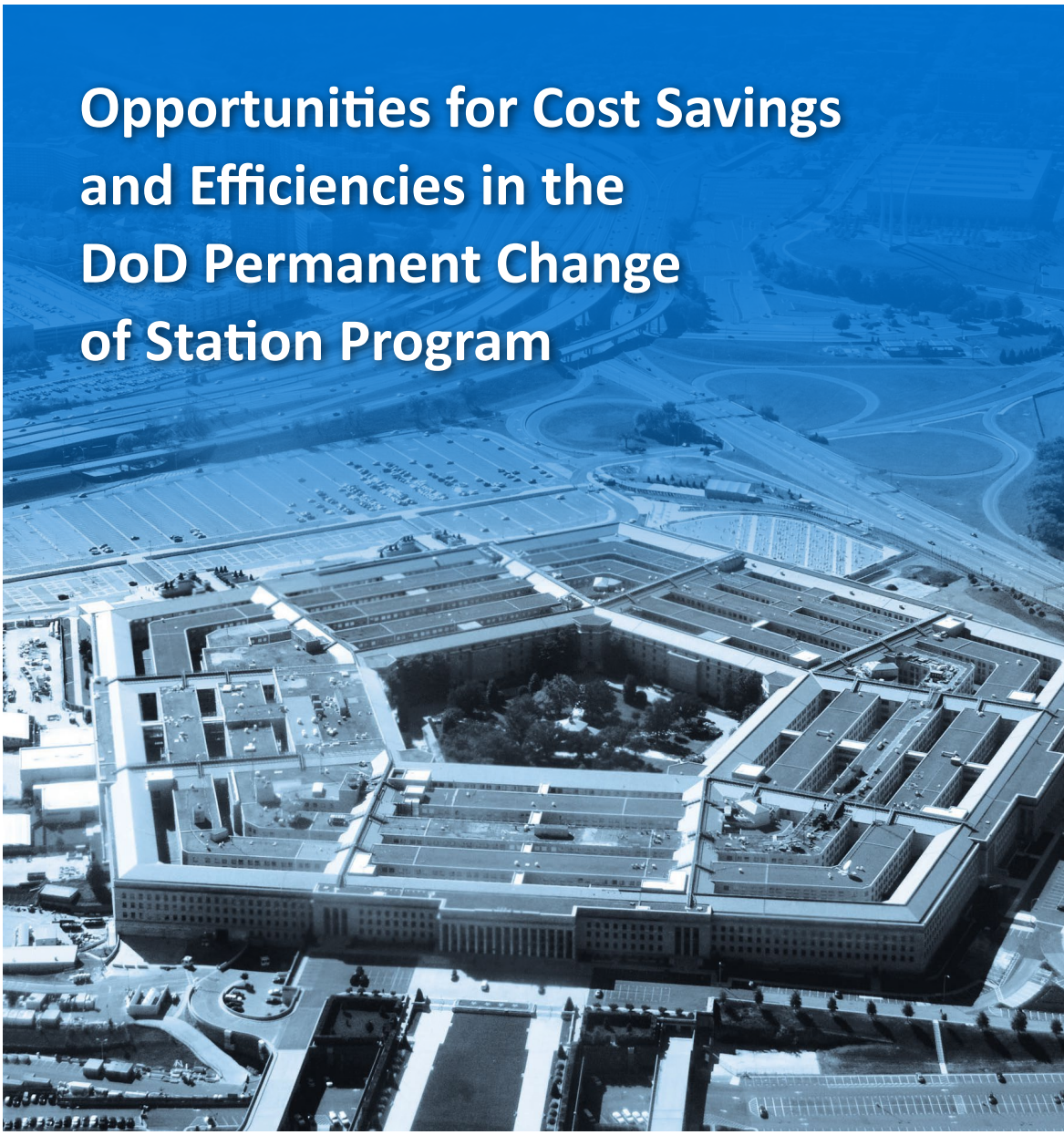
Report No. DODIG-2014-076

Inspector General

U.S. Department of Defense

MAY 21, 2014

Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program



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Results in Brief

Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program

May 21, 2014

Objective

The objective of the audit was to determine whether DoD could implement potential cost savings and efficiencies throughout the DoD Permanent Change of Station (PCS) Program.

Finding

While DoD and the Services implemented or plan to implement various initiatives to reduce costs and improve the PCS Program, additional efficiencies and savings within the $4.2 billion PCS Program could be realized by implementing controls to ensure that:

- the Services are tracking and managing nontemporary storage (NTS) entitlements, and service members assume management and financial responsibility and payment for NTS liabilities after the initial entitlement period expires;
- the Army improves oversight of overpayments made for service members who exceed their maximum household goods (HHG) weight entitlements when conducting legacy system multiple shipments;
- personnel property shipping office personnel use the most cost-effective method to accomplish domestic moves weighing 1,000 pounds or less;

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Finding (cont'd)

- DoD imposes weight limits for HHG shipments during certain local moves;
- DoD uses the most cost-effective mode of transportation for all overseas PCS moves; and
- DoD considers implementing a statutory incentive that would allow service members to voluntarily reduce the weight of shipped HHG and receive a portion of the savings.

Recommendations

We recommend that Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD; Under Secretary of Defense for Personnel and Readiness; and the Deputy Assistant Secretary of Defense for Transportation Policy, convene a working group to study the feasibility of implementing a statutory incentive to encourage sharing of costs savings when minimizing the weight of HHG shipments.

We recommend that Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary of Defense for Transportation Policy, update the Joint Federal Travel Regulations to remove authority for the Government to continue paying NTS costs after the entitlement period expires; and to apply weight limitations to local moves executed at the convenience of the Government.

We recommend that the Commander, U.S. Transportation Command, update the Defense Transportation Regulation to remove language allowing the Services to pay for expired NTS lots after the initial entitlement period, evaluate the cost-effectiveness of using each Patriot Express channel for

Recommendations (cont'd)

PCS travel and pending the results of the review, take appropriate action to reduce the number of Patriot Express missions flown, if warranted.

In addition, we recommend the Services develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all NTS lots; and establish policy requiring personal property shipping office personnel to use the most cost-effective method to ship and store domestic HHG weighing 1,000 pounds or less. Finally, we recommend the Army implement controls requiring that overpayments made for service members exceeding maximum HHG weight entitlements for legacy system multiple shipments are tracked and forwarded to the appropriate entity for recoupment.

Management Comments and Our Response

The Deputy Comptroller (Program/Budget), responding for the Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD; the Acting Director, Force Projection and Distribution, responding for the Deputy Chief of Staff, Army Logistics; the Deputy Director, Headquarters Air Force Logistics, responding for the Director, Headquarters Air Force Logistics; and the Staff Director, Headquarters Marine Corps, responding for the Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility, agreed to their respective recommendations and addressed all of the specifics of the recommendations.

Comments from the Assistant Secretary of Defense for Readiness and Force Management, responding for the Under Secretary Defense for Personnel and Readiness, and the Commander, Naval Supply Systems Command, partially addressed the recommendations. We received comments from the Deputy Assistant Secretary of Defense for Transportation Policy and the Commander, U.S. Transportation Command, too late to include them in the final report.

We request that the Under Secretary of Defense for Personnel and Readiness; Deputy Assistant Secretary of Defense for Transportation Policy; Commander, U.S. Transportation Command; and the Commander, Naval Supply Systems Command, provide comments in response to this report by June 20, 2014. If the Assistant Secretary of Defense for Transportation Policy and the Commander, U.S. Transportation Command, do not submit additional comments, we will consider their comments to the draft report as the management response to the final report. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD		1
Under Secretary of Defense for Personnel and Readiness	2.b	1, 2.a
Deputy Assistant Secretary of Defense for Transportation Policy	1, 2.a, 2.b	
Commander, U.S. Transportation Command	3.a, 3.b, 3.c	
Deputy Chief of Staff, Army Logistics		4.a, 4.b, 4.c
Commander, Naval Supply Systems Command	5.a	5.b
Director, Headquarters Air Force Logistics		6.a, 6.b
Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility		7.a, 7.b

Please provide comments by June 20, 2014.

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

May 21, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS
COMMANDER, U.S. TRANSPORTATION COMMAND
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
NAVAL INSPECTOR GENERAL

SUBJECT: Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program (Report No. DODIG-2014-076)

We are providing this report for your review and comment. The House of Representatives, Committee on Appropriations requested the DoD Office of the Inspector General perform this audit. Although the Services implemented or plan to implement various initiatives designed to reduce costs and improve the DoD Permanent Change of Station Program, other opportunities for savings exist. In this time of uncertainty and shrinking budgets, DoD must take full advantage of every opportunity to gain efficiencies and implement cost savings throughout the $4.2 billion Permanent Change of Station Program. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. We received Assistant Secretary of Defense for Transportation Policy comments and Commander, U.S. Transportation Command, comments on the draft report too late to include them in the final report. Therefore, we request the Assistant Secretary of Defense for Transportation Policy comment on Recommendations 1, 2.a, and 2.b and the Commander, U.S. Transportation Command, comment on Recommendations 3.a, 3.b, and 3.c. If the Assistant Secretary of Defense for Transportation Policy and the Commander, U.S. Transportation Command, do not submit additional comments, we will consider those comments as the management response to the final report. Comments from the Under Secretary of Defense for Personnel and Readiness and the Commander, Naval Supply Systems Command, partially addressed the recommendations in the report. Therefore, we request the Under Secretary of Defense for

Personnel and Readiness provide additional comments on Recommendation 2.b and the Commander, Naval Supply Systems Command, provide additional comments on Recommendation 5.a. You should also comment on the internal control weaknesses discussed in the report. We should receive your comments by June 20, 2014.

Comments from the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD; Deputy Chief of Staff, Army Logistics; Director, Headquarters Air Force Logistics; and Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility, addressed all of the specifics of the recommendations and conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

Please send a PDF file containing your comments to audyorktown@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8901 (DSN 664-8901).

Daniel R. Blair
Deputy Inspector General
for Auditing

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INSPECTOR GENERAL

DEPARTMENT OF DEFENSE

Introduction

Objective

Our announced objective was to determine whether DoD was achieving cost savings and efficiencies in the Permanent Change of Station (PCS) Program. We modified our objective to better capture the congressional mandate that generated the audit. We determined whether DoD could implement potential cost savings and efficiencies throughout the DoD PCS Program. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objective.

Background

The House Committee on Appropriations required in their report to accompany the FY 2014 DoD Appropriations bill that the DoD Office of the Inspector General review the $4.2 billion PCS Program and determine whether potential cost savings and efficiencies could be implemented throughout the program. The Joint Federal Travel Regulations (JFTR), Volume 1, "Uniformed Service Members," defines PCS as the assignment, detail, or transfer of an employee, service member, or unit to a different permanent duty station under an approved travel order that does not specify the duty is temporary. Additionally, the JFTR provides the authority for certain travel allowances related to PCS moves. Each Service pays its service members' PCS travel expenses from its Military Personnel appropriations. In FY 2013, DoD experienced congressionally mandated reductions of approximately $146.8 million to its Military Personnel appropriations and approximately $294.3 million in FY 2014. Public Law 113-76, "Consolidated Appropriations Act, 2014," January 17, 2014, categorized the FY 2014 reduction as a reduction for "PCS efficiency."

Transportation Management

The Office of the Under Secretary of Defense for Personnel and Readiness (USD[P&R]) centrally manages commercial travel for DoD. Within the Office of the USD(P&R), the Defense Travel Management Office manages the regulation development and approval process for the JFTR. Specifically, the Defense Travel Management Office manages the day-to-day operation of the Per Diem, Travel and Transportation Committee staff that ensures travel and transportation regulations are, as far as practicable, consistent for all of the Services.

The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]) evaluates and provides general policy guidance for the DoD Personal Property Shipment and Storage Program. USD(AT&L) also provides guidance to the DoD Components concerning the efficient acquisition and use of DoD and commercial transportation resources and services. Through the Assistant Deputy Secretary of Defense for Transportation Policy, USD(AT&L) maintains liaison and collaborative working relationships with other Federal agencies and the commercial industry. The Defense Personal Property Program Joint Service Team, also referred to as the "Joint Service Team," consists of transportation experts from DoD and the Services. Representatives from the Assistant Deputy Secretary of Defense for Transportation Policy and U.S. Transportation Command (USTRANSCOM) co-chair the Joint Service Team, which DoD established to gain efficiencies across all program elements under the umbrella of the Defense Personal Property Program.

