

United States General Accounting Office

GAO

Report to the Honorable
Alfonse M. D'Amato, U.S. Senate

AD-A285 706



September 1994

HOUSEHOLD GOODS

Administrative Changes Would Improve DOD's Do-It-Yourself Moving Program



3218
94-32758



National Security and
International Affairs Division

B-182381

September 27, 1994

The Honorable Alfonse M. D'Amato
United States Senate

Dear Senator D'Amato:

In response to your request, we reviewed the Department of Defense's (DOD) Do-It-Yourself (DITY) program, a voluntary program in which service members move their own household goods or arrange to have them moved by a private company. Under DITY, service members receive 80 percent of what it would have cost the government to ship the goods by a commercial carrier. The program is designed to provide a savings to the government while at the same time providing extra income (in the form of a cash incentive) to participating members.

Our objectives in reviewing the DITY program were to (1) assess the extent to which service members were using the program, (2) determine whether DOD was adequately making service members aware of the program's benefits, and (3) ascertain whether DOD had sufficient controls to ensure that the program was cost-effective.

Results in Brief

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The number of DITY moves has increased significantly over the years. In fiscal year 1977, DOD reported about 28,000 DITY moves. In 1982 the number had increased to over 60,000. In the 2 most recent years for which data were available, 1992 and 1993, the numbers had increased to more than 156,000 and 147,000, respectively. Since 1977, the number of domestic commercial shipments has remained constant, at roughly 200,000 a year.

Service members were either made aware of the DITY program by DOD personal property transportation offices or were aware of it prior to transportation counseling. However, DOD transportation offices did not always make a concerted effort to adequately explain the DITY program to service members. Our discussions with transportation counseling officials established that the cash incentive was the primary motivating factor for participating in the program. However, the officials did not routinely calculate the amount of cash a member could receive, unless the member was already inclined toward participation.

DOD does not know for sure that the DITY program is used only when it is cost-effective. The amounts paid under DITY are sometimes higher than the

cost DOD would have paid if it had arranged for the commercial moves because DOD does not consider discounts offered by commercial carriers in computing the DITY payment. When DOD pays these higher costs, it violates the statute that authorizes the payment of DITY cash incentives.

Background

Military service members are generally entitled by statute to have their personal property, including household goods, moved at government expense if they are under permanent-change-of-station orders or are retiring or being separated. Each year, DOD spends hundreds of millions of dollars to hire commercial carriers to pack, transport, and store its service members' personal property.

Under the DITY program, service members move themselves using their privately owned vehicles or rental trucks and trailers or by personally hiring a commercial carrier for the actual transportation. The member is responsible for all packing, loading, unloading, and unpacking. Service members participating in this voluntary program receive taxable cash incentives equal to the difference between the amount authorized and expenses incurred. The amount authorized is equal to 80 percent of what it would have cost the government to use a commercial carrier.

When a service member participates in the DITY program, he or she meets with a transportation counselor and provides the counselor with an estimate of the weight of the goods to be shipped and their location and destination. Using the applicable military service regulation and mileage guide, the counselor determines the mileage between the service member's origin and destination. The counselor then uses the weight estimates and mileage to calculate the price carriers would charge. DOD calculates this using the baseline rates contained in domestic, personal property rate solicitations published by the Military Traffic Management Command, DOD's personal property traffic manager. A \$5.00 per hundredweight charge for packing is added. For local moves, the counselor simply uses the local commercial carrier's contract rate to calculate the price the commercial carrier would charge.

Number of DITY Moves Has Increased Significantly Over the Years

According to military service data, DOD funds about 150,000 DITY moves each year. For example, the services made 156,528 DITY moves in fiscal year 1992 and 147,656 in fiscal year 1993. The numbers represent both local and intercity moves. Local moves are typically those in which service

members move from local economy to on-post housing. Intercity moves are those typically between duty locations in the 48 contiguous states.

These figures represent data from 62 Army reporting activities, 24 Navy, 68 Air Force, and 12 Marine Corps, within the 48 contiguous states. The figures are conservative because 2 of the Marine Corps' most active DITY bases could not provide data for fiscal year 1992, and 8 Army activities, 12 Navy, and 6 Air Force could not provide data on their DITY moves for fiscal years 1992 or 1993. Table 1 shows the number of DITY moves reported by branch of service.

Table 1: DITY Moves by Branch of Service (Fiscal Years 1992 and 1993)

Branch of service	Fiscal year	
	1992	1993
Army	60,082	56,452
Navy	26,277	26,410
Air Force	62,714	50,547
Marine Corps	7,455	14,247
Total	156,528	147,656

Source: Army, Navy, Air Force, and Marine Corps DITY program managers.

