Audit Report

OFFICE OF THE INSPECTOR GENERAL

MANAGEMENT DATA USED TO MANAGE THE U.S. TRANSPORTATION COMMAND AND THE MILITARY DEPARTMENT TRANSPORTATION ORGANIZATIONS

Report No. 94-163 June 30, 1994

Department of Defense

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Acronyms

AMC	Air Mobility Command
ASIFICS	Airlift Service Industrial Fund Integrated Computer System
CIM-T	Corporate Information Management Initiative for Transportation
DAO	Defense Accounting Office
DBOF	Defense Business Operations Fund
DPSC	Defense Personnel Support Center
DTS	Defense Transportation System
IG	Inspector General
MOTBY	Military Ocean Terminal-Bayonne
MILSTAMP	Military Standard Transportation and Movement Procedures
MSC	Military Sealift Command
MTMC	Military Traffic Management Command
NOR	Net Operating Results
OJCS	Organization of the Joint Chiefs of Staff
REMIS	Reliability and Maintainability Information System
TAC	Transportation Account Code
TCMD	Transportation Control and Movement Document
TERMS	Terminal Management System
USTRANSCOM	U.S. Transportation Command

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

June 30, 1994

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF DEFENSE
COMMANDER IN CHIEF, U.S. TRANSPORTATION COMMAND
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Report No. 94-163)

We are providing this final report for your review and comments. The audit was conducted in response to the Chief Financial Officers Act of 1990. This report discusses the availability and accuracy of critical management data needed to make major financial and nonfinancial decisions at the U.S. Transportation Command and the military department transportation organizations. Comments on a draft of this report were considered in preparing the final report. We revised portions of the report to clarify certain areas. Parts of two recommendations were redirected, and another recommendation was withdrawn.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, we request that the organization identified on the chart at the end of each finding provide comments on the unresolved recommendations by September 6, 1994. If appropriate, you may propose alternative methods for accomplishing desired improvements. We also ask that your comments indicate concurrence or nonconcurrence with the internal control weaknesses highlighted in Part I. This report identifies no quantifiable monetary benefits.

We appreciate the cooperation extended to the audit staff. If you have any questions about this audit, please contact Mr. Raymond D. Kidd, Audit Program Director, at (703) 604-9110 (DSN 664-9110), or Ms. Barbara A. Sauls, Audit Project Manager, at (703) 604-9129 (DSN 664-9129). Copies of the final report will be distributed to the activities listed in Appendix G. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 94-163 **June 30, 1994**
(Project No. 3FH-2014)

MANAGEMENT DATA USED TO MANAGE THE U.S. TRANSPORTATION COMMAND AND THE MILITARY DEPARTMENT TRANSPORTATION ORGANIZATIONS

EXECUTIVE SUMMARY

Introduction. In April 1987, the Secretary of Defense established the United States Transportation Command (USTRANSCOM) as a unified command to integrate global air, land, and sea transportation during wartime, and later expanded its role to include a peacetime mission. Effective October 1, 1992, the Comptroller of the Department of Defense incorporated USTRANSCOM into the Defense Business Operations Fund (DBOF), a revolving fund. In FY 1993, USTRANSCOM reported revenues of $5.2 billion, operating expenses of $5.5 billion, and a negative net operating result of $341.1 million. USTRANSCOM and its components reported assets valued at $1.6 billion and are authorized a total of 74,000 military and civilian personnel. Of that total, approximately 25,000 employees support common-user transportation functions; their salaries are funded through the DBOF. This audit was conducted in response to the Chief Financial Officers Act of 1990.

Objective. The overall objective of the audit was to determine whether critical management data were available and accurate, and whether managers received the data they needed in order to operate, evaluate, and make major financial and nonfinancial decisions. We also evaluated the reliability and usefulness of critical financial and performance data. As part of the audit, we examined associated internal controls.

Audit Results. Critical management data needed to compute stabilized billing rates and control physical assets were available but not always accurate. In addition, clearly defined data on mission, requirements, and costs are needed to evaluate and make major mission-oriented decisions; these data were not always available, reliable, or useful.

o Critical transportation data needed to move cargo and bill customers were often unavailable, unreliable, and inaccurate. Therefore, the information did not satisfy intended requirements. Shipping activities did not consistently comply with the Military Standard Transportation and Movement Procedures (MILSTAMP) used by the Military Traffic Management Command (MTMC) to transport personnel, patients, and cargo. Also, transportation systems supporting the data did not interface. As a result, MTMC had to duplicate the efforts of shipping activities in order to ensure the prompt movement of cargo. Shipping activities did not provide the accurate billing data needed to properly bill customers for transportation services. As of September 30, 1993, $33.9 million in unbilled accounts receivable for transportation services remained uncollected, and $25.4 million in cargo billings was in a suspense account and could not be billed (Finding A).

o Data used to measure mission results through unit cost and net operating results were not reliable. Flying hours used in calculating unit cost were not accurate, and the Comptroller of the Department of Defense (the DoD Comptroller) did not issue

timely guidance on calculating the military personnel costs used in net operating results. As a result, the financial position of the components was not presented accurately (Finding B).

Internal Controls. The audit identified material internal control weaknesses that resulted in unbilled accounts receivable, suspended cargo billings, and inaccurate cost data elements. Those internal control weaknesses are explained in Parts I and III of the report. We also evaluated USTRANSCOM and its components' process for implementing the DoD Internal Management Control Program. The process was in place, but internal control weaknesses existed that had not been formally reported.

Potential Benefits of Audit. All recommendations in this report, if implemented, will result in more effective internal controls over transportation data, compliance with regulations, and more efficient collection of accounts receivable. We identified no quantifiable monetary benefits associated with this audit. For other benefits, see Appendix E, "Summary of Potential Benefits Resulting from Audit."

Summary of Recommendations. We recommended that responsible organizations strengthen the internal controls at their shipping activities and comply with MILSTAMP. We also recommended that the Services' materiel commands and the Director, Defense Logistics Agency, provide the resources necessary to enable the Defense Accounting Office (DAO)-Bayonne and the Military Sealift Command (MSC) to comply with accounting and billing regulations. In addition, we recommended that the Air Mobility Command establish additional internal controls over data on flying hours, and that USTRANSCOM require its components to follow existing DoD Comptroller policy for calculating military personnel costs. Finally, we recommended that the DoD Comptroller establish guidance so that USTRANSCOM can calculate military personnel costs for DBOF before budget planning begins.

Management Comments. We have not received official comments from the Assistant Commander for Navy Material Transportation; Headquarters, Air Force Materiel Command (Financial Management Office); and the Deputy Chief of Staff for Logistics, Department of the Army. However, we did clarify portions of the report based on unofficial comments received from Army and Air Force personnel. In response to Part II of the report, USTRANSCOM plans to improve the adequacy of critical management data used to measure performance and control physical assets at MSC.

The Commander in Chief, U.S. Transportation Command, responded to this report with a mixture of concurrences and nonconcurrences. Based on those comments, we withdrew one recommendation and redirected action to the DoD Comptroller.

The Director, Defense Logistics Agency, and the Director, Defense Logistics Management Systems Office, concurred with all recommendations. See Part III for a discussion of management's comments, and Part V for the full text of the comments.

We request that the Comptroller of the Department of Defense; the U.S. Transportation Command; the Army, Navy, and Air Force; and the Defense Logistics Agency comment on the unresolved recommendations, as shown at the end of each finding. Comments are requested by September 6, 1994.

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This report was prepared by the Financial Management Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

Part I - Introduction

Background

In April 1987, the Secretary of Defense established the United States Transportation Command (USTRANSCOM) as a unified command to integrate global air, land, and sea transportation during wartime. In 1992, USTRANSCOM's role was expanded to include a peacetime mission. Headquartered at Scott Air Force Base, Illinois, USTRANSCOM executes its mission through three transportation components: the Military Traffic Management Command (MTMC), Falls Church, Virginia; the Military Sealift Command (MSC), Washington, D.C.; and the Air Mobility Command (AMC), Scott Air Force Base, Illinois. USTRANSCOM exercises overall command of these components, but has delegated operational control to each organization's commander. USTRANSCOM is making changes to provide better service to its customers, who include the Office of the Secretary of Defense, the Joint Chiefs of Staff, the Military Departments, and other unified commands.

Effective October 1, 1992, the Comptroller of the Department of Defense (the DoD Comptroller) incorporated USTRANSCOM into the Defense Business Operations Fund (DBOF), a revolving fund. In FY 1993, USTRANSCOM reported revenues of $5.2 billion, operating expenses of $5.5 billion, and a negative net operating result of $341.1 million.[1] USTRANSCOM and its components reported assets valued at $1.6 billion and are authorized a total of about 74,000 military and civilian personnel. Of that total, approximately 25,000 employees support common-user transportation functions; their salaries are funded through the DBOF.

Objective

The audit objectives were to determine whether critical management data were available and accurate, and whether managers received the data needed to operate, evaluate, and make financial and nonfinancial decisions. We evaluated the reliability and usefulness of critical financial and performance data, and we examined associated internal controls.

Scope and Methodology

This financial-related audit was performed at USTRANSCOM and its components between July 16, 1993, and February 28, 1994. We used a

[1]Figures were taken from USTRANSCOM's Statement of Financial Position as of September 30, 1993.

modified approach to meet the intent of Public Law 101-576, the Chief Financial Officers Act of 1990. Based on previous audit work, it was unlikely that we could express an opinion on the Transportation business area of the DBOF Financial Statements for FY 1993. Instead of performing a financial statement audit that would result in a disclaimer of opinion on the financial statements, we evaluated critical management data at USTRANSCOM and the transportation organizations in the Military Departments. Our audit included management data, operational reports, and financial data for FY 1993.

The relevance of this approach to current trends in Government is underscored by the Government Performance and Results Act, enacted in August 1993, which requires Federal agencies to establish measurable goals and report on their results in achieving those goals. Those goals are to be achieved during the next several years.

We interviewed senior and midlevel managers to determine whether they received the critical management data needed to make significant financial and nonfinancial decisions. We then evaluated the critical management data for availability, accuracy, reliability, and usefulness. To achieve the audit objective, we did the following:

o examined the missions, goals, and objectives of USTRANSCOM, MTMC, MSC, and AMC, and determined whether they were defined in terms that allowed management to measure the extent to which missions, goals, and objectives were accomplished;

o determined the major types of operational decisions, the availability of key operational data needed to make those decisions, and whether managers used the key data;

o determined whether cost and revenue data for FY 1993 were available to properly compute the stabilized billing rates for FY 1995 transportation services to be rendered by the components;

o assessed the responsibility of USTRANSCOM and MSC for control and protection of $18 million and $244 million, respectively, in Government property, plant, and equipment,

o determined whether transportation data were available, reliable, accurate, and useful for properly billing customers for $91.3 million in transportation services at MTMC, and $887.7 million at MSC;

o determined whether internal controls were in place to provide management with reliable and accurate data for making financial and nonfinancial decisions; and

o determined the extent to which financial statements, and the systems that produced those statements, were used to provide information needed to control $1.6 billion in assets.

Our review was made primarily at USTRANSCOM, MTMC, MSC, and AMC; we also met or contacted Defense activities affecting transportation and accounting policy and the financial statements. Organizations visited or contacted are listed in Appendix F.

Scope Limitation. We limited our review of the adequacy of funds control. Budgeting and accounting systems were not available to adequately support funds control. Also, to prevent duplication of effort with the Service audit agencies, we did not review asset controls at AMC or MTMC. The Air Force Audit Agency and the Army Audit Agency reviewed asset controls as part of their FY 1992 Chief Financial Officers Act audits.

We did not evaluate the reliability of computer-processed data used during the audit. To evaluate the manipulation of data, we audited the source documents on entry and exit from the computer-based systems. We did not audit the various application controls because such work was not required for us to accomplish our objectives. We evaluated internal controls related to the preparation, control, and maintenance of source documents.

Performance and cost data were reviewed for reliability; these data were not computer-processed. To determine the accuracy of data, we followed the audit trail of the data back to the original source documents.

Auditing Standards. The audit was performed in accordance with auditing standards established by the Comptroller General, as implemented by the Inspector General (IG), DoD, and Office of Management and Budget guidance, and accordingly included such tests of internal controls and management's compliance with laws and regulations as we considered necessary.

Internal Controls

Controls Assessed. We assessed internal controls over the financial data that USTRANSCOM and its components used to measure mission accomplishment and determine the stabilized billing rates. We reviewed controls over funds, physical assets, and the transportation data needed to move cargo and bill customers. We assessed implementation of the DoD Internal Management Control Program as it pertained to the audit objectives.

Primary Mechanisms and Reports Used. At USTRANSCOM and its components, several reports or documents were reviewed to ensure that fund controls were in place. These reports were the Status of Funds Report; the Monthly Report on Budget Execution, DD 1176; the Monthly Report of Operations, DD 1307; and the Request For A Load/Change In Funds Target, AF Form 1269.

Controls Over Assets. We used reports and documents to ensure that MSC had internal controls over property and equipment. The primary reports we

reviewed at MSC were property control records, accounting records, contracts, invoices, purchase orders, and memorandums.

We performed a limited review of the internal controls over property and equipment at USTRANSCOM. USTRANSCOM's buildings were not properly valued on the property books. In addition, equipment listed on the property books was not listed in USTRANSCOM's accounting records. The Army Audit Agency and the Air Force Audit Agency performed financial audits of the asset controls in each Service. Both audit agencies identified similar problems with discrepancies between property book records and accounting records.

Internal Control Weaknesses. The audit identified material internal control weaknesses as defined by Office of Management and Budget Circular No. A-123 and DoD Directive 5010.38, which require the preparation and issuance of an Annual Statement of Assurance on the internal management control program. We evaluated USTRANSCOM's and its components' internal management control programs and determined that with the exception of MSC, the internal management control programs were functioning in accordance with the Office of Management and Budget circular and the DoD directive. According to MSC officials, the Department of the Navy did not require them to issue an Annual Statement of Assurance on internal management controls unless reviews were significant enough to report to the next higher superior in the chain of command.

The FY 1993 Annual Statement of Assurance for USTRANSCOM cited a systemic weakness in funding and accounting procedures for contingency operations. At the request of the Office of the Secretary of Defense and the Organization of the Joint Chiefs of Staff (OJCS), USTRANSCOM frequently provided transportation services without funded orders and identified bill payers. As a result, customer billings of $343.9 were unpaid. USTRANSCOM and its components had requested stricter guidance from the DoD Comptroller. The National Defense Authorization Act for 1994, Public Law 103-160, provided guidance to the Military Departments and USTRANSCOM. See "Other Matters of Interest" for more details.

At the shipping activities, internal controls weaknesses resulted in $33.9 million of unbilled accounts receivable and $25.4 million in suspended cargo billings, and AMC used inaccurate cost data elements because of a system weakness. See Part III of this report for further information on the internal controls reviewed and specific internal control weaknesses.