DoD Directive 4500.09E, "Transportation and Traffic Management," September 11, 2007, directs the Commander, USTRANSCOM, as the single-manager for common user transportation, to develop, publish, and maintain DoD Regulation 4500.9-R, Defense Transportation Regulation (DTR). Accordingly, USTRANSCOM must acquire common user transportation and related services to meet DoD transportation requirements. DoD Instruction 4500.57, "Transportation and Traffic Management," March 2008, directs USTRANSCOM to administer DoD's Personal Property Program. At the direction of USTRANSCOM, Military Surface Deployment and Distribution Command administers DoD's Personal Property Program, which selects, manages, and works with transportation service providers that move household goods (HHG) and privately owned vehicles.

Defense Personal Property System

DoD's Personal Property Program was developed to improve the PCS process for service members, civilians, and their families by promoting quality of service and streamlining the overall process. To implement DoD's Personal Property Program, DoD developed the Defense Personal Property System (DPS), a web-based system for the management of DoD personal property shipments. DPS replaced the legacy Transportation Operational Personal Property Standard System (TOPS). According to USTRANSCOM, DoD is responsible for moving and storing approximately 500,000-600,000 shipments at a cost of over $2.2 billion annually

and DPS implementation already resulted in savings of approximately $167 million to DoD. Finally, the Deputy Program Manager for DPS stated that as of November 2013, DPS was at 90 percent capability, with 10 percent capability remaining in the TOPS legacy system.

Direct Procurement Method

The Direct Procurement Method Program was established to manage the shipment of domestic and international HHG, and unaccompanied baggage shipments using Federal Acquisition Regulation-based Government contracts. Local contracting offices solicit and award direct procurement method contracts, and the personal property shipping offices (shipping offices) administer them. In accordance with the DTR Part IV, "Personal Property," August 2013, Chapter 404, "Direct Procurement Method," local contracting offices award all direct procurement method contracts using the same performance work statement and bid schedules. Specifically, direct procurement method contracts include packing, containerization, delivery, unpacking, storage, and related services for personal property shipments. On October 4, 2013, USTRANSCOM awarded a contract for Phase III implementation of DPS, which included integration of direct procurement method shipments. The TOPS system administers all direct procurement method moves (legacy system moves) until integration to DPS is complete.

Nontemporary Storage

Nontemporary storage (NTS) is long-term HHG storage at Government expense in lieu of the transportation entitlement that DoD generally offers to service members with orders for PCS, deployment, retirement, or separation. NTS includes necessary packing, crating, unpacking, uncrating, transportation to and from the storage location, storage, and other directly related services to place the HHG in Government-designated storage facilities.

The Patriot Express

Air Mobility Command is a component command of USTRANSCOM and according to the Channel Passenger Performance and Analysis Report provides responsive and economic airlift to satisfy training and logistics requirements for all DoD agencies. Air Mobility Command, as the manager for DoD airlift, charters commercial flights known as Patriot Express flights for DoD international travel. Patriot Express flights operate regular schedules between select military or commercial international air terminals. In accordance with DoD Instruction 4500.57,

"Transportation and Traffic Management," March 18, 2008, Enclosure 3, "Air Transportation," international travelers must use USTRANSCOM-contracted airlift or Patriot Express flights before taking scheduled commercial air service, unless there is a documented negative critical mission impact.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We determined that DoD did not have controls to provide reasonable assurance that it is realizing all cost savings and efficiencies within the PCS Program. Specifically, DoD did not have controls to ensure that the Services monitor NTS lot entitlements and convert expired NTS lots to service members' expense after the initial entitlement period expires; that the Army improved oversight of overpayments made for service members who exceeded their maximum HHG weight entitlements when conducting legacy system multiple shipments; and that shipping office personnel selected the most cost-effective method to accomplish domestic moves weighing 1,000 pounds or less. Additionally, DoD allowed unlimited weight limits for HHG during certain local moves and DoD used Patriot Express charter flights for overseas PCS moves versus established Government fares. Finally, DoD did not implement a statutory incentive that would share savings with service members who voluntarily reduce the weight of HHG shipped. We will provide a copy of the report to the senior official responsible for internal controls in the USD(AT&L); USD(P&R); the Departments of the Army, Navy, and Air Force; and USTRANSCOM.

Finding

DoD Missed Opportunities to Implement Cost Savings and Gain Efficiencies in the Permanent Change of Station Program

DoD could gain efficiencies and realize cost savings within the PCS Program by implementing controls to ensure that:

- the Services are tracking and managing NTS entitlements, and service members assume management and financial responsibility and payment for NTS liabilities after the entitlement period expires;
- the Army improves oversight of overpayments made for service members who exceed their maximum HHG weight entitlements when conducting legacy system multiple shipments;
- shipping office personnel use the most cost-effective method to accomplish domestic moves weighing 1,000 pounds or less;
- DoD imposes weight limits for HHG during certain local moves;
- DoD uses the most cost-effective and efficient mode of transportation for all overseas PCS moves; and
- DoD considers implementing a statutory incentive that would allow service members to voluntarily reduce the weight of shipped household goods and receive a portion of the savings.

DoD and the Services implemented or planned to implement various initiatives to reduce costs and improve the PCS Program. By implementing controls for the areas above, DoD could gain efficiencies and realize additional cost savings to help manage shrinking budgets.

The Services Could Reduce Nontemporary Storage Costs

The Services could reduce NTS costs by implementing controls to monitor entitlements and to convert expired[1] NTS lots to service members' expense after the entitlement period expires. Shipping office personnel did not track, manage, or take appropriate action on all active duty, retired, and separated service members' expired NTS lots.

Nontemporary Storage Lots for Active Duty Service Members Need Review

Based on data the Air Force provided, the Services paid approximately $5 million,[2] as of February 2014, for more than 2,700 active duty service members' NTS lots that the Services reported as expired.[3] The JFTR, Volume 1, Chapter 5, "Permanent Duty Travel," Part D, "HHG Transportation and NTS," Section 11, "NTS," identifies specific conditions where active duty service members are entitled to NTS. For each condition, the JFTR also assigns a timeframe for how long the entitlement remains valid. Generally, the JFTR bases a service member's NTS entitlement on the duration of the service member's PCS orders.[4] According to data the Air Force provided, there were instances of extended periods of NTS. For example, the data showed that the Army paid storage costs for one NTS lot dating back to 1988, which had been in storage for 26 years, of which 23 years were expired. If the Services do not monitor and track the validity of the conditions for NTS lots, they may incur additional expenses for HHG storage.

Nontemporary Storage Lots for Retired and Separated Service Members Exceeded Initial Entitlements

Based on data the Air Force provided, the Services continued to pay for over 600 retired and separated service members' NTS lots, as of February 2014, that the Services reported as expired and maintained at the Government expense. The JFTR, Volume 1, Chapter 5, Part D, Section 6, "Separation from the Service or Relief from Active Duty Except for Discharge with Severance or Separation Pay,"

[1] Lots that surpassed the initial entitlement period for retired and separated service members.

[2] Based on data the Air Force provided, the $5 million included costs for storing HHG during the approved entitlement period.

[3] The Air Force Joint Personal Property Shipping Office Chief for Customer Information Management stated that the Services expired date is reported based on the transportation service provider renegotiating the NTS rates; not the entitlement date prescribed by the JFTR.

[4] PCS orders are generally issued for 24 to 48 months.

and Section 7, "Retirement, Placement on TDRL, Discharge with Severance or Separation Pay, or Involuntary Release from Active Duty with Readjustment or Separation Pay," states that retired and separated service members' are entitled to an initial NTS entitlement period for storing HHG at the Government's expense of 1 year after they retire and 6 months after they separate. The Service may extend NTS entitlements, with the Government acting as the service member's agent, if the Service's Secretariat level approves it and the service member agrees to pay all costs for NTS for any period over the authorized storage period. However, according to the JFTR, a time extension does not extend the Government's obligation for storage costs beyond the initial entitlement period.

According to data the Air Force provided, the Army maintained NTS lots, at Government expense, for retired and separated service members dating back to 1999, and as of February 24, 2014, those NTS lots were still in storage. The Army NTS lots were 14 years past the JFTR initial entitlement period. Additionally, based on data the Air Force provided, an Air Force NTS lot was in storage, at Government expense, 5 years past the entitlement period at a cost to the Air Force of $51,000. Based on this data, the Government paid approximately $1.7 million[5] for expired NTS lots for retired and separated service members. If the Services do not take action on these expired NTS lots, the service members' liabilities to the Government will continue to grow. Additionally, the Government will continue to incur these expenses until it recoups overpayments.

Difficulties in Conversion and Recoupment for Nontemporary Storage Lots

Navy, Air Force, and Marine Corps personnel stated they experienced problems with converting NTS lots to service members' expense and recouping funds for expired NTS lots. Naval Supply Systems Command personnel and an Air Force Joint Personal Property Shipping Office Section Chief stated that the Services had difficulties contacting service members, which is a requirement to convert NTS lots and recoup overpayments. Additionally, a Marine Corps Logistics Policy Division representative stated that Marine Corps retired and separated service members did not always repay the NTS expenses.

The DTR Part IV, Chapter 406, "Storage," requires transportation officers to provide notice, by certified letter, to the service member at least 45 days before the first day of the month when the NTS entitlement expires. This notice requires the service member to schedule delivery of NTS lots, provide official orders

[5] Based on data the Air Force provided, the $1.7 million included storing HHG during the initial NTS entitlement period.

authorizing an extension of the NTS entitlement, or continue NTS at the service member's own expense. When service members request HHG shipment or storage, they complete a DD Form 1299, "Application for Shipment and/or Storage of Personal Property." The DD Form 1299 requires the service member to certify that when the authorized period of storage at the Government expense expires, and the service member does not remove the HHG after 30 days' notice, the Government may place and store the HHG in commercial storage at the service member's expense.

The Air Force Joint Personal Property Shipping Office Chief for Customer Information Management stated that as a courtesy, he distributed NTS reports monthly to the Services regarding NTS lots that the Services should have converted to the service members' expense. However, he stated that the data showed that the Services were not actively working the expired NTS lots, and they were not enforcing the conversion of the NTS lots, which resulted in overpayments. Naval Supply Systems Command personnel explained that the backlog in sending expiration notices and converting expired NTS lots is because of constraints on personnel resources, resulting from Sequestration and budget reductions.

Travel Regulations Allow Government to Continue Paying for Nontemporary Storage Lots After Initial Entitlement Period

The JFTR does not require the Services to convert expired NTS lots after the initial entitlement period from the Government's responsibility to the service members' direct responsibility. Although the DTR Part IV, Chapter 406, directs the transportation officer to terminate all NTS lots stored at the Government's expense beyond the authorized storage period and advises the NTS transportation service provider to bill the service member directly for future storage costs, the DTR also allows the Services to continue to pay for the NTS until delivery of the property and continued storage is subject to reimbursement by the service member. By not converting the expired NTS lots immediately after the initial entitlement period, the Government maintains the responsibility for managing and paying for the lot until the service members retrieve their HHG, at which point the service members must reimburse the Government. Transferring the responsibility immediately after the initial entitlement period expires would reduce the risk that DoD would not recoup those expenses incurred after the authorized storage period and reduce the risk of the service members running up large amounts of debt to the Government.

Navy Implemented Policy, but Other Services Did Not

In May 2011, the Naval Supply Systems Command implemented policy to terminate retired and separated service members' NTS accounts upon the expiration of entitlement and convert the NTS lot to the service member's expense. Naval Supply Systems Command personnel reported a $7.6 million decrease in Navy NTS costs from FY 2009 to FY 2011, from $23 million to $15.4 million, respectively. Additionally, a Marine Corps Logistics Policy Division representative stated that the Marine Corps personnel were updating the Marine Corps Personal Property Transportation Manual to follow the Navy NTS policy. Conversely, according to an Army Headquarters Traffic Management Specialist and the Air Force Headquarters Division Chief for Personal Property Policy, the Army and the Air Force did not have plans to implement an NTS conversion policy similar to the Navy's policy, thus continuing to manage and pay for the expired NTS lots for the service members as allowed by the JFTR.

