incomplete manual records, an inaccurate and incomplete WHIST computer database, and the uniqueness of

each personal property shipment and permanent change of station move, we were unable to evaluate the cost-effective use of transportation for the Program. We therefore evaluated the management of the overall Program in accordance with DoD Directive 4500.34.

Use of Computer-Processed Data. To achieve the audit objective, we relied primarily on computer-processed data in the WHIST database. Our review of system controls and results of data tests showed a data omission rate that casts doubt on the data reliability. For example, storage data were important to our objective to evaluate whether the most cost-effective modes of transportation were being selected. An important database parameter in testing this objective was the date that personal property was put into storage to establish shipment arrival dates, to determine whether premium air transportation and storage were necessary, and to calculate the potential cost savings by using an alternative mode of transportation. For 126,700 computer records on personal property shipments of military officers in FY 1995, 19,500 records had no dates for property put into storage, but had dates for property taken out of storage (the inconsistency posed a 15.4-percent rate of omission for the data). Consequently, because of the unreliability of the data, we were unable to provide specific projections and conclusions on the use of the most cost-effective mode of shipping personal property. However, the unreliability of the WHIST data did not have a material effect on our audit conclusions.

Technical Assistance. Our Technical Support Branch provided technical assistance for this audit.

Audit Period and Standards. We performed this program results audit from March 1996 through January 1997 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987,* requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

*DoD Directive 5010.38 has been revised as "Management Control Program," August 26, 1996. The audit was performed under the April 1987 version of the Directive.

Appendix A. Audit Process

Scope of Review of Management Control Program. We reviewed management control procedures at MTMC regarding the administration of the worldwide traffic management aspects of the Program. We also reviewed the results of management's self-evaluation of those controls.

Adequacy of Management Controls. We identified a material management control weakness for MTMC as defined by DoD Directive 5010.38. MTMC management controls over administration of the worldwide traffic management aspects of the DoD Program were not adequate to ensure PPSOs selected the appropriate methods and modes of shipments that meet the needs of military officers at the lowest overall cost to the Government. The recommendations, if implemented, will improve the DoD administration of the Program. A copy of the report will be provided to the senior official responsible for management controls in the Office of the Assistant Deputy Under Secretary of Defense for Transportation Policy, the U.S. Transportation Command, and MTMC.

Adequacy of Management's Self-Evaluation. Officials at the Office of the Assistant Deputy Under Secretary of Defense for Transportation Policy, the U.S. Transportation Command and MTMC did not identify the administration of the worldwide traffic management aspects of the Program as an assessable unit and, therefore, did not identify the material management control weakness identified by the audit.

Appendix B. Prior Audits and Other Reviews

The General Accounting Office; Inspector General, DoD; and Air Force Audit Agency issued 15 audit reports related to the management of the Program. Those reports covered a range of issues that included comments on the progress of the MTMC reengineering pilot program; adverse conditions of databases on personal property damage and loss claims and insufficient, comprehensive management data; the need for commercial competition for shipping household goods; deficiencies in data reported in the Permanent Change of Station Management Information System; and weak management controls. Specific references to prior audits affecting our audit conclusions have been incorporated in the discussion of this report. Because of the extensive coverage provided and reported, we have limited the prior audit coverage section to a listing of the audit reports we reviewed and considered during this audit.

General Accounting Office

The General Accounting Office issued one report evaluating the DoD transportation reengineering efforts, Report No. NSIAD-97-49 (OSD Case No. 1261), "Defense Transportation: Reengineering the DoD Personal Property Program," November 1996.

The General Accounting Office issued five reports evaluating and reporting deficiencies in the organizational structure, management of the Program, and data collection necessary to manage the Program.

- o Report No. NSIAD-96-60 (OSD Case No. 1023), "Defense Transportation: Streamlining of the U.S. Transportation Command is Needed," February 1996.

- o Report No. NSIAD-95-48 (OSD Case No. 9828), "DoD Household Goods: Increased Carrier Liability for Loss and Damage Warranted," May 1995.

