July 1, 2002

Acquisition

Allegations to the Defense Hotline on the Management of the Defense Travel System
(D-2002-124)

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Acronyms

ASD(C^3I)	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
CECOM	U.S. Army Communications-Electronics Command
CUI	Common User Interface
DTS	Defense Travel System
JITC	Joint Interoperability Test Command
MTMC	Military Traffic Management Command
PMO	Project Management Office
U.S.C.	United States Code

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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July 1, 2002

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE)

SUBJECT: Report on Allegations to the Defense Hotline on the Management of the Defense Travel System (Report No. D-2002-124)

We are providing this report for information and use. We performed the audit in response to a Defense Hotline complaint. We considered management comments on a draft of this report when preparing the final report.

The Deputy Under Secretary of Defense for Logistics and Materiel Readiness, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and the Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) comments conformed to the requirements of DoD Directive 7650.3. As a result of management comments, we revised Recommendation 1. Additional comments are not required.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Ms. Kathryn M. Truex at (703) 604-9139 (DSN 664-9139) (kmtruex@dodig.osd.mil) or Ms. Jacqueline L. Wicecarver at (703) 604-9144 (DSN 664-9144) (jwicecarver@dodig.osd.mil). See Appendix E for the report distribution. The team members are listed inside the back cover.

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Report No. D-2002-124 **July 1, 2002**
Project No. D2001FG-0148

Allegations to the Defense Hotline on the Management of the Defense Travel System

Executive Summary

Who Should Read This Report and Why? This report concerns those managers who are specifically involved with managing the Defense Travel System, as well as those managing the development of information technology systems. The report discusses the need to determine the appropriateness of the Defense Travel System to provide DoD with an effective travel management process.

Background. The Defense Travel System was envisioned as a general support system designed to make business travel quicker, easier, and more efficient by providing automated commercial and Government travel support services to DoD travelers. The Defense Travel System was expected to represent the 21st century model of efficiency and service, featuring the best practices in industry and plug-and-play components. In addition, the Defense Travel System was to be designed to speed and streamline the entire cycle of authorization, reservation, and claims processing involved in global DoD travel. In May 1998, the Military Traffic Management Command awarded a firm fixed-price, performance-based services contract to TRW Incorporated* for approximately $263.7 million to design and deploy the Defense Travel System. The Defense Travel System contract included an aggressive timeline to commence deploying the system to approximately 11,000 sites worldwide within 120 days of the effective date of the contract, with completion approximately 38 months later.

Results. Despite recent actions by the Under Secretary of Defense (Acquisition, Technology, and Logistics) and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Defense Travel System remains a program at high risk of not being an effective solution in streamlining the DoD travel management process. The Defense Travel System was being substantially developed without the requisite requirements, cost, performance, and schedule documents and analyses needed as the foundation for assessing the effectiveness of the system and its return on investment. In addition, planning for security at user sites is incomplete. The additional projected funding for the Defense Travel System Program from FYs 2002 through 2007 was $377.1 million. As a result, there was increased risk that the planned additional investment of $377.1 million to fully develop and implement the Defense Travel System and the $114.8 million and 6 years of effort already invested will not fully

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*Formerly BDM International Incorporated.

realize all goals to reengineer temporary duty travel, make better use of information technology, and provide an integrated travel system. The Defense Travel System Program is projected to expend approximately $491.9 million (approximately 87 percent more than the original contract cost of $263.7 million) and deployment will not be completed until FY 2006, approximately 4 years behind schedule. Managing the Defense Travel System as a major automated information system with requisite documentation and tracking of cost, schedule, performance, and security can reduce the program risk. Further performance of a cost-effectiveness study of the system will also reduce risk. (See the Finding section for details on the audit results.)

Management Comments and Audit Response. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Deputy Under Secretary of Defense (Logistics and Materiel Readiness), and the Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) concurred with the intent of the recommendations but disagreed with the draft report recommendation to suspend funding for the Defense Travel System until it was determined whether the system was the most cost-effective solution to a streamlined travel process. The Under Secretary of Defense (Comptroller)/Chief Financial Officer agreed with the intent of the report to improve the oversight of the Defense Travel System Program and has already taken action to manage the Defense Travel System as an Acquisition Category IAM program. Additionally, he has tasked the Director, Program Analysis and Evaluation to do a cost-effectiveness study to determine whether the Defense Travel System program should continue or be terminated. The complete text of the comments is in the Management Comments section of the report. The comments and actions initiated were responsive. We revised the report recommendations because the proposed oversight mechanism and cost-effectiveness study will reduce program risk and insert appropriate decision points for deciding whether to continue or terminate the Defense Travel System.

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Background

This audit was performed in response to allegations made to the Defense Hotline concerning management of the Defense Travel System (DTS). See Appendix B for a synopsis of each allegation and audit results. Appendix C is an overview of key events that have resulted in an ongoing effort to reengineer the DoD temporary duty travel process.

Reengineering DoD Temporary Duty Travel. As a result of the 1993 National Performance Review, DoD identified travel as an area that required reengineering. The DoD Task Force to Reengineer Travel was established in July 1994 to conduct a comprehensive and systematic review of the DoD travel network using a "clean sheet of paper" approach. The DoD Task Force to Reengineer Travel concluded that the DoD travel process was fragmented, inefficient, expensive to administer, and occasionally impeded mission accomplishment. In January 1995, the DoD Task Force to Reengineer Travel issued the "Report of the Department of Defense Task Force to Reengineer Travel," which addressed three principal causes for the inefficient DoD travel system:

- travel policies and programs were focused on compliance with rigid rules rather than mission performance,
- travel practices did not keep pace with travel management improvements implemented by industry, and
- the travel system was not integrated.

DTS Program Management. On December 13, 1995, the Under Secretary of Defense for Acquisition, Technology, and Logistics[1] and the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum, "Reengineering Travel Initiative," establishing the Project Management Office (PMO) to acquire travel services that would be used DoD-wide and support mission requirements, reduce costs, and provide superior customer service. The memorandum directed the PMO to report through the Under Secretary of Defense (Comptroller)/Chief Financial Officer to the Under Secretary of Defense for Acquisition, Technology, and Logistics. The memorandum also tasked the U.S. Transportation Command to provide a single procurement entity. As a result, the Military Traffic Management Command (MTMC) was designated to procure DTS. DTS was envisioned as a general support system designed to make business travel quicker, easier, and more efficient by providing automated commercial and Government travel support services to DoD travelers. DTS was expected to represent the 21st century model of efficiency and service, featuring the best practices in industry and plug-and-play

[1]Formerly the Under Secretary of Defense (Acquisition and Technology).

components. Additionally, DTS was to be designed to speed and streamline the entire cycle of authorization, reservation, and claims processing involved in global DoD travel.

In accordance with the December 1995 guidance, the PMO initiated the DTS Program as an acquisition of travel services rather than an acquisition investment in information technology. The PMO developed an acquisition plan based on using commercial-off-the-shelf software and provided it to the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer for review. The acquisition plan was approved, thereby allowing the PMO to proceed with the acquisition of DTS as a travel service.

Contract Award. In May 1998, MTMC awarded a firm fixed-price, performance-based services contract to TRW Incorporated (formerly BDM International Incorporated) for approximately $263.7 million to design and deploy DTS. However, because a protest was filed with the General Accounting Office, which was subsequently resolved, the effective date of the contract changed from May 1998 to September 1998. The contract specified that TRW Incorporated was to be paid a one-time deployment fee of $20 for each user, and an initial transaction fee of $5.27 for each travel voucher processed upon DTS achieving initial operational capability. However, the DTS contract did not define what DTS should accomplish in order to be functionally accepted nor did it include a test plan. The DTS contract also included an aggressive timeline to commence deploying DTS to approximately 11,000 sites worldwide within 120 days of the effective date of the contract, with completion approximately 38 months later.

DTS Program Costs. Total DTS Program cost was estimated to be $491.9 million. Since December 1995, the PMO has expended approximately $114.8 million for the DTS Program from FYs 1996 through 2001. The projected funding for the DTS Program from FYs 2002 through 2007 was $377.1 million.[2] The primary DTS Program costs include development, operational testing, and salaries for DoD civilians, contractors, and military support.

Objectives

The audit objective was to review the allegations made to the Defense Hotline and to determine whether the DTS Program was being managed to meet cost, schedule, and performance requirements. We also evaluated the management control program as it related to the audit objectives. See Appendix A for a discussion of the audit scope and methodology, management control program, and prior coverage.

[2]The $377.1 million includes $190.6 million in operation and maintenance funds and $186.5 million in research and development funds.

Management and Implementation of the Defense Travel System

Despite recent actions by the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DTS remains at high risk for not being an effective solution to streamlining the DoD travel management process. DTS has been and was being substantially developed without the requisite requirements, cost, performance, and schedule documents and analyses needed as the foundation for assessing the system's effectiveness and its return on investment. Specifically,

- the DTS Program is not being managed as intended by the Clinger-Cohen Act;
- the user requirements community did not develop requirement documents such as the mission needs statement or an operational requirements document, which are used as the basis for selecting an appropriate acquisition strategy for new systems;
- the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD[C^3I]) designated DTS as a special interest initiative rather than a major automated information system acquisition program;
- DoD management oversight organizations failed to appropriately address significant indicators of DTS Program implementation problems; and
- the PMO had not yet accomplished remedial actions directed by the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer in July 2001.

As a result, there was increased risk that the planned additional investment of $377.1 million to fully develop and implement DTS and the $114.8 million and 6 years of effort already invested will not deliver a viable, integrated travel management system. Further, the mandated management oversight will not be able to be effectively accomplished without the requisite acquisition documents and analyses needed for informed decision-making.

Clinger-Cohen Act

The Clinger-Cohen Act, Public Law 104-106, February 10, 1996, requires that managers implement deliberate processes for maximizing value and managing the risks associated with the acquisition of information technology. Section

5002 of Public Law 104-106 (section 1401, title 40, United States Code [U.S.C.]) defines information technology as any interconnected system used in the automated management of data or information, including software and services. Section 5125 (40 U.S.C. 1425) states that the Chief Information Officer of executive agencies is responsible for:

- providing advice and other assistance to the head of the executive agency and other senior management to ensure that information technology is acquired and information resources are managed effectively; and

- monitoring the performance of information technology programs of the executive agency, evaluating the performance of those programs, and advising the head of the executive agency whether to continue, modify, or terminate a program.

In addition, section 5127 (40 U.S.C. 1327) requires the head of an executive agency to identify any major acquisition program related to information technology that has significantly deviated from the cost, performance, or schedule goals established for the program in the strategic information resources management plan.