Recommendations 2.c., 3.a., 3.b., 3.c., and 3.d. in Finding A, if implemented, will correct internal control weaknesses in billing customers. Recommendation 1. in Finding B, if implemented, will correct internal control weaknesses in the system used to calculate flying hours at AMC. We identified no quantifiable monetary benefits related to this audit. Other benefits are detailed in Appendix E, "Summary of Potential Benefits Resulting from Audit." A copy of

the final report will be provided to the senior officials responsible for internal controls within the Office of the DoD Comptroller, USTRANSCOM and its components, and the Military Departments.

Prior Audits and Other Reviews

We identified one General Accounting Office report, one IG, DoD, inspection report, and one Army Audit Agency report related to USTRANSCOM and its components.

General Accounting Office Report No. NSIAD-94-26 (Office of the Secretary of Defense Case No. 9456), "Defense Transportation-Commercial Practices Offer Improvement Opportunities," was issued in November 1993. The report identified trends in the commercial sector to reduce costs and increase efficiencies in transportation; gave the status of DoD's efforts to improve transportation management; and discussed commercial practices that could result in more efficient and effective DoD transportation practices. The General Accounting Office recommended that DoD limit the number of carriers to those that provide high-quality service; fund efforts to control the development of transportation systems; identify ways to strengthen transportation practices; and create a group of corporate shippers to evaluate opportunities to standardize and reengineer DoD transportation practices. DoD generally agreed with the General Accounting Office's findings and recommendations.

IG, DoD, Inspection Report No. 92-INS-07, "United States Transportation Command," was issued in January 1992. The report's findings were that the Commander, USTRANSCOM, had limited authority; strategic mobility requirements were limited; personnel were inexperienced; the Joint Operations Planning and Execution System had problems with command and control systems; and major problems existed in industrial funding. The report made 29 recommendations in the areas of limitations on authority, strategic mobility requirements, personnel, command and control systems, and industrial funding. Management concurred or partially concurred with all recommendations.

U.S. Army Audit Agency Report No. NR 94-457, "Defense Business Operations Fund FY 92 Financial Statements," was issued in March 1994. The report's findings were that Army policy did not require MTMC to retain sufficient evidence to support the total value of property, plant, and equipment, and that internal controls were not adequate to ensure that assets were safeguarded or costs were properly recorded. The Army Audit Agency recommended a change to Army Regulation 25-400-2 to require activities to retain supporting documentation for fixed-asset values until they dispose of the assets. In addition, the report recommended that all Army activities be notified of the change in policy, and be required to retain documentation for recorded fixed-asset values. Management concurred with the recommendations.

Other Matters of Interest

USTRANSCOM's Annual Statement of Assurance on the internal management control program identified a systemic weakness in funding and accounting for contingency operations.

> ...'National Contingency Operation' means a military operation that is designated by the Secretary of Defense as an operation the cost of which, when considered with the cost of other ongoing or potential military operations is expected to have a negative effect on training and readiness.

The Office of the Secretary of Defense and the OJCS frequently requested transportation services from USTRANSCOM and its components without funded orders and identified bill payers. As a result, USTRANSCOM had $343.9 million of outstanding bills for humanitarian missions such as Bosnia, Operation Restore Hope in Somalia, and other United Nations peacekeeping missions.

The DoD Comptroller did not provide consistent guidance to USTRANSCOM on accounting and funding for these contingencies. The Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict, Office of Humanitarian and Refugee Affairs, had directed USTRANSCOM to bill costs to a centrally managed fund; later, that decision was reversed. Congress approved a $293.5 million supplemental appropriation to pay for transportation for Operation Restore Hope.

USTRANSCOM and its components have repeatedly requested a policy ruling from the DoD Comptroller on how contingencies and the related funding and accounting should be handled. In the National Defense Authorization Act for 1994 (the Act), Congress directed the Secretary of Defense to correct the funding problem for contingency operations. The Act waived the requirement to reimburse support units for incremental costs related to an operation. The Act also stated that the Secretary of Defense must submit a financial plan to Congress within 2 months before an operation begins. The financial plan must describe how the Secretary will obtain funds for the full cost of the operations to the United States and how the Secretary plans to restore funds to the DBOF.

Part II - Availability, Accuracy, Reliability, and Usefulness of Data

Introduction

We evaluated data on mission accomplishment, mission-oriented management decisions, stabilized billing rates, funds control, control of physical assets, and customer billings.

Mission Accomplishment

Data needed to measure mission accomplishment at USTRANSCOM and its components were available, but were not always accurate, reliable, or useful.

USTRANSCOM and its components could objectively assess mission accomplishment through financial and nonfinancial performance goals set by their organizations in conjunction with the DoD Comptroller. They could also portray mission accomplishments in reports sent to the Assistant Under Secretary of Defense for Logistics, Director of Transportation Policy. Both the OJCS and the Director of Transportation Policy oversee USTRANSCOM and its components. These reports presented current and prior-year results and assessed why the changes took place. The reports gave highlights of the organization and its strengths, and financial and statistical data.

Since the mission of USTRANSCOM and its components is unique, they could not be compared to any other DoD organization in terms of performance.

Financial and Nonfinancial Performance Measures. Unit cost goal letters issued by the DoD Comptroller identified two financial performance measurements, unit cost and net operating results, that USTRANSCOM and its components used to assess mission accomplishment. Nonfinancial performance measurements, such as utilization of passenger seats at AMC and on-time performance at MSC, were defined in the DoD Comptroller's "Milestone II Performance Measures." USTRANSCOM and its components used customer satisfaction as another measurement. The components assessed the quality and timeliness of air, sea, and land services provided to their customers.

Financial and nonfinancial measurements can be categorized as input data used to measure results. Questionnaires and reports can be categorized as results-type data used to report the customers' assessments.

MTMC measured customer satisfaction through inquiries and programs to determine whether its customers received quality service. MSC did not formally solicit feedback from its customers; however, it received feedback through after-action reports, exercises, and meetings with MTMC and the

Commander in Chief, USTRANSCOM. AMC provided annual questionnaires to its customers to rate the quality of service. Based on their evaluation of customer satisfaction, the components determined where they needed to improve service.

We did not verify the reliability of data on customer satisfaction. We limited our review to the cost elements of the two financial performance measurements, unit cost and net operating results.

Data Used to Measure Mission Accomplishment. The components calculated unit cost and net operating results based on cost data in their financial management systems: the MTMC Financial Management System, the MSC Financial Management Information System, and the AMC Airlift Service Industrial Fund Integrated Computer System (ASIFICS). These systems are critical to capturing and summarizing costs.

MTMC's Financial Management System processed all accounting data and produced cost reports and a Data Element Management Accounting Report used by the Army to show collections and disbursements by station. MSC's Financial Management Information System processed accounting data and cost reports and produced the Statement of Operations report that we used to trace costs to supporting documents. ASIFICS processed cost data from the Data Base Transfer system (the base-level accounting system). These reports contained total cost data and were used to calculate unit cost and net operating results.

Verification of Data. During the audit phase, we judgmentally selected cost elements from the financial statement reports generated by the three systems, and we traced the data to their sources. The cost elements of the components varied because all components had different types of costs: MTMC's costs were for purchased services, equipment, supplies and materials, and military personnel; MSC's costs were for material and equipment, contracts, and military personnel; and AMC's costs were for fuel, commercial augmentation, and military personnel.

We traced the costs, found on the financial statements generated by the three systems, to the general ledger entries at the components or responsible DAOs, and then to other supporting documents: journal vouchers, contracts, invoices, and order forms. The cost elements had various sources: base-level and area commands, disbursement systems, and manual cost input sheets. Since total costs were a critical element in the calculation of unit cost and net operating results, any weaknesses in total costs affected the accuracy of these financial performance measures.

After a comparison of financial reports to general ledger entries and supporting documents, we found that all selected cost elements appeared to be properly supported by their original source documents, except for data used to calculate military personnel costs. Unrelated to total costs, we identified problems with the flying hours used in unit cost calculation. Military personnel costs and flying hours are discussed in Finding B.

Mission-Oriented Management Decisions

Data needed to make major mission-oriented management decisions were not always available, accurate, or reliable.

USTRANSCOM's mission is to provide transportation to customers such as Military Department secretaries, and to the commanders in chief of unified commands during deployment and exercises. Responsible commanders provide USTRANSCOM with their requirements through the Joint Operations Planning and Execution System, a classified system. USTRANSCOM, in turn, provides this information to its components. USTRANSCOM attempts to keep requirements within budget and to provide a check on requirements by deciding the best and most efficient mode of transportation to satisfy customers' needs.

Managers at USTRANSCOM and its components stated that they needed a clearly defined mission from the commanders, and often from OJCS, to assess transportation requirements. When the mission is known, the assets shown as available in the Joint Operations Planning and Execution System can be compared to requirements, and adjustments can be made.

We did not audit mission-oriented data; however, managers advised us that the critical data needed to make those decisions were not always available, accurate, or reliable. This was caused by changing requirements from the commanders and the OJCS, problems with the Joint Operations Planning and Execution System, inadequate visibility of in-transit shipments, and inaccurate cost data from accounting systems. An audit of the Joint Operations Planning and Execution System is now being conducted, and the report on that audit will address problems with the system.

Stabilized Billing Rates

Management data needed to decide the stabilized billing rates charged to customers for transportation services were available, but were not always accurate, reliable, or useful. Full costs were not recouped because of management decisions to exclude certain costs.

Each component required different data to calculate its stabilized billing rates. For example, AMC had three types of rates: channel passenger, channel cargo, and hourly rates. In all three types, the previous year's rates were adjusted by a utilization factor and an inflation factor provided by the DoD Comptroller. The rates were adjusted to reflect anticipated increases in the costs of operations. AMC's calculated rates were often adjusted downward to stay competitive with commercial transportation. As a result, not all costs were captured and passed on to the customers.

At MTMC and MSC, rates were established during the budget planning phase. Both components obtained the budgeted expenses, plus prior-year losses or

profits, to determine the revenue needed to recover costs during the year. The components obtained the anticipated requirements for that year from their customers. The revenue needed to recover costs, divided by customer requirements, equaled the stabilized rates. Generally, MTMC and MSC captured all costs of operations in their rates.

Certain costs were properly omitted from the calculation of rates. At AMC, mobilization costs (the costs of having a large number of aircraft available for war or exercises) were not passed on to the customers. In addition, the Deputy Secretary of Defense removed depreciation charges for construction of facilities from DBOF customer rates because construction funds are appropriated.

Other costs or rate reductions made in order to remain competitive did not reflect the DBOF concept of applying private sector standards and techniques to DoD support and supplies. However, the variances in the stabilized billing rates caused by management decisions did not significantly affect the overall DBOF area of transportation. A finding on the stabilized billing rates was not warranted in this report.

Funds Control

We performed a limited review of the funds control area at USTRANSCOM and its components. We determined that data were available but not reliable and useful.

USTRANSCOM and the components did not have the accounting and budgetary systems in place to capture historical cost data needed for current and future funds control. The funds control process depended on manual extraction of figures from various source documents that may not have been reliable. As a result, the status of funds did not provide management with timely data on the adequacy of fund status or a sound basis for certifying the availability of funds. USTRANSCOM, in coordination with the Defense Finance and Accounting Service, is addressing this problem through the newly chartered Joint Transportation Corporate Information Management Center. Because of our limited review and the ongoing effort to improve funds control, we are not recommending actions to improve fund control.

Control of Physical Assets

Data needed to control fixed assets at USTRANSCOM and MSC were generally available but were not always used.

USTRANSCOM. Data necessary to bring USTRANSCOM's assets under financial control, such as property records, purchase orders, and invoices, were

available from a number of sources. Despite the availability of data, USTRANSCOM and the DAO-AMC did not use the data to maintain financial control.

We reviewed a portion of the available records and identified $517,000 in military equipment and $17.4 million in buildings that were not included in USTRANSCOM's financial statements. This occurred because the DAO-AMC did not have a system for evaluating, capturing, and recording typical fixed-asset transactions and transferring these transactions to the financial statements. In addition, USTRANSCOM did not take prompt and effective action to ensure that fixed-asset transactions were captured and recorded by the DAO-AMC. As a result, USTRANSCOM's fixed assets were not included in the financial statements, as required by DoD Regulation 7000.14-R, "Financial Management Regulation," May 1993.

Headquarters, MSC. At Headquarters, MSC, data needed to maintain financial control of headquarters fixed assets were available; however, discrepancies existed between the property book records and the accounting records. Specifically, the property book records and the accounting records could not be reconciled because six items listed in the accounting records were not listed in the property book records. In one instance, the unit cost on the property book ledger did not agree with the cost recorded on the accounting ledger. These discrepancies existed because MSC did not always follow the guidance for property accounting.

At MSC, data were available to control assets through a system of subsidiary ledgers maintained on computer spreadsheets. The spreadsheets were summarized and manually input into a computerized general ledger system through journal voucher forms. Once the journal vouchers were entered, MSC's general ledger system provided summary information.

Weaknesses at USTRANSCOM and MSC can be corrected with minor changes in operations. The Defense Finance and Accounting Service, Denver Center, plans to select a migratory system that will cover property, plant, and equipment. USTRANSCOM and the DAO-AMC can create a system of manual ledgers that can be used until the migratory system is implemented. The manual ledgers can be used to produce a meaningful trial balance, which will result in accurate and complete financial statements. MSC needs to follow its existing guidance on property accounting.

Billing Customers for Transportation Services and Cargo

Transportation data needed to move cargo and bill customers were not always available, accurate, or reliable, and therefore were not always useful. As a result, duplicative efforts were required to ensure the prompt movement of cargo, and the DAO-Bayonne and MSC could not bill properly in a timely manner. See Part III, Finding A, for more details.

Conclusions

Critical management data needed in order to operate, evaluate, and make major financial and nonfinancial decisions were not always available or received by management. In addition, available data were not always accurate, reliable, and useful. See Appendix A for a summary.

Part III - Findings and Recommendations

Finding A. Transportation Data Used to Move Cargo and Bill Customers

Critical transportation data needed to move cargo and bill customers were often unavailable, inaccurate, and unreliable. Therefore, the information was not useful to transportation and financial personnel. These conditions occurred because shipping activities and transportation elements did not comply with existing internal controls over transportation data, and transportation systems supporting the data did not interface. As a result, duplicative efforts were required to ensure the prompt movement of cargo and billing of customers; and as of September 30, 1993, $33.9 million in accounts receivable for transportation services was unbilled, and $25.4 million in cargo billings was suspended.