Additional Costs to the Government

Because the Services did not review service members' NTS lots or convert NTS lots after the initial entitlement period, the Government continued to incur expenses, and service members continued to incur liabilities to repay the Government. Overpayments require additional resources to identify expired NTS lots and recoupment from the service member is not always successful. The Services should develop quality control and standard operating procedures to ensure shipping office personnel perform quarterly reviews of all NTS lots to determine whether the entitlements are still valid based on the situation used to establish he NTS lot, and initiate action to convert those NTS lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense. DoD should also modify the JFTR to remove authority for the Government to continue paying for NTS lots after the entitlement period expires to ensure that the service member does not continue to incur liability to the Government and the Government does not overpay for service members' NTS entitlements. Finally, pending the modification of the JFTR, USTRANSCOM should update the DTR by removing language allowing the Services to continue paying for expired NTS lots after the initial entitlement period.

Overpayments require additional resources to identify expired NTS lots and recoupment from the service member is not always successful.

The Army Could Improve Oversight of Excess Costs Paid for Legacy System Multiple Shipments

The Army could improve oversight of overpayments made for service members who exceed their maximum HHG weight entitlements when conducting legacy system multiple shipments. Because DPS did not have the capability to compare personally procured moves and legacy system moves to identify the excess costs service members owed to the Government, oversight was necessary to identify when service members exceeded their maximum weight entitlement. The Air Force, Navy, and Marine Corps had oversight functions that monitored excess HHG weights, but the Army did not.

The JFTR, Volume 1, Chapter 5, Part D, Section 1, "General," entitles service members to move a maximum HHG weight allowance based on rank and whether the service member has dependents. The Services pay for the transportation and storage of the service members' HHG, up to the maximum weight entitlement the JFTR outlines. Service members can transport their HHG various ways, including legacy system moves; personally procured moves; or a combination of both move types, known as multiple shipments. Local shipping offices administer legacy system moves. Personally procured moves are "do-it-yourself" moves the service members perform, for which the Services reimburse the service member for the costs associated with the move.

Inability to Identify Excess Costs Owed

Although DD Form 1797, "Personal Property Counseling Checklist," requires service members to acknowledge their responsibility for any excess HHG costs, DPS did not have the capability to compare the personally procured moves and legacy system moves to identify the excess costs service members owed to the Government. The DD Form 1797 requires service members to certify that they will reimburse the Government for any excess costs associated with the HHG shipment. In April 2010, personally procured move capabilities were added to DPS functionality. However, legacy system moves were still administered through TOPS, and DPS did not provide the final HHG weights for the legacy system moves in TOPS that were necessary to identify overpayments made for legacy system multiple

DPS did not have the capability to compare the personally procured moves and legacy system moves to identify the excess costs service members owed to the Government.

shipments. For example, according to the JFTR, an E-6 service member with dependents is entitled to move a maximum of 11,000 pounds of HHG. Figure 1 depicts the E-6 service member conducting a legacy system move before a personally procured move.

Figure 1. Multiple Shipments Using a Legacy System Move Before a Personally Procured Move

Legacy System Move	Personally Procured Move	Calculation
• Service member requests movement of 9,000 pounds and shipping office personnel book the shipment using a legacy system move in TOPS. • Service pays transportation service provider to move 9,000 pounds. • Service member has 2,000 pounds of remaining entitlement.	• Service member moves an additional 5,000 pounds through a personally procured move. Data is entered into DPS. • DPS did not provide the detail necessary for shipping office personnel to determine a service member's combined HHG weights when the service member splits HHG between a personally procured move and a legacy system move.	• Transportation office personnel must perform a calculation pulling data from TOPS and DPS to determine the total HHG weights. This ensures the service member is only reimbursed for remaining HHG weight entitlement or the Services identify excess costs for recoupment.

When a service member conducts a legacy system move before a personally procured move, transportation office personnel must use HHG weight amounts listed in TOPS and DPS to calculate the remaining HHG weight entitlement. This method prevents the Services from paying service members beyond their HHG weight entitlement or ensures the Services identify excess costs for recoupment. Alternatively, Figure 2 depicts the service member performing a personally procured move before, or in conjunction with a legacy system move.

Figure 2. Multiple Shipments Using a Personally Procured Move Before a Legacy System Move

Personally Procured Move	Legacy System Move	No Visibility in Systems
• Service member moves 5,000 pounds through a personally procured move. Data is entered into DPS. • Service reimburses service member for moving 5,000 pounds. • Service member has 6,000 pounds of remaining entitlement.	• Service member requests movement of an additional 9,000 pounds and shipping office personnel book the shipment using a legacy system move in TOPS. • Service pays transportation service provider to move 9,000 pounds even though remaining entitlement is 6,000 pounds.	• Transportation office personnel have no visibility in DPS or TOPS of the overpayment for moving the excess 3,000 pounds. • Therefore, there is no identification of the service member's debt to the Government.

When a service member conducts a personally procured move before a legacy system move, the Services automatically pay the transportation service provider for any HHG weights moved. However, DPS did not have the final HHG weights for the legacy system move that would be necessary to alert the transportation officer that a service member exceeded their maximum weight entitlement. Therefore, the Government would overpay for excess HHG weight, and the overpayment would require recoupment. As a result, the likelihood may be higher that the Services did not identify and recoup excess payments service members owed to the Government.

System Upgrades and Army Oversight Needed

USTRANSCOM planned DPS upgrades, and the Army did not have oversight functions that monitored excess HHG weights for legacy system multiple shipments. USTRANSCOM planned DPS upgrades that will integrate legacy system moves into DPS, which will provide the HHG weight data necessary to calculate excess costs paid by the Government on behalf of service members. According to contract HC1028-08-D-2016, the DPS contractor must provide these upgrades no later than June 2017. The Army did not have personnel responsible for identifying and initiating collection actions for service members that exceeded HHG shipping entitlements for legacy system multiple shipments. According to an Army Headquarters Traffic Management Specialist, the Army relied on the Defense Finance and Accounting Service Excess Cost Adjudication Office to identify and recoup excess costs for legacy system multiple shipments. However, according to the lead Army transportation assistant in that office, she did not identify overpayments for shipments involving personally procured moves, which is necessary to identify excess costs for legacy system multiple shipments. Finally, she stated that the local transportation offices would need to calculate the excess costs associated with the personally procured move.

The Army did not have personnel responsible for identifying and initiating collection actions for service members that exceeded HHG shipping entitlements for legacy system multiple shipments.

Personnel from Naval Supply Systems Command, Air Force Personal Property Headquarters, and the Marine Corps Logistics Command Comptroller stated that they had personnel responsible for identifying and initiating collection action for service members exceeding their HHG shipping entitlements. Naval Supply

Systems Command personnel stated that the Navy's HHG Audit Division used the Personal Property Transportation Audit System to flag service members for audit when the service members executed more than one shipment of any type. Furthermore, Naval Supply Systems Command personnel stated that if the HHG Audit Division determined the Navy paid excess costs, the HHG Audit Division initiated a collection action via the personnel support detachment and Defense Finance and Accounting Service. Similarly, Air Force Personal Property Headquarters personnel stated that the Excess Cost Adjudication Function ran monthly queries in DPS to identify all Air Force service members who exceeded their HHG shipping entitlements, calculated the excess amount, and forwarded that amount to the local Finance Services Office or the Defense Finance and Accounting Service for collection. Finally, Marine Corps personnel stated that certifiers in the Transportation Voucher Certification Branch pulled all move types for each PCS order to calculate a service member's total HHG weights and identify any excess costs that needed recoupment.

Until USTRANSCOM implements the DPS upgrades, the Army should track all legacy system multiple shipments and implement policies to ensure Army personnel identify and recoup any excess costs the Government paid. The Army should implement controls requiring that overpayments, made for service members exceeding their maximum HHG weight entitlements for legacy system multiple shipments, are tracked and forwarded to the appropriate entity for recoupment.

The Services Could Reduce Domestic Shipment and Storage Costs for Household Goods Weighing 1,000 Pounds or Less

The Services could reduce costs if shipping office personnel select the most cost-effective method to accomplish domestic moves weighing 1,000 pounds or less. Shipping office personnel had the option to book domestic shipments and storage for HHG weighing 1,000 pounds or less in DPS or through a direct procurement method contract in TOPS. Moves booked in DPS weighing 1,000 pounds or less are required to be shipped and stored at a 1,000-pound rate. The direct procurement method contracts allow flexibility to ship and store HHG at a 500-pound rate versus the 1,000-pound minimum rate established in DPS.

Based on data provided by the Air Force Joint Personal Property Shipping Office Chief for Customer Information Management, in 2013, shipping office personnel used DPS to book approximately $21.3 million[6] of HHG shipments weighing 1,000 pounds or less.

Most Cost-Effective Option Not Always Used

Shipping office personnel did not always select the most cost-effective option for shipping and storing HHG weighing 1,000 pounds or less. For example,

- An Army service member estimated his HHG shipment at 1,000 pounds although the actual HHG shipment was only 49 pounds. Shipping office personnel booked the shipment through DPS at a cost of $1,053.28. However, if they booked the shipment using a direct procurement method contract, it could have resulted in a lower cost of $119.09.
- If the same Army service member required storage for his HHG, the 49-pound shipment booked in DPS would be billed at 1,000 pounds for the storage unit. However, if shipping office personnel booked the shipment using a direct procurement method contract, the storage would be billed at 500 pounds.

Therefore, when determining the most cost-effective method for domestic shipments weighing 1,000 pounds or less, shipping office personnel should consider both the shipment and storage costs associated with the HHG move.

However, shipping office personnel, in some cases, did use the most cost-effective method for shipping HHG weighing 1,000 pounds or less. For example, according to the Army, it had the opportunity to annually combine small shipments for the Army's West Point graduates. According to the Army, over the last 3 years, it achieved $3.4 million in savings when using a direct procurement method contract to move graduates' HHG. Specifically, they moved 2,050 HHG shipments, each weighing 1,000 pounds or less, at a cost of approximately $261 per shipment versus $1,900 per shipment if booked through DPS.

[6] According to the Air Force, the Services booked 15,613 PCS moves weighing 1,000 pounds or less in DPS. The $21.3 million does not include 2,639 PCS moves not invoiced yet.

No Requirement to Compare Costs

Shipping office personnel did not always use the most cost-effective method because Service policies did not require shipping office personnel to compare costs when shipping and storing domestic HHG weighing 1,000 pounds or less. An Army Headquarters Traffic Management Specialist, Naval Supply Systems Command personnel, and the Air Force Headquarters Division Chief for Personal Property Policy stated that they rely on the judgment and expertise of their shipping office personnel to determine the most cost-effective method for booking shipments. They stated that requiring shipping office personnel to compare costs would be labor intensive and costly and provide little benefit. Specifically, Naval Supply Systems Command personnel stated that it would be difficult to analyze costs because legacy system moves consist of three transportation service providers with separate costs, including packaging, shipping, and delivery contractors. However, they also stated that if shipping office personnel input a legacy system move in TOPS, it would provide an estimated cost for the packaging and shipping segments of the move.

We recognize that some direct procurement method-contracted moves were not always the most cost-effective method and, because shipping office personnel book the shipments based on estimated weights, there was potential for a service member's actual weight to be less. However, shipping office personnel should still compare initial costs based on the data available at the time they book the HHG shipments. Without a cost comparison, the Services cannot ensure that shipping office personnel booked the most cost-effective method for shipping and storing HHG weighing 1,000 pounds or less and as a result, DoD could pay higher costs. USTRANSCOM officials stated that they plan to integrate legacy system moves from TOPS into DPS but estimate that the change will not be effective until June 2017. The Services should establish interim policy to ensure shipping office personnel use the most cost-effective shipping and storage methods for domestic shipments weighing 1,000 pounds or less to reduce costs to DoD.

Without a cost comparison, the Services cannot ensure that shipping office personnel booked the most cost-effective method for shipping and storing HHG weighing 1,000 pounds or less.

DoD Could Reduce Costs by Limiting Excessive Weight Allowances During Local Moves

DoD could reduce costs by imposing shipping weight limits on HHG for certain types of local moves. The JFTR does not impose shipping weight limits on service members who execute local moves at the convenience of the Government, including those related to separations and retirements. The JFTR, Volume 1, Chapter 5, Part D, Section 5, "Local Short Distance Moves," Section 6, and Section 7, entitles service members to move unlimited HHG weights for local moves related to:

- assigning or terminating Government-controlled quarters or privatized housing,
- vacating local economy quarters at the direction of competent authority,
- vacating local economy quarters upon involuntary tour extension,
- vacating Government-controlled quarters or privatized housing upon separation or relief from active duty, and
- vacating Government-controlled quarters or privatized housing before selecting a home.