- o Report No. NSIAD-94-39 (OSD Case No. 9476), "Household Goods: DoD Can Improve Claims Recovery on Direct Procurement Method Shipments," November 1993.

- o Report No. NSIAD 92-61 (OSD Case No. 8810), "DoD Commercial Transportation: Savings Possible Through Better Audit and Negotiation of Rates," December 1991.

- o Report No. NSIAD-90-50 (OSD Case No. 8270), "Household Goods: Competition Among Commercial Movers Serving DoD Can Be Improved," February 1990.

Inspector General, DoD

The Inspector General, DoD, issued three reports concerning deficiencies in the cost data and other information used to manage the transportation and storage of personal property:

- o Report No. 97-101, "Permanent Change of Station Management Information System," February 24, 1997.
- o Report No. 97-092, "Household Goods Storage," February 12, 1997.
- o Report No. 94-163, "Management Data used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations," June 30, 1994.

The Inspector General, DoD, issued one report on the inadequacy of financial statements for the Defense transportation area, Report No. 95-259, "Internal Controls for the Military Sealift Command Portion of the Transportation Business Area of the FY 1994 Defense Business Operations Fund Financial Statements," June 28, 1995.

The Inspector General, DoD, issued three reports on deficiencies in the cost-effectiveness of shipping freight:

- o Report No. 96-044, "Freight Shipment Deliveries," December 12, 1995.
- o Report No. 96-016, "Express Package Shipments," October 25, 1995.
- o Report No. 94-148, "Air Clearance Process," June 27, 1994.

Air Force Audit Agency

The Air Force Audit Agency Report on Project No. 94061019, "Management of Personal Property Shipments and Do-It-Yourself Moves," June 9, 1995, identified deficiencies in the shipments of household goods.

Appendix C. Personal Property Terms and Definitions

Airlift clearance authority. A Military Department organization that controls the movement of cargo, which includes personal property in the military airlift system under the provisions of DoD Regulation 4500.32.

Air Mobility Command. A subordinate command to the U.S. Transportation Command that provides military air mobility assets to deliver people and cargo anywhere around the world.

Code of service. A code used in WHIST that identifies the mode and method used to ship personal property.

Defense Transportation System. That portion of the worldwide transportation infrastructure that supports DoD transportation needs in peace and war. The defense transportation system consists of those military and commercial assets, services, and systems organic to, contracted for, or controlled by DoD.

Direct procurement method. A method of shipment in which the Government manages the shipment throughout the complete process. Packing, containerization, local drayage, and storage services are obtained from commercial firms under contractual arrangements or by the use of Government facilities and personnel.

Government bill of lading. A basic acquisition document used by the Government for procuring transportation services from common commercial carriers.

Household goods. Furniture, furnishings, boats, or equipment; clothing; baggage; personal effects; professional books, paper, and equipment; and all other personal property associated with the home and person, as defined in the Joint Federal Travel Regulation. Each Military Department has separate regulations concerning shipping household goods via AMC. However, all Military Departments require that shipments be cleared through the appropriate airlift clearance authority.

International through Government bill of lading. A single Government bill of lading issued for an overseas move to a commercial carrier, to acquire transportation and related services for a shipment of personal property from origin to destination.

Appendix C. Personal Property Terms and Definitions

Management assistance visit. The MTMC management reviews to examine the responsibilities, requirements, and operations of the PPSO.

Military Sealift Command. A subordinate command to the U.S. Transportation Command that provides sea transportation for DoD in peace and war. It moves unit equipment from the United States to operations all over the world, and strategically places ships around the world loaded with equipment to sustain military personnel.

Military Traffic Management Command. A subordinate command to the U.S. Transportation Command, which serves as the traffic manager for personal property in DoD. The mission of MTMC is to support DoD and the mobilization community worldwide during peace and war and to move household goods.

Permanent change of station. Military personnel permanently leave the current duty station and move to another duty station.

Permanent Change of Station Management Information System. A database administered by the Defense Manpower Data Center for the Office of the Under Secretary of Defense for Personnel and Readiness. It is intended to provide statistical data for DoD managers and to respond to congressional inquiries concerning the management of permanent change of station travel, particularly during the annual budget authorization and appropriation reviews.