The ongoing emphasis in obtaining the full benefits of information technology has generated considerable Federal Government and DoD policy and guidance. Good business practices dictate that DoD managers implement and follow such policy. Appendix D summarizes the information technology, acquisition, and security guidance applicable to DTS.

Acquisition Strategy

DoD did not manage DTS as an acquisition investment in information technology, follow the applicable Office of Management and Budget and DoD guidance for information technology acquisitions, or provide the oversight needed to ensure that DTS was an effective solution to streamline the DoD travel process. Further, DoD did not address indicators that the program was experiencing problems.

Information Technology Investments. The Clinger-Cohen Act, along with Office of Management and Budget guidance and DoD policy, provide an effective framework for managing information technology investments, not just when a program is initiated, but continuously throughout the life of the program.

From inception, DTS was to be integrated with other systems and share data, therefore requiring it to be compliant with acquisition laws and regulations.

In December 1995, the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer established the DTS PMO, but did not

designate the program as a major automated information system. In June 1997, ASD (C^3I) designated the DTS Program as a special interest initiative. DoD does not consider special interest initiatives subject to acquisition policy requirements. As of April 2002, after extensive development and total program costs estimated at $491.9 million, DoD still had not designated DTS as a major automated information system. Consequently, the PMO had not prepared essential documents in the acquisition process, to include a mission needs statement, an operational requirements document, a life-cycle cost estimate, an acquisition program baseline, and a test and evaluation master plan as required by the DoD 5000 acquisition policy series.

Security. Additionally, DoD Instruction 5200.40, "DoD Information Technology Security Certification and Accreditation Process," December 30, 1997, prescribes standardized procedures to meet DoD system security certification and accreditation requirements when implementing an information technology system. DoD Components and the PMO have not addressed the security requirements for the DTS software at the proposed sites where DTS will be deployed. Specifically, the System Security Authorization Agreement developed by the PMO only addresses the certification and accreditation of DTS at the contractor site.

Projected Funding. The PMO has requested approximately $377.1 million even though it has yet to provide an automated, paperless travel system that meets all DoD temporary duty requirements. The following table identifies additional projected funding requested by the PMO to implement DTS from FYs 2002 through 2007.

Projected Funding From FYs 2002 Through 2007

Fiscal Year	Operation and Maintenance Funds	Research and Development Funds	Total (in millions)
2002	$61.6	$19.6	$81.2
2003	53.8	30.4	84.2
2004	37.0	32.3	69.3
2005	12.5	34.1	46.6
2006	12.7	34.7	47.4
2007	13.0	35.4	48.4
Totals	$190.6	$186.5	$377.1

Although the PMO originally envisioned that DTS could be deployed without any development by using commercial-off-the-shelf products, since the effective date of the contract (September 1998), they have had to do extensive

developmental work. From FYs 2002 through 2007, the PMO expects further development costs of approximately $186.5 million to complete development necessary to obtain critical functionality of the system, to continue developing solutions to integrate the common user interface (CUI)[3] and the DoD accounting and disbursing systems, and to provide required engineering support to implement the system.

Contract Issues. Because fundamental acquisition documents were never developed, the DTS contract was not properly structured for the implementation of DTS. Officials from the U.S. Army Communications-Electronics Command (CECOM) stated that under a restructured contract, TRW Incorporated would be paid a firm-fixed price on a monthly basis for a deployment team responsible for implementing DTS.

Indicators of Problem

Test and Evaluation. The PMO originally expected to complete testing and commence deploying DTS within 120 days of the effective date of the contract, with deployment to be completed within 38 months (April 2002). Officials from the PMO stated that when testing began in November 1998, they immediately recognized that the travel system they envisioned was more cumbersome than anticipated. The PMO, in coordination with the DoD Components, developed specific test scenarios to test the ability of the TRW Incorporated CUI to meet the overall functionality envisioned by DoD. The PMO began testing 326 test scenarios to validate the capability of the CUI to accept a trip request, produce a "should cost" estimate,[4] identify exceptions to policy, and accurately compute a final reimbursement voucher. During this phase of testing, several deficiencies were identified, including the computation module's inability to calculate temporary duty travel in conjunction with leave and travel that required partial payments. By early 1999, it was evident that the commercial-off-the-shelf software required major development and modifications in order to meet DoD requirements.

The second phase of testing included validating 230 test scenarios to demonstrate full system functionality, including external interfaces, of the CUI in a controlled environment prior to conducting operational tests at DoD sites. At the completion of this phase of testing, 87 "critical" discrepancies were identified. Of the 87 discrepancies, the PMO determined that 15 were associated with functionality that could be addressed in future releases of DTS. The remaining 72 discrepancies would be corrected in software and business process updates. Each new release and software update required more development and modifications.

[3]The CUI represents the automation that integrates the necessary functions of DTS and provides an interface to other systems involved in the travel process including the Defense Electronic Business Exchange, DoD Accounting and Disbursing Systems, and the DoD Public Key Infrastructure.

[4]A "should cost" estimate is the standard or baseline amount the Government is willing to pay at the time a trip is planned and authorized. "Should cost" estimates include allowable transportation, lodging, and rental car expenses; per diem for meals; and approved reimbursable incidental expenses.

The first operational assessment was scheduled to occur from October 23 through December 22, 2000, at Whiteman Air Force Base, Missouri. As a result of 72 discrepancy reports and substantial deployment problems, the PMO terminated the operational assessment on November 8, 2000.

A second operational assessment by the Joint Interoperability Test Command (JITC) occurred at Ellsworth Air Force Base, South Dakota, from July 26 to August 29, 2001. In a report issued by JITC in October 2001, JITC stated that DTS failed to meet certain critical requirements, and as a result, JITC did not consider DTS to be an operationally effective system for all DoD Components.

Developmental Requirements. As of April 2002, the PMO had not documented the amount or nature of the development required to implement DTS, but PMO officials stated that the required development was extensive. Because the PMO had recognized that DTS would require extensive development by early 1999, the PMO should have informed the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer of that requirement and the need to reconsider the DTS acquisition strategy. By that time, it was clear that continuing the DTS initiative as a services acquisition was inappropriate and that it should rather be managed as an acquisition investment in information technology.

Deployment Plan. Although the PMO originally expected to deploy DTS to approximately 11,000 sites, the DTS deployment plan has been reduced to approximately 260 sites. The revised deployment schedule includes fielding DTS to 10 pilot sites during FY 2002 and to approximately 250 high-volume travel sites from FYs 2003 to 2006. Although officials from the PMO stated that deploying DTS to approximately 260 sites would include approximately 86 percent of all DoD travelers, deployment to even this reduced number of sites will not be completed until FY 2006, approximately 4 years behind schedule. The PMO and the Defense Finance and Accounting Service have not tested all DoD accounting and disbursing systems to ensure an adequate interface exists with the CUI. As of April 2002, 27 (71 percent) of the approximately 38 DoD accounting and disbursing systems, with which DTS may interface, had not been tested.

The PMO should not deploy DTS to any site until DTS is designated a major automated information system, all acquisition documents have been completed, a program review has been conducted by the Overarching Integrated Product Team, and the Milestone Decision Authority has approved the system to proceed.

Program Oversight

Special Interest Initiatives. ASD(C^3I) did not provide adequate oversight for the DTS Program as a special interest initiative. As the DoD Chief Information Officer, ASD(C^3I) designated the DTS Program as a special interest initiative rather than a major automated information system. On June 11, 1997, the

Office of ASD(C^3I) issued a memorandum, "Designation of Major Automated Information Systems and Other Special Interest Major Initiatives and Related Quarterly Reporting Requirements," updating the list of DoD major information technology investments and special interest initiatives, including the DTS Program.

Congressional Requirements. Congress enacted reform legislation to improve the methods by which Federal agencies select and manage information technology resources. To comply with congressional requirements, on May 7, 1997, ASD(C^3I) was directed to provide oversight and management for all DoD information technology investments.

May 1999 Memorandum. On May 5, 1999, the Office of the ASD(C^3I) issued a memorandum, "Designation of Major Automated Information System Acquisition Programs/Special Interest Initiatives and Related Oversight Requirements," providing general guidance for programs designated as special interest initiatives. Specifically, the memorandum required the DoD Chief Information Officer to:

- incorporate into regulatory guidance and oversight processes those requirements included in the Clinger-Cohen Act for information technology investments; and

- tailor management, oversight, and quarterly reporting requirements to ensure that warfighter requirements are met.

ASD(C^3I) did not follow that guidance and did not establish or tailor management and oversight requirements for the DTS Program. Specifically, ASD(C^3I) did not require the PMO to:

- submit an acquisition strategy for review and approval; and

- coordinate and obtain consensus on acquisition requirements that added value to the DTS Program, especially requirements related to cost, performance, and schedule.

ASD(C^3I) required the PMO to submit quarterly reports that identified the progress and implementation status of the DTS Program. The DTS quarterly reports identified program issues affecting DTS milestones, fielding schedules, system interfaces, and software development. Officials from ASD(C^3I) stated they reviewed the DTS quarterly reports to determine whether the DTS Program was satisfactorily progressing. However, officials from ASD(C^3I) also stated that the DTS quarterly reports did not always appear to report the "true state" of the DTS Program. Officials from ASD(C^3I) stated that it was not until the Whiteman Air Force Base operational assessment was terminated in November 2000 that they became more involved and interested in the DTS Program.

March 2001 Memorandum. On March 30, 2001, ASD(C^3I) issued a memorandum, "Designation of Major Automated Information System Acquisition Program," that updated the May 1999 guidance. The memorandum identified those DoD information systems designated as major automated information systems subject to DoD acquisition requirements. However, the

memorandum did not address oversight requirements for special interest initiatives. Instead, the memorandum stated that ASD(C^3I) would issue separate guidance on major information technology investments subject to ASD(C^3I) oversight by the end of FY 2001. During a meeting on November 26, 2001, officials from ASD(C^3I) stated that they planned to redesignate DTS from a special interest initiative to a major acquisition information system. As of April 2002, ASD(C^3I) had not issued guidance for managing special interest initiatives nor had they redesignated DTS as a major acquisition information system.

Other Oversight Structures. The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer did not adequately address issues affecting the implementation of DTS. However, officials from the two Under Secretaries of Defense stated that they had provided direct oversight since DTS Program inception. Officials from the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer also stated that the DTS Program was subjected to regular flag-level committee meetings that provided oversight for the progress of the program.

