

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

HOUSEHOLD GOODS STORAGE

Report No. 97-092

February 12, 1997

DTIC QUALITY INSPECTED 4

19991027 137

Department of Defense

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

ADII 00-01-0196

Additional Copies

To obtain additional copies of this audit report, contact the Secondary Reports Distribution Unit of the Analysis, Planning, and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch of the Analysis, Planning, and Technical Support Directorate at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: APTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.OSD.MIL; or by writing to the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

Acronym

MTMC

Military Traffic Management Command



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



Report No. 97-092

February 12, 1997

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND TECHNOLOGY
COMMANDER IN CHIEF, UNITED STATES
TRANSPORTATION COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

SUBJECT: Audit of Household Goods Storage (Project No. 6LB-0054)

Introduction

We are providing this report for your information and use. Military members and civilian employees of DoD who are required to make permanent change of station moves are entitled to move an authorized amount of household goods and personal effects at Government expense. Individuals required to make permanent change of station moves are entitled to have their household goods shipped to the new duty station or stored at the current or new duty station. The entitlements include transportation costs that encompass associated services, such as packing, unpacking, and storage-in-transit (short-term storage). The entitlements also include nontemporary storage (long-term storage). During FY 1995, DoD spent approximately \$1.6 billion for the storage and transportation of household goods and personal effects for its military and civilian personnel (see Enclosure 1).

The DoD has long been concerned about the quality of its program to transport, store, and manage the household goods of service members and civilian employees. The concerns focused on poor service from movers, excessive incidence of loss or damage to service members' property, and high claims costs to the Government. To address those concerns, the Military Traffic Management Command (MTMC) has a major reengineering effort ongoing, the Reengineering Personal Property Initiative Pilot Program. The MTMC reengineering team responsible for the effort is sponsoring a pilot program, scheduled to start in early 1997, to test ways to solve the problems that DoD and private industry identified in the personal property program. The Army has a smaller ongoing pilot program designed to test a complete relocation service concept, which includes aspects of household goods storage. The pilot programs could lead to viable solutions to some of the problems associated with the storage and transportation of household goods.

Audit Results

Our limited review of three personal property shipping offices showed that long-term and short-term storage was appropriately used to store members' household goods. Also, household goods were moved to more expensive short-term storage only when necessary and within required guidelines. MTMC, however, did not collect and maintain cost and statistical data on household goods shipments that used short-term storage. Based on our audit results, and because of the MTMC reengineering program, and the planned and ongoing pilot programs that will cover systemic problems within the household goods program, we curtailed our audit. However, we are concerned that short-term storage costs, except those of the Navy, are not visible to MTMC or the Military Departments because they are included in the Military Department costs for household goods transportation. In FY 1995, DoD spent roughly twice the amount on short-term storage that it spent on long-term storage without having adequate visibility over how much of the household goods transportation costs was spent on short-term storage or the number of shipments going into short-term storage. The MTMC pilot program will cover short-term storage by redefining those storage services and changing how the services are charged. We believe that if the MTMC reengineering team places special emphasis on increasing visibility over the short-term storage costs and decreasing its use, DoD could realize significant savings in household goods storage and transportation costs.

Audit Objectives

The objective of the audit was to determine whether DoD transportation officers were using nontemporary storage and storage-in-transit to limit costs associated with movement of personal property for DoD military and civilian personnel. Specifically, we determined whether personal property was being moved properly from nontemporary storage to more expensive storage-in-transit. We also reviewed the management controls and addressed performance indicators as they applied to the audit.

Scope and Methodology

Scope. We performed the audit at selected DoD organizations with responsibilities for the management and storage of household goods for the Military Departments. Within each Military Department, we visited major commands and personal property shipping offices or installation transportation offices. We reviewed policies, procedures, and practices for managing

household goods storage. We reviewed short-term storage registers and member files from January 1, 1995, through September 7, 1996. Additionally, we interviewed managers responsible for the shipment and storage of household goods.