The number of DITY moves has increased significantly over the years. In fiscal year 1977, for example, DOD reported about 28,000 DITY moves. In 1982 the number had increased to over 60,000. In the most recent years for which data were available, 1992 and 1993, the numbers more than doubled.

Although the number of DITY moves has increased dramatically over the years, the number of commercial moves each year still outnumber DITY moves. DOD makes about 200,000 commercial moves in the 48 contiguous states each year. This number has remained constant for many years, including fiscal years 1977, 1982, 1992, and 1993. We believe that many of these shipments were candidates for DITY.

Not all the commercial shipments would have been candidates for DITY. Some were too large for safe handling in a typical rental vehicle. Others were moved into or out of long-term storage and required special crating that would have made handling them as a DITY move impractical. In other cases, the member was overseas and not at the location where the shipment was to originate.

Members Generally Aware of DITY Program but Not the Amount of the Cash Incentive

Information we obtained from military counseling offices and service members who have made commercial moves indicates that, in general, members were made aware of the DITY program or were aware of it prior to the time they were given transportation counseling. They were not, however, always provided with detailed information about the amount of money they could receive from the program unless they initiated the request for such information. Yet, money was the primary reason that members participated in the program.

DOD regulations require installation commanders to establish personal property transportation offices that (1) ensure that all service members are made aware of all responsibilities and entitlements in the personal property shipping program and (2) provide all services to which the members are entitled. At each military post or base, counselors are assigned responsibilities to advise service members of their transportation entitlements and allowances. It is the service members' responsibility to report to the personal property transportation office for counseling, usually at least 30 days in advance of any move.

At the 39 military service personal property transportation offices we visited or contacted, we found that typically when a member called in to the office requesting an appointment for transportation counseling, the member was usually asked a simple question: Are you planning a DITY move? The counselors needed a response so they could schedule a particular type of counseling session. If the member was planning a DITY move, some offices arranged for a group DITY briefing and then an individual session to complete the paperwork. Others had an individual DITY session. However, if the member did not already express an interest in the program, the transportation officials did not always provide the member a form explaining the costs and benefits of both a commercial and DITY move at the pre-move session. The members were not always informed of the prevailing local rental truck rates or the possibility of obtaining a commercial carrier to assist in the handling of a DITY move. Seldom were members given the estimate of the amount they would be receiving in the program or detailed information about the tax consequences of the DITY cash incentive.

The transportation officials viewed their responsibility regarding the DITY program as neutral. In other words, although they believed that they had to ask whether a member wanted to make a DITY move, they did not have to try to sell or promote the program. They believed that the burden of responsibility to use the program rested with the member, regardless

whether or not the government might be able to reduce its transportation costs if the member chose to participate in the program.

According to the officials, few, if any, members were unaware of the program at the time of their pre-move counseling. Nearly everyone, they believed, had already been aware of the program before they came to them for counseling. For example, it had been their experience that members had heard about the program from their friends or co-workers. Rental truck companies sometimes published ads in the local post or base newspapers promoting the program. Sometimes the transportation offices ran articles about the program in the local newspapers to help explain the options members had for their moves. Most counseling offices displayed company promotional brochures. Also, the program was mentioned in the DOD/service pamphlet, entitled "It's Your Move." Navy, but not other military services' relocation orders included a paragraph about the availability of the program.

Also, the officials believed that it was not always necessary to discuss the program for those members going overseas or having shipments moving into or out of long-term storage. They believed that members going overseas were not likely to use the program because they could not be with their goods and members placing goods into long-term storage, at government expense, had to have their goods packed professionally or they would not be accepted for storage. Moreover, their experience had shown them that many members simply did not want to make a DITY move under any circumstances. For example, the most significant reasons members had given the counselors for not wanting to participate in the program were the work involved and bad experiences with previous DITY moves. Also, members could not always find someone to help them with the move, lacked the time to pack and move themselves, or the amount of money they might receive was not sufficient to justify the work involved.

According to the same officials, the most significant reason for participation was the money: the ability to obtain some cash in exchange for handling the move. Secondary, were the members' ability to control the timing of the move (being able to decide the exact day of the move and not have to adjust to the carrier's timetable); the desire to keep certain goods with them while the commercial carrier was en route to the destination; and the ability to maintain control over their property, particularly fragile or extremely valuable items that may have been damaged or lost in a previous commercial move.