Senior-Level Working Groups. The DoD Task Force to Reengineer Travel established two senior-level committees, an O-8 Steering Group and an O-6 Working Group, to serve as focal points for all DoD activities during the effort to reengineer DoD travel. The committees included representatives from each of the DoD Components; the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense (Comptroller)/Chief Financial Officer; ASD(C^3I); and the PMO. The committees' primary function was to present issues and concerns related to reengineering DoD travel, including implementing the DTS Program, and to resolve those issues and concerns. During each committee meeting, a status of the DTS Program was presented serious issues affecting deployment, including the need for a viable deployment schedule and the necessity for extensive development and testing to meet functionality requirements, were often addressed. However, not until January 2001 did either the Under Secretary of Defense for Acquisition, Technology, and Logistics or the Under Secretary of Defense (Comptroller)/Chief Financial Officer recommend that the program be reassessed, even though extensive development had been necessary since 1999 and the deployment timeline defined in the contract had been significantly exceeded.

Directed Actions

The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer expressed

and directed specific actions towards the DTS Program after discrepancies were identified during the first operational assessment attempted at Whiteman Air Force Base.

January 2001 Memorandum. On January 19, 2001, the Under Secretary of Defense for Acquisition, Logistics, and Technology and the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum, "Defense Travel System Program/Contract Assessment," stating that recent deficiencies identified during Phase IIIa acceptance tests raised serious concerns about the DTS Program. The memorandum required:

- the PMO, in coordination with ASD(C^3I), the Defense Information Systems Agency, the Defense Finance and Accounting Service, the Military Departments, the Office of the Deputy Chief Financial Officer, and the U.S. Transportation Command, to complete a functional assessment of the DTS Program;

- an independent technical assessment that would identify measures needed to improve DTS response times; and

- the Army to determine specific actions necessary for the DTS contract based on the results of the functional and technical assessments.

The memorandum also directed that overall functional responsibility be assigned to the U.S. Transportation Command.

Completed Actions. Officials from the PMO stated that they had completed a functional assessment and had reported to the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer that DTS is a viable system that will meet DoD temporary duty travel requirements. Officials from the PMO stated that they did not prepare a formal written functional assessment, but rather provided multiple briefings with charts to the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer. The PMO contracted with an independent contractor to perform a technical assessment to determine whether DTS response times met testing requirements. On April 20, 2001, the PMO issued a report prepared by the contractor stating that response times met the developed acceptance criteria at remote sites. This conclusion was based on tests of how infrastructure performance issues could affect DTS response times performed at nine major DoD sites in a controlled test environment.

Actions Not Completed. The DTS original contract did not include essential elements necessary for the effective acquisition of DTS. Specifically, the DTS contract did not define what DTS was required to accomplish in order for it to be functionally accepted nor did it include a test plan. On April 5, 2001, the Assistant Secretary of the Army (Procurement) issued a memorandum directing CECOM to assume responsibility for the contract from MTMC, to include restructuring the DTS contract. The memorandum also states CECOM should become responsible for the contract because of its expertise in large information technology contracts. Officials from CECOM stated that the primary changes to

the contract would include eliminating the one-time deployment fee for each user and the initial transaction fee for each travel voucher processed, and modifying the method of payment to TRW Incorporated. Officials from CECOM stated that TRW Incorporated would be paid a firm-fixed price on a monthly basis for a deployment team responsible for implementing DTS. Officials from CECOM stated they did not complete restructuring the DTS contract until March 29, 2002.

July 2001 Memorandum. On July 17, 2001, the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum, "Defense Travel System," which approved proceeding with the DTS Program. The memorandum stated that the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer would continue to provide policy oversight to the DTS Program. However, upon completion of necessary contract actions, the U.S. Transportation Command was directed to assume responsibility for the DTS Program. The memorandum also directed that DTS Program oversight be accomplished in accordance with DoD Instruction 5000.2, "Operation of the Defense Acquisition System," March 15, 1996 (revised January 4, 2001). U.S. Transportation Command or its designee was to be the Designated Approval Authority for the DTS system security certification and chair the DTS Configuration Control Board. However, a December 11, 2001, budget decision delayed transferring DTS Program responsibility to the U.S. Transportation Command until FY 2004 to allow the program to be in a full deployment mode. The budget decision did not establish an interim authority over the DTS Program in place of U.S. Transportation Command to ensure that it would adhere to the requirements of DoD Instruction 5000.2 or complete the other directed actions detailed in the July 2001 memorandum.

Conclusion

DoD envisioned that DTS would represent a 21st century model of efficiency and service, featuring the best practices in industry and plug-and-play components. When fully operational, DTS was expected to provide an automated and paperless system that met the needs of nearly 3.5 million active duty military, reserve, and DoD civilian travelers. Sound business practices and an information technology investment that borders on a half-billion dollars dictate a need for a process to assess progress towards established goals, especially for cost, performance, schedule, and security. Such a process has not been established for DTS. DoD should manage the DTS Program as a major automated information system and ensure it meets requirements of the Clinger-Cohen Act and Office of Management and Budget and DoD acquisition and security policies.

Management Comments on the Finding and Audit Response

PMO Comments. Management comments from the PMO were enclosed with the response from the Under Secretary of Defense (Comptroller)/Chief Financial Officer and are reproduced in their entirety along with that response. The PMO stated that the report erroneously indicated that the PMO had reduced the number of sites that will receive DTS. When fully implemented, DTS will provide temporary duty travel services to all of the original 11,000 envisioned sites.

Audit Response. According to the PMO, the original plan was to deploy DTS to about 11,000 sites worldwide. However, after further consideration and research, the PMO determined that it would be able to deploy DTS to about 260 high-volume sites that generated 86 percent of all DoD temporary duty travel. The 260-site deployment would be accomplished in two phases. The PMO also determined that if DTS was deployed to an additional 300-plus sites, it would capture approximately 99 percent of all DoD temporary duty travel. Version 1 of the DTS deployment plan, October 1, 2001, stated that Phase III would be completed by the Services and agencies, which would bear responsibility for the leadership and funding of this effort. During the study of the DTS Program directed by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Director, Program Analysis and Evaluation should determine the number of sites that are most cost-effective to receive DTS.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Deputy Under Secretary of Defense for Logistics and Materiel Readiness ensure that the Defense Travel System Program be designated as an Acquisition Category IAM program and the Under Secretary of Defense (Comptroller)/Chief Financial Officer complete the Program, Analysis, and Evaluation study by October 1, 2002, to determine whether the Defense Travel System Program should either continue or be terminated.

Management Comments. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Deputy Under Secretary of Defense (Logistics and Materiel Readiness), and the Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) nonconcurred with the draft report recommendation to suspend funding for development and deployment of DTS until DoD determines whether DTS is the most cost-effective solution to the travel process. The Under Secretary of Defense (Comptroller)/Chief Financial Officer stated the termination would make a major impact on pilot site operations and create significant termination costs for DoD. To address the audit concerns, the Under Secretary tasked the Director, Program Analysis and Evaluation to undertake a cost-effectiveness study for DTS and report the results to him no later than October 1, 2002. The Under Secretary agreed with the

intent of the report to improve oversight for DTS and invited the Under Secretary of Defense (Acquisition, Technology, and Logistics) and ASD(C^3I) to join in the study. Further, any future decision to continue or terminate DTS will be contingent upon the Program Analysis and Evaluation findings. The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) stated that the DTS remains a viable system for meeting future temporary duty travel requirements while providing broad benefits to DoD. In addition, the Deputy Under Secretary stated that DTS would be designated as an Acquisition Category IAM program and, as such, be subject to the acquisition discipline previously lacking in the program. The Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) stated that if funds were suspended, the DTS Program would, for all practical purposes, be terminated. Further, DTS assessments were conducted during multiple briefings to various management levels. The assessment result was the July 17, 2001, memorandum signed by the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense (Acquisition, Technology, and Logistics) that approved proceeding with DTS Program implementation.

Audit Response. Management comments were responsive. It was not the intent of our recommendation to terminate DTS. We believe the Program requires additional structure, oversight, and an analysis of whether DTS is the most cost-effective solution for the DoD travel process. Planned actions by senior DoD officials, such as their intent to designate the system as an Acquisition Category IAM program, their plan to provide additional program oversight, and their intent to perform a cost-effectiveness study of the system, show concern for the program. Based on the comments, we revised the recommendation in the final report. Additional comments are not required.

2. We recommend that the Project Management Office comply with the intent of the Clinger-Cohen Act by managing the Defense Travel System as a major information technology investment; establishing proper security in accordance with DoD Directive 5200.28 and DoD Instruction 5200.40; and developing essential acquisition documents needed for effective oversight, including:

a. a mission needs statement,

b. an operational requirements document,

c. a life-cycle cost estimate,

d. an acquisition program baseline, and

e. a test and evaluation master plan.

Management Comments. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Deputy Under Secretary of Defense (Logistics and Materiel Readiness), and the Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) concurred with the recommendation. The Under Secretary of Defense (Comptroller)/Chief Financial Officer stated that he has taken action to manage DTS as an Acquisition Category IAM program in accordance with DoD 5000 series. The Deputy Under Secretary

stated the recommended actions were those envisioned by the July 17, 2001, joint Under Secretary of Defense (Acquisition, Technology, and Logistics) and the Under Secretary of Defense (Comptroller)/Chief Financial Officer memorandum. The Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) stated his office was in the process of designating DTS an Acquisition Category IAM program. Once designated, DTS will be subject to all DoD requirements and will be overseen by the Office of the Secretary of Defense and Joint Staff as a major automated information system. This oversight will ensure compliance with DoD guidance, including security requirements addressed in DoD Directive 5200.28 and DoD Instruction 5200.40.

3. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense (Comptroller)/Chief Financial Officer; and the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) review the progress made by the Project Management Office in implementing Recommendation 2., and determine whether the Defense Travel System Program should continue or be terminated.

Management Comments. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Deputy Under Secretary of Defense (Logistics and Materiel Readiness), and the Acting Principal Director, Deputy Assistant Secretary of Defense (Programs) concurred with the recommendation. The Under Secretary of Defense (Comptroller)/Chief Financial Officer has tasked the Director, Program Analysis and Evaluation to undertake a cost-effectiveness study for DTS and invited the Under Secretary of Defense (Acquisition, Technology, and Logistics) and the Deputy Assistant Secretary of Defense (Programs) to join the study. Findings of the study are to be reported by October 1, 2002. Any future decisions to continue or terminate DTS will be contingent on the study's findings. The Deputy Under Secretary stated program progress will be monitored and decisions made in accordance with the DoD 5000 series milestone reviews and other key requirements. Further, the decisions contained in the July 17, 2001, memorandum remain valid and that any future decision to continue or terminate DTS should be vetted through the DoD 5000 series milestone process. The Acting Principal Director stated they would review DTS progress on implementing Recommendation 2. at milestone reviews, the first of which is planned for March 2003. The Integrated Product Team will review program progress between milestone reviews. ASD(C^3I) will serve as the Milestone Decision Authority for the Defense Travel System and the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense (Acquisition, Technology, and Logistics) will be an integral part of the DTS milestone review process.