The DoD spent approximately \$1.6 billion in FY 1995 for shipment and storage of household goods and personal effects for its military and civilian personnel. Our review of the DoD household goods storage program was limited to evaluating transactions for household goods storage at 3 of the 141 personal property shipping offices managed by DoD in the continental United States, and contacting another 10 shipping offices.

Methodology. We judgmentally selected sites and storage transactions, and reviewed storage transactions from January 1, 1995, through September 7, 1996. For the three sites visited, we selected the Joint Personal Property Shipping Office for the Washington, DC, area because of the volume of storage transactions, and personal property shipping offices at two education and training facilities because of the frequency of permanent change of station moves. At each site, we reviewed short-term storage registers to select storage shipment transactions, reviewed member files to obtain short-term storage data, and analyzed storage data to determine whether the organizations reviewed appropriately used long-term and short-term storage.

For the Joint Personal Property Shipping Office, Washington Area, Fort Belvoir, Virginia, we judgmentally selected 118 of the 11,036 inbound shipments for review. For the personal property shipping office at the Naval Education and Training Center, Newport, Rhode Island, we reviewed all 386 of the inbound shipments and all 233 of the inbound shipments at the United States Naval Academy, Annapolis, Maryland. We contacted an additional 10 shipping offices to obtain information concerning the cost of storing household goods in temporary storage. Additionally, we reviewed FY 1995 storage and transportation costs provided by the Military Departments. Further, we evaluated management controls to determine whether they were adequate for managing household goods storage. We used the Joint Federal Travel Regulation, volume 1, "Transportation and Storage of Household Goods," through change 112, April 1, 1996, to evaluate the DoD household goods storage procedures and practices.

Audit Period and Standards. This economy and efficiency audit was made from May through November 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls considered necessary. We did not use computer-processed data, except to judgmentally select the samples of records for verification of the length of time that the household goods remained in storage and to identify the shipments that came out of long-term storage.

Organizations and Individuals Visited or Contacted

We visited or contacted individuals and organizations within DoD and contacted the General Services Administration, the General Accounting Office, and the U.S. House of Representatives Surveys and Investigations staff. 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 provide reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. The audit evaluated management controls related to the storage of household goods within the Military Departments. Specifically, we examined management control procedures for ensuring that long-term and short-term storage were appropriately used and that adequate data were available for managing the storage of household goods at the three organizations we visited. We did not assess management's self-evaluation of applicable controls.

Adequacy of Management Controls. Management controls applicable to the storage of household goods were deemed to be adequate in that we identified no material management control weaknesses for the organizations we visited.

Prior Audits and Other Reviews

General Accounting Office Report No. NSIAD-97-49. General Accounting Office Report No. NSIAD-97-49 (OSD Case No. 1261), "Reengineering the DoD Personal Property," November 27, 1996, provides an assessment of DoD and industry plans for reengineering the personal property program. The report stated that the MTMC proposal to reengineer the program would enable DoD to embrace the best value to the Government concept, while the industry proposal provides for selecting contractors based on price and does not provide for an up front assessment of quality. While both proposals are likely to achieve several of the 10 goals that DoD and industry agreed to follow for reengineering personal property, the General Accounting Office believes that the MTMC proposal is a simplified approach and provides a greater opportunity than the

*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.

industry proposal to achieve the program goals. The General Accounting Office supports moving ahead with the pilot test program. The test program is essential to gather necessary data to design the reengineered personal property program.