Personal property. Household goods; unaccompanied baggage (essential personal property); privately owned vehicles; and mobile homes, as defined in the Joint Federal Travel Regulation.

Personal Property Shipping Office. A DoD organization designated to provide traffic management, counseling, and application processing for military personnel within a designated area of responsibility. The services provided include the acquisition of transportation, storage, and other sundry services related to shipping personal property.

Required delivery date. The date that personal property is required to be delivered to the military personnel's new residence. The Standard System determines the standard required delivery date from the pick-up date and the member's moving destination. The required delivery date can be overridden in the Standard System by either the counselor or the shipping office.

Shipment method. The method refers to whether the shipment of personal property is made by a through Government bill of lading or a direct procurement method. The two different methods determine the degree or magnitude of Government involvement in managing the move. In a through Government bill of lading, the selected carrier will come to the person's residence, pack the household goods, move the household goods to the person's new residence, and unpack the household goods. In a shipment using the direct procurement method, different carriers will pack, provide linehaul, and unpack

Appendix C. Personal Property Terms and Definitions

the household goods at destination. When the direct procurement method is used, the shipping office will contact each separate contractor for the different parts of the move.

Shipment mode. The shipping of personal property by land, air, or sea. Land shipments usually involve carriers moving the property with trucks. Air movements involve a combination of land and either commercial or AMC-controlled aircraft. Only under unusual circumstances will domestic moves within the continental United States involve air shipments. Sea movements will be a combination of land and either commercial or MSC-controlled ships.

Through Government bill of lading. A single Government bill of lading issued to a commercial carrier to acquire transportation and related services for a shipment of household goods from origin to destination.

Transportation Operational Personal Property Standard System (Standard System). The Standard System is the joint, standard database system for managing all processing forms and information involved with moving personal property. The functional capabilities of the Standard System include the documentation of initial counseling of the member concerning entitlements and movement options. They continue with documentation on carrier selection and contracting for packing, storing, transporting, and other services. The Standard System processes conclude with delivery at destination and completion of quality assurance documentation. The Standard System will eventually electronically transmit information to the finance system to pay contractors.

Traffic management. Development, coordination, and supervision of DoD-wide programs, procedures, reports, standards and criteria governing the acquisition of services required to move, store, and handle personal property. It does not include policies and procedures for funding, staffing, accounting, disbursing, and claim settlement.

Unaccompanied baggage. Personal items that military personnel need at their new duty station shortly upon arrival. These items include clothing and kitchen utensils.

Appendix D. DoD Guidance

Since 1984, DoD has issued several policies and procedures regarding transportation and the movement of personal property, including Military Department implementing regulations, that materially affect the Program. The following is a summary of DoD guidance pertinent to this report.

Transportation Guidance

DoD Directive 5153.4. DoD Directive 5153.4, "United States Transportation Command," January 8, 1993, assigns the mission to provide air, land, and sea transportation for DoD in both peacetime and wartime the U.S. Transportation Command. The U.S. Transportation Command is delegated the authority to procure commercial transportation services, including lease of transportation assets as necessary to carry out its mission.

DoD Directive 4500.9. DoD Directive 4500.9, "Transportation and Traffic Management," January 26, 1989, states that DoD transportation resources shall be organized and managed to ensure optimum responsiveness, efficiency, and economy to support the DoD mission. DoD shall maintain and operate in peacetime only those owned or controlled transportation resources needed to meet approved DoD emergency and wartime requirements that cannot be met from commercial transportation sources. Those transportation resources shall be used during peacetime as efficiently as possible to provide essential training for operational personnel and to meet logistic needs. DoD shall procure safe, secure, reliable, and quality commercial transportation services that shall meet DoD requirements at the lowest overall cost. DoD shall also limit the use of premium methods and modes of transportation to shipments that clearly require such service for meeting priority mission requirements or whenever savings of the expedited service exceed the cost. The policy also directs the Secretary of the Army, through MTMC, to provide management of continental traffic management services for passengers and freight and worldwide personal property movement.