Appendix A. Scope and Methodology

Scope

Work Performed. We performed this audit to examine allegations made to the Defense Hotline. Specifically, we examined allegations made concerning management of the DTS Program.

We analyzed PMO management responsibilities and DoD oversight for the DTS Program by:

- visiting, contacting, and conducting interviews with officials from the Offices of the Under Secretary of Defense (Acquisition, Technology, and Logistics); the Under Secretary of Defense (Comptroller)/Chief Financial Officer; ASD(C^3I); the PMO; MTMC; CECOM; and the complainants, all in Arlington, Virginia;

- reviewing various reports for the DTS Program that included cost, schedule, and performance parameters;

- reviewing DTS Quarterly Reports submitted to ASD(C^3I);

- evaluating reports submitted by JITC for operational assessments conducted at Whiteman Air Force Base and Ellsworth Air Force Base to determine the readiness of site-specific operational capabilities in preparation for connectivity to the DTS; and

- reviewing the DTS System Security Authorization Agreement to determine whether the certification and accreditation process for DTS was adequately completed.

We also reviewed DoD and Military Department acquisition and security-related guidance, memorandums, and reports issued from January 1995 through July 2001 to determine whether effective management and adequate oversight were provided for the DTS Program. Specifically, we reviewed Public Law 104-106, "The National Defense Authorization Act of 1996," February 10, 1996; the DTS "Concept of Operations," May 8, 1998; and the "Report of the DoD Task Force to Reengineer Travel," January 1995. We reviewed the May 7, 1998, contract (effective date September 1998), contract number DAMT01-98-D-1005, its modifications, and supporting documentation. We also reviewed a proposed modification to contract number DAMT01-98-D-1005 that would, in effect, restructure the terms and conditions of the original contract. In addition, we evaluated DoD and inter-Service memorandums to determine senior DoD management decisions related to reengineering DoD temporary duty travel.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the DoD Systems Modernization high-risk area.

Methodology

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Audit Dates and Standards. We performed this audit from July 2001 through April 2002 in accordance with generally accepted government auditing standards. Accordingly, we included tests of management controls considered necessary.

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

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of management controls in place at the PMO with respect to the acquisition and management of a DoD-wide travel system. Specifically, we reviewed the PMO business processes and procedures used in acquiring DTS, DTS test plans and results, and security procedures in place to ensure the accuracy and reliability of data across the system. We reviewed management's self-evaluation applicable to those controls.

Adequacy of Management Controls. We identified a material management control weakness within the PMO. The PMO did not comply with requirements applicable to all acquisition programs even though they recognized extensive development was necessary to implement the system. Without following DoD acquisition procedures, DoD may not adequately accomplish its mission of providing a fair and equitable temporary duty travel system for all DoD Components. DoD Instruction 5010.40 defines a control weakness as material when it impairs fulfillment of essential missions or operations. Recommendations 1., 2., and 3., if implemented, should correct the weaknesses. A copy of the report will be sent to the senior official in charge of management controls in the Office of the Secretary of Defense.

Adequacy of Management's Self-Evaluation. The PMO identified acquisition management, DTS business process and procedures, security planning, and test planning as assessable units in its annual statement of assurance. Although officials from the PMO identified the above assessable units, they did not identify or report the management control weakness identified by the audit.

Prior Coverage

No prior coverage has been conducted on DoD efforts to reengineer temporary duty travel during the last 5 years.

Appendix B. Summary of Allegations

The audit was conducted in response to allegations made to the Defense Hotline. The following is a summary of the allegations and the specific results of each allegation.

Allegation No. 1: The DTS Program experienced mismanagement related to meeting cost, scheduling, and performance requirements.

Audit Results: The allegation was not substantiated. The PMO was initially directed to manage the DTS Program as an acquisition of travel services. Although the PMO recognized extensive development was necessary to implement DTS, without redirection from the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, they could not revise their approach and manage the program as an investment in information technology. This redirection was not forthcoming until January 2001.

Allegation No. 2: The DTS deployment timeline originally developed was unrealistic.

Audit Results: The allegation was substantiated. The DTS contract originally required DTS to begin deployment within 120 days from the effective date of the contract (September 1998) and to complete deployment within 38 months. The implementation schedule of 120 days was not met because of increased development and unexpected testing delays. The PMO does not expect full deployment of the DTS to be completed until FY 2006.

Allegation No. 3: DTS failed to achieve system functionality.

Audit Results: The allegation was substantiated. The PMO has not provided several critical DTS functions, including group travel, centrally billed accounts, and debt management. However, officials from the PMO stated that these functions were in development and they were planning to address each function in future DTS releases.

Allegation No. 4: The primary contractor failed to deliver a help desk function.

Audit Results: The allegation was substantiated. As of April 2002, the contractor had not provided a comprehensive help desk. Although a help desk function was required in the initial contract, specific requirements, such as Government and contractor responsibilities, cost, and resources to be used, were not addressed. Officials from the PMO and the contractor stated that specific requirements were identified and expect an operational help desk function to be addressed in the restructured contract.

Allegation No. 5: The PMO made payments for digital signature software that failed testing.

Audit Results: The allegation was not substantiated. On June 9, 1999, the PMO certified that 85 percent of the digital signature software had been developed. On October 23, 2000, the digital signature software failed operational testing at Whiteman Air Force Base; however, the failure was the result of user error and not a software glitch. On November 3, 2000, after minor modifications to the software, the contractor was paid for the remaining 15 percent of development. Federal Acquisition Regulation 52.232.1, "Payment Clause," July 11, 1997, allows the Government to pay a contractor the price stipulated for supplies accepted or services rendered.

Allegation No. 6: The selection of the primary contractor was fraudulent because of its inability to meet contractual requirements.

Audit Results: The allegation was not substantiated. Based on general requirements submitted in the request for proposal, the contractor developed a proposal and was subsequently awarded the contract. Shortly after the contract was awarded, the PMO and the contractor realized that significant modifications and extensive development were necessary to implement DTS.

Allegation No. 7: A conflict of interest exists between the PMO and the DTS contractors.

Audit Results: The allegation was not substantiated. Since the allegation was made in July 2000, the PMO has reorganized its management structure. Normal changes in military assignments, DoD civilians leaving the PMO for different jobs, and retirement have resulted in new management at the PMO. Because former personnel from the PMO were not easily accessible and the complainant was unable to provide further information, we were unable to ascertain whether a conflict of interest existed.

Allegation No. 8: The PMO paid an additional $7.5 million for commercial-off-the-shelf software (DTS-Limited) that included the same format as that used for the full version of DTS.

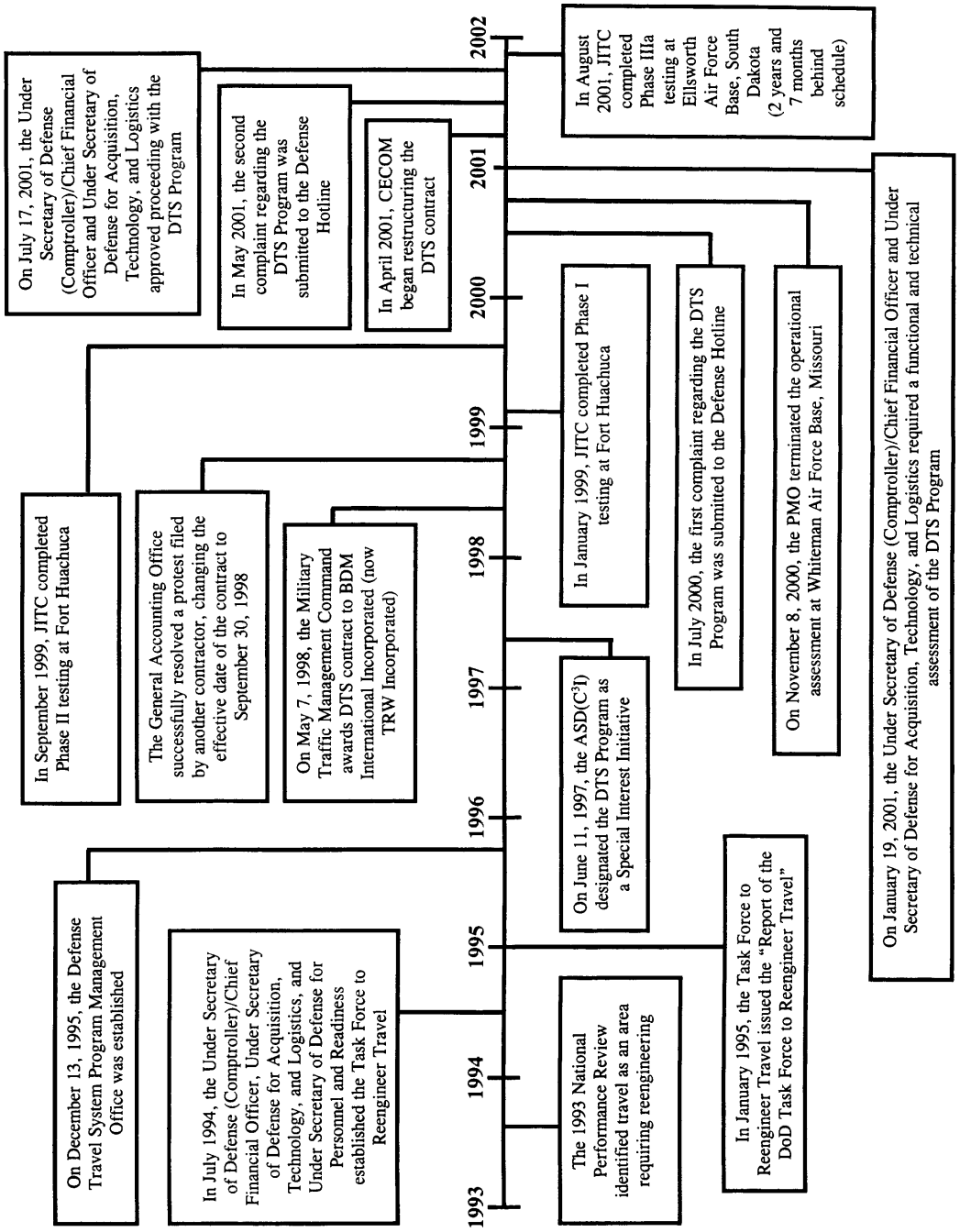
Audit Results: The allegation was substantiated. The PMO provided DTS-Limited as a temporary travel system until the contractor could develop the full version of DTS. DTS-Limited was added to the contract by modification P00007 on September 30, 1999. This modification required the contractor to provide travel manager software, installation, and processing of 1 million vouchers for $6,808,833. In addition, the modification required a $650,000 annual maintenance fee. Although DTS-Limited provided DoD a "stopgap" travel system for sites that required an automated travel system, the approximate $7.5 million cost would not have been necessary had the full version of DTS been deployed on schedule.