Conversely, section 476, title 37, United States Code (37 U.S.C. § 476 [2011]) and JFTR, Volume 1, Chapter 5, Part D, Section 1 entitle service members to move a maximum HHG weight allowance based on rank and whether the service member has dependents. According to 37 U.S.C. § 476 (2011) and the JFTR, the maximum HHG allowance for PCS moves is 18,000 pounds.

Local Moves Exceeded Permanent Change of Station Weight Allowances

DoD paid for local move HHG shipments that exceeded the weight limits of PCS moves. The Army and Air Force provided six examples of local moves that exceeded weight allowances for PCS moves. Based on the examples provided, DoD incurred a total excess cost of approximately $9,484 for these moves by allowing the service members to move 28,058 pounds more than their normal entitlement would be for PCS moves per the JFTR. DoD paid approximately $6,591 with PCS funds[7] and paid the remaining $2,893 with Operation and Maintenance funds.

[7] According to the Office of the Deputy Assistant Secretary of Defense for Transportation Policy and the Services, local moves that result from PCS orders related to retirement and separation are funded using PCS funds. Otherwise, local moves are funded using Operation and Maintenance funds.

The Air Force also provided an example of a local move that exceeded the weight allowances for PCS moves. In 2011, a service member executed a local move shipping 75,100 pounds of HHG at a cost to DoD of approximately $34,246. Under the JFTR-established PCS weight limits, the service member would have only been entitled to move 13,000 pounds of HHG for a PCS move. If the JFTR PCS weight limits were in place for this local move, the cost to DoD would have been approximately $6,240. By not imposing a weight limitation, DoD incurred an excess cost of approximately $28,000 for this move. As a result, DoD may be spending more than necessary on shipping costs for local moves.

No Weight Limits for Some Local Moves

DoD allowed higher weights for local moves than PCS moves because the JFTR did not impose weight limitations for some local moves. According to the Office of the Deputy Assistant Secretary of Defense for Transportation Policy, DoD should not penalize service members by making them responsible for the excess HHG costs associated with directed local moves at the convenience of the Government. We recognize that these moves may warrant some flexibility; however, DoD could reduce the costs of some local moves by establishing weight allowances.

While the direct impact to the PCS Program is unknown, DoD risks paying excessive costs associated with local moves not subject to HHG weight limitations compared to moves that are limited by a service member's normal PCS entitlement for HHG shipments. In addition, when a service member executes a local move upon separation or retirement from active duty, the JFTR entitles the service member to one additional move to their selected home within either 180 days or 1 year of active duty termination. However, the final move is subject to the service member's PCS HHG weight limit entitlement per the JFTR. In these cases, the unlimited local move further increased the cost to DoD. Because these local moves are not subject to weight limits, they may have a negative impact on Service operating budgets. DoD should update the JFTR to establish and impose a reasonable weight limit to HHG shipments for local moves executed at the Government's convenience, allowing for waivers on a case-by-case basis. DoD should also identify reasons for which a waiver may be granted.

DoD risks paying excessive costs associated with local moves not subject to HHG weight limitations.

More Cost-Effective Transportation Options are Available for Overseas Permanent Change of Station Travel

DoD could achieve cost savings for PCS moves by using commercial transportation instead of Patriot Express charter flights and reducing the number of charter flights, if warranted. DTR, Part I, "Passenger Movement," August 30, 2012, requires that all outside the continental United States travelers use the Patriot Express flights, unless a documented negative impact to the mission exists. Additionally, the policy states that travelers should use Patriot Express even if the service can be provided at less cost by a commercial carrier, or if commercial air service is more convenient to the traveler. According to USTRANSCOM officials, the Patriot Express Program was established to enhance readiness and force protection for our service members. In addition, they stated that the program improves the quality of life and provides increased passenger service benefits.

U.S. Transportation Command Does Not Include All Associated Travel Costs When Evaluating a Channel

USTRANSCOM does not include all associated travel costs when evaluating channels[8] or cost-effectiveness. In accordance with DTR, Part I, Appendix K, "Establishing, Changing, Suspending, and Cancelling Air Mobility Command (AMC) Channels," November 30, 2010, USTRANSCOM determines which channels to add, discontinue, or scale back. In 2001, the commander for USTRANSCOM and Air Mobility Command streamlined the Patriot Express Program and eliminated channels USTRANSCOM no longer considered cost efficient and where the General Services Administration (GSA) had established a Government fare. According to USTRANSCOM, the Patriot Express Program reported an average loss of $35.8 million per year for the 5 years before Operation Iraqi Freedom, which led to USTRANSCOM restructuring the program and eliminating channels to Germany, Korea, Japan, and Italy. In 2005, USTRANSCOM began the 4-year restructuring plan to decrease Patriot Express missions. Also during that time, a new commander took over and directed efforts to identify opportunities to expand the Patriot Express Program. The new commander wanted to increase DoD traveler opportunities and ridership by evaluating the channel performance, including costs, as a whole rather than by each specific channel. In August 2011, the Commanding

[8] A channel is a route between a specific origin and destination executed using USTRANSCOM-contracted airlift for travel outside the continental United States.

General, U.S. Army Europe, and the Vice Commander, U.S. Air Forces in Europe, submitted a joint request to reestablish the Patriot Express channel to Germany, citing force protection concerns as the primary justification. As a result, USTRANSCOM reestablished the channel between Baltimore-Washington International Airport and Ramstein Air Base, Germany.

DTR, Part I, Appendix K, provides guidance for establishing, changing, suspending, and canceling Patriot Express channels. Specifically, combatant commanders must initiate a detailed request to establish a new channel. USTRANSCOM, Air Mobility Command, and the combatant command must ensure coordination, provide analysis and review utilization data before establishing the channel. The DTR further provides that Air Mobility Command will annually review all channels. As part of that review, Air Mobility Command prepares the Channel Passenger Performance and Analysis Report, which provides all passenger movement by fiscal year. USTRANSCOM reviews this data annually and determines which channels to add, discontinue, or scale back. While USTRANSCOM considers utilization trends in its review, requests from the Services also influence channel decisions.

Although the DTR does not require USTRANSCOM to consider costs when evaluating channels, USTRANSCOM does perform a transportation feasibility study to determine whether Patriot Express can service a channel economically. However, USTRANSCOM does not include additional costs associated with getting members to and from the Patriot Express departure points when evaluating channels for cost-effectiveness. We are not making a recommendation at this time because we only reviewed the Patriot Express Program as it related to the PCS Program. We plan to perform an audit of the entire program in the future.

The Baltimore-Washington International to Ramstein Channel is Not Cost-Effective for Permanent Change of Station Travel

The Services could achieve cost savings in the PCS Program by using commercial transportation for the Baltimore-Washington International Airport to Ramstein Air Base channel. The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, directs Air Mobility Command passenger rates to be comparable to established Government commercial rates. The FY 2013 USTRANSCOM Working Capital Fund Rate procedures state that, whenever possible, USTRANSCOM should use GSA City Pair rates as the benchmark, and Patriot Express rates were set at $1 below this rate. The FY 2014 Patriot

Express rate between Baltimore-Washington International Airport and Ramstein Air Base is valued at $1,122. According to the FY 2013 Channel Passenger Performance and Analysis report, Army and Air Force personnel primarily travel this channel. Table 1 shows the excess costs incurred to fly Patriot Express for the eight most frequently traveled routes by Air Force personnel versus flying commercially using the established GSA City Pair rate.

Table 1. Excess Costs Incurred Using Patriot Express Over Commercial Transportation

Frequent Origins	Patriot Express Rate Between Baltimore-Washington International Airport and Ramstein	GSA City Pair Rate Between Passenger Origin and Baltimore-Washington International Airport	GSA City Pair Rate Directly Between Passenger Origin to Frankfurt	Excess Costs Incurred*
Atlanta	$1,122	$175	$685	$612
Colorado Springs	1,122	242	733	631
Los Angeles	1,122	303	515	910
New York	1,122	152	363	911
Norfolk	1,122	200	524	798
San Antonio	1,122	224	461	885
Seattle	1,122	274	980	416
Tampa	1,122	210	599	733

* We calculated the excess costs the Services incurred by adding the Patriot Express rate between Baltimore-Washington International Airport and Ramstein Air Base to the GSA City Pair rate from the passenger's origin to Baltimore-Washington International Airport. We then subtracted the cost of the GSA City Pair rate leaving directly from the passenger origin to Frankfurt.

The Patriot Express flights between Baltimore-Washington International Airport and Ramstein Air Base were more expensive to the PCS Program than commercial flights to Frankfurt, Germany for all eight frequently traveled routes.

USTRANSCOM relies on the entire Patriot Express Program to support those important channels of low use. According to USTRANSCOM, in FY 2013, the channel between Baltimore-Washington International Airport and Ramstein Air Base experienced substantial ridership, which offset costs to other underutilized channels. USTRANSCOM paid approximately $14.9 million to operate the channel and collected approximately $16.7 million in revenue from the Services, resulting in a gain of approximately $1.8 million to the Patriot Express Program. While this channel is a significant contributing factor to the apparent success of the Patriot Express Program, DoD may achieve additional

cost savings in the PCS Program by using commercial transportation for flights to Germany and possibly for other routes. Although USTRANSCOM annually reviewed the channels, the reviews did not include additional flight costs from the origin to Baltimore-Washington International Airport, or additional per diem and hotel costs because of the timing of flights.

DoD Missed Opportunities for Cost Savings

DoD missed opportunities for cost savings in the PCS Program by not ensuring that PCS travelers used the most cost-effective and efficient mode of transportation for all overseas PCS moves to Germany. DoD may achieve cost savings in the PCS Program by considering additional flight and per diem costs when annually reviewing channels. While we understand that a significant percentage of travel on Patriot Express flights is for PCS, we also acknowledge that the program is not only used for that purpose. Because of the scope and timing of this audit, we did not perform an overall evaluation of the Patriot Express Program to determine whether it is cost-effective to the Department as a whole. We plan to perform a comprehensive audit of the program in the future. DoD should evaluate the cost-effectiveness of using Patriot Express channels for PCS travel, including the cost of any associated travel costs, and compare to the costs of commercial flights from the nearest international airport to the service member's current duty station. Additionally, pending the results of the review, USTRANSCOM should take appropriate action to reduce the number of Patriot Express missions flown to account for the reduction in PCS use if warranted.

DoD may achieve cost savings in the PCS Program by considering additional flight and per diem costs when annually reviewing channels.

DoD Could Reduce Household Goods Shipping Costs by Implementing a Statutory Incentive

DoD may further reduce PCS costs by implementing a statutory incentive that would share savings with service members when they voluntarily reduce the weight of shipped HHG. Even though more than 13 years have passed since Congress introduced and enacted the law, DoD did not implement the statutory incentive. DoD must take full advantage of every opportunity to gain efficiencies and implement cost savings throughout the PCS Program.

Public Law 106-398, "National Defense Authorization, Fiscal Year 2001," October 30, 2000, introduced a statutory plan aimed at providing an incentive to service members to minimize the weight of HHG shipments. In 2000, Congress enacted the statutory incentive into law within section 406, title 37, United States Code, since renumbered to section 476 (37 U.S.C. § 476 [2011]). The incentive permits the Service Secretaries to pay a service member a share of the money the Government saves when the total weights of the service member's HHG shipped and stored are less than the average weights of those shipped and stored by other service members with the same grade and comparable PCS circumstances.

According to the Navy's 2009 Military Advisory Panel representative to the Per Diem, Travel and Transportation Allowance Committee, DoD did not implement the incentive plan because DoD personnel could not determine how to meet the intent of the law. DoD missed opportunities for cost savings related to PCS moves because DoD personnel did not implement the statutory incentive and encourage service members to minimize the weight of HHG. In this time of uncertainty and shrinking budgets, DoD must take full advantage of every opportunity to gain efficiencies and implement cost savings throughout the PCS Program. DoD should convene a working group to study the feasibility of implementing the statutory incentive to encourage service members to minimize the weight of HHG shipments.

DoD missed opportunities for cost savings related to PCS moves because DoD personnel did not implement the statutory incentive and encourage service members to minimize the weight of HHG.

Ongoing and Planned Initiatives to Reduce Costs and Improve the Permanent Change of Station Program

DoD and the Services implemented or plan to implement various initiatives to reduce costs and improve the PCS Program. During our audit, we received details about these initiatives.