Background

The Defense Transportation System (DTS) consists of military-controlled airlift, sea or land transportation controlled or arranged by MSC, and other Government air or land transportation systems. The DTS also includes transportation systems, policies, and procedures used by the DoD transportation activities and customers to move personnel, patients, and cargo. "Military Standard Transportation and Movement Procedures" (MILSTAMP), DoD Regulation 4500.32-R, March 15, 1987, applies to all shipments entering the DTS. All activities that use the DTS, including other DoD activities, non-DoD activities, and vendors, must comply with the provisions of MILSTAMP. As the overall DTS manager, USTRANSCOM uses its components and MILSTAMP to move personnel, patients, and cargo by Government or commercial transportation to locations specified by the customers. MTMC, headquartered in Falls Church, Virginia, is the single traffic management organization for DoD and is USTRANSCOM's primary component responsible for movement of cargo overland, operation of ocean terminals, and booking of cargo with commercial ocean carriers and MSC-controlled vessels. One of MTMC's four major subordinate commands, MTMC Eastern Area, is located in Bayonne, New Jersey. MTMC Eastern Area arranges for the movement of domestic and export cargo by rail, truck, air, barge, pipeline, and commercial and MSC ships through Eastern and Gulf Coast ports of the United States.

Internal Controls

Internal controls over the availability, reliability, and usefulness of transportation data needed improvement. MILSTAMP gives the policy and procedures for DoD transportation and movement of materiel. MILSTAMP

prescribes the standard data elements, codes, formats, documents, forms, rules, methods, and procedures that are required by DoD Components and other Government agencies and civil authorities for the transportation of materiel to, within, and beyond the DTS. All personnel in the transportation process, including MTMC, the shipping activities, Service headquarters, and MILSTAMP focal points, are responsible for following MILSTAMP to ensure that the system executes the DTS process efficiently. However, shipping activities did not or could not follow MILSTAMP, and internal control procedures did not effectively identify and correct instances of noncompliance. This left a significant void in transportation data that hindered the prompt and efficient movement of cargo and billing of customers. The lack of data required MTMC personnel to intervene, duplicating the shipping activities' efforts.

Cargo Movement. The DTS process begins when a shipping activity enters personnel, cargo, or equipment into the system for shipment and specifies a destination. The shipping activity may be a base- or post-level transportation officer, a depot or supply center manager, or a vendor.

MILSTAMP requires the shipping activity to use the Transportation Control and Movement Document (TCMD), DD Form 1384, to document movement of cargo in the DTS. The TCMD provides information on the mode and method of transportation, priority of the movement, items contained, and the activity to be billed for the transportation services. The TCMD also provides advance notice of shipments to clearance authorities, ports, receivers, and other transportation personnel, and gives them the information necessary to process shipments through the DTS.

The Ocean Cargo Manifest, DD Form 1385 (the manifest), is prepared from the data on the TCMD. The manifest gives details of the cargo or equipment on a transportation conveyance for a specific destination.

Shipping activities are responsible for entering correct TCMD data into the MTMC systems that are used to support the many processes required for movement of cargo in the DTS. When data are entered into the DTS, personnel in MTMC Eastern's Area Documentation Division review any transactions that are rejected and issue a Weekly Shipper TCMD Error Listing with the reason for the rejection. The Documentation Division manages the TCMD Effectiveness Program, controls the documentation for MTMC Eastern Area's cargo, performs quality control on input and output of cargo data, and takes or recommends corrective actions.

TCMD. TCMD data are electronically or manually entered into MTMC's Terminal Management System (TERMS). TERMS is sometimes referred to as the Terminal On-line System. TERMS is an electronic link between the Water Clearance Authority (the activity that controls and monitors the flow of cargo into the water transportation system), located at MTMC area commands, and the port manifesting activities located at various ports. TERMS allows the port activities to update shipping records and prepare the manifest. Any error in data input can slow down the movement temporarily or make billing the correct activity difficult.

At MTMC Eastern Area, we reviewed selected Weekly Shipper TCMD Error Listings. In addition, we reviewed a summary report detailing discrepancies for the 7-month period ending in September 1993. The listings and report showed that two shipping activities, the Defense Logistics Agency's Defense Distribution Depot (the Depot), Susquehanna, Pennsylvania, and the Defense Personnel Support Center (DPSC), Philadelphia, Pennsylvania, did not follow MILSTAMP guidance on documentation. These activities shipped 714 containers to the Military Ocean Terminal-Bayonne without the required advance TCMD documentation, and shipped 570 containers with missing container data. Neither MTMC Eastern Area or the shipping activities documented the number of shipments made between March 1993 and September 1993; however, MTMC Eastern Area's Documentation Division is responsible for performing quality control on all input and output of cargo data.

No Advance TCMD. MILSTAMP, Volume I, states that shipping activities are responsible for preparing advance TCMD documentation on all shipments loaded in seavans to ensure that the loading terminal receives the information before the freight arrives. A seavan is a commercial shipping container or one that is owned or leased by the Government. The advance TCMD is needed for preparation of the manifest, which provides accountability and visibility for cargo movements in the DTS. The advance TCMD provides information about a shipment before the shipment arrives at the port of export. This information is consolidated into the MILSTAMP Ocean Manifest. The data on the MILSTAMP Ocean Manifest are furnished to the receiving point of entry and the geographic traffic manager to help move the cargo through its destination port.

The Director of DPSC's Distribution Directorate stated that when transportation arrangements were made at MTMC, the proper advance TCMD could not always be furnished because the exact packaging of the containers was unknown at that time. The supplier, whether a manufacturer or wholesaler, determined the packaging. The Director stated that he entered the available information and used estimates, or "dummy" data, for unknown items. MILSTAMP allowed the use of "dummy" data in these cases.

At the Depot, personnel stated that they were unaware of MTMC's complaint that advance documentation was missing. Because advance data were electronically transmitted to MTMC, they believed that the advance TCMD was always provided. Depot personnel said that since the data in their system were queried and transmitted only once every 24 hours, the cargo may have reached the port before the documentation was transmitted.

Missing or Incorrect Data on TCMD. According to MILSTAMP, shipments moved in seavans must include the van number, the size of the van used, its cubic capacity, and the owner of the cargo. DPSC estimated the size, weight, and height of the cargo because the exact packaging of the cargo was unknown when DPSC personnel prepared the TCMD. For example, the normal packaging for a commodity may have required one container, but the supplier may have split the package and used two containers. DPSC did not control the packaging.

According to MTMC, DPSC entered number of pieces or weight information that did not match MILSTAMP's field values. Some documents also gave the wrong port identifier or recipient codes. As a result, TERMS rejected DPSC's data. The Director of DPSC's Distribution Directorate stated that the problem of missing or incorrect documentation could not be corrected until the manufacturer's, DPSC's, and MTMC's transportation systems interface.

MTMC Eastern Area Effort. Since shipping activities did not always follow MILSTAMP, MTMC Eastern Area personnel had to create the missing transportation data and enter it into TERMS to ensure the prompt movement of cargo. They were required to create an advance TCMD whenever the shipping activity failed to send one, and to correct data on the TCMD. They also had to call the shipping activities to try to retrieve the data needed for the TCMD. MTMC personnel worked diligently to enter the correct data into TERMS.

TCMD Effectiveness Reporting System. MILSTAMP's Appendix E established the TCMD Effectiveness Reporting System as a control mechanism to provide shipping activities, and the responsible Service or agency headquarters, with the feedback necessary to ensure that TCMDs were submitted correctly and promptly. The system should be used to highlight problems in the DTS clearance process. Various elements in the transportation system, including MTMC, the shipping activities, the Service or agency headquarters, the MILSTAMP focal points, and the DoD MILSTAMP system administrator, were responsible for the reporting system. The Defense Logistics Management Standards Office, through the DoD MILSTAMP system administrator, was responsible for reviewing the reports from this system to identify system deficiencies in MILSTAMP and make the necessary changes.

MTMC Eastern Area prepares a Weekly Shipper TCMD Error Listing, which identifies shipping activities' errors in preparing the TCMD and gives other pertinent information, such as the timeliness of TCMD preparation. From this listing, Headquarters, MTMC, is responsible for preparing a Monthly MTMC Shipper Effectiveness Summary and distributing these reports to the shipping activities and the Service or agency headquarters.

Personnel at Headquarters, MTMC, stated that they prepared the report as required, and notified the Service or agency headquarters of the shipping activities' TCMD discrepancies. However, quality assurance personnel at Headquarters, MTMC, believed that the summary report could give the Service or agency headquarters better information if improvements were made. MTMC planned to redesign the report to give details of the types of errors made on the TCMD. MTMC personnel service said that the summary report, when revised, would give Service and agency headquarters the data needed to take action when shipping activities continued to perform poorly.

Responsible individuals in the Services or agencies either did not receive the reports or did not receive them in a timely manner. For example, the Defense Logistics Agency did not receive the report until after we held discussions with MTMC on the need to send out the monthly reports. At the Naval Supply Systems Command, data covering a 3-month period were all received at once,

instead of on a monthly basis as required. Personnel in the offices that received the data stated that they contacted the shipping activities to discuss the problems noted on the reports. Both the shipping activities and the Service representatives questioned the accuracy of data in the reports. The Air Force Materiel Command has discussed its concerns about the accuracy of the reports with MTMC.

Internal Control Needs. The Monthly MTMC Shipper Effectiveness Summary is an excellent source for Service and agency headquarters to use in identifying problems at their field activities. This report, if accurate and used properly, can identify the causes of the continuing errors in TCMD preparation, and can identify needs for additional training or clearer instructions from Service or agency headquarters.

Data errors made at shipping activities, such as missing van numbers or incorrect recipient codes, were not found and corrected before entering the transportation system. To maintain an acceptable level of operating efficiency, shipping activities must have tighter internal controls. Service and agency headquarters, through their MILSTAMP focal points, must evaluate the internal controls at the shipping activities and provide the guidance needed to improve the controls and their implementation.

Training Needs. According to the records kept, two shipping activities were responsible for most of the problems with the TCMD; however, smaller shipping activities also had problems. Most instances of noncompliance at the Depot and DPSC were caused by problems in the automated systems, such as the lack of interface among systems and ineffective edit checks. However, personnel at both MTMC Eastern Area and Headquarters agreed that additional training in MILSTAMP would help reduce the TCMD errors made by the small shipping activities and their staffs.

MTMC identified many of the transportation data errors as human errors that were caused by high employee turnover at shipping activities and MTMC Eastern Area. The TCMD is the basis for preparing manifests in TERMS, and any data problems in the TCMD are transferred to the manifests. These data problems affect verification of delivery of cargo, support for billing for services, and justification of claims resulting from cargo discrepancies.

Ocean Cargo Manifest. The advance TCMD includes container content records, which consist of two critical data elements: the transportation control number and the Transportation Account Code (TAC). The unique 17-digit transportation control number is used to manage shipment units throughout the transportation process. The transportation control number and the four-digit TAC are the two critical data elements on the manifest; these elements permit proper customer billing for transportation services rendered by MTMC and MSC. MSC needs the records of a container's contents in order to bill customers for cargo items transported. The container content records must be available, accurate, and reliable in order to produce an accurate manifest.

Missing or Invalid TACs. The TAC identifies the Service, shipper, or contractor to be charged for transportation services. Since the TAC

represents a user's account for budgeting and paying transportation costs, it is essential that shipping activities document the correct TAC.

MTMC's resource manager stated that problems existed with missing or invalid TACs before he began working with MILSTAMP in 1969. A large number of TACs exist, and more can be created if a Service considers it necessary. Volume II of MILSTAMP, which contains the TACs, was revised in 1994. The previous revision was written in 1987. Representatives from the Services' and agencies' headquarters are responsible for informing the shipping activities of new or deleted TACs, and have attempted to reduce the number of TACs. The Department of the Army reduced its TACs from 540 to 170; however, shipping activities, MTMC personnel, and billing and collecting activities had not received the updated information. As a result, shipping activities used outdated TACs, which TERMS rejected. TAC information must be forwarded quickly to the shipping activities and to the responsible billing and collecting activities.

Missing Container Items. A detailed breakdown of the container contents was also needed on the manifest in order to bill customers for transporting the items and determining cargo discrepancies. The Chief of the Traffic Management Division at the Military Ocean Terminal-Bayonne (MOTBY) kept statistics on missing container data. From March to September 1993, the Depot and DPSC shipped 570 containers with missing cargo data. The total number of shipments made during this period was not readily available for comparison. However, the Depot and DPSC are both supply and shipping activities. MTMC should use its TCMD effectiveness reporting system to determine whether problems are caused by supply or shipping functions, or both; MSC bills its customers based on the contents of the container, and any discrepancies in the contents may impede billing for the service.

Military Ocean Terminal-Bayonne Effort. Personnel at MOTBY were responsible for ensuring that export shipments were placed on the manifest. The personnel at the shipping activity were responsible for forwarding the advance TCMD to the clearance authority, and for ensuring that shipping papers (container manifests) accompanied the shipment or container to the ocean terminal. Personnel at the military manifesting activity were responsible for consolidating individual shipment information into the MILSTAMP Ocean Manifest. MOTBY personnel also attempted to correct invalid data on the individual manifest. If TERMS rejected the TCMD data because the shipping activities omitted needed information or assigned an incorrect code to the cargo, MOTBY personnel obtained the information and completed the manifest. If advance TCMD data were needed to complete the manifest cargo, MOTBY electronically transmitted the updated data to the port of entry.

Customer Billings. DAO-Bayonne was responsible for billing and collecting for MTMC's transportation services. However, in order to perform these functions, DAO-Bayonne must regularly receive accurate transportation data. MSC was responsible for billing and collecting for cargo shipped on

MSC-controlled vessels. However, to perform these functions, MSC must receive accurate manifest data on the contents of the containers and the activity to be billed.

Transportation Services. The cargo data entered in the manifest were used to begin the billing process. The cargo data in TERMS included the TAC, transportation control number, number of pieces, cubic and weight, vessel status, port of embarkation, and port of debarkation. The manifests were consolidated and the cargo sales ledger was summarized. This created the billing data for transportation services rendered.

Information needed by DAO-Bayonne to properly bill for transportation services was unavailable, unreliable, inaccurate, and therefore was not useful enough to generate $33.9 million in unbilled accounts receivable. To ensure that cargo was moved promptly, MILSTAMP allowed port personnel to assign a nonsignificant Service or agency TAC, if a shipment arrived at the port without a TAC and the actual TAC could not be determined. To allow for proper billing of customers, MILSTAMP required the Service or agency finance office to reconcile the nonsignificant TACs to significant TACs.

DAO-Bayonne used its financial management system to download the billing data from TERMS. The TAC data in TERMS were matched against TACs in a module of the financial management system. If either TERMS or the module contained outdated TAC information, the correct customers still could not be billed, which increased MTMC's accounts receivable. As of September 30, 1993, $33.9 million of MTMC's unbilled accounts receivable were caused by invalid TACs, rejected bills, or lack of documentation. This represented 37 percent of the total $91.3 million in accounts receivable.