Allegation No. 9: The roles and responsibilities for two support contractors were unclear.

Audit Results: The allegation was not substantiated. The support contractor's statement of work provides specific work objectives that were designed to assist the PMO with program management and software deployment.

Appendix C. Key Program Events

The following timeline depicts key events occurring from the time a need for reengineering DoD travel was identified to present.



Appendix D. Departmental Policies

Information Technology Guidance

Office of Management and Budget Guidance. Office of Management and Budget Circular No. A-123, "Management Accountability and Control," June 21, 1995, and No. A-130, "Management of Federal Information Resources," February 8, 1996, establish policy governing the management of Federal programs, to include the requirements to design a management structure to ensure accountability for results.

DoD Directive 8000.1. DoD Directive 8000.1, "Defense Information Management Program," October 27, 1992, prescribes management principles required for all information management activities, including those related to the acquisition of information systems; infrastructures; and resources and services to be used for administrative and routine business applications. DoD policy requires that accurate and consistent information be made available to decision-makers to effectively execute DoD missions. DoD Directive 8000.1 also states that a disciplined life-cycle approach should be used to manage information systems from their inception through discontinuance. DoD information systems should be planned, developed, acquired, and implemented from a DoD-wide perspective to ensure consistency of information and processes in and across functional areas. Finally, development or modernization of information systems should be based on sound business principles by incorporating the evaluation of costs and benefits, to include the satisfaction of mission requirements and the consistency with life-cycle management policies and procedures.

Acquisition Guidance

DoD Directive 5000.1. DoD Directive 5000.1, "Defense Acquisition," March 15, 1996 (revised January 4, 2001), describes broad management principles applicable to all DoD acquisition programs. The primary objective of the policy is to acquire quality products that satisfy the needs of the operational user with measurable improvements to mission accomplishment, in a timely manner, at a fair and reasonable price. Decision-makers and program managers are required to tailor acquisition strategies that:

- are consistent with common sense;
- conform to sound business management practices;
- comply with applicable laws, Defense policies, and regulations; and

- address the time-sensitive nature of the user's requirements to fit the particular program.

The acquisition management guidelines in DoD Directive 5000.1 provide for a streamlined management structure and event-driven management process that emphasizes affordability and risk management that explicitly links milestone decisions to demonstrated accomplishments.

DoD Instruction 5000.2. DoD Instruction 5000.2, "Operation of the Defense Acquisition System," October 23, 2000 (revised January 4, 2001), implements DoD Directive 5000.1. DoD Instruction 5000.2 establishes a simplified and flexible management framework for translating mission needs into stable, affordable, and well-managed Major Defense Acquisition Programs and Major Automated Information Systems. In addition, DoD Instruction 5000.2 is intended to be tailored to meet the needs of individual programs.

DoD Regulation 5000.2-R. DoD Regulation 5000.2-R, "Mandatory Procedures for Major Defense Acquisition Programs and Major Automated Information System Acquisition Programs," March 15, 1996 (revised June 10, 2001), requires all acquisition programs to establish program goals, thresholds, and objectives that identify the minimum cost, schedule, and performance parameters for a program throughout its life cycle.

Security Guidance

DoD Directive 5200.28. DoD Directive 5200.28, "Security Requirements for Automated Information Systems," March 21, 1988, mandates, as a minimum, security procedures that require automated information systems to be accredited. A system is considered accredited when the Designated Approving Authority makes a formal declaration that a system is approved to operate in a particular security mode using a prescribed set of safeguards at an acceptable level of risk. It also mandates automated information systems to operate in accordance with security safeguards approved by the Designated Approving Authority.

DoD Instruction 5200.40. DoD Instruction 5200.40, "DoD Information Technology Security Certification and Accreditation Process," December 30, 1997, implements DoD Directive 5200.28, assigns responsibility, and prescribes procedures for the certification and accreditation of information technology, including automated information systems, networks, and sites in DoD. DoD Instruction 5200.40 defines a process that standardizes all activities leading to a successful accreditation. In addition, DoD Instruction 5200.40 requires the program manager, in coordination with the Designated Approving Authority, the Certification Authority, and the system user representative, to develop a System Security Authorization Agreement for compiling system certification and accreditation documentation.

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
  Deputy Under Secretary of Defense for Logistics and Materiel Readiness
Under Secretary of Defense (Comptroller)/Chief Financial Officer
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
    Program Director, Program Management Office-Defense Travel System
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
  Deputy Assistant Secretary of Defense (Programs)

Department of the Army

Auditor General, Department of the Army
Commanding General, U.S. Army Communications-Electronics Command

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Unified Commands

Commander, U.S. European Command
Commander, U.S. Pacific Command
Commander, U.S. Joint Forces Command
Commander, U.S. Southern Command
Commander, U.S. Central Command
Commander, U.S. Space Command
Commander, U.S. Special Operations Command
Commander, U.S. Transportation Command
  Commander, Military Traffic Management Command
Commander, U.S. Strategic Command

Other Defense Organization

Director, Defense Information Systems Agency

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

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

Final Report
Reference

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

COMPTROLLER

MAY 31 2002

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Proposed Audit Report on the Allegations to the Defense Hotline on Management of the Defense Travel System (Project No. D2001FG-0148)

The enclosed comments regarding the Defense Travel System (DTS) are in response to the subject Report. A detailed summary of our response to the recommendations is attached.

Revised
Page 12

I non-concur with the Report's first recommendation to suspend all DTS Program funds. Termination at this time would create major operational impacts to the pilot sites using DTS and would create significant termination costs to the Department of Defense (DoD). I strongly advise this recommendation be removed from the final report. To address your concerns, which I share, I have tasked the Director, Program Analysis and Evaluation (PA&E) to undertake a cost effectiveness study of DTS. I invite your staff's participation in this study. I have asked PA&E to report to me no later than 1 October 2002.

I agree with the intent of the report to improve the oversight of the DTS Program. I concur with the second recommendation and have already taken action to implement this recommendation. DTS is being managed as an Acquisition Category IAM Program in accordance with the Department of Defense 5000 Series.

As stated above, I am acting immediately upon your third recommendation. My office has invited Acquisition, Technology and Logistics (AT&L) and Command, Control, Communications and Intelligence (C3I) to join the PA&E study. Any future decision to continue or terminate DTS will be contingent upon PA&E's findings.

The Defense Travel System is an effective solution in streamlining the DoD travel management process. We will continue to evaluate DTS' performance during its current pilot site operations and its DoD 5000 Series compliance actions to ensure it remains an effective solution for DoD.

Dov S. Zakheim

Enclosures:
As stated

Final Report
Reference

Revised
Page 12

PMO-DTS RESPONSE TO DoDIG'S FINAL DRAFT AUDIT REPORT

INTRODUCTION

We non-concur with the first of the three recommendations from the Department of Defense Inspector General (DoDIG) and disagree with its assessment that Defense Travel System (DTS) is at high-risk of being an ineffective solution in streamlining the DoD travel management process. DTS is proving to be an effective solution for reengineering DoD's temporary duty (TDY) travel at its pilot sites. DTS is currently operational at seven sites covering all four Services. At these pilot sites, the DTS team reengineered existing travel processes and is averaging a 70% reduction in the steps required to perform travel authorization and reimbursement. In addition, the implementation of the electronic end-to-end system is providing additional improvements to quality of life like reimbursing travelers within a few days of filing their voucher. The system is also generating significant reductions in costs like achieving the Defense Finance and Accounting Service (DFAS) $2 fee for an electronic transaction versus a $28 fee for a manual voucher transaction. We have recently queried the pilot sites and testimonials are positive from the complete range of personnel affected by DTS – individual travelers, authorizing officials and certifying officers, installation comptrollers, and installation commanders.

DTS is successfully providing the envisioned end-to-end electronic system for DoD's temporary duty travel. DTS incorporates such features as encrypted Virtual Private Network (VPN), digital signature, use of Public Key Infrastructure (PKI) with Common Access Cards (CAC), real time connections to Commercial Travel Offices (CTOs) and Global Distribution Systems (GDS), and an electronic archive to store all DTS travel records. The Services and Agencies are fully engaged and committed to the DTS program. DoD conducted a full assessment of the program during 2001 and determined it was the most cost-effective solution to reengineer and streamline the DoD travel process. This decision was documented in a memo signed on July 17, 2001.

We concur with the general intent of the report to improve the oversight of the DTS program and managing the program as a Major Automated Information System acquisition. Actions are already underway to implement the report's second recommendation. DTS is being designated an Acquisition Category IAM Program, with Assistant Secretary of Defense of Command, Control, Communications and Intelligence (ASD/C3I) as the Milestone Decision Authority (MDA). Initial Integrated Product Team (IPT) meetings have been held to review the status of the DTS Program and determine how the DoD 5000 Series will be tailored to support this important Information Technology (IT) investment. Additionally, the Program Management Office-Defense Travel System (PMO-DTS) is creating or updating all the necessary documentation in accordance with DoD 5000 Series, and the appropriate oversight organizations are engaged to review and coordinate on these documents.

We partially concur with the third recommendation as it applies to all major acquisition systems following the DoD 5000 Series. However, the recommendation implies that the Comptroller, Acquisitions, Technology and Logistics (AT&L); and Command, Control, Communications and Intelligence (C3I) conduct an immediate, separate review of the progress being made by the Program and make a decision whether it should continue or not. We believe the decisions contained in the July 17, 2001 memorandum remain valid and that any future decision to continue or terminate the DTS should be vetted through the DoD 5000 Series milestone process as envisioned by that memorandum.

PMO-DTS DRAFT RESPONSE TO DoDIG'S FINAL DRAFT AUDIT REPORT

DETAILED RESPONSE

Non-Concurrence - Results (Executive Summary, Pages i and ii)

> **"Despite recent actions by the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller), the Defense Travel System remains a program at high risk of being an ineffective solution in streamlining the DoD travel management process."**

The Defense Travel System is the only end-to-end, electronic solution for streamlining the DoD travel management process. There is no substantiation within the Results section of this report to justify the assertion that the DTS Program is at *"high risk"* of being an *"ineffective"* solution.

> **"The Defense Travel System is being substantially developed without the requisite requirements, cost, performance and schedule documents and analyses needed as the foundation for assessing the effectiveness of the system and its return on investment."**

The DTS Program is, in fact, being developed with substantial cost, performance, schedule, and requirements documentation on hand to support effectiveness and Return On Investment (ROI). The PMO-DTS has in place an Economic Analysis, a draft Operational Requirements Document (ORD), an implementation schedule, and other supporting documentation to substantiate the effectiveness and ROI of DTS. Additionally, in the DoDIG Report, the original contract value of $263.7M was erroneously compared to a total Program cost of $491.9M. This comparison would falsely lead a less knowledgeable reader to believe a cost growth of 87% has already occurred in the Program.