Under Secretary of Defense for Personnel and Readiness

According to the explanatory statement accompanying the "Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013," Congress recognized that potential cost savings could be found in the PCS Program. As such, it directed the USD(P&R) to review the

PCS Program to identify potential efficiencies and submit a report to the congressional defense committees on the findings. USD(P&R) contracted with the RAND Corporation to conduct the review. Congress requested that the report, due September 2014, include a review of the reasons that the Services have not met the increased time on station goals and a plan to achieve them, including the budget efficiencies that DoD can gain by increased tour lengths. In addition, Congress requested that DoD consider the potential impact of increased tour lengths on service members' job performance and on morale and quality of life for service members and their families. The review should also include how a change in policy would affect promotion and professional development opportunities, personnel readiness, and quality of life issues for service members serving in hardship or overseas locations. Pending the results of the review, USD(P&R) may recommend adjusting tour lengths and identifying any cost savings associated with increasing tour lengths. Because of the future RAND report, we did not review the potential for savings associated with increasing tour lengths.

The Per Diem, Travel and Transportation Allowance Committee established policy to limit the amount of professional books, papers, and equipment to a maximum net weight of 2,000 pounds with no authority to waive the limitation. The committee established the limitation to prevent abuse by the service members and to provide future savings to the PCS Program.

U.S. Transportation Command

USTRANSCOM plans to expand the capability of DPS through FY 2018. According to USTRANSCOM, the expanded DPS capabilities will include incorporating NTS, direct procurement method contracts, and intra-country moves. Additionally, the planned upgrades include system change requests to integrate legacy system moves and provide flexibility in booking joint spouse moves together. USTRANSCOM predicts that the opportunity for savings will increase as DPS reaches full operating capability by FY 2018 and projects the total estimated cost avoidance from using DPS through FY 2018 at $600 million.

Personal Property Shipping Offices

According to the Joint Services Team's draft "Personal Property Shipping Office (PPSO) Consolidation Implementation Plan," November 2013, a planned shipping office consolidation effort includes increasing logistics efficiency for the PCS Program. Through regionalization, the Joint Services Team plans to consolidate

operations (for example, routing, booking, shipment management, and invoice processing) at shipping offices to improve the efficiency of operations, reduce costs, and eliminate redundant infrastructure while maintaining high-quality customer service. According to the draft consolidation plan, the effort is set for completion by December 31, 2018.

Army

Under the guidance of the Army's Office of Business Transformation, the Army plans to replace redundant information technology systems and parallel processes to gain efficiencies. The Director, Army Office of Business Transformation, stated the Army did not have a standard order writing system covering PCS, temporary change of station, and other non-Defense Travel System travel that was efficient, auditable, and supportive. He stated that the Army identified the Department of the Army Mobilization Processing System as an interim travel order writing solution. According to the Army's October 23, 2013, decision brief, the Army estimates a financial benefit of between $86 million to $112 million by implementing the interim solution. Finally, according to the director, the Army plans on securing funds in April 2014 and the testing and evaluation phase should be complete within 1 year of funding.

According to the Director of Plans and Resources – Army G-1, the Department of the Army experienced an Antideficiency Act violation in 2008 and elevated internal controls for active component PCS orders to a Department-level material weakness, ultimately leading to a Lean Six Sigma effort. As the project sponsor, the director stated that the Army is making considerable progress to clear this material weakness and achieve auditable financial statements by the end of FY 2014. Additionally, he stated that new processes will allow the Army to record PCS orders when issued, apply a reliable cost estimate, and reconcile subsequent disbursements to existing obligations. Furthermore, he stated that these improvements will increase the fidelity of accounting data, improve the basis for future budget requests, and help the Army identify areas where future efficiencies can be realized. According to the director, as a result of the Army's efforts, the Army identified areas for potential savings opportunities within the Army PCS Program, including the HHG and personal property weight thresholds, NTS, privately owned vehicles, and improvements to debt management. Finally, he stated that as of March 2014, the Army has asserted that the identified material weaknesses have been corrected, and the Army Audit Agency is currently validating the assertion.

Navy

In 2011, the Navy implemented an NTS termination policy for retirees and separatees. The policy states that all NTS accounts must convert to the service member's expense upon the 6-month (separatees) or 1-year (retirees) expiration of entitlement. This includes current NTS lots, for which the Navy already extended time limits. We discussed this initiative in more detail on report page 9.

Navy and Marine Corps

The Marine Corps stated that it jointly developed a system change request for DPS with the Navy to develop web-based services to provide transportation account codes automatically from the respective Service's PCS module. In addition, the data will populate within DPS, and applicable users will not be able to edit the account data. The systemic approach of recording the accounting data within DPS will allow personnel to post more accurate accounting elements to the accounting systems, according to the Marine Corps, and ensure that the Navy's and Marine Corps' combined transportation charges, supporting HHG movements, are properly accounted for. The Marine Corps stated this ability to retain the accounting detail would allow the Services to provide detailed cost data, by service member, for the PCS process.

Air Force

According to the Air Force Personnel Center, the Air Force offers its service members "Follow-on" and "Home-Basing" programs following short tour locations to reduce PCS costs. Follow-on assignments allow service members to select their next assignment when returning from an overseas tour. However, Air Force personnel stated that by selecting this program, service members are agreeing to forego certain entitlements, such as moving their families and shipping HHG. Home-basing assignments allow a service member to return to the duty location held before serving an overseas tour; thereby, eliminating the need for the Government to incur PCS travel costs. According to the Air Force Personnel Center, these two types of programs save about $10,000 per move.

Conclusion

Although the Services implemented or plan to implement various initiatives designed to reduce costs and improve the PCS Program, still other opportunities exist. DoD could gain efficiencies and realize cost savings by implementing controls to track and manage NTS entitlements, and to transfer management and

financial responsibility for NTS liabilities to service members after the initial entitlement period expires. Additionally, by implementing controls in the DPS and at the Army, DoD could improve oversight of excess payments the Services made for legacy system multiple shipments. DoD could also recognize efficiencies by using the most cost-effective method to accomplish domestic moves weighing 1,000 pounds or less and imposing weight limitations on HHG for certain types of local moves. DoD has additional opportunities to reevaluate the use of commercial transportation for PCS travel instead of using Patriot Express charter flights, and USTRANSCOM should take appropriate action to reduce the number of Patriot Express missions flown if warranted. Finally, DoD should consider implementing a statutory incentive that would share savings with service members when they voluntarily reduce the weight of shipped HHG. In this time of uncertainty and shrinking budgets, DoD must take full advantage of every opportunity to implement cost savings throughout the PCS Program.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary of Defense for Transportation Policy, convene a working group to study the feasibility of implementing the statutory incentive to encourage service members to minimize the weight of household goods shipments, and, pending the results of the study, develop strategy and milestones for implementing the incentive.

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The Deputy Comptroller (Program/Budget), responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, agreed, stating that the Office of the Secretary of Defense will convene a working group to study the feasibility of implementing the statutory incentive.

Under Secretary of Defense for Personnel and Readiness Comments

The Assistant Secretary of Defense for Readiness and Force Management, responding for the USD(P&R), agreed stating that he recommends USD(AT&L) lead the effort as the office of primary responsibility and USD(P&R) participate in the working group in a supporting role. Furthermore, he stated that USD(AT&L) is the subject matter expert and has the data for HHG shipments.

Our Response

Comments from the Deputy Comptroller (Program/Budget) and the Assistant Secretary of Defense for Readiness and Force Management addressed all of the specifics of the recommendation, and no further comments are required.

Management Comments Received Late

We received Assistant Secretary of Defense for Transportation Policy comments on the draft report too late to include them in the final report. Therefore, if the Assistant Secretary of Defense for Transportation Policy does not submit additional comments, we will consider those comments as the management response to the final report.

Recommendation 2

We recommend that Under Secretary of Defense for Personnel and Readiness, in coordination with the Deputy Assistant Secretary of Defense for Transportation Policy:

> **a. Update the Joint Federal Travel Regulations to remove authority for the Government to continue paying for nontemporary storage lots after the entitlement period expires.**

Under Secretary of Defense for Personnel and Readiness Comments

The Assistant Secretary of Defense for Readiness and Force Management, responding for the USD(P&R), agreed to update the JFTR.

Our Response

Comments from the Assistant Secretary of Defense for Readiness and Force Management addressed all of the specifics of the recommendation, and no further comments are required.

Management Comments Received Late

We received Assistant Secretary of Defense for Transportation Policy comments on the draft report too late to include them in the final report. Therefore, if the Assistant Secretary of Defense for Transportation Policy does not submit additional comments, we will consider those comments as the management response to the final report.

b. Update the Joint Federal Travel Regulations to apply weight limitations to local moves executed at the convenience of the Government and not otherwise subject to prescribed limits. In addition, implement a waiver process that allows for exceptions on a case-by-case basis, and identifies reasons for which a waiver may be granted.

Under Secretary of Defense for Personnel and Readiness Comments

The Assistant Secretary of Defense for Readiness and Force Management, responding for the USD(P&R), partially agreed stating that the JFTR change should only apply to local moves for retirees and separates who are part of the PCS Program. Furthermore, he stated that in the interest of fairness, and to prevent hardship to members who are required to move unexpectedly, the Services intentionally exempted local moves that are not part of the PCS program from prescribed weight limits when executed at the convenience of the Government. Finally, he stated that local moves are directed and managed locally, using local operations and maintenance funds, and any savings realized would not be applied to the military personnel appropriations accounts.

Our Response

Comments from the Assistant Secretary for Readiness and Force Management partially addressed the specifics of the recommendation. Although local moves are not subject to HHG weight limitations, in accordance with 37 U.S.C. § 476 (2011) and the JFTR, PCS moves are limited to a maximum HHG weight allowance based on rank and dependent status. We recognize that local moves may warrant some flexibility because they are directed at the convenience of the Government. Therefore, we recommended implementation of a waiver process that would

allow flexibility on a case-by-case basis. As discussed in the report, a service member executed a local move, shipping 75,100 pounds of HHG at a cost to DoD of approximately $34,246. Under the JFTR-established PCS weight limits, the service member would have only been entitled to move 13,000 pounds of HHG. If the JFTR PCS weight limits were in place for this local move, the cost to DoD would have been approximately $6,240. By not imposing a weight limitation, DoD incurred an excess cost of approximately $28,000 for this move. We maintain that these local moves should be subject to a reasonable weight limit, and service members should only be allowed to move an unlimited amount of weight in situations where a waiver has been granted. We request that the Assistant Secretary of Defense for Readiness and Force Management reconsider his position on the recommendation and provide comments on the final report.

Management Comments Received Late

We received Assistant Secretary of Defense for Transportation Policy comments on the draft report too late to include them in the final report. Therefore, if the Assistant Secretary of Defense for Transportation Policy does not submit additional comments, we will consider those comments as the management response to the final report.

Recommendation 3

We recommend that the Commander, U.S. Transportation Command:

a. **Pending the results of Recommendation 2.a, update the Defense Transportation Regulation, Part IV, Chapter 406 by removing language allowing the Services to continue paying for expired nontemporary storage lots after the initial entitlement period.**

b. **Evaluate the cost-effectiveness of using Patriot Express channels for permanent change of station travel, including the cost of any associated travel costs, and compare to the costs of commercial flights from the nearest international airport to the service member's current duty station.**

c. **Pending the results of Recommendation 3.b, take appropriate action, if warranted, to reduce the number of Patriot Express missions flown to account for the reduction in permanent change of station use.**

Management Comments Received Late

We received Commander, USTRANSCOM comments on the draft report too late to include them in the final report. Therefore, if the Commander, USTRANSCOM, does not submit additional comments, we will consider those comments as the management response to the final report.

Recommendation 4

We recommend that the Deputy Chief of Staff, Army Logistics:

a. **Develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all nontemporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no-longer exists from a Government storage account to the service member's responsibility and expense.**

Army Logistics Comments

The Acting Director, Force Projection and Distribution, responding for the Deputy Chief of Staff, Army Logistics, agreed, stating that the Army will coordinate with Army Materiel Command and Army Sustainment Command to publish a quality control dashboard to monitor and track expired NTS lots, and standard operating procedures to convert NTS lots at the service members' expense. The Army plans to complete these actions by July 31, 2014.

Our Response

Comments from the Acting Director, Force Projection and Distribution, addressed all of the specifics of the recommendation, and no further comments are required.

b. **Implement controls requiring that overpayments, made for service members exceeding their maximum household good weight entitlements for legacy system multiple shipments, are tracked and forwarded to the appropriate entity for recoupment.**

Army Logistics Comments

The Acting Director, Force Projection and Distribution, responding for the Deputy Chief of Staff, Army Logistics, agreed stating that the Office of the Assistant Deputy Chief of Staff, G-4 will coordinate with the Assistant Secretary of the Army for Financial Management and Comptroller to provide oversight to track

service members exceeding their maximum HHG weight entitlement via multiple shipments and ensure information is forwarded to the proper agency for recoupment. The acting director stated that the Army interim plan of action will be in place in 2015.