DoD Regulation 4500.9. DoD Regulation 4500.9, "Defense Transportation Regulation," 4 August 1995. When finalized, this regulation will consist of four parts: DoD passenger, DoD cargo, DoD mobility, and DoD personal property. Part IV, Personal Property, is still in draft and will replace DoD Regulation 4500.34. Each part of the regulation details the responsibilities for DoD organizations. The Regulation states that the Office of the Assistant Deputy Under Secretary of Defense for Transportation Policy shall establish and oversee implementation of policy for effective and efficient use of DoD and commercial transportation resources. It also states that the U.S. Transportation Command, in conjunction with the Military Departments and theater commands, will provide technical direction and supervision over all traffic management functions incident to personal property movements within the

Defense Transportation System. Additionally, the Commander of MTMC will administer the worldwide traffic management aspects of the Program, as directed by the U.S. Transportation Command. The Military Departments are responsible for providing resources and managing their transportation programs, which include base transportation operations, and issuing applicable supplemental policy; procedures; and traffic management guidance in support of those operations.

U.S. Transportation Command Regulation 24-1. The U.S. Transportation Command Regulation 24-1, "U.S. Transportation Command Transportation and Traffic Management Policies and Procedures," September 1, 1994, states that the U.S. Transportation Command is the single manager for transportation. It states that the U.S. Transportation Command will ensure the effective and efficient use and control of Government-owned resources and act as the DoD administrator for all transportation data to ensure that automated systems supporting the Defense Transportation System are compatible and interoperable. MTMC is delegated the responsibility of administering the worldwide traffic management aspects of the Program.

Personal Property Guidance

DoD Instruction 1315.16. DoD Instruction 1315.16, "Permanent Change of Station Management Information System," July 22, 1992, states that it is DoD policy to establish and maintain a system, containing data necessary for a thorough statistical evaluation of permanent change of station policies and expenditures, to help the effective and efficient administration of the Permanent Change of Station Program. MTMC shall provide data semiannually on the movement of household goods for all permanent change of station moves completed.

DoD Directive 4500.34. DoD Directive 4500.34, "DoD Personal Property Shipment and Storage Program," April 10, 1986, and updated May 20, 1994, states that the Commander, MTMC, shall develop and periodically review the Program in collaboration with DoD Components concerned. It shall provide technical direction, supervision, and evaluation of the traffic management aspects of the Program worldwide, subject to the overall guidance prescribed by the Under Secretary of Defense for Acquisition and Technology.

The Directive further states that the Secretaries of the Military Departments or their designees, shall establish; operate; staff; support; and supervise personal property shipping offices and furnish to MTMC, as required, cost and claims data and other information necessary to manage the Program.

The MTMC is to review the Program for its adequacy, standards, efficiency, economy, and cost-effectiveness. The MTMC is also to ensure that services are procured only from responsible carriers, storage firms, and contractors; that carriers are evaluated; and that Military transportation resources will be used for shipping personal property in accordance with DoD Directive 4500.9.

Appendix D. DoD Guidance

DoD Regulation 4500.34. DoD Regulation 4500.34, "Personal Property Traffic Management Regulation," June 1, 1995, states that the PPSO shall determine requirements of each person on an individual shipment basis and select, within program guidelines, the method and the mode of transportation that meets the needs of the member at the lowest overall cost to the Government. It also states that military air and ocean transportation resources under the control of AMC or MSC shall be used to the maximum extent practicable.

The Regulation requires the Commander, MTMC, to develop and review the Program; recommend changes in management and operations to OSD; evaluate the performance of traffic management functions at DoD installations; and collect, evaluate and distribute data for managing the Program.

Military Traffic Management Command Regulation 55-6. Military Traffic Management Command Regulation 55-6, "Transportation and Travel, Personal Property Movement and Storage Program," August 31, 1987, requires MTMC area commanders to schedule a personal property management assistance visit for each installation within their geographical area of responsibility at least once every 2 years. The visits are to be coordinated with the Military Departments and major commands to avoid duplicating efforts. The purpose of the visits is to substantially reduce the problems encountered in the execution of the personal property program.