DAO-Bayonne personnel researched TAC listings and TCMD or manifest data to reduce accounts receivable. MTMC's total accounts receivable, $91.3 million, was 22.4 percent of total revenue for FY 1993. As of September 30, 1993, MTMC's aging of accounts receivable indicated that $25.9 million (76 percent) of the $33.9 million in unbilled receivables were over 90 days old. As a result, the Defense Finance and Accounting Service-Indianapolis Center sent a team to assist DAO-Bayonne in liquidating MTMC's outstanding accounts receivable. Overage accounts receivable may result in the inability to collect, leaving MTMC unreimbursed for transportation expenses. DAO-Bayonne needs assistance from Service representatives to liquidate accounts receivable.

Suspended Cargo Billings. MSC received tape listings of cargo on MTMC's manifests. MSC used these tape listings to generate bills for contents being delivered. Customers were not billed for transportation charges because the manifests did not represent the container contents. As of September 30, 1994, MSC documentation showed that $25.4 million (2.9 percent) of the $887.6 million in cargo receivables consisted of suspended cargo billings. MSC needs assistance from Service representatives to liquidate suspended cargo billings.

Transportation Systems

MTMC did not always have the critical transportation data needed to move cargo efficiently and to bill customers because shipping activities' transportation systems did not interface with TERMS. In addition, data input into TERMS by transportation personnel were often not comparable to the data output from TERMS. Transportation data often were unreliable because TERMS did not reject incorrect or inconsistent data. As a result, shipping activities and MTMC personnel had to reinput or correct data from shipping activities' systems.

Terminal Management System. TERMS was an electronic link between the Water Clearance Authority, located at the MTMC area commands, and the manifesting activities located at various ports. TERMS data fields contained summary information such as the TAC, transportation control number, and document identifier codes. Summary information was obtained from the shipping activity's TCMDs and transferred to the manifest. Other data, such as booking information, came from sources such as the Mechanized Export Traffic System.

Interface with Shipping Activities' Systems. The Mechanized Export Traffic System was an automated, unclassified system used by the DPSC. The Mechanized Export Traffic System booked MSC and commercial ships, scheduled unit arrival at ports, issued port calls to the units, and booked containerized and bulk cargo on scheduled voyages. The Mechanized Export Traffic System also contained data on weight, cubic feet, and other essential TCMD and vendor information. Since the Mechanized Export Traffic System did not interface with TERMS, DPSC personnel had to enter the booking and vendor data into TERMS, which created an opportunity for input errors. Linking the two systems might improve data accuracy.

Data in TERMS. At MTMC, data from 161 Depot TCMDs were not found in TERMS. At times, entire vessels were dropped from TERMS and technicians had to reconstruct the data, creating a duplicate work load for MTMC and the shipping activities.

Edit Checks in TERMS. TERMS did not have effective edit checks to recognize inconsistent transportation data and incorrect or newly created TACs. At DPSC, we reviewed transactions in which TERMS did not recognize the trailer addresses of installations as input by DPSC personnel. Although TERMS did not recognize the addresses, research by a transportation supervisor showed that the addresses were valid. Also, the relationship between cargo weight and cubic feet could be mathematically invalid, but accepted by TERMS. The weight and cubic feet of the cargo determined how the cargo was placed aboard the ships.

The TAC table within TERMS was not updated or edited to accept new codes. Therefore, valid TACs may have been rejected because they had not been added to the TERMS module.

Data Rejected by TERMS. We reviewed rejected transactions from the Depot. TERMS rejected these transactions because of incorrect van and seal numbers and nonreceipt of advance TCMD data. In these transactions, van and seal numbers were considered incorrect because they did not have enough zeroes or digits. A seal number is a security device used to identify entry into a particular van.

Plans for Transportation Systems. Historically, automated systems for transportation management have been developed to meet the requirements of users at DoD agencies, as opposed to DTS requirements. Those systems are supported by policies and procedures in each Service and DoD agency.

In the continental United States, MTMC plans to replace TERMS with the Worldwide Port System, which has completed system testing and is currently being fielded in overseas ports. The Worldwide Port System will support the operation of military ocean terminals and other common user port facilities, and will document commercial cargo movements worldwide. The system will interface with shipping activities, the Services, and other activities in the transportation process. MTMC also plans to install other systems that should reduce errors and correct interface problems. For example, the International Cargo Database should help small shipping activities with their data entry problems. These external interfaces are critical, since USTRANSCOM and its components have a mission of global transportation management.

The DoD Corporate Information Management initiative is a comprehensive re-engineering and restructuring of business methods and administrative processes throughout DoD. To fulfill the need for better transportation data, the Deputy Under Secretary of Defense for Logistics and USTRANSCOM have begun the Corporate Information Management Initiative for Transportation (CIM-T). USTRANSCOM recognizes that current procedures are duplicative, inefficient, error-prone, and costly. CIM-T's goal is to simplify, streamline, and standardize customer-oriented processes. Through systems such as the Global Transportation Network, the Integrated Booking System, the Integrated Cargo Database, and the Worldwide Port System, the CIM-T should deliver the data that users need to make critical management decisions. These systems should be fielded in FY 1995. Including these systems in CIM-T could permit the various transportation systems to interface, which would improve the availability of critical transportation data.

Conclusion

Critical transportation data needed to move cargo and bill customers were often unavailable, inaccurate, unreliable, and therefore were not useful. The timetable for fully implementing CIM-T is uncertain. However, much work is needed to reduce duplicative efforts and carry out the DBOF concept of revolving funds. Internal control weaknesses should be corrected in the short term, before CIM-T is implemented.

MTMC, Service and agency headquarters, and shipping activities must use the current MILSTAMP system to make the internal controls over transportation data available, accurate, reliable, and useful. Because of CIM-T, investments, and improvements to older systems such as TERMS, have been curtailed. Manual edit checks can be used if necessary, but are costly. However, problems with transportation data will continue to increase if corrective actions are not taken. Corrective actions cannot be postponed indefinitely because of CIM-T.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Director, Defense Logistics Management Standards Office:

a. Obtain copies of the Military Traffic Management Command's monthly summaries of discrepancies in Transportation Control and Movement Documents.

b. Analyze the reports for problems with the transportation procedures.

c. Identify system deficiencies that hinder the Services' compliance with Military Standard Transportation and Movement Procedures.

d. Correct the problems in a timely manner.

Management Comments. The Director, Defense Logistics Management Standards Office, concurred with our finding and recommendations and stated that the actions required by these recommendations are part of MTMC's mission and are ongoing.

Audit Response. Management's comments were responsive. However, to ensure compliance, we request that management provide us with a date when follow-up actions with MTMC will be complete.

2. We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Air Force Materiel Command (Financial Management Office); and the Director, Defense Logistics Agency:

a. Provide timely updates of transportation account codes to the shipping activities, representatives of the Military Traffic Management Command, and the respective billing and collecting activities.

b. Use the Military Traffic Management Command's monthly summaries of discrepancies in Transportation Control and Movement Documents to:

(1) Review shipping activities' noncompliance with the Military Standard Transportation and Movement Procedures.

(2) Identify problem areas.

(3) Develop or strengthen internal controls to reduce noncompliance.

c. Determine training needs and develop a program to train personnel at shipping activities in Military Standard Transportation Movement Procedures.

Management Comments. We did not receive comments on the draft report from the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; and the Air Force Materiel Command (Financial Management Office). We request comments on the final report.

Management Comments. The Director, Defense Logistics Agency (DLA), concurred with the finding and recommendations. However, he stated that the report erroneously concluded that all uncleared freight was caused by errors made by shipping organizations. He stated that, on the contrary, TERMS has had problems interfacing with DLA systems to accept TCMD data, and that in some instances, data have "dropped out" of the systems. When these problems occurred, DLA took the necessary corrective actions.

The Director, DLA, also said that other corrective actions have been taken. These actions include submitting TCMDs more often at DPSC, reviewing summary reports on a monthly basis, and ensuring that field activities have internal controls to improve the TCMD process.

Audit Response. In the draft report, we directed Recommendation 2. to the Director, Defense Logistics Management Standards Office. We have now redirected this recommendation to the Director, DLA, who oversees internal controls at shipping activities.

Management's comments were responsive. However, we were not implying that the materiel arrived at port without advance TCMD data solely because the shipping activities ignored established policies. We stated that data originally input into or TERMS were dropped and had to be reentered. We also noted that DLA systems and TERMS did not interface.

3. We recommend that the Commander, Military Traffic Management Command:

a. Determine the training needs of personnel at the Military Traffic Management Command activities and provide training to them in Military Standard Transportation and Movement procedures.

Management Comments. The Commander, USTRANSCOM, partially concurred with the finding and recommendation. However, the Commander

considered training programs to be a function of the Director, Defense Logistics Management Office, and MILSTAMP data entry to be the responsibility of the shipping activities. He stated that MTMC will identify and obtain MILSTAMP training from existing training sources.

Audit Response. Management's comments were responsive. Because the Defense Logistics Management Office has a training program, we revised our recommendation to develop one. However, we request that management provide us with a date when MTMC personnel will receive training.

b. Develop an interim method of validating the data entering and exiting the Terminal Management System.

Management Comments. The Commander, USTRANSCOM, nonconcurred with the recommendation. He stated that fielding of the Worldwide Port System (WPS) has begun, and will be completed in the continental United States during FY 1995. Since TERMS will soon be replaced by WPS, modifying TERMS would divert resources from WPS and delay its fielding.

Audit Response. Management's comments were not responsive. We agree that under the circumstances, modifying TERMS would not be practical. However, by using manual edit checks of the data entering and exiting TERMS, MTMC can at least reduce processing errors. We request that the Commander, USTRANSCOM, reconsider his comments.

c. Establish internal controls over the information in the Weekly Shipper Transportation Control and Movement Document Error Listings.

Management Comments. The Commander, USTRANSCOM, did not understand the intent of this recommendation; therefore, he nonconcurred. He stated that the draft report did not identify the controls that needed to be established. MTMC's goal is to summarize data in the error listings in order to help the Services and shippers identify common problems with the preparation of TCMDs. This should improve the quality of TCMDs received from the shippers. Although the report is referred to as weekly, it is actually a daily summary of the errors on TCMDs; Service representatives at the MTMC area commands use the report to correct documentation problems.

Audit Response. Management's comments were not responsive. MILSTAMP, Appendix E, section 3a, identifies the report as the Weekly Shipper TCMD Error Listing. Shipping activities and Service representatives have questioned the accuracy of the data on this report. According to shipping activities, the numbers and types of errors listed on the reports were incorrect; MTMC has been notified of these errors. We recommended that MTMC improve its internal controls over information such as the numbers and types of errors listed, and over the timeliness of TCMDs. This would assist the shipping activities and Service representatives in avoiding errors and taking corrective actions. MTMC plans to improve the report's format to give more details on the types of errors; however, these improvements will be helpful only if the details are correct. MILSTAMP requires MTMC to correct any errors in report

preparation. We request that the Commander, USTRANSCOM, reconsider his comments.

d. Provide the Monthly Military Traffic Management Command Shipper Effectiveness Summaries to responsible persons within the Services and agencies in a timely manner to assist them in correcting transportation data problems.

Management Comments. The Commander, USTRANSCOM, concurred with the finding and recommendation. However, he stated that he did not intend to use these reports to correct problems with transportation data. The Services use the reports for historical purposes and to evaluate the overall quality of TCMD preparation.

Audit Response. Management's comments were partially responsive. The quality of TCMD preparation reflects the shipping activities' problems in following MILSTAMP. However, MILSTAMP, Appendix E, states that these reports should be used to highlight problems in the transportation clearance process and as an aid in determining the appropriate corrective actions. We request that the Commander, USTRANSCOM, reconsider his position on the use of the reports.

4. We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Air Force Materiel Command (Financial Management Office), and the Director, Defense Logistics Agency:

a. Provide Service representatives to work with the Defense Accounting Office-Bayonne to:

(1) Identify all outstanding accounts receivable.

(2) Determine the data required to liquidate the aged receivables.

(3) Bill or rebill the customers for the transportation charges.

b. Provide Service representatives to work with the Military Sealift Command to:

(1) Identify all outstanding cargo bills and the reasons for these outstanding bills.

(2) Determine the data required to liquidate the outstanding bills.

(3) Bill or rebill the customers for the transportation charges.

Management Comments. In the draft of this report, we recommended that MTMC provide Service representatives to work with the DAO-Bayonne and the MSC. The Commander, USTRANSCOM, stated that Service representatives are not assigned to MTMC. However, Service representatives are assigned to the area commands. As a matter of routine, these representatives and MTMC personnel work to resolve billing issues.

Audit Response. Management's comments were responsive. We have renumbered and redirected the recommendations to the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Air Force Materiel Command (Financial Management Office), and the Director, Defense Logistics Agency. The Service representatives are not assigned to USTRANSCOM. The Commander, USTRANSCOM, is correct in stating that Service representatives and MTMC personnel routinely work to resolve billing issues; however, more time needs to be spent on resolving the overaged accounts receivable and suspended cargo billings. The Service representatives and MTMC personnel direct most of their efforts at solving problems with current billings. Insufficient work has been done to resolve the old, overaged billings.

Response Requirements for Each Recommendation

Responses are required for the items indicated with an "X" in the chart below.

		Response Should Cover:			
Number	Addressees[1]	Concur/ Nonconcur	Proposed Action	Completion Date	Related Issues
1.	DLMSO			X	
2.	Army	X	X	X	IC[2]
	Navy	X	X	X	IC[2]
	Air Force	X	X	X	IC[2]
	DLA			X	
3.a. through 3.d.	USTRANSCOM	X	X	X X	IC[2]
4.	Army	X	X	X	
	Navy	X	X	X	
	Air Force	X	X	X	
	DLA	X	X	X	

[1]Addressees:
DLMSO: Director, Defense Logistics Management Standards Office
Army: Deputy Chief of Staff for Logistics, Department of the Army
Navy: Assistant Commander for Navy Material Transportation
Air Force: Air Force Materiel Command (Financial Management Office)
DLA: Director, Defense Logistics Agency
USTRANSCOM: U.S. Transportation Command

[2]IC= Material internal control weaknesses

Finding B. Data Used to Measure Mission Results

At USTRANSCOM and its components, data used to measure mission results through unit cost and net operating results (NOR) were not always reliable. As financial measurements, unit cost and NOR were calculated with unreliable data. This condition existed because the Reliability and Maintainability Information System (REMIS) did not properly allocate flying hours used in calculating unit cost, and because the DoD Comptroller issued guidance on pricing military personnel costs after the FY 1993 budget was approved. As a result, military personnel costs, an element used in calculating NOR, were calculated inconsistently; mission results were based on unreliable data; and the financial position of the components was not presented accurately.

Background

We asked managers at USTRANSCOM and its components to identify the most significant financial measures of their mission results. AMC identified unit cost; MTMC and MSC identified NOR.