Our Response

Comments from the Acting Director, Force Projection and Distribution, addressed all of the specifics of the recommendation, and no further comments are required.

c. Establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

Army Logistics Comments

The Acting Director, Force Projection and Distribution, responding for the Deputy Chief of Staff, Army Logistics, agreed, stating that the Office of the Assistant Deputy Chief of Staff, G-4 will coordinate with Army Materiel Command and Army Sustainment Command to publish policy within 30 days of their response to use existing direct procurement method contracts to move domestic shipments weighing 1,000 pounds or less, when it is cost-effective and circumstances warrant. Additionally, the Army will establish metrics by August 29, 2014, for Army shipping offices to track the number of shipments 1,000 pounds or less processed using the DPS shipment rates versus the direct procurement method contract rates.

Our Response

Comments from the Acting Director, Force Projection and Distribution, addressed all of the specifics of the recommendation, and no further comments are required.

Recommendation 5

We recommend that the Commander, Naval Supply Systems Command:

a. Develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all nontemporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense.

Naval Supply Systems Command Comments

The Commander, Naval Supply Systems Command, agreed, stating that in March 2011, the Navy updated internal guidance to implement a NTS termination policy that directs personal property shipping office personnel to convert NTS lots to member expense upon expiration of entitlement. The commander also stated that the current standard operating practice is for personal property shipping office personnel to identify expired NTS lots on a quarterly basis and convert the expired NTS lots to member expense.

Our Response

Comments from the Commander, Naval Supply Systems Command, partially addressed the specifics of the recommendation. While the commander agreed with the recommendation and stated that the quarterly reviews were standard practice, he did not state whether he would implement quality assurance and standard operating procedures to make sure the personal property shipping office personnel performed the quarterly reviews. We request that the Commander, Naval Supply Systems Command, provide additional comments on the final report.

b. Establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

Naval Supply Systems Command Comments

The Commander, Naval Supply Systems Command, agreed, stating that the Naval Supply System Command will issue a change to the Naval Supply System Command P-490, "Transportation of Personal Property," directing personal property shipping office personnel to use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less. The commander stated the target completion date was December 31, 2014.

Our Response

Comments from the Commander, Naval Supply Systems Command, addressed all of the specifics of the recommendation, and no further comments are required.

Recommendation 6

We recommend that the Director, Headquarters Air Force Logistics:

a. **Develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all nontemporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense.**

Headquarters Air Force Logistics Comments

The Deputy Director, Headquarters Air Force Logistics, responding for the Director, Headquarters Air Force Logistics, agreed, stating that the Air Force took corrective action to update the Air Force Operating Instructions to address the quality controls and performance of quarterly reviews of NTS lots and to initiate action to convert expired NTS lots that are no longer covered by an existing entitlement. The deputy director stated this action was completed on April 22, 2014.

Our Response

Comments from the Deputy Director, Headquarters Air Force Logistics, addressed all of the specifics of the recommendation, and no further comments are required.

b. **Establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.**

Headquarters Air Force Logistics Comments

The Deputy Director, Headquarters Air Force Logistics, responding for the Director, Headquarters Air Force Logistics, agreed stating that the Air Force updated the Air Force Supplement to the JFTR to add policy to use direct procurement method contracts to move domestic shipments weighing 1,000 pounds or less when cost-effective and circumstances warrant. The deputy director stated this action was completed on April 22, 2014.

Our Response

Comments from the Deputy Director, Headquarters Air Force Logistics, addressed all of the specifics of the recommendation, and no further comments are required.

Recommendation 7

We recommend that the Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility:

a. Develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all nontemporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense.

Marine Corps Logistics Plans, Policy, and Strategic Mobility Comments

The Staff Director, Headquarters Marine Corps, responding for the Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility, agreed stating that the Marine Corps Logistics Plans, Policy, and Strategic Mobility will establish and implement a policy message within 30 days of the response to conduct a review of all NTS lots and initiate quarterly reviews of all NTS lots managed by Marine Corps Personal Property Offices. The staff director stated Marine Corps Personal Property Office conversion of NTS lots will take up to 120 days for completion of corrective action from the date of the policy message to ensure all NTS lots meeting the criteria are reviewed and resolved. He further stated that the Marine Corps supports a change to the DTR, Part IV, Personal Property for this requirement, and the Marine Corps Order 4600.39 will be updated to reflect DTR policy changes.

Our Response

Comments from the Staff Director, Headquarters Marine Corps, addressed all of the specifics of the recommendation, and no further comments are required.

b. Establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

Marine Corps Logistics Plans, Policy, and Strategic Mobility Comments

The Staff Director, Headquarters Marine Corps, responding for the Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility, agreed, stating that the Marine Corps Logistics, Plans, Policy, and Strategic Mobility Directorate will coordinate and release a policy message within 30 days of the response directing Marine Corps Personal Property Offices to compare the direct procurement method contract rates against the DPS rates to ensure the most cost-effective rate is used, whenever practicable. Additionally, the staff director stated that the Marine Corps supports a change to the DTR, Part IV, Personal Property, to codify this requirement, and changes reflecting this policy will be incorporated into the new Marine Corps Order 4600.39.

Our Response

Comments from the Staff Director, Headquarters Marine Corps, addressed all of the specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from October 2013 through April 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Because of congressionally mandated timelines, we only identified where opportunities for cost savings and efficiencies existed within the PCS Program. We did not have time to quantify potential savings.

To accomplish our objective, we reviewed DoD and the Services' implementation of the PCS Program. Specifically, we reviewed how the Services developed cost estimates for PCS moves, how the Services executed the PCS Program, and how DoD supported the PCS Program using contracts.

Review of Documentation and Interviews

To understand the PCS Program, we reviewed 37 U.S.C § 476 (2011); Public Law 113-76, "Consolidated Appropriations Act, 2014," January 17, 2014; DoD Directive 4500.09E, "Transportation and Traffic Management," September 11, 2007; DoD Instruction 4500.57, "Transportation and Traffic Management," March 2008, Enclosure 3, "Air Transportation;" JFTR, Volume 1, "Uniformed Service Members;" DoD Regulation 4500.9-R, "Defense Transportation Regulation," Part I, "Passenger Movement," November 2010, and Part IV, "Personal Property," August 2013; and applicable Service guidance.

Cost Estimates

We reviewed policies, regulations, and the Services' budget and financial report data to determine the estimated costs and amount of PCS travel appropriations the Services had available for obligation during FY 2013. We also reviewed "Accounting Report Monthly 1002" reports provided by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD. To determine DoD's FY 2014 PCS travel estimates, we used the DoD Military Personnel

Programs (M-1), "Department of Defense Budget, Budget Amendment to the Fiscal Year 2014 President's Budget Request for Overseas Contingency Operations (OCO)," May 2013. We also reviewed Public Law 113-76, to determine reductions to the Services' FY 2014 PCS travel funds.

We interviewed Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD personnel, Service budget personnel, and military career managers to determine the methodologies and processes the Services used to estimate the number of PCS travel moves, and develop the related budget and cost estimates. We examined documentation the Navy provided on the linear regression model it uses in predicting out-year operational, rotational, and training PCS travel requirements.

Execution and Entitlements

We interviewed or visited the Services' personnel commands to understand the assignment instructions and the PCS order writing processes. We evaluated the process for determining available billets against the commands' requirements and end-strengths and the process necessary to determine which service member to move; and reviewed the time on station requirements versus service member's projected rotation date and waiver process. We also reviewed the process to authenticate and approve PCS orders, and the process the Services use to perform quality assurance and funding reviews of PCS orders. During our site visits, we interviewed finance personnel to obtain information on the PCS entitlement and voucher processes to include preparation, approval, and quality assurance.

We obtained a universe of NTS lots from the Air Force Joint Personal Property Shipping Office Chief for Customer Information Management. We reviewed active NTS lots for active duty, separated, and retired service members from the TOPS database as of February 24, 2014. From the universe, we totaled the number of active NTS lots and associated dollar values that the Services identified as expired for active duty, separated, and retired service members. We reviewed the expired NTS lots and selected examples from the listing. We coordinated with Naval Supply Systems Command personnel and obtained Navy NTS costs from the Standardized Accounting and Reporting System-Field Level and Cash History On-Line Operator Search Engine.

We conducted site visits to shipping offices to obtain information on the movement and storage of HHG. We evaluated the shipping office process for service members performing legacy system multiple shipments. This included gaining an understanding of personally procured moves and legacy system moves, as well as determining the payment and reimbursement process for legacy system multiple shipments. We reviewed DPS controls to determine whether DPS identified excess payments on overweight legacy system multiple shipments. In addition, we discussed the Services' recoupment procedures for amounts owed by service members to DoD.

Finally, we interviewed shipping office personnel and determined the DPS and direct procurement method shipping selection processes for domestic HHG shipments weighing 1,000 pounds or less. We obtained a universe of 2013 DPS HHG shipments weighing 1,000 pounds or less from the Air Force Joint Personal Property Shipping Office Chief for Customer Information Management. From the 2013 universe, we totaled the number of moves and associated dollar values. We also sorted the data to determine the number of moves that did not have dollar values because the transportation service provider had not yet invoiced the Government for the move. We reviewed four examples that identified the actual DPS costs paid versus the potential direct procurement method costs. We also reviewed Service documentation supporting system change requests to the DPS, and reviewed planned DPS Phase III upgrades.

Contracting Support

We evaluated contracts awarded in support of the PCS Program and the movement of HHG, as well as other areas identified during the audit. Specifically, we evaluated contract HC1028-08-D-2016, awarded by USTRANSCOM for the development of DPS, valued at approximately $6 million, which is the backbone of DoD's Personal Property Program. In addition, we evaluated the contract awarded by USTRANSCOM for the global end-to-end transportation of personal vehicles, valued at approximately $920 million.

We also coordinated with the Services to obtain all contracts awarded under the direct procurement method, which is a means to manage the shipment of HHG using Federal Acquisition Regulation-based contracts awarded at the Service level by local contracting offices. Currently, there are 230 direct procurement method contracts across all Services, valued at approximately $251 million.

In addition to the contracts that support the PCS Program, we obtained an overview of DoD's Personal Property Program and evaluated various processes managed by Military Surface Deployment and Distribution Command that support the program. These processes include transportation service provider approval, open season and rate approval, and DPS shipment awards.

Additionally, we evaluated certain types of local moves exempted from prescribed PCS weight limitations and determined whether the additional costs incurred to fund these moves impacted the PCS Program. We coordinated with the Office of the Deputy Assistant Secretary of Defense for Transportation Policy and the Services to determine whether the Services funded these moves with PCS funds. We obtained examples of moves where the weight of a service member's HHG significantly exceeded their normal JFTR entitlement if the moves were considered PCS moves. We also evaluated the cost-effectiveness of the Patriot Express Program related to PCS travel. We coordinated with USTRANSCOM to obtain an overview of the Patriot Express Program and determined how Patriot Express flight costs are established. We also coordinated with the Services to obtain data on the top locations from which service members originate and the corresponding locations in which service members arrive overseas via Patriot Express in order to evaluate the cost-effectiveness of the program across all Services. In addition, we evaluated a statutory incentive aimed at minimizing the weight of HHG shipments. We coordinated with the Defense Travel Management Office, USD(P&R), USTRANSCOM, and the Services to determine DoD's rationale for not implementing the statutory incentive that was enacted into law to minimize the cost of HHG shipments.

Lastly, we evaluated ongoing initiatives that may lead to additional cost savings and efficiencies in the PCS Program. Specifically, we obtained and reviewed the new policy on professional books, papers, and equipment that established a maximum net weight limit of 2,000 pounds for shipments, with no authority to waive the limitation. We also coordinated with the Joint Service Team to understand the shipping office regionalization effort targeted at significantly reducing the manpower required to support PCS moves. Appendix C provides a comprehensive list of organizations we visited or contacted.

Use of Computer-Processed Data

We did not rely on computer-processed data to support our findings and conclusions for this audit.

Use of Technical Assistance

The DoD Office of Inspector General Quantitative Methods Division assisted in evaluating the linear regression model the Services stated they use to predict operational, rotational, and training PCS travel requirements. Specifically, the Quantitative Methods Division reviewed documentation the Navy provided on its model and determined its Minitab Regression Output indicates it is a good predictor of the response variable, compared to using the mean of the response variable.