Inspector General, DoD, Project No. 6LB-0044. Inspector General, DoD, draft report Project No. 6LB-0044, "Permanent Change of Station Management Information System", was issued on November 20, 1996. The report stated that the Permanent Change of Station Management Information System (the System) does not provide complete and accurate centralized management information system data on permanent change of station travel and associated costs, including data on household goods shipments, for military personnel. As a result, DoD could spend \$1.1 million between FYs 1997 and 2002 to collect data that are incomplete and unused; and DoD managers could not make efficient, well-informed management decisions regarding the \$2.8 billion annual budget for moving military personnel and household goods in DoD. The report recommended that the Under Secretary of Defense for Personnel and Readiness suspend DoD Instruction 1315.16 until a cost benefit analysis for the System is prepared, and more comprehensive guidance is developed. The report also recommended that the Secretaries of the Military Departments and the Commander, Military Traffic Management Command, develop and implement standard operating procedures for collecting and reporting more complete permanent change of station travel data when the System is rejustified and DoD guidance is revised.

Audit Background

Criteria. Procedures at personal property shipping offices, as they applied to storage of household goods, were based on the following guidance.

Joint Federal Travel Regulation. Joint Federal Travel Regulation, volume 1, states that generally, members whose household goods are in long-term storage are authorized short-term storage at origin, in transit, or at destination when the household goods are shipped. The time limits prescribed for short-term storage start to accrue the day following the end of the long-term storage entitlement, which is normally at the end of a tour of duty. The Joint Federal Travel Regulation provides seven reasons why short-term storage can be extended beyond the prescribed time limits (see Enclosure 2).

DoD Directive 4500.34. DoD Directive 4500.34, "DoD Personal Property Shipment and Storage Program," April 10, 1986, states that the Commander, MTMC, is responsible for the overall management of the personal property shipment and storage program. The Directive also states that MTMC shall provide policy, furnish technical guidance and assistance, including traffic management cost data and statistics to DoD components as required.

Additionally, MTMC shall collect and maintain statistics and other data required for information analysis and effective management of the personal property shipment and storage program. The day-to-day management of individual shipment and storage transactions is accomplished by personal property shipping offices within the Military Departments.

Household Goods Storage. Military members and civilian employees of DoD who are required to make permanent change of station moves are entitled to move an authorized amount of household goods and personal effects at Government expense. DoD uses two types of storage to accommodate the needs of military and civilian members undergoing permanent change of station moves. The two types of storage, nontemporary or long-term storage and storage-in-transit or short-term storage are two entirely different entitlements meant for different uses and circumstances.

Nontemporary Storage. The nontemporary storage entitlement is for long-term storage that is primarily intended to prevent household goods from being shipped to permanent change of station sites where the household goods can not be accommodated or will not be used before the next permanent change of station move. Generally, long-term storage is for 1 to 3 years (the average military member's tour length) and ends upon the receipt of new permanent change of station orders. Long-term storage is authorized only in approved storage facilities nearest the place where the household goods were located on the date the member's orders were issued. Long-term storage is not a part of the household goods transportation cost. The Military Departments budget and account for long-term storage as a separate entitlement.

Storage-in-Transit. The storage-in-transit entitlement is for short-term storage that is authorized in connection with a shipment of household goods. A member of the military or a civilian employee is entitled to short-term storage at Government expense for 90 days in connection with any authorized shipment of household goods. Storage charges accrued after 90 days will be at the member's expense unless additional storage is authorized. The personal property shipping offices may authorize or approve the extension of short-term storage for up to 360 days for conditions beyond the member's control (see Enclosure 2). Short-term storage is a part of the household goods transportation cost. Except for the Navy, the Military Departments do not budget and account for short-term storage as a separate entitlement.

The Military Departments estimated that about 80 percent of all household goods shipments used short-term storage. During FY 1995, they spent at least \$59 million for long-term storage. We estimated that the Military Departments spent about \$140 million for short-term storage during the same period. In the moving industry, daily rates for short-term storage are higher than those for long-term storage. Short-term storage rates are about two times more expensive than long-term storage rates.

Discussion

Uses of Storage Entitlements. For the personal property shipping offices we reviewed, the organizations appropriately used long-term and short-term storage entitlements for individuals required to make permanent change of station moves.