Unit Cost. Unit cost is based on budgeted revenues and expenses needed for the activities to complete their mission. USTRANSCOM submits these figures to the DoD Comptroller, who adjusts the budgeted figures, if necessary, and issues a letter to USTRANSCOM that gives the approved unit cost goals.

The DoD Comptroller issued unit cost goals for each of AMC's flying mission areas. AMC's mission includes movements of passengers and cargo, special missions and exercises, and training of flight crews.

The elements of unit cost included in these areas at AMC are total cost and ton/miles of capability (a product of the flying hours and the accumulated cargo load), as shown in Appendix B. AMC retrieves its total cost from reports generated by its financial management system, ASIFICS. Total costs reported in the Airlift Service Industrial Fund[2] reports are used to calculate the numerator of unit cost. The denominator of unit cost is ton/miles of capability. AMC retrieves the flying hours from the Equipment Inventory Multiple Status and Utilization Reporting System, a subsystem of REMIS, and determines the accumulated cargo load based on historical data (the number of pallets each aircraft normally contains and the ton goal of each aircraft).

Net Operating Results. NOR, like unit cost, are based on budgets that the components submit to the DoD Comptroller. The unit cost goal letter that the

[2]The Airlift Service Industrial Fund is the predecessor of DBOF-Transportation and DBOF-AMC.

DoD Comptroller issues to USTRANSCOM includes the NOR goal for the components. The elements of NOR are revenue and costs, as shown in Appendix C.

MTMC and MSC obtain the revenue and cost data used to calculate NOR from their financial management systems. These systems automatically calculate the difference between revenues and costs, resulting in positive or negative NOR. NOR are absorbed in billing rates for the subsequent budget period. Positive or negative NOR cause billing rates to be decreased or increased as necessary to operate at no profit or loss over a period of years.

Congress, the Deputy Under Secretary of Defense for Logistics, and the DoD Comptroller use unit cost and NOR to evaluate USTRANSCOM's and its components' efficiency in accomplishing their mission. They may adjust funding authority or take other action when large variances exist between the unit cost goal letter and the actual unit cost and NOR.

REMIS System

REMIS, a system used to gather data needed to calculate unit cost, did not properly allocate the flying hours used in the calculation. REMIS obtained the flying hours from base-level systems; however, REMIS did not use cutoff dates to ensure that flying hours were captured for the correct period. Flying hours were either overstated or understated because of overlaps into different periods, resulting in the miscalculation of ton/miles of capability, the denominator of unit cost.

AMC identified REMIS' miscalculation of flying hours and requested a change to it. The change to REMIS has been approved and should be implemented by the end of FY 1994. Without a change to the system, AMC cannot accurately validate monthly flying hours. Without cutoff dates, data on flying hours from a later month are included in the current month, making it difficult for the command to determine actual flying hours. Any weaknesses in the calculation of ton/miles of capability affect unit cost. If flying hours are overstated by 10 percent, ton/miles of capability will be overstated by 10 percent, and unit cost will be understated by 9 percent. As a result, mission results will be based on unreliable data.

Military Personnel Rates

USTRANSCOM's components were inconsistent in their calculation of military personnel costs, an element used in calculating NOR. Military personnel costs are the product of the number of assigned military personnel and a military composite standard pay rate (composite pay rate). The DoD Comptroller did not establish policy and composite pay rates for the Services to use in

calculating military personnel costs until after the budget planning and approval process for FY 1993. In addition, USTRANSCOM did not provide any guidance to ensure the consistent pricing of military personnel costs. To complete their budgets, MTMC and MSC followed their own Services' policies, and AMC used lower rates than were provided by the Secretary of the Air Force. As a result, the pricing of military personnel costs was inconsistent, affecting the calculation of NOR.

DoD Comptroller Policy. DoD Comptroller policy memorandums on DBOF, dated September 29, 1992, and July 19, 1993, provided the annual composite pay rates and the method for each Service component to use in calculating military personnel costs for FY 1993. Those rates, applied to the number of assigned military personnel in each pay grade, were to be used to reimburse the Services' military personnel accounts from DBOF. Overall, the DoD Comptrollers' composite rates were lower than the Services' rates.

The DoD Comptroller issued guidance on calculating military personnel costs after the FY 1993 budget was approved. The DoD Comptroller did not give the Services directions on how to adjust their pricing of military personnel costs; therefore, the approved budget amount was the reimbursed amount. Because the components did not receive guidance from the DoD Comptroller, they followed their Services' policies.

Military Department Policy. MTMC and MSC stated that they used composite rates from the Military Department Secretaries instead of from the DoD Comptroller to calculate military personnel costs. The amounts reimbursed to the components could not be validated using the Military Departments' policies on military personnel costs.

MTMC used the Department of the Army's composite rate, but calculated its personnel costs using a different number of assigned military personnel than the DoD Comptroller used. In Program Budget Decision 412, personnel from Headquarters, MTMC, were transferred to DBOF; as a result, the DoD Comptroller increased MTMC's reimbursement by $3.7 million. MSC adjusted its figures to equal the amount requested in the FY 1993 budget. MSC personnel could not explain how the budgeted figures were determined. Since the Military Departments' rates were used instead of the DoD Comptroller's rates to calculate the military personnel costs for MTMC and MSC, the results were different; however, the difference was not significant. The actual reimbursement to MTMC's and MSC's military personnel accounts was lower than we calculated using DoD Comptroller policy.

At AMC, the difference between the calculations was $40.4 million, as shown in Appendix D. AMC used the average number of officers and enlisted personnel authorized by program element code or type of aircraft, rather than the pay rate for each individual. AMC could not substantiate the composite rate applied to the number of personnel. AMC personnel stated that they did not use the Secretary of the Air Force's composite rates because those rates were too high. AMC adjusted its composite rates and the average number of personnel in each pay grade to arrive at the same $909.3 million total cost that was shown in the FY 1993 budget. In a Secretary of the Air Force memorandum to AMC

dated May 21, 1993, the Air Force stated that DBOF-Transportation would be billed for the actual military personnel assigned, not to exceed $909.4 million.

We obtained lists of the assigned DBOF military personnel for AMC from Headquarters, Department of the Air Force. Using each assigned Service member's pay grade and the DoD Comptroller's composite rate, we calculated military personnel costs to be $868.9 million, $40.4 million less than the budgeted amount. The DoD Comptroller reimbursed the Air Force's military personnel account for the full $909.3 million.

The components were not consistent in the methodology or rates they used to calculate the reimbursement, and USTRANSCOM did not issue any guidance. In addition, the DoD Comptroller did not question the reimbursed amounts, except at MTMC. The DBOF concept requires that all costs of doing business be captured and passed on to customers. Inconsistently calculated costs will affect the components' financial position.

The $40.4 million difference affected AMC's NOR for the year, and also affected its financial position. The Statement of Revenue and Cost for October 1, 1992, to September 30, 1993, showed that AMC had a negative NOR of $193.8 million. The correct NOR should have been a negative $153.4 million, a 20-percent difference between the two NORs. The DoD Comptroller should promptly establish and issue a policy for the calculation of military personnel costs. This matter is now being discussed by the DBOF Corporate Board and its policy subcommittee.

Conclusion

REMIS lacked cutoff dates to track flying hours, the DoD Comptroller did not provide timely guidance on how to calculate military personnel costs, and USTRANSCOM and its components were not consistent in their calculation of military personnel costs. Therefore, the data used to calculate unit cost and NOR were not always reliable. Consequently, management decisions to adjust unit cost and NOR were based on inaccurate data, and the components' financial positions were not presented accurately.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Commander, Air Mobility Command, request that the Air Force Materiel Command establish cutoff dates within the Reliability and Maintainability Information System to allow the system to allocate flying hours used in calculating unit cost.

Management Comments. USTRANSCOM nonconcurred with the recommendation, stating that the variance between the flying hours accounted for in REMIS, and the flying hours actually reported, was minor and did not exceed the variance allowed by accounting standards. Although the change request that we recommended has been submitted, it is not urgently needed because AMC's reporting is accurate.

Audit Response. The comments from USTRANSCOM were nonresponsive. USTRANSCOM agreed that implementing a change to REMIS would make calculations of flying hours more accurate. If REMIS had no problems with calculating the correct number of flying hours, a system change would not be needed to ensure accurate reporting. The change request stated that disapproval would result in mission failure. Consequently, we considered flying hours to be critical management data needed by USTRANSCOM. An attachment to the change request stated that at most commands, many hours of overtime were required to determine the missing data and manually input the data into REMIS. We request that USTRANSCOM reconsider its response and provide the date that corrective action was or will be taken to change the system.

2. We recommend that the Commander in Chief, U.S. Transportation Command, establish procedures to verify that the Military Traffic Management Command, the Military Sealift Command, and the Air Mobility Command follow DoD Comptroller Policy for calculating military personnel costs.

Management Comments. USTRANSCOM concurred with the finding and recommendation. USTRANSCOM has issued guidance to be used for the FY 1995 President's Budget and the FY 1996 Budget Estimate Submission; it includes all guidance available from the DoD Comptroller on the pricing of military personnel costs.

Audit Response. Management's comments were responsive. However, we request that management provide us with a completion date for corrective actions.

3. We recommend that the Comptroller of the Department of Defense establish guidance for calculating military personnel costs for the Defense Business Operations Fund business areas prior to the budget planning phase.

Management Comments. In the draft of this report, we recommended that the Assistant Secretary of the Air Force (Financial Management and Comptroller) reimburse the Defense Business Operations Fund - Transportation for the $40.4 million that was overreimbursed to the Air Force military personnel account. We did not receive comments from the Assistant Secretary of the Air Force (Financial Management and Comptroller). The Air Mobility Command provided comments through USTRANSCOM.

USTRANSCOM partially concurred with the finding and nonconcurred with the recommendation. Management stated that the components had adequately substantiated their calculation of military personnel costs, and could not have

adjusted their reimbursement amounts to reflect DoD Comptroller policy because DBOF's and the Services' accounting systems were not capable of calculating the reimbursement based on actual military personnel assigned. Management also stated that customer rates were not affected by the difference between military personnel costs as computed by the IG, DoD, and the amounts budgeted and actually reimbursed to the Air Force military personnel appropriation. In addition, the variance could not have caused DBOF to incur an operating loss, as we assumed on page 34 of the draft report, because military personnel costs are not part of the AMC billing rate structure. Management further stated that the Air Force determined the amount of AMC's reimbursement to the military personnel appropriation. In effect, the Air Force gave AMC funding for military personnel in the form of a direct Operation and Maintenance appropriation to the DBOF, and AMC returned the same amount to the Air Force as a reimbursement to the Air Force military personnel appropriation. There were no discrepancies in costs and no operating losses.

Audit Response. Although we did not request comments from USTRANSCOM, the comments we received were responsive. However, USTRANSCOM misinterpreted our statement on page 34 of the draft report. We did not assume that the DBOF incurred an operating loss because of an overpayment of military personnel costs; we did not discuss an operating loss. However, we were incorrect in stating that the $40.4 million affected AMC's customer rates. We considered USTRANSCOM'S comments and discussed this issue further with responsible personnel at USTRANSCOM and the Office of the Assistant Secretary of the Air Force. As a result, we withdrew our recommendation for the Air Force to reimburse DBOF $40.4 million.

However, our finding substantiates the inconsistency in the calculation of military personnel costs and the effect of this inconsistency on AMC's financial position. We have revised Recommendation 3. and have redirected it to the DoD Comptroller.

Response Requirements for Each Recommendation

Responses are required for the items indicated with an "X" in the chart below.

		Response Should Cover:			
Number	Addressees	Concur/ Nonconcur	Proposed Action	Completion Date	Related Issues
1.	USTRANSCOM[1]	X	X	X	IC[2]
2.	USTRANSCOM			X	
3.	DoD Comptroller	X	X	X	

[1]USTRANSCOM: U.S. Transportation Command

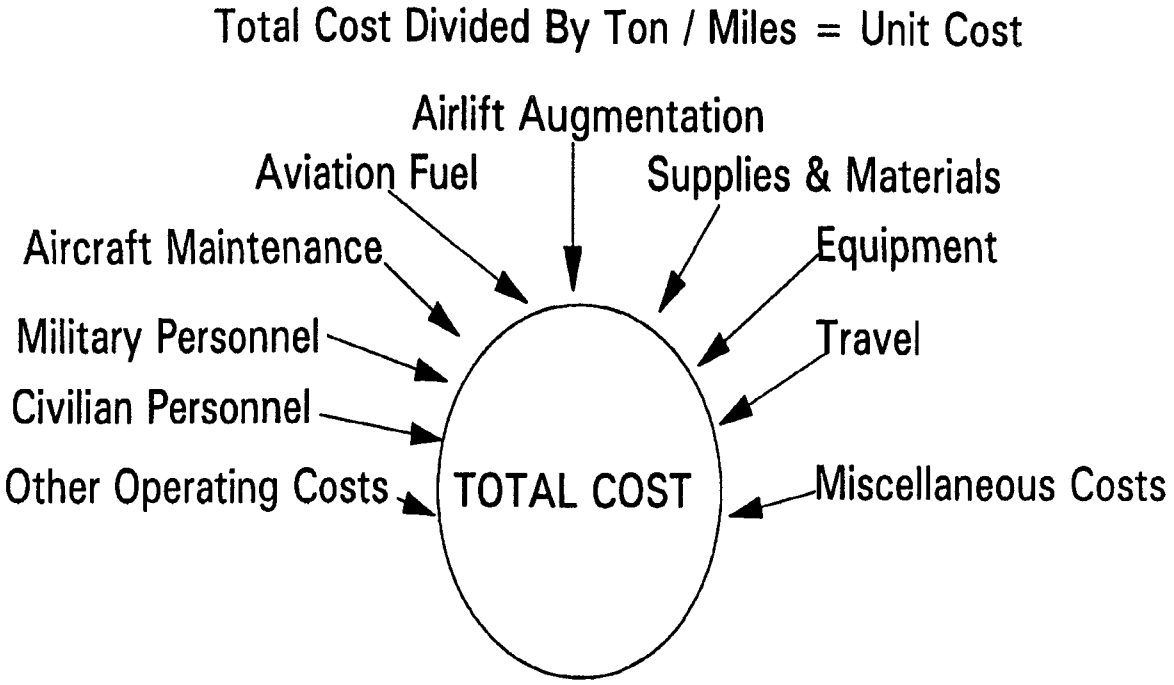
[2]IC = Material internal control weaknesses