> **"As a result, there is a high risk that the planned additional investment of $377.1 million to fully develop and implement the Defense Travel System and the 114.8 million and 6 years of effort already invested will not fully realize all goals to reengineer temporary duty travel, make better use of information technology, and provide an integrated travel system."**

DoD recognizes that the original concept of integrating DoD systems and commercial travel services was far more complex than originally thought, and that the ability to start the fielding effort within 120 days was unrealistic. However, significant progress has been made in developing DTS, and now DoD is beginning to realize the benefits of this reengineered travel process. The end-to-end electronic system is working and is operational at seven pilot sites.

Non-Concurrence – Summary of Recommendations (Executive Summary, Page ii)

> **"We recommend that the Under Secretary of Defense (Comptroller) suspend all funding and deployment of the Defense Travel System Project until DoD has determined whether the Defense Travel System is the most cost effective solution for a streamlined DoD travel process."**

This recommendation does not consider the possible ramifications to DoD if a suspension of funding and deployment were to occur. Both suspensions would be tantamount to termination

of the Program. An order to suspend funding would immediately cease all work under existing government contracts, which would then lead to termination costs and contractual liabilities to DoD. Funding and support for military and civilian personnel would also cease. In addition, thousands of existing DTS users would be forced to revert to the old, inefficient travel processes. A determination would then have to be made as to whether or not the program was on track to effectively reengineer the DoD travel process. If a continuation decision were reached, the restart impacts to all facets of the program would be significant.

In accordance with DoD direction, Technical and Functional Assessments of the Program were conducted in FY 01. The results of these assessments were presented to upper levels of management within DoD. DoD leadership concurred that DTS is value added and could meet the vision of a DoD-wide reengineered travel system.

Non-Concurrence – Management and Implementation of the Defense Travel System (Page 3)

> **"The DTS has been and is being substantially developed without requisite requirements, cost, performance, and schedule documents and analyses needed as the foundation for assessing the system's effectiveness and its return on investment."**

The Defense Travel System - as a Special Interest Initiative - followed all required guidelines. The Report of the Department of Defense Task Force to Reengineer Travel, dated January 1995, documented the requirements of DTS. The cost and ROI were analyzed and reported in an Economic Analysis document dated September 1997, then re-calculated and re-evaluated again in 2001.

"Specifically,

- **the DTS Program is not being managed as a half-billion dollar information technology investment, as intended by the Clinger-Cohen Act;"**

Prior to its designation as a major acquisition program, DTS was not required to document its compliance with the Clinger-Cohen Act. The PMO-DTS' self-initiated review of Clinger-Cohen Act requirements indicates that, other than creating the necessary documentation, few - if any - changes are necessary for DTS to be in full compliance with the Clinger-Cohen Act.

- **"the user requirements community did not develop requirement documents such as the mission needs statement or an operational requirements document which are used as the basis for selecting an appropriate acquisition strategy for new systems;"**

In 1994, a DoD-assembled task force reviewed the current travel process in DoD and developed recommendations for a reengineered travel process. The task force report titled "Report of the Department of Defense Task Force to Reengineer Travel" dated January 1995, documents the requirements of the reengineered travel system. The task force had *"user community"* representation with members or advisers from all the Services and Agencies.

PMO-DTS DRAFT RESPONSE TO DoDIG'S FINAL DRAFT AUDIT REPORT

DETAILED RESPONSE

The Reengineering Travel Transition Office (RTTO) validated the task force's recommendations with 27 pilot sites and used Advisor Groups made up of Service and Agency representatives to ensure the user community was fully represented. Although no formal Mission Needs Statement (MNS) or Operational Requirements Document (ORD) were developed, the aforementioned Report contains the information that would normally be contained in those documents. The user community developed the requirements for DTS in the following documents:

- Report of the Department of Defense Task Force to Reengineer Travel - January 1995
- Deputy Secretary of Defense Memorandum - 23 January 1995
- Under Secretary of Defense Memorandum - 27 January 1995
- Department of Defense Travel Reengineering Pilot Report to Congress - June 1997
- Functional Requirements Document & Technical Requirements Document that are included in the original DTS Contract

- **"the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD[C3I]) designated DTS as a special interest initiative rather than a major automated information system acquisition program;"**

Non-concur with the assumed assertion by the DoDIG that DTS should have been a MAIS all along. The original concept of DTS was to contract for a service provider to use commercial off-the-shelf (COTS) software integrated with CTOs and various DoD systems. The contractor was envisioned to receive a "fee-per-transaction" for providing these services. Anticipated funding was below the thresholds for designation as a Major Automated Information System (MAIS) acquisition, therefore DTS did not warrant a MAIS designation.

- **"DoD oversight organization failed to appropriately address significant indicators of DTS Program implementation problems"**

Once a determination was made that DTS was experiencing implementation problems and that there were potential problems with the original contract strategy, a Program assessment was directed in January 2001. Pending the results of this assessment, DTS implementation efforts were paused until the assessment was completed. Results were presented to DoD senior leadership who made a determination that the Program was able to meet the vision of a DoD-wide reengineered travel process; however, modifications to the contract would be necessary. The Program was then given the direction and authority to proceed, with markedly increased DoD oversight.

- **"the PMO had not yet accomplished remedial actions directed by the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller) in July 2001."**

This statement is misleading. There are nine overall, broad actions specified as an Attachment to the July 2001 Memorandum. Only Action Item 1, a portion of 2 and 5 are PMO-DTS controlled actions. However, the PMO-DTS has worked, and is still working all these

PMO-DTS DRAFT RESPONSE TO DoDIG'S FINAL DRAFT AUDIT REPORT

DETAILED RESPONSE

Action Items with principal stakeholders to ensure the intent of the subject memorandum is carried out. The status of these Action Items is as follows:

Action Item 1: The DTS Program Director in coordination with the Military Departments and Defense Agencies, will complete operation testing, conduct scalability testing, finalize an integrated deployment plan for pilot and high volume sites, and conduct an operational assessment to facilitate full implementation of DTS.

Operation testing and an operational assessment are completed. The scalability testing will occur after completion of the second DTS Regional Data Center (RDC) in early FY04. The Deployment Plan for pilot sites is complete. DTS is currently fielding to pilot sites. Phase II, high volume sites, are scheduled for fielding in FY 03 through 06.

Action Item 2: Upon completion of the necessary contract actions, United States Transportation Command (USTRANSCOM) will assume responsibility of the DTS mission, oversee Program Management Office (PMO) activities and approve program milestones, programmatic and system fielding decisions. USTRANSCOM or its designee will be the Designated Approval Authority for DTS systems security certification and chair the DTS Configuration Control Board.

Even though contract modification actions are complete, Program Budget Decision (PBD) No.071, dated December 11, 2001, page 5, states that transition of the PMO-DTS to the Military Traffic Management Command (MTMC) will be deferred to FY 04 to allow the Program to be in full-deployment mode. Nevertheless, MTMC has retained the role of Designated Approval Authority (DAA) for DTS systems security certification.

Action Item 3: USTRANSCOM will ensure DTS compliance with federal financial management systems requirements.

With the transition to USTRANSCOM delayed, the PMO-DTS has taken the responsibility to work with the Offices of the Under Secretary of Defense, Comptroller (OUSD(C)); Acquisitions, Technology and Logistics (AT&L); and ASD (C3I) and the Defense Financial Management Modernization Program Office (DFMMPO) to ensure DTS is compliant with all federal financial management system requirements.

Action Item 4: Military Departments and Defense Agencies shall develop a deployment schedule for pilot and high volume sites. This will include appointing designated points of contact (POCs) at each deployment site. The POC will assist the deployment team with system implementation, including local coordination, administrative setup and participant training. Components also must ensure that installation communications infrastructure is sufficient to support efficient use of the DTS. The deployment schedule will include an interim solution (Class III Medium Assurance), as necessary, for the Common Access Card (CAC) until the CAC capability is in place at the site. The DTS and CAC Program Directors will coordinate their respective deployment plans to facilitate an accelerated capability.

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DTS Fielding schedules are developed annually for each subsequent fiscal year. The schedule for the current fiscal year is complete and encompasses all Phase I pilot sites. Phase II, high volume sites, will be fielded in FY 03 through 06.

Points of Contact are named six months in advance of fielding efforts for each site where DTS is being fielded. Prior to the site POC being named, the Service or Agency POC acts in that capacity and represents the site at the PMO-DTS long-range planning sessions.

Communications infrastructure is validated in advance of fielding efforts via a Base Infrastructure Assessment (BIA). Starting in FY 03, the Services/Agencies will certify their site's communication infrastructure is ready for deployment of DTS using a PMO-DTS developed Site Guidance Package self-assessment.

There have been joint meetings between the PMO-DTS and the Common Access Card-Program Management Office (CAC-PMO) to coordinate deployment schedules. DTS is also working with the CAC vendor-testing program to ensure DTS is operational with all planned CAC vendors. DTS currently functions with either the PKI floppy disk or CAC card.

Action Item 5: All Component official travel service contract solicitations or contract extension will include that the contractor has the option to interface with and use DTS when the system is deployed to a site serviced by the travel service contract contractor. In the interim, and as the DTS is deployed and available for use, contractors shall be encouraged to voluntarily interface with the DTS.

During the first quarter of FY 02, the PMO-DTS established connectivity with CTOs who volunteered to run test scenarios (reservation data) in preparation of DTS implementation at their locations. As of May 6, 2002, four CTOs are operational within DTS and an additional two CTOs will begin DTS testing in May 2002.

Action Item 6: The Defense Finance and Accounting Service (DFAS), the Military Departments and the Defense Agencies, will be jointly responsible for ensuring adequate interfaces between disbursement and accounting systems and the DTS Common User Interface on a priority basis.

DFAS and the Services/Agencies have worked with PMO-DTS to ensure the system interfaces are in place to support the pilot sites in FY 02 and the high volume sites being fielded in FY03.

Action Item 7: Component Chief Information Officers (CIOs) will develop plans for ensuring that communications and base infrastructure are sufficient to allow installations to effectively use the DTS. The Component CIOs shall obtain the review and approval of the DoD CIO of their plans. Component CIOs also will resolve communications problems affecting DTS performance. The Defense Information Systems Agency will assist the Components in addressing DTS communications issues.

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Although this issue is not a PMO-DTS action item, PMO-DTS is performing BIAs at each pilot site and is working with DISA to modeling all future sites to ensure the infrastructure is sufficient. Results from these assessments are shared with the Services and Agencies to help them determine and address infrastructure deficiencies.