Whether DOD can increase the number of DITY moves is uncertain. Although money is the single most important reason why service members participate in the DITY program, DOD transportation offices do not always provide prospective DITY participants specific information on the amount of money they can receive from the program unless they initiate the request for information.

DOD Does Not Know for Sure That DITY Is Cost-Effective

Although most DITY moves result in savings to DOD, DOD does not know for sure that DITY is used only when it is cost-effective. DOD does not ensure that the DITY program complies with the statute that requires that each DITY move result in savings to DOD.

A Typical DITY Move Saves Money

With some exceptions, DITY moves result in savings to DOD. The program is designed so that DOD pays no more than 80 percent of the constructive costs. Because actual carrier charges vary, savings can vary.

Local DITY moves, which make up about 20 percent of all DITY moves, produce precisely 20 percent savings. DOD uses actual contract rates for cost comparisons and pays its members 80 percent of that figure.

However, savings on intercity moves, which make up about 80 percent of all DITY moves, are not based on actual prices DOD pays or on all the assessorial charges that carriers bill the government. Savings, therefore, vary considerably and can sometimes be a little less than 20 percent, but sometimes much more. Table 2 gives examples of savings based on a comparison of actual carrier charges (charges actually paid by DOD) and what DOD would have paid had the shipments been moved in the DITY program.

Table 2: Potential DITY Savings

	Example		
	1	2	3
Branch of service	Air Force	Army	Army
Origin	Eglin Air Force Base, Florida	Daytona Beach, Florida	Carroll County, Georgia
Destination	Lackland Air Force Base, Texas	Fort Hood, Texas	Fort Bragg, North Carolina
Weight (pounds)	5,200	1,640	1,600
Commercial carrier-chargeable mileage	757	1,121	396
Service regulation-defined mileage ^a	895	1,178	439
Carrier charges billed and paid by DOD ^b	\$1,787.90	\$1,146.28	\$941.30
Regulation-defined constructive cost ^c	\$1,478.88	\$745.87	\$492.00
DITY savings (amount)	\$309.02	\$400.41	\$449.30
DITY savings (percent)	17.28	34.93	47.73

^aAs defined by Army Regulation 55-60 or Air Force Regulation 177-135.

^bIncludes line-haul transportation, packing, and all other assessorial charges, except storage-in-transit, if any.

^cBased on 80 percent of the constructive carrier charges, as defined by the applicable service regulation.

Use of DITY May Not Result in Savings

Not all DITY shipments provide savings, and DOD does not know for sure that it is paying less than what a commercial shipment would cost. DITY costs are sometimes higher than the costs DOD would have incurred if it had made the moves itself using commercial carriers. This happens when the DITY costs are calculated based on regulation-prescribed carrier rates rather than actual rates offered to DOD at sharply discounted levels. The service regulation-prescribed formulas used to calculate DITY payments do not contemplate use of the discounted carrier rates. Also, the formulas used by the Army and the Air Force stipulate use of mileages that differ from those used in calculating actual carrier charges. Use of such mileages typically causes the military services to overestimate carriers' actual charges.

The frequency with which carriers offer discounted rates changes every 6 months. During the summer of 1992 (May through October), about 15 percent of the routes in the 48 contiguous states and the District of

Columbia had a rate that was discounted from the rates that the military service DITY regulations required to be used in constructing commercial cost estimates and paying cash incentives. The use of a regulation-prescribed rate when the actual rate was discounted could, therefore, result in paying more under DITY than what a comparable non-DITY shipment would have cost.¹

As an example, according to the regulations, a 2,040-pound shipment moving from Fort Devens, Massachusetts, to Edgefield County, South Carolina, a distance of 912 miles, would be priced at a rate of \$36.60 per hundredweight. This is the rate that would have been used for purposes of constructing commercial cost estimates. In fact, the carrier offering rates on that route was actually charging a rate that was only 63 percent of the \$36.60 rate. Consequently, DOD would be paying far more for such a DITY move than the actual commercial carrier cost.

Table 3 shows excess DITY costs based on a comparison of actual carrier charges (charges actually paid by DOD) and the payment DOD would have made had the shipments moved in the DITY program.

¹We recognize that a discounted rate may be on file, but the discounted carrier may not always be available when the member wants to move. Therefore, the next higher-rated carrier will be used.