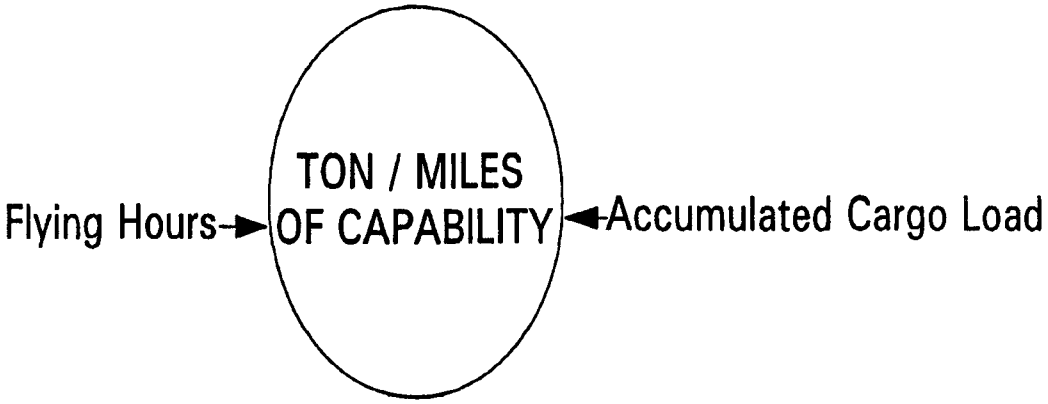
Part IV - Additional Information

Appendix A. Availability, Reliability, and Usefulness of Data

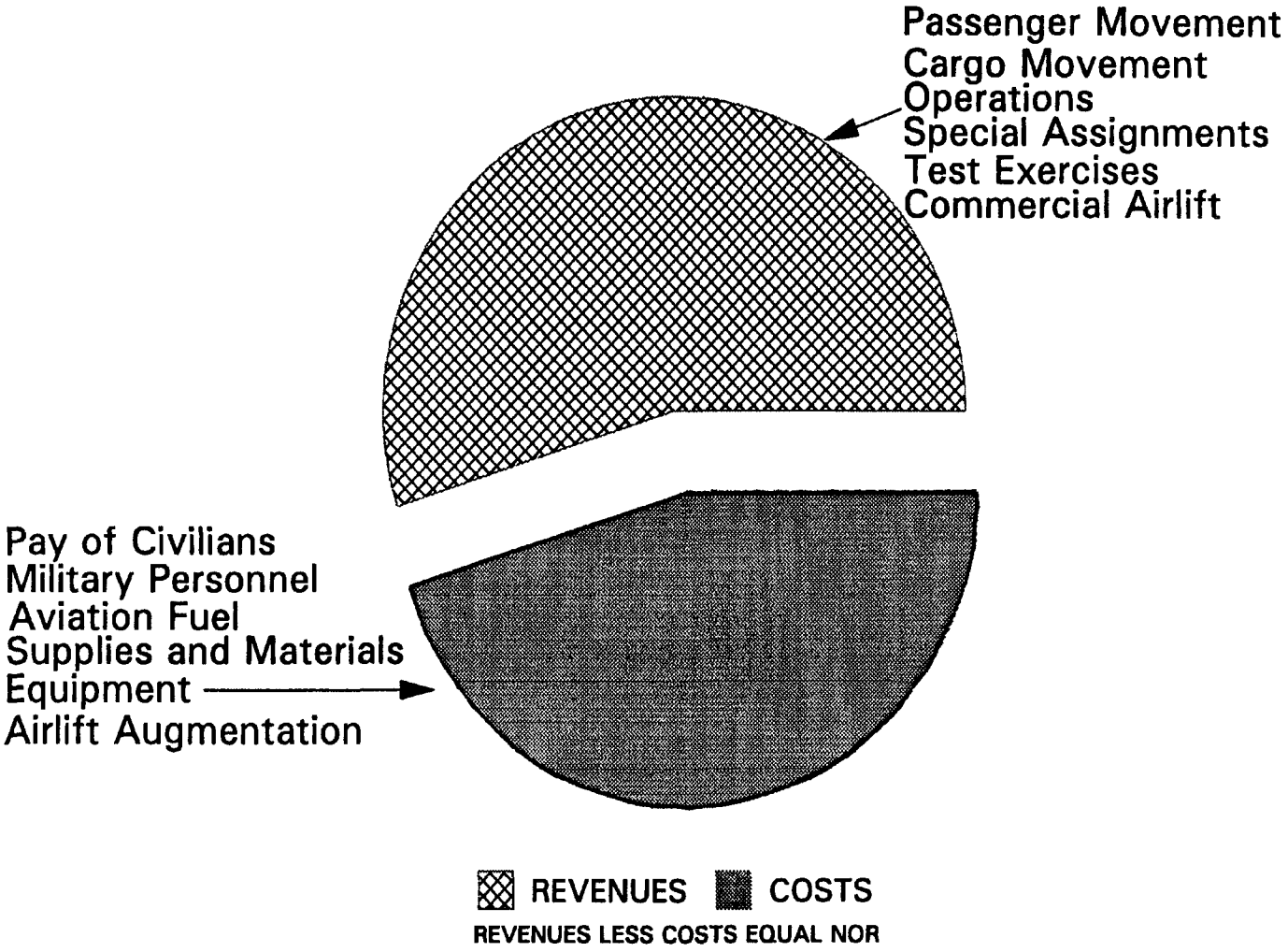
Management Data	Available?	Reliable?	Useful?
Mission	Yes	No	No
Mission - Oriented	No	No	No
Billing Rates	Yes	No	No
Funds Control	Yes	No	No
Control of Physical Assets	Yes	Yes	Yes
Billings	No	No	No

Appendix B. Selected Unit Cost Data Elements





Appendix C. Selected Net Operating Results Data Elements



Appendix D. Calculation of Air Mobility Command's Military Personnel Costs

Program Element Code	Average Monthly Number of Military Personnel and Cost Using AMC Policy Guidance		Cumulative Monthly Number of Military Personnel and Cost Using DoD Comptroller Policy Guidance [3]	
48020 A, B, C				
Officers	721	$ 52,864,000	8584	$ 608,500,480
Enlisted	2786	98,905,000	31744	1,070,217,639
Subtotal	3507	$151,769,000	40328	$1,678,718,119
48020 D, E				
Officers	1183	$ 86,794,000	14564	$1,046,537,861
Enlisted	7922	281,556,000	95375	3,263,589,504
Subtotal	9105	$368,350,000	109939	$4,310,127,365
48020 H, I				
Officers	240	$ 17,621,000	4807	$ 347,958,437
Enlisted	4172	148,719,000	50417	1,719,445,915
Subtotal	4412	$166,340,000	55224	$2,067,404,352
48020 J				
Officers	60	$ 4,499,000	457	$ 31,814,220
Enlisted	796	28,156,000	9118	284,080,907
Subtotal	856	$32,655,000	9575	$315,895,127
48020 K, L				
Officers	60	$ 4,499,000	739	$ 61,170,251
Enlisted	265	9,385,000	3481	126,659,269
Subtotal	325	$13,884,000	4220	$187,829,520

[3]To compare military personnel calculations using DoD Comptroller and AMC guidance, Headquarters, Department of the Air Force, recommended that we divide the sum of the monthly military personnel costs by 12 months to determine the average number of military personnel and the cost reimbursement.

Appendix D. Calculation of Air Mobility Command's Military Personnel Costs

Program Element Code	Average Monthly Number of Military Personnel and Cost Using AMC Policy Guidance		Cumulative Monthly Number of Military Personnel and Cost Using DoD Comptroller Policy Guidance	
48020 N				
Officers	203	$ 14,809,000	2334	$ 169,022,510
Enlisted	4053	144,388,000	46864	1,511,122,044
Subtotal	4256	$159,197,000	49198	$1,680,144,554
48020 P, Q				
Officers	87	$ 6,374,000	722	$ 59,434,329
Enlisted	308	10,829,000	3433	127,975,204
Subtotal	395	17,203,000	4155	$187,409,533
Total	22856	$909,398,000	272639	$10,427,528,570
Average Monthly Number of Military Personnel and Cost Reimbursement	22856	$909,398,000	22720	$868,960,714
Difference Between DoD Comptroller's and AMC's Calculations of Military Personnel Costs			(136)	($40,437,286)

Appendix E. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Type of Benefit
A.1.	Compliance. Following current MILSTAMP procedures will improve accuracy of transportation data.	Nonmonetary.
A.2.a.	Compliance. Following current MILSTAMP procedures and updating TACs will improve accuracy of data.	Nonmonetary.
A.2.b.	Compliance. Following MILSTAMP procedures will identify problem areas and improve transportation data.	Nonmonetary.
A.2.c.	Internal controls. Providing training for shipping and transportation personnel will reduce errors and allow better compliance with MILSTAMP.	Nonmonetary.
A.3.a.	Internal controls. Providing training for transportation personnel will reduce errors and allow better compliance with MILSTAMP.	Nonmonetary.
A.3.b., c., and d.	Internal controls. Improved validation of data and use of summary reports to assist in correcting data errors will strengthen internal controls over transportation data.	Nonmonetary.

Appendix E. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Type of Benefit
A.4.a.	Economy and efficiency. Improved and more timely collection of accounts receivable.	Nonmonetary.
A.4.b.	Economy and efficiency. Suspended cargo balances can be reduced.	Nonmonetary.
B.1.	Internal controls. The actual number of flying hours accrued for a period will be more accurate.	Nonmonetary.
B.2.	Compliance. Following DoD Comptroller policy will promote consistent application of procedures.	Nonmonetary.
B.3.	Compliance. Providing guidance on calculating military personnel costs for DBOF business areas will properly and consistently reflect the cost of doing business.	Nonmonetary.

Appendix F. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Comptroller of the Department of Defense, Washington, DC

Office of the Assistant Secretary of Defense

Office of the Assistant Secretary of Defense (Special Operations and Low-Intensity Conflict), Office of Humanitarian and Refugee Affairs, Washington, DC

Unified Command

U.S. Transportation Command, Scott Air Force Base, IL

Department of the Army

Office of the Deputy Chief of Staff for Logistics, Washington, DC
Military Traffic Management Command, Headquarters, Falls Church, VA
  Military Traffic Management Eastern Area Command, Headquarters, U.S. Army Garrison, Bayonne, NJ

Department of the Navy

Military Sealift Command, Washington, DC
  Military Sealift Command, Atlantic, Bayonne, NJ
Navy Supply Systems Command, Headquarters, Arlington, VA

Department of the Air Force

Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller), Washington, DC
Office of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment)
  Office of the Deputy Assistant Secretary (Installations), Bolling Air Force Base, Washington, DC

Department of the Air Force (cont'd)

Air Mobility Command, Scott Air Force Base, IL
- Air Mobility Command/Civil Engineering Resources and Real Estate, Scott Air Force Base, IL
- 375th Support Group/Civil Engineering Resources and Real Estate, Scott Air Force Base, IL

Air Force Materiel Command, Wright Patterson Air Force Base, OH

Defense Agencies

Defense Finance and Accounting Service
- Defense Finance and Accounting Service, Denver Center, Denver, CO
  - Defense Accounting Office, Air Mobility Command, Scott Air Force Base, IL
- Defense Finance and Accounting Service, Indianapolis Center, Indianapolis, IN
  - Defense Accounting Office, Bayonne, NJ

Headquarters, Defense Logistics Agency, Alexandria, VA
- Defense Logistics Management Systems Office, Alexandria, VA
- Defense Personnel Support Center, Philadelphia, PA
- Defense Distribution Depot, Susquehanna, PA

Appendix G. Report Distribution

Office of the Secretary of Defense

Deputy Under Secretary of Defense for Logistics
Comptroller and Chief Financial Officer of the Department of Defense
Assistant to the Secretary of Defense (Public Affairs)

Organization of the Joint Chiefs of Staff

Organization of the Joint Chiefs of Staff

Unified Command

Commander in Chief, U.S. Transportation Command

Department of the Army

Secretary of the Army
Auditor General, Department of the Army
Commander, Military Traffic Management Command

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Comptroller of the Navy
Auditor General, Department of Navy
Commander, Military Sealift Command

Department of the Air Force

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

Defense Agencies

Director, Defense Finance and Accounting Service
Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations

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

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations

Part V - Management Comments

United States Transportation Command

UNITED STATES TRANSPORTATION COMMAND
508 SCOTT DR
SCOTT AIR FORCE BASE IL 62225-5357

10 JUN 1994

MEMORANDUM FOR DoD IG (ATTN: Ms. Barbara Sauls)

FROM: TCJ8

SUBJECT: DoD IG Draft Audit Report, "Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations" (Project No. 3FH-2014) - INFORMATION MEMORANDUM

1. We have reviewed the DoD IG Draft Report, "Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations" (Project No. 3FH-2014) and have attached our response.

2. We have incorporated Air Mobility Command (AMC), Military Sealift Command (MSC), and Military Traffic Management Command (MTMC) comments into the USTRANSCOM response. If you have any questions or need further information, please contact Ms. Nancy Brown, TCJ8-B, DSN 576-4487.

FOR ROBERT R. OSTERHOUDT
Captain, USN
Director, Program Analysis
and Financial Management

Attachment:
USTRANSCOM Response

cc:
USTRANSCOM/TCJ1/TCJ3/J4/TCIG
AMC/FMAB
MSC/N85
MTMC/MTIR

Final Report Reference

USTRANSCOM COMMENTS ON
DoD IG DRAFT AUDIT REPORT, 29 APRIL 1994,
"MANAGEMENT DATA USED TO MANAGE THE U.S. TRANSPORTATION COMMAND AND THE MILITARY DEPARTMENT TRANSPORTATION ORGANIZATIONS"
(PROJECT NO. 3FH-2014)

1. **Executive Summary.**

a. Introduction (page i) and Part I, Background (page 4). Both sections state "USTRANSCOM and its components . . . employ about 29,000 military and civilian personnel." For clarity and to ensure the most up-to-date data is portrayed, recommend the sentence be changed to read as follows: "USTRANSCOM and its components . . . are authorized in total about 74,000 military and civilian personnel. Of that total, approximately 25,000 are in support of common-user transportation functions and are funded through the Defense Business Operations Fund-Transportation." (Numbers are authorized manpower levels "as of" the end of the second quarter, FY94, and have been rounded to the nearest thousand.)

b. Audit Results (page i). Our understanding of the audit's concern is that improperly completed or missing Transportation Control and Management Documents (TCMDs) had significant impact on the movement and billing for DoD shipments. We feel that billing problems did not significantly impact on cargo movement.

c. Audit Results (page i). The finding implies that the total MTMC unbilled accounts receivable of $68.4 million on 30 Sep 93 were the result of incomplete TCMD data discussed in Finding A. MTMC bills customers monthly. As such, $34.5 million of the accounts were categorized as receivable 0-30 days. These 0-30 day bills are billed in the ensuing month.

d. Internal Controls (page ii).

(1) The report concludes that the $68.4 million in unbilled accounts receivable is the result of missing or inaccurate transportation movement control documents. MTMC accumulates financial data and bills customers on a monthly basis. As such, unbilled financial data includes accounts 0-30 days which will be billed in the next financial cycle. At 30 Sep 93, unbilled receivables, 0-30 days, were $34.5 million.