Guidance for the Military Departments

Army Regulation 55-71. Army Regulation 55-71, "Transportation of Personal Property and Related Services," September 15, 1984, states that air transportation is a premium cost mode of transportation. It states that air may be authorized or approved to ship household goods when a surface mode or a combination of surface and air mode will not satisfy a person's needs. The Regulation authorizes MTMC area commanders to approve air shipments of household goods if shipments are received by ocean terminals too late to reach destination via surface shipping before the required delivery date plus 10 days have expired. In addition, major overseas Army commanders may approve requests for air shipments of household goods that originate within their geographical area of responsibility for Army personnel. That authority may be redelegated to installation commanders. The Regulation requires that the approving authority maintain records of approved air shipments for review by the Army, or other competent authority.

Naval Supply Systems Command Publication 490, "Transportation of Personal Property," August 30, 1990. The Publication defines air transportation as an expedited mode that should be used only on an exception basis. It requires that the primary consideration in evaluating the need for air shipment will be the actual date the member will need the property. The

Publication requires that if air shipment is the preferred alternative, the personal property transportation officer request air clearance from the appropriate air clearance activity.

Air Force Regulation 75-25, "Moving and Storing Personal Property," Chapter 9, March 23, 1990. The Regulation does not require prior approval when household goods are shipped by air to or from hardlift areas. Airlift to any other area requires prior approval. The Regulation delegates approval authority to the Joint PPSO, San Antonio, Texas. Airlift requests will be sent through the major command to the Joint PPSO, San Antonio. The Regulation states that general statements such as "member is in dire need," "member has quarters," or "past required delivery date" are insufficient to justify airlift. All requests are required to be in writing.

Appendix E. Memorandum for Commander, Air Mobility Command



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

October 21, 1996

MEMORANDUM FOR COMMANDER, AIR MOBILITY COMMAND

SUBJECT: Audit of Household Goods Shipments
(Project No. 6LB-0044)

We are conducting the subject audit to determine whether DoD organizations are using the most cost-effective mode of transportation to move personal property of military officers. As part of the audit, we reviewed shipment and billing information provided by the Air Mobility Command to establish total costs for individual personal property shipments. We are providing this memorandum on charges assessed DoD customers for household goods and unaccompanied baggage shipments for your information and use.

This memorandum is not subject to the provisions of DoD Directive 7650.3, but, is intended to provide management an opportunity to correct administrative errors and reevaluate its policy for applying a discount rate on unaccompanied baggage.

Household Goods Charges. Administrative errors were made in processing data that affected the billing process and resulted in mischarging customers. The most prominent error occurred in the coding of household goods shipments. Approximately 7 percent (6 of 87) of the FY 1994 and FY 1995 household goods shipments we reviewed had been mischarged because the commodity code was incorrect. We recommend that a review be conducted to determine the cause of the coding errors.

Unaccompanied Baggage Charges. We believe the discount rate for shipping unaccompanied baggage may be unnecessary and unjustifiable. Officials at the Air Mobility Command stated that before FY 1987, a 50-percent discount rate was applied to unaccompanied baggage shipped to the continental United States. In FY 1987, the Air Mobility Command changed its practice to apply the discount rate to unaccompanied baggage shipped from the continental United States. Air Mobility Command officials were unable to provide a documented justification for the discount rate or for the change in the rate application. Therefore, we recommend that the 50-percent discount rate for unaccompanied baggage be evaluated to determine whether the discount rate is valid.

Appendix E. Memorandum for Commander, Air Mobility Command

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We will continue to monitor the Air Mobility Command's corrective actions on these issues during our subject audit. If you have any questions or comments regarding this memorandum, please contact Mr. John Gannon, Audit Program Director, at (703) 604-9427 (DSN 664-9427) or Mr. Tilghman Schraden, Audit Project Manager, at (703) 604-9436 (DSN 664-9436).

Shelton R. Young

Shelton R. Young
Director
Logistics Support Directorate

cc: Comptroller, Air Mobility Command

Appendix F. Report Distribution

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