Appendix B

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG), the Army Audit Agency, and the Air Force Audit Agency have issued 19 reports discussing PCS, the shipment of HHG, NTS, and the Patriot Express Program. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/pubs/index.cfm.

Unrestricted Army reports can be accessed from .mil and gao.gov domains at https://www.aaa.army.mil/.

Air Force Audit Agency reports can be accessed from .mil domains at https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-AD-01-41 by personnel with Common Access Cards.

DoD OIG

DoD OIG Report No. DODIG-2013-083, "Efforts to Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Need Improvement," May 15, 2013

Army

Army Audit Agency Report No. A-2014-0017-FMF, "Nontemporary Storage Costs," December 2, 2013

Army Audit Agency Report No. A-2010-0219-FFM, "Internal Controls Over Personal Property Shipment Costs-DOD," September 30, 2010

Army Audit Agency Report No. A-2010-0177-FFM, "Internal Controls Over Personal Property Shipment Costs-Army," September 16, 2010

Air Force

Air Force Audit Agency Report No. F-2013-0034-RWT000, "Personally Procured Movement of Household Goods, 355th Fighter Wing, Davis-Monthan AFB AZ," March 11, 2013

Air Force Audit Agency Report No. F-2013-0021-RWT000, "Personally Procured Movement of Household Goods, 82nd Training Wing, Sheppard AFB TX (REVISED)," January 24, 2013

Air Force (cont'd)

Air Force Audit Agency Report No. F-2011-0101-FDE000, "Follow-up Audit, Household Goods, 100th Air Refueling Wing, Royal Air Force Mildenhall, United Kingdom," September 14, 2011

Air Force Audit Agency Report No. F-2011-0017-FCT000, "Controls over Permanent Change of Station Moves, Oklahoma City Air Logistics Center, Tinker AFB OK," April 29, 2011

Air Force Audit Agency Report No. F-2010-0114-FDE000, "Household Goods, 100th Air Refueling Wing, Royal Air Force, Mildenhall, United Kingdom," September 2, 2010

Air Force Audit Agency Report No. F-2010-0113-FDE000, "Patriot Express Utilization, 379th Air Expeditionary Wing, Southwest, Asia," August 31, 2010

Air Force Audit Agency Report No. F-2010-0006-FD4000, "Active Duty Permanent Change of Station Management," May 6, 2010

Air Force Audit Agency Report No. F-2010-0007-FDE000, "Permanent Change of Station, 48th Fighter Wing, Royal Air Force, Lakenheath, United Kingdom," November 3, 2009

Air Force Audit Agency Report No. F-2009-0052-FBP000, "Permanent Change of Station Management, 18th Wing, Kadena AB, Japan," August 17, 2009

Air Force Audit Agency Report No. F-2009-0045-FBP000, "Permanent Change of Station Management, 36th Wing, Andersen, AFB, Guam," August 4, 2009

Air Force Audit Agency Report No. F-2009-0041-FBP000, "Permanent Change of Station Management, 8th Fighter Wing, Kunsan, AB, Korea," July 7, 2009

Air Force Audit Agency Report No. F-2009-0040-FBP000, "Permanent Change of Station Management, 51st Fighter Wing, Osan AB, Korea," June 19, 2009

Air Force (cont'd)

Air Force Audit Agency Report No. F-2009-0069-FDE000, "Permanent Change of Station Management, 435th Air Base Wing, Ramstein AB, Germany," June 9, 2009

Air Force Audit Agency Report No. F-2009-0071-FDE000, "Permanent Change of Station Management, 52nd Fighter Wing, Spangdahlem AB, Germany," June 9, 2009

Air Force Audit Agency Report No. F-2009-0031-FBL000, "Personally Procured Movement of Household Goods, 55th Wing, Offutt AFB NE," March 10, 2009

Appendix C

Organizations Visited or Contacted

Department of Defense
Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics (Alexandria, Virginia)
Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (Washington, D.C.)
Office of the Under Secretary of Defense, Personnel and Readiness (Washington, D.C.)
Defense Travel Management Office (Alexandria, Virginia)
RAND Corporation (Contractor for Office of the Secretary of Defense Personnel and Readiness) (Arlington, Virginia)
Combatant Command
U.S. Transportation Command (Scott Air Force Base, Illinois)
Department of the Army
Army Military Personnel, Army Budget Office (Arlington, Virginia)
Army Human Resources Command, Organizational Inspection Program (Fort Knox, Kentucky)
Defense Military Pay Office Fort Hood (Killeen, Texas)
Defense Military Pay Office Fort Eustis (Newport News, Virginia)
Human Resources Command (Fort Knox, Kentucky)
Installations Management Command Fort Sam Houston (San Antonio, Texas)
Installation Reassignment Processing Branch (Fort Hood, Texas)
Joint Personal Property Shipping Office, Mid-Atlantic (Fort Belvoir, Virginia)
Military Personnel Branch Fort Eustis (Newport News, Virginia)
Military Surface Deployment and Distribution Command (Scott Air Force Base, Illinois)
Office of the Assistant Secretary of the Army (Business Transformation Directorate) (Washington, D.C.)
Office of the Assistant Secretary of the Army (Financial Management & Comptroller), Army Internal Review (Washington, D.C.)
Office of the Deputy Chief of Staff of the Army, G-4, Logistics (Washington, D.C.)
Office of the Deputy Chief of Staff, Plans and Resources Directorate (Washington, D.C.)
Personal Property Office Fort Eustis (Newport News, Virginia)
Personal Property Office Fort Hood (Killeen, Texas)
U.S. Army Sustainment Command (Rock Island, Illinois)

Department of the Air Force
Air Force Accounting and Finance Office Ellsworth Air Force Base (Rapid City, South Dakota)
Air Force Financial Services Center Ellsworth Air Force Base (Rapid City, South Dakota)
Air Force Personnel Center Randolph Air Force Base (San Antonio, Texas)
Air Force Personal Property Policy (Andrews Air Force Base, Maryland)
Excess Cost Adjudication Function (Lackland Air Force Base, Texas)
Financial Services Office Langley Air Force Base (Hampton, Virginia)
Financial Services Office Randolph Air Force Base (San Antonio, Texas)
Joint Personal Property Shipping Office Kelly Annex (San Antonio, Texas)
Military Personnel Section Langley Air Force Base (Hampton, Virginia)
Military Personnel Section Randolph Air Force Base (San Antonio, Texas)
Personal Property Activity Headquarters Kelly Annex (San Antonio, Texas)
Secretary of the Air Force Financial Management, (Arlington, Virginia)
Department of the Navy
Bureau of Naval Personnel, Naval Personnel IG (Millington, Tennessee)
Bureau of Naval Personnel, Permanent Change of Station (Arlington, Virginia)
Bureau of Naval Personnel, Permanent Change of Station Variance Component (Cleveland, Ohio)
Deloitte Consulting (contractor for Bureau of Naval Personnel) (Arlington, Virginia)
Navy Detailers (Millington, Tennessee)
Navy Household Goods Audit Office (Norfolk, Virginia)
Navy Pay and Personnel Support Center (Millington, Tennessee)
Navy Personnel Command Career Management Branch (Millington, Tennessee)
Navy Personnel Command Comptroller (Millington, Tennessee)
Navy Personnel Command Distribution Management (Millington, Tennessee)
Navy Personnel Command Policy and Procedures (Millington, Tennessee)
Navy Personnel Support Detachment (Norfolk, Virginia)
Naval Supply System Command Consolidated Personal Property Shipping Office (Norfolk, Virginia)
Naval Supply Systems Command (Mechanicsburg, Pennsylvania; San Diego, California)
Office of the Chief of Naval Operations, Manpower, Personnel, Training and Education, Strength Programing Office (Arlington, Virginia)

Marine Corps
Marine Corps Installations and Logistics, Logistics Distribution Branch (Washington, D.C.)
Marine Corps Manpower Management (Quantico, Virginia)
Marine Corps Programs and Resources (Quantico, Virginia)
Marine Corps Manpower Management Integration Branch (Quantico, Virginia)
Marine Corps Manpower and Reserve Affairs (Quantico, Virginia)
Marine Corps Monitors (Quantico, Virginia)
Marine Corps Programs and Resources Manpower Budget Branch (Arlington, Virginia)
Marine Corps Programs and Resources Finance Branch (Quantico, Virginia)
Marine Corps Technology Service Organization (Quantico, Virginia)
Regional Contracting Office, Marine Corps Base Camp Lejeune/Marine Corps Air Station Cherry Point (Jacksonville, North Carolina)
Regional Contracting Office , Marine Corps Air Ground Combat Center (Twentynine Palms, California)
Regional Contracting Office, Marine Corps Base Camp Pendleton (Oceanside, California)
Regional Contracting Office, Marine Corps Recruit Depot (Parris Island)/Marine Corps Air Station (Beaufort, South Carolina)

Management Comments

Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER
(Program/Budget)

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Review and comments to Department of Defense Inspector General Draft Report on Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000)

We received the subject draft audit report dated April 17, 2014, and reviewed your recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Our response to address your recommendation is as follows.

Recommendation 1: We recommend that Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary of Defense for Transportation Policy, convene a working group to study feasibility of implementing the statutory incentive to encourage service members to minimize the weight of household goods shipments, and, pending the results of the study, develop strategy and milestones for implementing the incentive.

Response: Concur. The Office of the Secretary of Defense will convene a working group to study the feasibility of implementing the statutory incentive to encourage service members to minimize household goods shipments.

We appreciate the opportunity to review the draft report. My staff point of contact is [redacted], or [redacted].

John P. Roth
Deputy Comptroller

Under Secretary of Defense for Personnel and Readiness Comments

READINESS AND FORCE MANAGEMENT

ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

MAY 05 2014

MEMORANDUM FOR PROGRAM DIRECTOR FOR CONTRACT MANAGEMENT AND PAYMENTS, DEPARTMENT OF DEFENSE INSPECTOR GENERAL

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS

SUBJECT: Response to DoDIG Draft Report on Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000)

The recommendations outlined in this report fall under my purview within Personnel and Readiness; therefore, I will respond on behalf of the Under Secretary of Defense (USD) for Personnel and Readiness:

Recommendation 1: The USD(C), USD(P&R), and DASD(TP) convene a working group to study the feasibility of implementing the statutory incentive to encourage service members to minimize the weight of household goods shipments, and, pending the results of the study, develop strategy and milestones for implementing the incentive.

Response 1: Concur. We agree with establishing a working group; however, we recommend AT&L lead this effort as the Office of Primary Responsibility (OPR) with P&R in a supporting role since AT&L is the subject matter expert and has the systems required to capture data for household goods shipments.

Recommendation 2: The USD(P&R), in coordination with the DASD(TP):

a. Update the Joint Federal Travel Regulations to remove authority for the Government to continue paying for nontemporary storage lots after the entitlement period expires.

b. Update the Joint Federal Travel Regulations (JFTR) to apply weight limitations to local moves executed at the convenience of the Government and not otherwise subject to prescribed limits. In addition, implement a waiver process that allows for exceptions on a case-by-case basis, and identifies reasons for which a waiver may be granted.

Response 2: Partially Concur. We concur with updating the JFTR; however, the JFTR change should apply only to local moves for retirees and separatees who are part of the Department's Permanent Change of Station (PCS) Program. The Services intentionally exempted local moves that are not part of the PCS program from prescribed weight limits when executed at the convenience of the Government in the interest of fairness, and to prevent hardship to members who are required to move unexpectedly. As these moves are directed and managed locally using local Operations and Maintenance funds, they are, by definition, outside the Department's PCS

Under Secretary of Defense for Personnel and Readiness Comments (cont'd)

program and any savings realized would not be to the Military Personnel Appropriations accounts.

If you have further questions or comments, my point of contact for this report is [redacted] who can be reached at [redacted] or [redacted].

F. E. Vollrath

Army Logistics Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-4
500 ARMY PENTAGON
WASHINGTON, DC 20310

DALO-FPT

0 1 MAY 2014

May 1, 2014

MEMORANDUM THRU THE OFFICE OF THE ASSISTANT DEPUTY CHIEF OF STAFF, G-4, 500 ARMY PENTAGON, WASHINGTON, DC 20310

FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, YORKTOWN AUDIT OFFICE, 111 CYBERNETICS WAY, SUITE 110, YORKTOWN, VA 23693

SUBJECT: Opportunities for Cost Savings and Efficiencies in the Department of Defense (DoD) Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000)

1. Reference Draft Inspector General Report, April 17, 2014, subject: Opportunities for Cost Savings and Efficiencies in the Department of Defense (DoD) Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000).