(2) In regard to MSC's process for implementing the Federal Manager's Financial Integrity Act, per SECNAVINST 5200.35C, MSC, as a subordinate command of Department of Navy, is required to submit a statement of assurance only "when the results of either management control reviews (MCRs) or alternative management control reviews (AMCRs) (audits, inspections, investigations, etc.) are significant enough to

1

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report to the next higher superior in the chain of command . . ." (OPNAVINST 5200.25C and SECNAVINST 5200.35C contain Department of Navy policy on the Management Control Program.) Since the weaknesses identified in FY93 were correctable within MSC, the Department of Navy did not require these issues to be reported to higher authority. MSC, under Department of Navy instructions, was not required to submit a letter of assurance to their parent service. However, to support CINCTRANS' Annual Statement of Assurance, MSC documented Department of Navy Internal Management Control procedures in a 12 Oct 93 letter to USTRANSCOM.

e. Summary of Recommendations (page ii). MTMC has and will continue to work with shippers to assure compliance with MILSTAMP. Similarly, MTMC works with service representatives and accounting personnel to resolve billing problems. Comments on specific audit recommendations are addressed in comments on the findings.

2. **Part I.**

a. Scope Limitation (page 6). The report reference to the Army Audit Agency review of MTMC asset controls as part of their FY93 Chief Financial Officer Act audit should be changed to FY92.

b. Internal Control Weaknesses (page 7). See paragraphs 1d(1) and 1d(2) above.

3. **Part II.**

a. Financial and Nonfinancial Performance Measures (page 13). Audit notes that "MSC did not formally solicit feedback from its customers; however, it received feedback through after-action reports, exercises . . ." MSC plans to initiate customer satisfaction inquiries in connection with the performance measurement effort by the end of FY94.

15 and 16

b. Control of Physical Assets, HQ MSC (pages 16 and 17). MSC procedures on property accounting will be corrected to assure more accurate reporting.

4. **Finding A.** Transportation Data Used to Move Cargo and Bill Customers.

a. Background (page 20). Change last sentence to read ". . . movement of cargo overland, operation of ocean terminals, and booking of cargo with commercial ocean carriers and to MSC control vessels." Reason for change is to fully state the MTMC mission.

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b. Cargo Movement:

(1) First paragraph (page 21). Change words "customer or user" in first sentence to "shipper." Also, change last sentence to read "depot, supply center manager, or a DoD contracting activity."

(2) Second paragraph (page 21). Change the first sentence to read "MILSTAMP requires shippers to use the Transportation Control and Movement Document (TCMD), DD Form 1384, to document movement of cargo in the DTS. The TCMD provides information on the mode and method of transportation, priority of the movement, items contained, and the activity to be billed for the transportation services." Reason for change is that the first step in making a shipment is to determine as much as possible about the shipment. This is done on a shipment planning worksheet, not the TCMD. Detailed instructions for this process are included in DOD 4500.32R, MILSTAMP, Chapter Two. Once completed, data required for the Advanced TCMD, DD Form 1384, and other shipping papers are derived from this planning worksheet.

(3) Third paragraph (page 21). First sentence, delete word "advance."

(4) Fourth paragraph (page 21). Change first sentence to read "Shipping activities are responsible for entering correct TCMD data into MTMC systems that are used to support the many processes required for movement of cargo in the DTS."

c. TCMD, first paragraph (page 21). Change second sentence to read "TOLS is used by MTMC to produce the U.S. Government Ocean Manifest using the TCMD data provided by the shippers."

d. No Advance TCMD, first paragraph (page 22). Delete sentences three and four and add: "The advance TCMD is needed for preparation of the ocean manifest which is used to provide accountability and visibility of cargo moving in the DTS. The advance TCMD provides information about a shipment before it arrives at the export port. This shipment information is consolidated into the U.S. Government MILSTAMP Ocean Manifest. The manifest data is furnished to the receiving port of debarkation and the theater traffic manager to facilitate the movement of cargo through the port to the destination consignee." Reasons for suggested change are:

(1) The third sentence as written is misleading. Port authorities do not ship cargo and the advance TCMD is not used to advise the receiving activity of the containers' contents. The U.S. Government MILSTAMP Ocean Manifest data is used for this purpose.

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Final Report Reference

(2) The advance TCMD is needed to provide the military water clearance authority with mandatory MILSTAMP information. MTMC port activities update data and then use it to create the U.S. Government Consolidated Ocean Manifest. The TCMD data is the responsibility of the consignor/shipper.

(3) The manifest data is used to accomplish port customs clearance and provide the receiving port's theater traffic manager with information to be used during the planning and off loading of shipments.

(4) State Port Authorities operate/manage commercial terminals in their states. TCMDs are not needed for the export of commercial containers, but are used for the preparation of government manifest data provided to the receiving theater for planning purposes. As such, container exports are not delayed.

e. Missing or Incorrect Data on TCMD (page 22). Change words in first paragraph, first sentence ". . . sent through . . ." to read ". . . move in . . ." Also, at the end of second paragraph, MTMC does not understand the interface comment by DPSC. Shippers are responsible for the accuracy of TCMD data. System interfaces changes will not correct missing or incorrect data problems.

f. Cargo Manifest (page 24). Second sentence, the phrase ". . . the container contents . . ." is incorrectly used in that this is not a data element. Suggest following paragraph be substituted: "Shipment units are managed throughout the transportation process using a unique 17 position Transportation Control Number (TCN). The TCN and a 4 position Transportation Account Code (TAC) are the two critical data elements contained in the manifest that allow the proper customer billing for transportation services rendered by MTMC and MSC. The advance TCMD includes container content records which contain these two critical data elements and must be available, accurate, and reliable to produce an accurate U.S. Government Ocean Manifest."

g. Missing Container Items (page 25). Second sentence, suggest words "The Director" be deleted. Reason, there is no individual in MTMC with this title. Also, the last sentence of this paragraph should be deleted. The shipper is responsible for the accuracy of the TCMD data, not MTMC/MSC.

h. Military Ocean Terminal-Bayonne (MOTBY) Effort (page 25). Suggest first sentence be changed to read: "Personnel at MOTBY are responsible for ensuring export shipments are manifested." Add: "The personnel at the shipping activity are responsible for forwarding the Advance TCMD to the clearance authority and ensuring shipping papers (container manifests) accompany the shipment/container to the ocean terminal. The personnel at the

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military manifesting activity are responsible for consolidating individual shipment information into the U.S. Government MILSTAMP Ocean Manifest." Last sentence of this paragraph should be deleted. Reason and additional comments are:

(1) MOTBY does not electronically transmit a manifest to the ship.

(2) MOTBY is responsible for providing vessel papers (modified MILSTAMP data) to vessels if they are loaded at the military ocean terminal. This is a "hard copy" product document which is delivered to the vessel master prior to the ships' sailing.

(3) MTMC port activities update the official shipment record (Advance TCMDs) with receipt and lift (loaded aboard export vessel) data. The ocean manifest data is then prepared and sent to the port of debarkation.

(4) Failure of the consignor/shipper to meet Advance TCMD requirements of MILSTAMP puts port activities in the position of manually creating the official shipment record needed for the MILSTAMP manifests.

i. Transportation Services (pages 25 & 26). Delete sentence that reads: "To ensure that cargo is moved promptly, MILSTAMP allows shipping activities to use a nonsignificant (incorrect) TAC if the correct one is not known." Reasons are: 26

(1) MILSTAMP does not allow shipping activities to use nonsignificant (unknown) TACs.

(2) Use of these TACs were designed for use by military terminals to avoid delay of shipments (usually high priority airlift) when a shipment has arrived at the terminal without a prior advance TCMD and no TCMD has accompanied the shipment.

j. Suspended Cargo Billings (page 26). Change first sentence "transported overland" to read "manifested."

k. Terminal On-Line System (page 26). General comment. 27
TOLS is not an electronic link between shipping activities and MTMC. Rather, TOLS provides an electronic link between the Water Clearance Authority (WCA) located at the MTMC area commands and the port manifesting activities located at various ports. TOLS allows the port activities to update shipment records and initiate U.S. Government Ocean Manifest. The WCA then distributes the manifest in accordance with MILSTAMP. DPSC, as a DOD consignor, is responsible for their vendor shipping activities. DPSC is not linked to the TERMS/TOLS system.

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1. Edit Checks in TOLS (page 27). Last sentence, reference to weight of cargo determining the cubic feet needed on a ship is incorrect. The accuracy of both weight and cube are important but are used for different purposes. Weight and cube data is used by carriers to ensure proper stowage aboard the vessel. Cube data is used by both MTMC and MSC for billing purposes.

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m. Plans for Transportation Systems (pages 27 & 28). Comment on Payment Reconciliation System. The intent of this system is to reconcile booking information with manifest information to ensure correct payment to ocean carriers. The reconciliation will not eliminate the need to validate the accuracy of TACs.

n. Conclusion (page 28). Worldwide Port System (WPS) has completed system testing and is currently being fielded in overseas ports. Plans are for CONUS fielding to be complete during 1995, at which time it will replace the TOLS system. WPS has been nominated by MTMC to JTCC to be the migration system for ocean terminal cargo documentation.

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o. Recommendations for Corrective Action (pages 29 & 30). Recommendation #3:

Revised

(1) Recommendation 3a. Determine training needs and develop a program to train personnel at the Military Traffic Management Command activities in the Military Standard Transportation and Movement procedures.

USTRANSCOM COMMENT: Partially concur. Note, this is a duplicate of recommendation 2c. MILSTAMP data entry is the responsibility of the shipper activity. Training programs are the function of the Director, Defense Logistic Management Office. As such, MTMC will identify and obtain MILSTAMP training from existing training sources. Recommend this item be closed.

(2) Recommendation 3b. Develop an interim method of validating the data entering and exiting the Terminal On-Line System.

USTRANSCOM COMMENT. Nonconcur. Fielding of the Worldwide Port System (WPS) has begun and CONUS fielding will be completed during 1995. The WPS will replace the Terminal On-Line System (TOLS). Given the short term replacement of TOLS by WPS, interim modifications to TOLS is not warranted. In fact, modifications would require the diversion of WPS resources and impact on its fielding. Recommend this item be closed.

(3) Recommendation 3c. Establish internal controls over the information in the Weekly Shipper Transportation Control and Movement Document Error Listings.

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USTRANSCOM COMMENT. Nonconcur. Do not understand the intent of this recommendation. The report does not identify what controls need to be established. During the audit, MTMC discussed with the auditors the command goal to summarize data in the error listings in order that they will be more useful to services and shippers in identifying common TCMD preparation problems. These efforts are continuing and should help improve the overall quality of TCMDs received from the shippers. Although this report is referred to as a "weekly" report, it is actually a daily TCMD error summary and is used by service representatives at the area commands to correct documentation problems. Recommend this item be closed.

(4) Recommendation 3d. Provide the Monthly Military Traffic Management Command Shipper Effectiveness Summaries to responsible persons within the Services and agencies in a timely manner to assist them in correcting transportation data problems.

USTRANSCOM COMMENT. Concur. However, these reports are a summary of the "weekly"/"daily" error listings. Since these reports are provided to the services on a monthly basis, they are not intended to be used for correcting transportation data problems. Rather, they are of historical value for services to evaluate the overall quality of TCMD preparation. The MTMC goal is to improve these summaries and encourage shippers not to make the same type of mistakes when preparing their future TCMDs. Recommend this item be closed.

(5) Recommendation 3e and 3f. Provide Service representatives to work with the Defense Accounting Office-Bayonne and with the Military Sealift Command to: (a) Identify all outstanding accounts receivable/cargo bills and reasons for the outstanding bills; (b) Determine the data required to liquidate these bills; and (c) Bill or rebill the customers for the cargo.

Redirected and Renumbered 4a, 4b p. 32, 33

USTRANSCOM COMMENT. Partially concur. Service representatives are not assigned to the command. However, service representatives are at the area commands. These representatives and MTMC staff routinely work to resolve billing issues. Recommend this item be closed.

5. **Finding B.** Data Used to Measure Mission Results (MILPERS Rates).

a. DoD IG Findings:

(1) USTRANSCOM's components could not substantiate their calculation of military personnel costs used to determine the DBOF reimbursement of the Service's military personnel accounts and NOR.

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USTRANSCOM COMMENT: Nonconcur. USTRANSCOM components provided DoD IG with adequate backup that substantiated how the MILPERS were priced. The pricing guidance that determined the amount of reimbursement each component would reimburse in the budget was based on the best available guidance at that time.

(2) The OSD(C) issued guidance on calculating military personnel costs after the FY93 budget was approved. However, the components had sufficient time to adjust their final reimbursement amount to reflect DoD Comptroller policy.

USTRANSCOM COMMENT: Nonconcur. The 29 Sep 92 OSD(C) memorandum was not issued in time to effectively set up procedures and systems to execute that policy. Overall, DBOF accounting systems, as well as the service's MILPERS tracking systems, never had the capability to reimburse based on actual on board. This is why the policy was changed to require the DBOF to reimburse the MILPERS appropriation for the amount in the DBOF budget. In the early implementation of DBOF, budgetary guidance generally preceded policy/accounting guidance with often conflicting requirements.

(3) OSD(C) adjusted the amount of the reimbursement upward because MTMC used a different number of MILPERS authorizations.

USTRANSCOM COMMENT: Concur. The discrepancy in numbers of MILPERS was not an error or oversight on the part of MTMC but was due to one of the DBOF implementation measures directed by OSD(C) in PBD 412, which transferred MTMC headquarters personnel into the DBOF.

(4) AMC could not substantiate the composite rate applied against MILPERS.

USTRANSCOM COMMENT: Concur. AMC utilized MILPERS figures provided by SAF/FMBOP. SAF/FMBOP should have been questioned on methodology.

(5) We also found no evidence that USTRANSCOM required components to use DoD Comptroller policy.

USTRANSCOM COMMENT: Concur. During that time frame we were not fully staffed and not in a position to oversee detailed budgeting and execution issues. In addition, the distribution for the OSD 29 Sep 92 policy memorandum did not include USTRANSCOM. As a result, even if we could have changed the budgeting and execution of MILPERS, OSD did not make us aware of the change in policy.

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b. Recommendations for Corrective Actions (pages 34 & 35). 37, 38, and 39

(1) Recommendation 1: We recommend that the Commander, Air Mobility Command, request that the Air Force Materiel Command establish cutoff dates within the Reliability and Maintainability Information System to allow the system to allocate flying hours used in calculating unit cost.

USTRANSCOM COMMENT: Nonconcur. During FY1/94, a total of 81,487.3 flying hours were reported, and all but .5 hours were accounted for within REMIS. This is .0006 percent of the hours reported and is within acceptable accounting standards. Data System Designator G081 is used to feed all DBOF-T flying hour data to REMIS and provides an accurate baseline to ensure REMIS is updated correctly. A change request has already been submitted for REMIS that will simplify the task of ensuring accurate reporting. This change is not urgent since we are currently able to accomplish accurate reporting. This audit was performed immediately following the worst period of flying hour and status reporting in the past 20 years, caused by implementation of new software. The environment has now stabilized. Recommend this item be closed.