Joint Personal Property Shipping Office, Washington Area, Fort Belvoir, Virginia. The short-term storage register for the joint personal property shipping office at Fort Belvoir showed that 11,036 inbound shipments used short-term storage during 1995. We judgmentally selected a sample of 118 inbound shipments to determine the number of days the property remained in short-term storage before destination delivery and, where applicable, the reasons for storage extensions beyond 90 days. Of the 118 shipments we reviewed, 87 shipments had been in short-term storage for more than 90 days and 31 shipments had been in short-term storage for less than 90 days. The 87 shipments remained in short-term storage for an average of 259 days. Of the 87 short-term shipments, 73 were stored for one of the seven reasons cited in the Joint Federal Travel Regulation as being beyond the control of the member. The joint personal property shipping office did not have documentation supporting the reasons for extending the remaining 14 shipments. While the lack of documentation at the joint personal property shipping office was significant, we do not believe that it is a systemic problem, because we did not note similar problems at the two other personal property shipping offices reviewed. However, we believe that the joint personal property shipping office needs to improve controls over the documentation supporting reasons for extending short-term storage shipments. Of the 11,036 inbound shipments reviewed, only 553 were shipped from long-term storage at the point of origin to the Washington area. The remaining 10,483 inbound shipments were shipped from individual residences. The 553 shipments remained in short-term storage for an average of 34 days, well within the 90-day entitlement.

Naval Education and Training Center, Newport, Rhode Island. The short-term storage register for October 1, 1995, through April 30, 1996, at the personal property shipping office at the Naval Education and Training Center showed that 386 inbound shipments used short-term storage. For the 386 shipments reviewed, 40 had been in short-term storage for more than 90 days and 346 had been in short-term storage for less than 90 days. Of the 40 short-term shipments, 37 were appropriately extended because of the nonavailability of Government quarters or suitable civilian housing. The 37 shipments were in short-term storage for an average of 156 days. The remaining three shipments were also appropriately extended under the provisions of the Joint Federal Travel Regulation (see Enclosure 2).

United States Naval Academy, Annapolis, Maryland. The short-term storage register for January 1, 1995, through September 7, 1996, at the Naval

Academy showed that 233 inbound shipments used short-term storage. For the 233 shipments reviewed, 33 had been in storage for more than 90 days and 200 for less than 90 days. Each of the 33 shipments were appropriately extended because of the nonavailability of Government quarters or suitable civilian housing. The 33 shipments remained in short-term storage for an average of 148 days. The storage extensions were properly authorized under the provisions of the Joint Federal Travel Regulation.

Household Goods Storage Costs. Because short-term storage is more expensive than long-term storage, we looked at the economics of converting from short-term to long-term storage to reduce the cost of storing household goods. We also considered the impact of increased damages to personal property resulting from the additional handling that would accompany conversion. We concluded that converting from short-term to long-term storage would not be cost-effective, and storage costs could possibly increase.

Short-term to Long-term Storage Conversion Costs. For household goods already in short-term storage, converting to long-term storage would not reduce storage costs because of the conversion fees, charges for handling and inventorying the household goods, and costs for any damages that may occur. For example, the Personal Property Shipping Office, Yuma Marine Corps Air Station, Arizona, was one of four shipping offices that provided cost estimates for converting the storage type from short-term to long-term. The shipping office estimated that the handling and conversion costs that would be charged to move a household goods shipment from a short-term storage location to a long-term storage location in the same warehouse would average about \$1,160 for a 5,000-pound shipment. If the household goods had to be moved to another warehouse, the costs would be even greater. The additional charges would not only eliminate any potential savings, but could cost the Government more money. The other three personal property shipping offices contacted for cost estimates provided estimates that were consistent with those of the personal property shipping office at the Yuma Marine Corps Air Station.