2. The DoD Inspector General identified three recommendations for the Office of the Deputy of Staff (ODCS), G-4:

3. Recommendation 4a:

a. Recommendation: Develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all non-temporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no-longer exists from a Government storage account to the service member's responsibility and expense.

b. Comments/Official Army Position: The ODCS, G-4 concurs with this finding and will coordinate with Army Materiel Command (AMC) and Army Sustainment Command (ASC), who has direct operational responsibility over the Army Personal Property Shipping Offices (PPSOs) worldwide, to publish: (1) a quality control non-temporary storage (NTS) dashboard for monitoring/tracking expired lots to ODCS, G-4 and (2) standard operating procedures for PPSOs to take action and convert lots to member's expense, no later than 90 days or 31 July 2014.

4. Recommendation 4b:

a. Recommendation: Implement controls requiring that overpayments, made for

Army Logistics Comments (cont'd)

DALO-FPT
SUBJECT: Opportunities for Cost Savings and Efficiencies in the Department of Defense (DoD) Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000)

service members exceeding their maximum household good weight entitlements for legacy system multiple shipments, are tracked and forwarded to the appropriate entity for recoupment.

b. Comments/Official Army Position: The ODCS, G-4 concurs and will collaborate with the Assistant Secretary of the Army for Financial Management and Comptroller to provide oversight to track service member's exceeding their maximum household goods weight entitlement via multiple shipments and ensure information is forwarded to the proper agency for recoupment action. In 2015, the Army interim plan of action will be in place to bridge the gap until automation of the excess cost adjudication function within the Defense Personal Property System, no earlier than 2017.

5. Recommendation 4c:

a. Recommendation: Establish policy requiring PPSO personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

b. Comments/Official Army Position: The ODCS, G-4 concurs with this finding and will coordinate with AMC and ASC, who has direct operational responsibility over the Army PPSOs worldwide, to publish policy within 30 days to use existing Direct Procurement Method (DPM) contracts to move domestic shipments weighing 1,000 pounds or less, when both cost effective and circumstances warrant with a note in DPS shipment management (e.g., estimated weight change, no destination DPM contract agent). Army will establish metrics within 120 days or 29 August 2014, by Army PPSO to track the number of shipments 1,000 pounds or less processed using DPS shipment rates versus DPM contract rates.

6. The Headquarters, Department of the Army ODCS, G-4 point of contact is [redacted], or e-mail: [redacted].

ERIC D. MARTIN
Colonel, GS
Acting Director, Force Projection
and Distribution

2

Naval Supply Systems Command Comments

DEPARTMENT OF THE NAVY
NAVAL SUPPLY SYSTEMS COMMAND
5450 CARLISLE PIKE
PO BOX 2050
MECHANICSBURG PA 17055-0791

IN REPLY REFER TO
7510
Ser NOIG/022
MAY 02 2014

From: Commander, Naval Supply Systems Command
To: Program Director, Contract Management and Payments, Department of Defense Inspector General

Subj: DODIG DRAFT AUDIT REPORT ON OPPORTUNITIES FOR COST SAVINGS AND EFFICIENCIES IN THE DOD PERMANENT CHANGE OF STATION PROGRAM (D2014-D000CJ-0028.000)

Ref: (a) DoDIG Draft Audit Report (D2014-D000CJ-0028.000)

Encl: (1) NAVSUP comments on subject Draft Audit Report

1. Per reference (a), enclosure (1) provides our comments on Recommendations 5a and 5b.

2. For any questions, please contact our Chief of Staff, [redacted] at [redacted] DSN [redacted], or e-mail at [redacted]

U. A. YUEN

Copy to:
NAVINSGEN

Naval Supply Systems Command Comments (cont'd)

DODIG DRAFT AUDIT REPORT: "Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program" (Project No. D2014-D000CJ-0028.000) of 17 April 2014.

FINDING: While DoD and the Services implemented or plan to implement various initiatives to reduce costs and improve the Permanent Change of Station (PCS) Program, additional efficiencies and savings within the $4.2 billion PCS Program could be realized by implementing controls to ensure that:

1) the Services are tracking and managing non-temporary storage entitlements, and service members assume management and financial responsibility and payment for non-temporary storage liabilities after the initial entitlement period expires;
2) the Army improves oversight of overpayments made for service members who exceed their maximum household goods weight entitlements when conducting legacy system multiple shipments;
3) shipping office personnel use the most cost-effective method to accomplish domestic moves weighing 1,000 pounds or less;
4) DoD imposes weight limits for household goods during certain local moves;
5) DoD uses the most cost-effective mode of transportation for all overseas PCS moves; and,
6) DoD considers implementing a statutory incentive that would allow service members to voluntarily reduce the weight of shipped household goods and receive a portion of the savings.

Recommendation 5a: We recommend that the Commander, Naval Supply Systems Command develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all non-temporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense.

NAVSUP Response: Concur. Navy concurs with the recommendation to develop quality control and standard operating procedures to ensure personal property shipping office (PPSO) personnel perform quarterly reviews of all non-temporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense. In March 2011, Navy promulgated a

Enclosure (1)

Naval Supply Systems Command Comments (cont'd)

change to the Naval Supply Systems Command (NAVSUP) P-490, Transportation of Personal Property (Attachment (A)), to implement a non-temporary storage termination policy for retirees and separatees that directed PPSOs to convert to member expense all storage lots upon expiration of entitlement. Additionally, current standard operating practice is for PPSOs to identify expired storage lots for active duty members, retirees, and separatees on a quarterly basis and forward to NAVSUP Headquarters for review and permission to convert to member expense.

Recommendation 5b: We recommend that the Commander, Naval Supply Systems Command establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

NAVSUP Response: Concur. Navy concurs with the recommendation to establish policy requiring personal property shipping office (PPSO) personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less. Naval Supply System Command (NAVSUP) will issue a change to the NAVSUP P-490, Transportation of Personal Property, directing PPSO personnel to use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less. Target completion date is 31 December 2014.

Enclosure (1)

Headquarters, Air Force Logistics Comments

Final Report References

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, DC

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL
(CONTRACT MANAGEMENT AND PAYMENTS)

FROM: HQ USAF/A4L
1030 Air Force Pentagon
Washington, DC 20330-1030

SUBJECT: DoD IG Draft Report--Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000)

Reference: (a) Inspector General, Department of Defense, Letter dated Apr 14, 2014, SUBJECT: Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program (Project No. D2014-D000CJ-0028.000)

Thank you for the opportunity to review the Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program Audit. We appreciate the opportunity afforded to review the findings prior to final publication. Below are our management comments for the report.

Recommendation 6.a.

RECOMMENDATION (1): Develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all non-temporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense.

COMMENT: Concur with finding. Personal Property Activity HQ OI 24-01 has been updated to include quality control measures and quarterly review of all NTS Lots in storage past the expiration date and to initiate action to convert lots where an entitlement no longer exists. Completed 22 Apr 14.

Recommendation 6.b.

RECOMMENDATION (2): Establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

COMMENT: Concur with finding. The Air Force Supplement to the Joint Federal Travel Regulation has been changed to add policy to use Direct Procurement Method contracts to move domestic shipments weighing 1,000 pounds or less when cost-effective and circumstances warrant. Completed 22 Apr 14.

Headquarters, Air Force Logistics Comments (cont'd)

Implementation of recommendations to update policy and standard operating procedures satisfies internal control weakness identified in the report.

In summary, we greatly appreciate the efforts of the DoD IG to identify recommended improvement areas of this important program. The Air Force remains committed to the Defense Personal Property Program and are confident these improvements will enable us to obtain efficiencies to reduce costs. Please feel free to direct any questions to my point of contact, [redacted] Chief, Logistics Readiness Division [redacted].

COLLINS.EUGENE [redacted]
Digitally signed by COLLINS.EUGENE [redacted]
Date: 2014.04.29 16:23:52 -04'00'

EUGENE COLLINS, SES
Deputy Director of Logistics
DCS/Logistics, Installations & Mission Support

2

Marine Corps Logistics Plans, Policy, and Strategic Mobility Comments

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
7500
DMCS-A
APR 29 2014

From: Commandant of the Marine Corps
To: Program Director, Contract Management and Payments, Office of Inspector General, U.S. Department of Defense

Subj: U.S. DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL DRAFT AUDIT REPORT D2014-D000CJ-0028.000, OPPORTUNITIES FOR COST SAVINGS AND EFFICIENCIES IN THE DOD PERMANENT CHANGE OF STATION PROGRAM, DATED APRIL 17, 2014

Ref: (a) DODIG Memorandum dtd April 17, 2014

Encl: (1) Marine Corps Responses

1. Official responses required by the reference are provided at the enclosure.

2. The Marine Corps appreciates the opportunity to respond to the report.

3. If you have any questions about the responses, please contact [redacted] Headquarters, U.S. Marine Corps Senior Audit Liaison [redacted].

M. R. REGNER
Staff Director

Copy to:
NAVINSGEN (N11)
DC, I&L
DC, M&RA
DC, P&R

Marine Corps Logistics Plans, Policy, and Strategic Mobility Comments (cont'd)

DODIG DRAFT REPORT DATED APRIL, 17, 2014
PROJECT NO. D2014-D000CJ-0028.000

"OPPORTUNITIES FOR COST SAVINGS AND EFFICIENCIES IN THE DOD PERMANENT CHANGE OF STATION PROGRAM"

UNITED STATES MARINE CORPS COMMENTS TO THE DODIG RECOMMENDATIONS

RECOMMENDATION 7.a.: DODIG recommends that the Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility develop quality control and standard operating procedures to ensure personal property shipping office personnel perform quarterly reviews of all nontemporary storage lots to determine whether the entitlements are still valid based on the situation used to establish the lot, and initiate action to convert those lots where the entitlement no longer exists from a Government storage account to the service member's responsibility and expense.

USMC RESPONSE: Concur. Current Marine Corps Order P4600.39 [Marine Corps Personal Property Transportation Manual] states that a semiannual review of nontemporary storage (NTS) lots will be conducted. Directorate, Marine Corps Logistics Plans, Policy, and Strategic Mobility (LPD) will coordinate and release a policy message within the next 30 days to Marine Corps installation commands to conduct an immediate review of all NTS lots and initiate quarterly reviews of all service member/civilian employee nontemporary storage (NTS) lots managed by Marine Corps Personal Property Offices thereafter. The NTS lot resolution process at Marine Corps Personal Property Offices will take up to 120 days from the date of the policy message to ensure all lots meeting the criteria are carefully reviewed and resolved per established DoD and new Marine Corps policy promulgated by the message. The Marine Corps supports a change to the Defense Transportation Regulation, Part IV, Personal Property, to codify this requirement, and changes reflecting this policy will be incorporated into the new MCO 4600.39.

RECOMMENDATION 7.b.: DODIG recommends that the Director, Marine Corps Logistics Plans, Policy, and Strategic Mobility establish policy requiring personal property shipping office personnel to determine and use the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

1 Encl (1)

Marine Corps Logistics Plans, Policy, and Strategic Mobility Comments (cont'd)

Subj: USMC Comments to DODIG Draft D2014-D000CJ-0028.000

USMC RESPONSE: Concur. Directorate, Marine Corps Logistics Plans, Policy, and Strategic Mobility (LPD) will coordinate and release a policy message within the next 30 days directing Marine Corps Personal Property Offices to compare the Direct Procurement Method (DPM) contract rates against the Defense Personal Property System (DPS) Code D and Code 2 rates to ensure the most cost-effective rate is used, whenever practicable. The policy will take effect immediately upon receipt of the message and can be implemented within five (5) days of receipt of the message by the Personal Property Offices. The Marine Corps supports a change to the Defense Transportation Regulation, Part IV, Personal Property, to codify this requirement, and changes reflecting this policy will be incorporated into the new MCO 4600.39.

2 Encl (1)

Acronyms and Abbreviations

DPS	Defense Personal Property System
DTR	Defense Transportation Regulation
GSA	General Services Administration
HHG	Household Goods
JFTR	Joint Federal Travel Regulations
NTS	Nontemporary Storage
PCS	Permanent Change of Station
TOPS	Transportation Operational Personal Property Standard System
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USTRANSCOM	U.S. Transportation Command

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U.S. Department of Defense

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