(2) Recommendation 2: We recommend that the Commander in Chief, U.S. Transportation Command, require the Military Traffic Management Command, Military Sealift Command, and the Air Mobility Command to follow DoD Comptroller Policy for calculating military personnel costs.

USTRANSCOM COMMENT: Concur. We already issued MILPERS pricing guidance for the FY95 President's Budget (PB) and the upcoming FY96 Budget Estimate Submission (BES) which reflects all budget guidance available pertaining to MILPERS pricing from OSD(C). Recommend this item be closed.

(3) Recommendation 3: We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller) reimburse the Defense Business Operations Fund for Transportation for the $40.4 million overreimbursement made to the Air Force military personnel account. Withdrawn

USTRANSCOM COMMENT: Nonconcur. As stated in the last paragraph of the findings on page 34 of the draft audit report, this recommendation is based on the assumption that the DBOF incurred an operating loss due to overpayment to MILPERS which has significantly affected customer rates. This assumption is erroneous since no operating loss was recorded nor should have been recorded due to the variance between the DoD IG computed MILPERS cost and that which was budgeted and actually reimbursed to the Air Force MILPERS appropriation.

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For purposes of exercising the mobility assets maintained by AMC, AMC rates are capped at commercial equivalent levels. The difference between the cost of maintaining the airlift capability and the revenue received from AMC customers is financed by a direct appropriation from the Air Force. MILPERS cost is one of the elements that makes up the amount of the direct appropriation or subsidy to AMC. Consequently, MILPERS is not part of the AMC billing rate structure which makes it impossible for MILPERS to cause an operating loss to AMC. Further, Air Force determined the amount they needed AMC to reimburse to the MILPERS account. In effect the Air Force gave AMC funding for MILPERS in the form of a direct O&M appropriation to the DBOF-T and AMC gave the exact same amount of funding back to the Air Force in the form of a reimbursement to the Air Force MILPERS appropriation. Bottom line--there were no discrepancies in cost and no operating losses. Recommend this item be closed.

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Defense Logistics Agency

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

IN REPLY REFER TO DDAI

13 JUN 1994

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: OIG Draft Report on "Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations" (Project No. 3FH-2014)

1. This is in response to your 29 April 1994 request.

2. We appreciate the additional time to get our responses in. As you know, part of the delay was because some of the recommendations, 2.a-2.c, were inappropriately directed towards the Defense Logistics Management Standards Office (DLMSO). They should have been directed to the Director, Defense Logistics Agency (DLA). In the future, we request you hold an exit meeting with DLA Headquarters to resolve this sort of problem.

JACQUELINE G. BRYANT
Chief, Internal Review Office

Encl

cc:

DLMSO
MMDT
CA
FO

Final Report Reference

FORMAT 1 OF 10

TYPE OF REPORT: AUDIT DATE OF POSITION:

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

FINDING A: **Transportation Data Used to Move Cargo and Bill Customers.** Critical transportation data needed to move cargo and bill customers were often unavailable, inaccurate, unreliable, and therefore not useful. These conditions occurred because shipping activities and transportation elements did not follow existing internal controls over transportation data, and transportation systems supporting the data did not interface. As a result, duplicative efforts were required to ensure the prompt movement of cargo; and as of September 30, 1993, $68.4 million in accounts receivable for transportation services was unbilled, and $25.4 million in cargo billings was suspended.

DLA COMMENTS:
(DLMSO) The DOD MILSTAMP System Administrator administers MILSTAMP in accordance with the policy guidance of the DUSD(L)TP. The policies and procedures to ensure that critical transportation data is provided as required are incorporated in MILSTAMP. Service/Agency compliance with MILSTAMP is required for all shipments entering the Defense Transportation System. The following comments are provided concerning the text of subject report:

Page ii: (Summary of Recommendations) Change first sentence to read "We recommend that MTMC, the Director, DLA; and the Services'...". Rationale: This statement addresses internal controls at shipping activities which are under oversight of the Director, DLA, not the Director, DLMSO.

Page 20: (Background) Add after third sentence: "All activities using the DTS, including other DoD activities, non-DoD activities, and vendors, must comply with the provisions of MILSTAMP." Rationale: This statement clarifies the use of the DTS.

Page 21: (Cargo Movement) Change second sentence to read: "The shipping activity may be ...or supply center manager or vendor." Rationale: This clarifies that shipments into the DTS are also made by vendors.

Page 26: (Top of page, continuation of Transportation Services): Change "...MILSTAMP allows shipping activities to use a nonsignificant (incorrect) TAC..." to read "...MILSTAMP allows port personnel to assign a nonsignificant Service/Agency TAC if a shipment arrives at the port without a TAC and research does not provide the actual TAC. Each Service/Agency provides a nonsignificant TAC for this purpose. The

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nonsignificant TAC is billed to the Service/Agency and the Service/Agency is responsible for determining what specific funds should be charged." Rationale: This clarifies the intent of the nonsignificant TAC. It is not an incorrect TAC. It is an established procedure to allow movement of material when the specific TAC can not be determined in a reasonable amount of time.

DISPOSITION:
(X) This is a routine part of our mission and an ongoing process.
( ) Action is considered complete.

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:
INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
(X) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Pat Marten, DLMSO-PM, 274-4701 ext 403, 13 May 94
REVIEW/APPROVAL: H. E. Perdieu, Director, DLMSO, 13 May 94
COORDINATION: Bradley M. Lott, Colonel, CA, 23 May 94
L. Coulter, DDAI, 274-9605, 9 Jun 1994
Lott, 10 June 94

DLA APPROVAL:

10 MAY 1994

Final Report Reference

FORMAT 2 OF 10

TYPE OF REPORT: AUDIT DATE OF POSITION:

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

RECOMMENDATION A.1.a. We recommend that the Director, Defense Logistics Management Standards Office obtain copies of the Military Traffic Management Command's monthly summaries of discrepancies in Transportation Control and Movement Documents.

DLA COMMENTS:
(DLMSO) Concur. Current MILSTAMP and recommendation 3.d. direct MTMC to provide monthly summaries of discrepancies in TCMDs to the Services and Agencies, including DLMSO. DLMSO will followup with MTMC for compliance.

DISPOSITION:
(X) This is a routing part of our mission and an ongoing process.
( ) Action is considered complete.

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:

INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
(X) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Pat Marten, DLMSO-PM, 274-4701 ext 403, 13 May 94
REVIEW/APPROVAL: H. E. Perdieu, Director, DLMSO, 13 May 94
COORDINATION: Bradley M. Lott, Colonel, CA, 23 May 94
L. Coulter, DDAI, 9 Jun 94
[illegible], DDAI, 10 Jun 94

DLA APPROVAL:

10 MAY 1994

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FORMAT 3 OF 10

TYPE OF REPORT: AUDIT DATE OF POSITION:

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AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

RECOMMENDATION 1.b. We recommend that the Director, Defense Logistics Management Standards Office analyze the reports for problems with the transportation procedures.

DLA COMMENTS:
(DLMSO) Concur, with comments. DLMSO will analyze the reports in coordination with the Service/Agency MILSTAMP Focal Points in accordance with recommendation 2.b.

DISPOSITION:
(X) This is a part of our mission and an ongoing process.
( ) Action is considered complete.

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:
INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
(X) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Pat Marten, DLMSO-PM, 274-4701 ext. 403, 13 May 94
REVIEW/APPROVAL: H. E. Perdieu, Director, DLMSO, 13 May 94
COORDINATION: Bradley M. Lott, Colonel, CA, 23 May 94
L. Coulter, DDAI, 9 Jun 94
10 June 94

DLA APPROVAL:

16 MAY 1994

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AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

RECOMMENDATION 1.c. We recommend that the Director, Defense Logistics Management Standards Office identify system deficiencies that hinder the Services' compliance with Military Standard Transportation and Movement Procedures.

DLA COMMENTS:
(DLMSO) Concur, with comments. The Director, DLMSO will identify system deficiencies that hinder compliance with MILSTAMP in coordination with Service/Agency MILSTAMP Focal Points in accordance with recommendation 2.b.

DISPOSITION:
(X) This is a routine part of our mission and an ongoing process.
( ) Action is considered complete

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:

INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
(X) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Pat Marten, DLMSO-PM, 274-4701 ext. 403, 13 May 94
REVIEW/APPROVAL: H. E. Perdieu, Director, DLMSO, 13 May 94
COORDINATION: Bradley M. Lott, Colonel, CA, 23 May 94
L. Coulter, DDAI, 9 Jun 94
10 Jun 94

DLA APPROVAL:

10 MAY 1994

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TYPE OF REPORT: AUDIT DATE OF POSITION:

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AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

RECOMMENDATION 1.d. We recommend that the Director, Defense Logistics Management Standards Office correct the problems in a timely manner.

DLA COMMENTS:
(DLMSO) Concur, with comments. The Director, DLMSO can only correct problems that deal with policy and procedure. DLMSO will work with the Service/Agency MILSTAMP focal points to eliminate problem areas identified by the Service/Agency focal points and referred to DLMSO for resolution.

DISPOSITION:
(X) This is a routing part of our mission and an ongoing process.
(X) Action is considered complete.

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:

INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
(X) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Pat Marten, DLMSO-PM, 274-4701 ext. 403, 13 May 94
REVIEW/APPROVAL: H. E. Perdieu, Director, DLMSO, 13 May 94
COORDINATION: Bradley M. Lott, Colonel, CA, 23 May 94
L. Coulter, DDAI, 9 Jun 94
[illegible], DDAI, 10 Jun 94

DLA APPROVAL:

10 MAY 1994

[signature]
LAWRENCE P. FARRELL, JR.
Principal Deputy Director

Final Report Reference

FORMAT 6 OF 10

TYPE OF REPORT: AUDIT DATE OF POSITION:

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

Redirected to DLA

RECOMMENDATION 2.a. We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Chief, Air Force Materiel Command Traffic Management Branch; and the Director, Defense Logistics Management Standards Office provide timely updates of transportation account codes to the shipping activities, representatives of the Military Traffic Management Command, and the respective billing and collecting activities.

DLA COMMENTS: We concur. DLA reports the changes to the Transportation Account Codes immediately to the MILSTAMP Group (DLMSO-PM) for dissemination to the appropriate activities.

This should be addressed to the Director, DLA instead of the Director, DLMSO.

DISPOSITION:
(X) This is a routing part of our mission and an ongoing process.
( ) Action is considered complete.

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:
INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
( ) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Betty Mills, FOX, 274-6100, 8 Jun 94
REVIEW/APPROVAL: Capt Roundtree, FO, 274-6203, 9 Jun 94
COORDINATION: Joe Wargo, FOX, 274-6100, 9 Jun 94
LaVaeda Coulter, DDAI, 274-9605, 9 Jun 94
[illegible], DDAI, 10 Jun 94

DLA APPROVAL:

10 [illegible]

[illegible] PARNELL, JR.
Major General USAF
Principal Deputy Director

Final Report Reference

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TYPE OF REPORT: AUDIT DATE OF POSITION:

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND #: Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations (Project No. 3FH-2014)

RECOMMENDATION 2.b.(1). We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Chief, Air Force Materiel Command Traffic Management Branch; and the Director, Defense Logistics Management Standards Office use Military Traffic Management Command's monthly summaries of discrepancies in Transportation Control and Movement Documents to review shipping activities' noncompliance with the Military Standard Transportation and Movement Procedures. Redirected to DLA

RECOMMENDATION 2.b.(2). We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Chief, Air Force Materiel Command Traffic Management Branch; and the Director, Defense Logistics Management Standards Office use Military Traffic Management Command's monthly summaries of discrepancies in Transportation Control and Movement Documents to identify problem areas.

RECOMMENDATION 2.b.(3). We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Chief, Air Force Materiel Command Traffic Management Branch; and the Director, Defense Logistics Management Standards Office use Military Traffic Management Command's monthly summaries of discrepancies in Transportation Control and Movement Documents to develop or strengthen internal controls to reduce noncompliance.

RECOMMENDATION 2.c. We recommend that the Deputy Chief of Staff for Logistics, Department of the Army; the Assistant Commander for Navy Material Transportation; the Chief, Air Force Materiel Command Traffic Management Branch; and the Director, Defense Logistics Management Standards Office determine training needs and develop a program to train personnel at shipping activities activities in Military Standard Transportation and Movement Procedures. Redirected to DLA

DLA COMMENTS: Concur with comments. There appears to be a general consensus in the report that all "uncleared freight is due to shipping organization errors. The unstated implication is that the sole reason the materiel arrives at the water port without ATCMD data is due to shipping activities ignoring stated policies. This is not always true. There have been problems with the TOLS system interfacing with DLA systems to except TCMD data. There have been instances when data has "dropped" out of the communication systems. In each case, we took the necessary corrective action.

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The report also indicated that TCMDs at DDSP were transmitted once every 24 hours. Since we recognized that materiel was often flowing to the port faster than the electrons, we instructed all DLA activities to submit TCMD data at 0700 each day and every two hours through the business day.

Region Transportation Officers and HQ's personnel review the Military Traffic Management Command's (MTMC's) summary report every month. This office is working with Region personnel and MTMC personnel to identify problem areas in the report and to identify DLA shipping activities that are not in compliance. This office provided policy and guidance to field activities to insure internal controls are in place so that we comply with Military Standard Transportation and Movement Procedures (MILSTAMP). The U.S. Army Transportation School at Ft. Eustis provides HQ personnel and field personnel MILSTAMP training, followed up by OJT.

The Direct Vendor Delivery (DVD) issue is a special challenge. However, the arrangements described in the report such as providing "dummy" TCMD data have been developed with MTMC coordination and approval.

We recognize the need to constantly improve our TCMD processes and procedures. We had several meetings with Service personnel and field activities to improve the process. We have recently requested input from the field activities to re-design the TCMD data and streamline the process.

These recommendations should be addressed to the Director, DLA instead of the Director, DLMSO.

DISPOSITION:
(x) This is a routine part of our mission and a on-going process.
( ) Action is considered complete.

RECOMMENDATION MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:
INTERNAL MANAGEMENT CONTROL WEAKNESS:
( ) Nonconcur.
( ) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Vince Trinka, MMATP, x46754, 6/9/94
REVIEW/APPROVAL: James Grady, Deputy Executive Director, Supply Management, MMSD, x70509, 6/9/94
COORDINATION: A. Broadnax, DDAI, x49607, 6/9/94

DDAI, 10 Jun 94

DLA APPROVAL:

LAWRENCE P. FARRELL, JR.
Major General, USAF
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