Damage Claims Costs. Increased damages caused by the extra handling involved in moving household goods from a short-term storage location to a long-term storage location would increase the cost of claims and add to the overall cost of household goods storage. The most practical way to reduce household goods storage costs is to ship the household goods directly from the member's previous residence to the new residence. This practice would reduce handling and storage costs and the number of claims for damages. However, limited availability of government quarters and suitable civilian housing at new duty stations often preclude door-to-door deliveries.

DoD-Wide Household Goods Storage Data. The MTMC lacked adequate data on the actual cost and number of household goods shipments that used short-term storage. Neither of the personal property shipping offices we reviewed nor

MTMC monitored or accounted for the actual cost of short-term storage. MTMC was unable to provide, on an annual basis, the total number of shipments that used short-term storage. Without that data, MTMC could not furnish technical guidance and assistance, including traffic management cost data and statistics, to DoD Components, as required. Additionally, MTMC could not provide comprehensive statistics and other data required for information analysis and effective management of the personal property shipment and storage program. The problem is discussed in the draft report on the audit of Permanent Change of Station Management Information System. Further, because short-term storage costs were included in household goods transportation costs, neither MTMC nor the Military Departments had adequate visibility of how much of the funds was used for short-term storage and, therefore, could not optimize the use of the funds. Based on input from the Military Departments, we estimated DoD spent roughly twice the funds on short-term storage that it spent on long-term storage in FY 1995, without having visibility over the amount of funds used for short-term storage or the number of household goods shipments that went into short-term storage.

Reengineering Initiative and Personal Property Pilot Programs. In 1994, MTMC initiated a major reengineering effort, the Reengineering Personal Property Program, because Congress and DoD were concerned about the quality of life of members of the military and their families. The objective of the MTMC reengineering program is to improve the quality of service provided by moving and storage companies when moving the personal property of military families undergoing permanent change of station moves. Through the reengineering program, MTMC seeks to increase customer satisfaction, eliminate unnecessary regulatory constraints that impede the personal property moving process, and allow contractors the flexibility to use proven commercial techniques to perform personal property moves. The MTMC reengineering team identified systemic problems such as automation, billing, contracting, costs (including some shortcomings in how short-term storage services are defined and charged), and quality.

The MTMC will test its concept of improved service by conducting the MTMC Reengineering Personal Property Initiative Pilot Program beginning in early 1997. The Army is also conducting a small pilot program. See Enclosure 3 for a synopsis of the pilot programs. The pilot programs could lead to viable solutions to some of the problems associated with storage and transportation of household goods by examining and adopting commercial practices that industry uses when moving its employees, seeking best value services, and using other options that DoD is not using. The tests that DoD is to conduct are laudatory because the business of storing and transporting the household goods of military personnel and DoD civilian employees is receiving its first comprehensive evaluation.

Conclusion

Our limited review of the use of long-term and short-term storage showed that the personal property shipping offices were appropriately using storage entitlements for DoD members. Also, converting short-term storage to long-term storage would not be cost-effective; and could possibly increase storage costs. Additionally, the lack of adequate data on the actual cost and number of household goods shipments that went into short-term storage resulted in the inability of MTMC to furnish short-term storage cost data and statistics to DoD Components.

Opportunities exist to improve the cost-effectiveness and efficiency of using short-term storage. DoD needs visibility over how funds are spent for short-term storage; and it needs to reduce the number of household goods shipments going into short-term storage. MTMC has identified systemic problems in the storage and transportation of DoD household goods, including some shortcomings in how short-term storage services are defined and charged. It will use its Reengineering Personal Property Initiative Pilot Program to test ways to solve the identified problems. The MTMC personal property reengineering program has an excellent opportunity and the necessary resources to place special emphasis on optimizing the use of short-term storage. By placing special emphasis on the costly use of short-term storage, the reengineering initiative could identify and implement less costly storage methods and significantly reduce the costs of storing and transporting household goods in the future.