Action Item 8: The Reengineering Travel 0-8 Steering Group shall ensure that membership is appropriate for addressing DTS program issues. The 08 Steering Group will facilitate Military Department and Defense Agency input and coordination for the DTS program. The Commander, Military Traffic Management Command (MTMC), and DFAS will co-chair the Steering Group.

Due to the delay in transition to USTRANSCOM until FY 04. The Office of the Secretary of Defense (Comptroller) (OSD(C)) chairs the 0-8 Steering Committee, with DFAS and MTMC as members.

Action Item 9: DTS will continue to be centrally funded through FY03. DTS funding requirements beyond FY03 will be addressed in the FY03 Program Budget Decision. This includes procedures for billing system user fees and budgeting funds for Program Management Office operations and system development, deployment and other potential costs. System user fees and investment in the base infrastructure required to support the DTS will remain a Military Department and Defense Agency responsibility.

In accordance with the PBD No. 071 dated December 11, 2001, DTS remains an OSD funded Program through FY 04.

Non-concurrence – Management and Implementation of the Defense Travel System (Page 3)

"As a result, there is a high risk that the planned additional investment of $377.1 million to fully develop and implement DTS and the $114.8 million and 6 years of effort already invested will not deliver a viable, integrated travel management system. Further, the recently mandated management oversight will not be able to be effectively accomplished without the requisite acquisition documents and analysis needed for informed decision-making."

An integrated DTS is currently operating at seven sites and is meeting TDY travel requirements. Additional functionality will be included in all future Releases that will increase DTS' ability to streamline the DoD travel management process. DTS is not only automating the travel reservation and documentation process; it is reengineering the way DoD manages travel by improving the management of travel logistics, automating the necessary documentation, and reducing the time it takes to provide reimbursement to DoD travelers.

The planned designation of DTS as a MAIS will require the Program to rework some existing documentation and develop some new documentation. A schedule for the coordination and approval of these documents prior to any decision milestones has been developed and coordinated with OSD oversight officials during the Integrating IPT meeting on 3 May 2002.

Non-concurrence - Acquisition Strategy (Page 4)

PMO-DTS DRAFT RESPONSE TO DoDIG'S FINAL DRAFT AUDIT REPORT

DETAILED RESPONSE

The DoDIG report on the Acquisition Strategy is inconclusive. Further clarification of the PMO-DTS acquisition strategy, from inception, is as follows:

DTS was originally managed as a Special Interest Initiative and the original contract issued as a "services" contract. Funding was below the threshold for a major acquisition program. DTS complies with all required documentation and reporting requirements of a Special Interest Program.

As a Special Interest Program, DTS did meet all documentation requirements and developed an acquisition strategy, economic analysis and test and evaluation management plan.

Non-concurrence – Acquisition Strategy/Security Certification and Accreditation (Page 5)

The Air Force Communications Agency (AFCA) and the Space and Naval Warfare Systems Command (SPAWAR) have repeatedly tested DTS Client Software with "*satisfactory*" results as demonstrated by the approvals granted for pilot site deployments.

Non-concurrence - Projected Funding (Page 5)

> **"The PMO has requested approximately $377.1 million even though it has yet to provide an automated, paperless travel system that meets all DoD temporary duty requirements."**

DTS is currently operational at seven DoD sites, and available for use by thousands of DoD travelers. The current version of DTS meets the TDY travel system requirements.

Non-concurrence - Contract Issues (Page 6)

> **"Because fundamental acquisition documents were never developed, the DTS contract was not properly structured for the implementation of DTS."**

The original concept for DTS was to purchase "*services*" and the original acquisition strategy reflected that concept. Based on the requirements identified in 1995, a services contract was deemed to be the best approach at the time.

Non-concurrence - Problem Indicators (Page 6)

Within the context of the Operational Assessment (OA) at Ellsworth Air Force Base and the Joint Interoperability Test Command (JITC) report, the following statement is misleading:

> **"...JITC did not consider DTS to be an operationally effective system for all DoD Components".**

The report states that **DTS is operationally suitable** for all Services and Agencies **except the Navy**. The Navy placed service specific requirements on DTS that no other Service or

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Agency required. However, both "*critical elements*" mentioned as "*failed*" in the JITC operational assessment report were corrected in the Adams Release.

Non-concurrence - Developmental Requirements (Page 7)

> **"As of April 2002, the PMO had not documented the amount or nature of the development required to implement DTS, but PMO officials stated that the required development was extensive. Because the PMO had recognized that DTS would require extensive development by early 1999, the PMO should have informed the Under Secretary of Defense for Acquisition, Technology and Logistics and the Under Secretary of Defense (Comptroller) of that requirement and the need to reconsider the DTS acquisition strategy..."**

DTS is using an "*evolutionary development*" concept that has been briefed and agreed to by the 0-8 Steering Committee. DTS requirements are specified in the modified contract for the current configuration and for the Jefferson Software Release, scheduled for delivery in FY03. This modified contract containing the amount and nature of required DTS development was signed on 29 March 2002.

Non-concurrence - Deployment Plan (Page 8)

> **"Although the PMO originally expected to deploy DTS to approximately 11,000 sites, the DTS deployment plan has been reduced to approximately 260 sites. The revised deployment schedule includes fielding DTS to 10 pilot sites during FY 02 and to approximately 250 high-volume travel sites from FYs 03 to 06..."**

This statement erroneously indicates that the PMO-DTS has reduced the number of sites that will receive DTS. When fully implemented, DTS will provide TDY travel services to all the original 11,000 envisioned sites. The deployment schedule was revised, to implement DTS at the high volume/high value travel sites as the first priority, followed by lower travel volume sites and smaller sites. Smaller sites that are geographically close to high volume sites, or are otherwise able to be included in high volume site implementations, will be included if circumstances allow.

> **"...The PMO and the Defense Finance and Accounting Service have not tested all DoD accounting and disbursing systems to ensure an adequate interface exists with the CUI..."**

This statement is misleading. DTS has tested 11 Defense Accounting and Disbursing Systems (DADS) to date and is scheduled to test the twelfth. Those 12 systems will service the sites that are planned for fielding over the next two years. DoD, under another initiative, is consolidating the accounting and disbursing systems. It is not prudent nor is it an efficient use of Program funding to test systems that will not communicate with DTS for over a year. The PMO-DTS is working with DFAS and the Services/Agencies to identify the appropriate timing to test with the remaining consolidated systems.

> **"The PMO should not deploy DTS to any site until DTS is designated a major automated information system, all acquisition documents have been completed, and program review**

DETAILED RESPONSE

has been conducted by the Overarching Integrated Product Team and the Milestone Decision Authority has approved the system to proceed."

The DoD 5000 series instructions provide for entry into the process at any point in the acquisition cycle, and pilot sites are an important part of the DoD 5000 Series disciplined acquisition process. In accordance with the planned designation as a MAIS program, the PMO-DTS has initiated meetings with Working Integrated Product Teams, Integrating Integrated Product Team, Overarching Integrated Product Team and the Milestone Decision Authority to ensure required oversight is in place and necessary documentation and analyses are conducted as necessary.

Non-concurrence - Directed Actions/Actions Not Completed (Page 11)

"The DTS original contract did not include essential elements necessary for the effective acquisition of DTS. Specifically, the DTS contract did not define what DTS was required to accomplish in order for it to be functionally accepted nor did it include a test plan..."

The essential elements necessary for the acquisition of DTS have basically remained the same. What was not foreseen when the services contract was awarded were the challenges underneath the requirements, including the development required to interface with other systems (e.g. public key infrastructure, accounting and disbursement systems and records management systems). A Test and Evaluation Management Plan did exist, fully coordinated by all Services and Agencies, by 1999.

Non-concurrence – Conclusion (Page 12)

"DoD envisioned that DTS would represent a 21st century model of efficiency and service, featuring the best practices in industry and plug-and-play components. When fully operational, DTS was expected to provide an automated and paperless system that met the needs of nearly 3.5 million active duty military, reserve, and DoD civilian travelers. Sound business practices and an information technology investment that borders on a half-billion dollars dictate a need for a process to assess progress towards established goals, especially for cost, performance, and schedule. Such a process has not been established for DTS. DoD should validate that a need still existed for the DTS Program..."

The DTS Program has been delayed, but it is not ineffective. A great deal of work has been done throughout DoD to realize the benefits of reengineered TDY travel and significant gains have been made. In fact, at the pilot sites that have fielded DTS, the reengineered travel system has reduced the number of steps to process travel authorizations and vouchers by an average of 70%. The Services and Agencies are supporting the DTS effort; they appreciate the value of a simplified integrated travel system. It should be noted, that DoD has already validated "that a need still exists for the DTS program".

PMO-DTS, DoD and TRW have proven that DTS works, end-to-end, in real-time operations. DTS has been successfully fielded and is operating currently at seven pilot sites and is in the process of being fielded to four additional sites within the next 90 days.

PMO-DTS DRAFT RESPONSE TO DoDIG'S FINAL DRAFT AUDIT REPORT

DETAILED RESPONSE

The PMO-DTS Economic Analysis and Life Cycle Performance Measures, and their updates, show that DTS is a cost effective solution for DoD TDY travel.

Non-concurrence – Recommendations (Page 13)

Recommendation 1 is in direct conflict with Recommendation 3, as indicated below:

"Recommendation 1: We recommend that the Under Secretary of Defense (Comptroller) suspend the Defense Travel System Program funds, development and deployment until DoD has determined whether the Defense Travel System is the most cost effective solution for a streamlined DoD travel process."

"Recommendation 3: We recommend that the Under Secretary of Defense for Acquisition, Technology and Logistics; the Under Secretary of Defense (Comptroller); and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) review the progress made by the (Program) Management Office in implementing Recommendation 2, and determine whether the Defense Travel System Program should continue or be terminated."

If funds were suspended in accordance with Recommendation 1, the Program would, for all practical purposes, be terminated making the review of the Program, as noted in Recommendation 3, unnecessary. However, Technical and Functional assessments were conducted in FY 01 in accordance with USD(C) and USD(AT&L) direction. Results of the review were presented at multiple briefings to various management levels within DoD. A determination was made that DTS was meeting the vision of a DoD-wide reengineered travel system. DoD recognizes the original concept of integrating DoD systems and Commercial Travel Services was far more complex than originally thought and that the ability to start the fielding effort within 120 days was unrealistic. However, significant progress has been made in developing DTS and DoD is beginning to realize the benefits of the reengineered travel process.

Recommend that the DoDIG delete Recommendation 1 due to its conflicting guidance with Recommendation 3.

Partial Concurrence - Recommendations 2 and 3 (Page 13)

All "essential acquisition documentation" is currently being implemented. ASD (C3I) will designate DTS a Major Automated Information System, and oversight will be in accordance with DoD 5000 Series of acquisition system directives, instructions and regulations.