Management Comments

We provided a draft of this report to you on December 16, 1996. Because the report contained no findings or recommendations, written comments were not required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, Please contact Mr. John A. Gannon, Audit Program Director, At (703) 604-9427 (DSN 664-9427) or Mr. Joseph M. Austin, Audit Project Manager, at (703) 604-9424 (DSN 664-9424). We will give you a formal briefing on the results of the audit should you desire it. Enclosure 4 lists the distribution of this report. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman". The signature is written in a cursive, flowing style with a large initial "R".

Robert J. Lieberman
Assistant Inspector General
for Audit

Enclosures

FY 1995 DoD Household Goods Transportation and Storage Costs

DoD spent about \$1.6 billion in FY 1995 for transportation and storage of household goods and personal effects for its military and civilian personnel. The Military Departments provided combined household goods transportation and storage costs for military and civilian personnel. For added visibility, we calculated and separately displayed the short-term storage costs because they were already included in the household goods transportation costs.

	<u>Household Goods Transportation¹ (millions)</u>	<u>Long-term Storage² (millions)</u>	<u>Short-term Storage³ (millions)</u>	<u>Total (millions)</u>
Army	\$ 516.4	\$22.9	\$ 44.9	\$ 584.2
Navy	325.0	11.3	44.3	380.6
Air Force	482.6	20.5	41.9	545.0
Marine Corps ⁴	102.6	4.3	8.9	115.8
Total	\$1,426.6	\$59.0	\$140.0	\$1,625.6

¹Household goods transportation costs include shipment and accessorial charges. Accessorial charges include crating and packing, special deliveries, short-term storage, and third-party transactions. We adjusted the cost for household goods that the Military Departments provided by taking out the short-term storage costs that we calculated using the percentages that the Military Departments provided. The short-term storage costs that the Military Departments included in the household goods transportation costs are shown separately.

²Long-term storage costs are not part of household goods transportation costs, but rather, are budgeted and accounted for as a separate entitlement. Actual long-term costs were provided by the Military Departments.

³Short-term storage is an accessorial charge and an element of household goods transportation costs. The Military Departments and MTMC estimated short-term costs to be 8 to 10 percent of household goods transportation costs. Other than the Navy, neither the Military Departments nor MTMC separately accounted for accessorial costs. We calculated the short-term storage costs

FY 1995 DoD Household Goods Transportation and Storage Costs

using 8 percent of the household goods transportation costs for the Army, the Air Force, and the Marine Corps. The Navy stated that short-term storage accounted for 12 percent of its household goods transportation costs. We used 12 percent to calculate the Navy short-term storage costs.

⁴The transportation and storage data were provided by the Marine Corps.

Reasons for Extended Short-Term Storage Entitlement

The Joint Federal Travel Regulation states that requests for authorization or approval of extended short-term storage (storage-in-transit) beyond the 90 day initial entitlement must be accompanied by a statement from the member of all the facts in the case. The reasons that extended storage may be authorized or approved are:

- o serious illness of the member,
- o serious illness or death of a dependent,
- o impending assignment to Government quarters,
- o directed temporary duty after arrival at permanent duty station,
- o nonavailability of suitable civilian housing,
- o awaiting completion of residence under construction, or
- o acts of God.

Enclosure 2

Reengineering Personal Property and Pilot Programs

The MTMC and the Army have pilot programs to demonstrate improved quality of service to DoD members.

MTMC Reengineering Personnel Property Initiative Pilot Program. The FY 1996 National Defense Authorization Act directed the Secretary of Defense to initiate a pilot program to reengineer moves of household goods. Congress was concerned about the quality of service moving and storage companies provided to DoD members. Congress, DoD, and the household goods moving industry recognized the need to reform the current system in order to improve the quality of service to military personnel and their families.

Congress directed the Secretary of Defense to report on the pilot program and to include comments from industry before implementing the program. After reviewing the report, Congress expressed its concern that the MTMC pilot program did not adequately address the concerns of small moving companies. Therefore, in the FY 1997 National Defense Authorization Act, Congress directed the Secretary of Defense to establish a working group of military and industry representatives to develop an alternative pilot program.

On June 10, 1996, MTMC convened a joint working group of military and industry representatives to ensure that the concerns of industry, including small businesses were heard. The working group met six times from June 10 through September 16, 1996. On October 1, 1996, MTMC reported to the U.S. Transportation Command on the results of the congressionally requested working group. The working group came to a consensus on many issues, including use of full value replacement for loss or damaged personal or household goods items and increased opportunities for small business. MTMC proposes to conduct a pilot program in 1997. MTMC anticipates making contract awards in January 1997. The pilot contract term will run for 1 year with two 1-year options. MTMC and industry will review the program during the pilot year and the evaluation period. Of the military personal property shipments from installations in Florida, North Carolina, and South Carolina, 50 percent will be randomly selected for the pilot program. Other shipments will move under the current program, providing a direct comparison of quality of service. DoD has tasked the U.S. Transportation Command to evaluate the test. The General Accounting Office was tasked by the congressional defense committees in the FY 1996 Defense Authorization and Appropriations Conference report to monitor the MTMC pilot test to reengineer the DoD Personal Property Program. The General Accounting Office will be looking at

MTMC and DoD actions related to contracting and contract administration for the pilot test and observing, as appropriate, the impact those actions may have on the small business sector of the commercial moving industry. The work will begin in February 1997.

Hunter Army Airfield Pilot Program. The relatively small, Army sponsored pilot program at Hunter Army Airfield, Savannah, Georgia, started in November 1996 and is preceding on schedule. That effort includes hiring a single relocation service to manage the airfield's outbound household goods shipments. The servicing traffic management office will notify the relocation service of an assigned military member's permanent change of station. From that point, the relocation service will arrange all pick-up, storage, and delivery details between the shipping company and the service member. The pilot program could reduce the number of accessorial charges from 152 to about 10. The Army also plans to use a third-party prepayment audit function to ensure that work was actually accomplished and that the billing was correctly documented before being submitted for payment. DoD managers consider the changes essential because they focus the management control process on the significant billing line items, and allows the third party audit function a reasonable chance of auditing 100 percent of the original billings before forwarding them to the Defense Finance and Accounting Service for payment. The Army Audit Agency has been tasked to oversee the pilot program. The General Accounting Office was tasked by the congressional defense committees in the FY 1996 Defense Authorization and Appropriations Conference report to monitor the Department of the Army's pilot test to outsource various personal property transportation and transportation-related service functions. The General Accounting Office will be looking at the Army's actions related to contracting and contract administration for the pilot test and observing, as appropriate, the impact those actions may have on the small business sector of the commercial moving industry. The work will begin in February 1997.

Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller(Program/Budget)
Deputy Under Secretary of Defense for Logistics
Assistant Deputy Under Secretary of Defense (Transportation Policy)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Deputy Chief of Staff for Logistics (Transportation, Energy, and Troop Support)
Auditor General, Department of the Army

Department of the Navy

Deputy Chief of Staff for Installations and Logistics, Headquarters, U.S. Marine Corps
Assistant Secretary of the Navy (Financial Management and Comptroller)
Commander, Naval Supply Systems Command
Auditor General, Department of the Navy

Department of the Air Force

Deputy Chief of Staff for Logistics (Director of Transportation)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Report Distribution

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Unified Commands

Commander in Chief, United States Transportation Command
Commander, Military Traffic Management Command

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Audit Team Members

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Shelton R. Young
John A. Gannon
Joseph M. Austin
Jose J. Delino
Elizabeth A. Lucas
Douglas P. Bittenbender

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Household Goods Storage

B. DATE Report Downloaded From the Internet: 10/27/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ **Preparation Date** 10/27/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.