The Program Management Office (PMO) has initiated the creation of all required DoD 5000 Series documentation including that identified in recommendation #2. In addition, the PMO has formed several Working IPTs, of which some have meet, plus conducted its first Integrating IPT. Representation from USD (Comptroller), USD (AT&L) and ASD (C3I) staffs were present. The PMO also briefs senior members of the above three organizations on a monthly basis so they are continually informed of the program's progress.

Deputy Under Secretary of Defense for Logistics and Materiel Readiness Comments

DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND MATERIEL READINESS
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

MAY 28 2002

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

THROUGH DIRECTOR, ACQUISITION, RESOURCES AND ANALYSIS NS 6/11/02

SUBJECT: Draft Audit Report on Allegations to the Defense Hotline on Management of the Defense Travel System (Project No. D2001FG-0148)

We appreciate the opportunity to comment on the April 30, 2002, subject draft audit report. Our position and response to the draft report's recommendations are at attachment 1. General comments and points of clarification are at attachment 2. My point of contact for this action is Mr. Ken Stombaugh at (703) 601-4461, extension 141 or Kenneth.stombaugh@osd.mil.

for Diane K. Morales

Attachment

Copy Furnished:
USD(Comptroller)
ASD(C3I)

Final Report
Reference

RESPONSE TO
OFFICE OF THE INSPECTOR GENERAL (OIG), DEPARTMENT OF DEFENSE (DoD)
DRAFT AUDIT REPORT ON
ALLEGATIONS TO THE DEFENSE HOTLINE ON
THE MANAGEMENT OF THE DEFENSE TRAVEL SYSTEM
PROJECT NO. D2001FG-0148, DATED APRIL 30, 2002

REPORT RECOMMENDATIONS

Revised
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RECOMMENDATION 1: We recommend that the Under Secretary of Defense (Comptroller) suspend the Defense Travel System Program funds, development, and deployment until DoD has determined whether the Defense Travel System is the most cost effective solution for a streamlined DoD travel process.

OUSD(AT&L) RESPONSE: Non-concur. In January 2001, the USD(AT&L), in conjunction with the USD(C), imposed a strategic pause in the DTS program and directed that technical and functional assessments be completed. The assessments validated that the DTS remains a viable system for meeting future Defense temporary duty travel requirements while providing broad benefits to the Department. Accordingly, in a July 17, 2001 joint memorandum, the USD(AT&L) and USD(C) approved proceeding with DTS program implementation. However, in recognition that the system had migrated from a "services" contract to a "systems acquisition" program, the memorandum also directed DTS be brought in line with DoDI 5000.2 to ensure greater acquisition discipline.

The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD(C3I)) is in the process of designating the DTS an Acquisition Category IAM program. As such, DTS will be subject to the discipline previously lacking in the program. We believe that DTS is now in the appropriate acquisition oversight channels and is the proper venue for future program milestone decisions including decisions concerning the continuation or termination of DTS.

RECOMMENDATION 2: We recommend that the Project Management Office comply with the intent of the Clinger-Cohen Act by managing the Defense Travel System as a major information technology investment; establishing proper security in accordance with DoD Directive 5200.28 and DoD Instruction 5200.40; and developing essential acquisition documentation needed for effective oversight, including:

a) a mission needs statement,
b) an operational requirements document,
c) a life-cycle cost estimate,
d) an acquisition program baseline, and
e) a test and evaluation master plan

OUSD(AT&L) RESPONSE: Concur. This is the discipline envisioned by the July 17, 2001 joint USD(AT&L) and USD(C) memorandum.

RECOMMENDATION 3: We recommend that the Under Secretary of Defense for Acquisition, Technology and Logistics; the Under Secretary of Defense (Comptroller); and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) review the progress made by the Project Management Office in implementing Recommendation 2, and determine whether the Defense Travel System Program should continue or be terminated.

OUSD(AT&L) RESPONSE: Partially Concur. As noted in our response to Recommendations 1 and 2, program progress will be monitored and decisions made in accordance with DoD 5000 series milestone reviews and other key requirements, e.g., the Clinger-Cohen Act. OUSD(AT&L) will be an integral part of the DTS milestone review process. However, the recommendation implies that AT&L, Comptroller and C3I conduct an immediate, separate review (aside from the ongoing DoD 5000 series Milestone Review process) of the progress being made by the DTS Project Management Office and make a decision whether the Program should continue or not. We believe the decisions contained in the July 17, 2001 memorandum remain valid and that any future decision to continue or terminate the DTS should be vetted through the DoD 5000 series milestone process as envisioned by that memorandum.

Attachment 1

RESPONSE TO
OFFICE OF THE INSPECTOR GENERAL (OIG), DEPARTMENT OF DEFENSE (DoD)
DRAFT AUDIT REPORT ON
ALLEGATIONS TO THE DEFENSE HOTLINE ON
THE MANAGEMENT OF THE DEFENSE TRAVEL SYSTEM
PROJECT NO. D2001FG-0148, DATED APRIL 30, 2002

GENERAL COMMENTS

1. Page 5, 2nd paragraph, 3rd sentence: Draft states: "DoD does not consider special interest initiatives subject to acquisition policy requirements."

Comment: While that statement is true in most instances, oversight of special interest initiatives is typically tailored given the level of interest, e.g., Navy-Marine Corps Intranet (NMCI) and Defense Information Systems Network (DISN) at one time.

2. Page 5, 3rd paragraph, 2nd sentence: Draft states: "DoD Components and the PMO have not addressed the security requirements for the DTS software at the proposed sites where DTS will be deployed. Specifically, the System Security Authorization Agreement developed by the PMO only addresses the certification and accreditation of DTS at the contractor site."

Comment: The PMO has completed the DoD Information Technology Security Certification Accreditation Process (DITSCAP) process and much of the recent development and Commercial off-the-shelf software (COTS) integration was focused on Information Assurance (IA) and DITSCAP compliance. Since the system is web-based and the contractor hosts the web/application server, the contractor site is the principal certification and accreditation site. The clients have a 1.2 megabyte download as a browser plug-in that addresses the IA's need to use a Common Access Card, etc.

3. Page 8: Draft states: "Deployment Plan. Although the PMO originally expected to deploy DTS to approximately 11,000 sites, the DTS deployment plan has been reduced to approximately 260 sites."

Comment: The change in deployment strategy was designed to focus early attention on those 260 sites that generate the largest volume of travel (85 percent solution). The remaining11,000 sites are still planned as a Phase III deployment. To the extent practicable, those Phase III sites in geographical proximity to the 260 Phase II sites will deployed during Phase II.

In addition, the following is a potential recommendation:

1. Page 9, 2nd paragraph, 3rd sentence: Draft states: "Officials from ASD(C3I) stated they reviewed the DTS quarterly reports to determine whether the DTS program was satisfactorily progressing."

Recommend C3I provide major automated information system quarterly reports, now provided in Defense Acquisition Executive Summary (DAES) format, for review by the Information Technology Overarching Integrated Process Team (IT OIPT) members to enhance their value as an oversight tool.

Attachment 2

Deputy Assistant Secretary of Defense (Programs) Comments

Final Report
Reference

DEPARTMENT OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, DC 20301-6000

CHIEF INFORMATION OFFICER

JUN 10 2002

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE, OIG

SUBJECT: Draft Audit Report on Allegations to the Defense Hotline on Management of the Defense Travel System (Project No. D2001FG-0148)

We appreciate the opportunity to comment on the subject report. Our response to your three recommendations is provided below.

Revised
Page 12

● **RECOMMENDATION 1:** We recommend that the Under Secretary of Defense (Comptroller) suspend the Defense Travel System (DTS) Program funds, development, and deployment until DoD has determined whether the Defense Travel System is the most cost effective solution for a streamlined DoD travel process.

ASD(C3I) RESPONSE: Non-concur. If funds were suspended in accordance with Recommendation 1, the DTS Program would, for all practical purposes, be terminated. This would make the review of the Program, recommended in recommendation 3, unnecessary. DTS Technical and Functional assessments were conducted in FY 2001 in accordance with the Under Secretary of Defense (Comptroller) (USD(C)) and the Under Secretary of Defense (Acquisition, Logistics, and Technology) (USD(AT&L)) direction. Assessment results were presented during multiple briefings to various management levels within DoD, resulting in a determination was that DTS was meeting the vision of a DoD-wide reengineered travel system. The assessment result was a July 17, 2001, memorandum jointly signed by the USD(C) and the USD(AT&L) that approved proceeding with DTS program implementation.

● **RECOMMENDATION 2:** We recommend that the Project Management Office comply with the intent of the Clinger-Cohen Act by managing the Defense Travel System as a major information technology investment; establishing proper security in accordance with DoD Directive 5200.28 and DoD Instruction 5200.40 and developing essential acquisition documentation needed for effective oversight, including:

a. a mission needs statement,
b. an operational requirements document,
c. life-cycle cost estimate,
d. an acquisition program baseline, and
e. test and evaluation master plan

ASD(C3I) RESPONSE: Concur. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD(C3I)) is in the process of designating DTS an Acquisition Category 1AM. Once designated, DTS will be subject to the Department's requirements generation and acquisition management directives, and will be overseen by the OSD and Joint staffs as a major automated information system. This oversight will include ensuring compliance with various security requirements, like DoD Directive 5200.28 and DoD Instruction 5200.40.

● **RECOMMENDATION 3:** We recommend that the Under Secretary of Defense for Acquisition, Technology and Logistics; the Under Secretary of Defense (Comptroller), and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) review the progress made by the (Program) Management Office in implementing recommendation 2 and determine whether the Defense Travel System Program should continue or be terminated.

ASD(C3I) RESPONSE: Concur. As indicated above, we will review the progress made by the DTS Program Management Office in implementing recommendation 2 at Milestone reviews, the first of which is tentatively planned for March 2003. We will hold regular Integrating Integrated Product Team (IIPT) stakeholder meetings to review program progress between the Milestone reviews. The first DTS IIPT meeting was held on May 3, 2002. The DoD 5000 series Milestone reviews are key decision points occurring in the program's acquisition life cycle that either approve entry into the next phase, or delay or terminate a program. The ASD(C3I) will serve as the Milestone Decision Authority (MDA), and the USD(C) and the USD(AT&L) will be an integral part of the DTS Milestone Review process.

Again, thank you for the opportunity to review and comment on the draft report. The professionalism and cooperation shown by your staff is appreciated. We look forward to working with you again in the future. Should you have additional questions, please contact my action officer, Mr. William May, at (703) 602-0980 x158 or william.may@osd.mil.

John R. Landon
Acting Principal Director
Deputy Assistant Secretary of Defense (Programs)

cc: USD(C)
USD(AT&L)

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