Table 3: Potential DITY Excess Costs

	Example		
	1	2	3
Branch of service	Army	Air Force	Army
Origin	Fort Lee, Virginia	Okaloosa County, Florida	Colonial Heights, Virginia
Destination	Aberdeen Proving Ground, Maryland	Fort Irwin, California	Howard County, Maryland
Weight (pounds)	5,960	2,910	3,600
Commercial carrier-chargeable mileage	169	2,050	155
Service regulation-defined mileage ^a	197	2,370	169
Carrier charges billed and paid by DOD ^b	\$677.95	\$1,116.13	\$416.52
Regulation-defined constructive cost ^c	\$975.06	\$1,647.06	\$622.40
DITY excess cost (amount)	\$297.11	\$530.93	\$205.88
DITY excess cost (percent)	43.82	47.57	49.43

^aAs defined by Army Regulation 55-60 or Air Force Regulation 177-135, as appropriate.

^bIncludes line-haul transportation, packing, and all other assessorial charges, except storage-in-transit, if any.

^cBased on 80 percent of the constructive carrier charges, as defined by the applicable service regulation.

For some posts or bases where the actual commercial rates for many carriers to nearly every destination is well below the rates used to construct estimated commercial costs, almost any DITY move will result in DOD's paying a member in excess of what the commercial move would cost. Our review showed that major shipping locations, such as those in the Washington, D.C.; Boston, Massachusetts; Norfolk, Virginia; Oakland, California; and San Diego, California, areas and at Newport, Rhode Island and Camp Pendleton, California, were examples of activities having heavily discounted rates.

Paying More Violates Statute

When DOD pays a service member more than what it would cost DOD to arrange for a like commercial move, it violates the statute that authorizes incentive payments. The authorizing statute is contained in subsection 406(k)(1) of Title 37 of the United States Code. This reads

Appropriations available to the Department of Defense for providing transportation of household effects of members of the armed forces under subsection (b) of this section are available to pay a monetary allowance to a member when the member participates in a program in which baggage and household effects of the member are transported by a privately owned or rental vehicle or in which a member provides all or a part of the labor in connection with the transportation of the baggage and household effects of the member (including packing, crating, and loading) under regulations of the Secretary of the military department concerned. The allowance is not limited to reimbursement for actual expenses and may be paid in advance of the transportation of the baggage and household effects. However, the amount of the allowance shall provide a savings to the United States when the total cost of the transportation is compared with the cost that would be incurred under subsection (b). [Underscoring supplied for emphasis.]

The language of the statute and its legislative history indicate a move-specific focus; nothing suggests that an overall program savings would meet statutory requirements. The statute refers to an allowance and requires a comparison with the cost incurred under subsection 406(b). Subsection 406(b) refers to the entitlement of each individual.

The source of this limited entitlement was section 747 of the DOD Appropriation Act of 1976 (P.L. 94-212, 90 Stat. 153, 176). The report of the Committee on Appropriations of the House of Representatives supporting the law, H.R. Rep. No. 94-517, 94th Cong., 1st Sess. 98 (1975), focuses on the specific move: the allowance may exceed the member's total direct cost "... but will be less than the cost to the Government which would be incurred if a commercial carrier were used to handle the move." Each move, therefore, must provide a savings. A service member's entitlement to make a DITY move is contingent on such a savings.

Also, paying more than a commercial move violates DOD regulations. Subparagraph U5320E.4. of the Joint Federal Travel Regulations provides

In no event will the Government incur expenses for the movement of HHG [household goods] under this subparagraph in excess of 100 percent of what it would have cost the Government to transport the HHG commercially.

Recommendations

We recommend that the Secretary of Defense direct the service secretaries to prepare and distribute to all transportation counselors materials that can be given to each prospective DITY participant explaining DITY program and pointing out that there are cash incentives for participants. The prospective participants should be provided with a statement showing how much of a cash incentive they could get if they decided to use DITY.

We also recommend that the Secretary of Defense revise the Joint Federal Travel Regulations and direct the military services to revise their implementing regulations for calculating the cash incentive to be paid under the DITY program. The revision should ensure that the constructive commercial cost reflects the cost that DOD could reasonably be expected to pay if the shipment moved commercially.

Agency Comments

In commenting on a draft of this report, DOD officials agreed with our findings and recommendations concerning management of the DITY program. To ensure that members are more fully aware of the DITY program, the officials agreed to make additional detailed material available to transportation counselors. To ensure consistency throughout DOD, the DOD officials will also direct the services to develop a joint DITY publication. Distribution is targeted for December 31, 1995.

DOD officials deferred comment on our finding that DOD was violating the authorizing statute whenever it paid more for DITY than what it would cost commercially until DOD General Counsel has completed its review of the legal issues cited. At that time, DOD said it will fully address the matter in its response to the final report. DOD did agree, however, that by December 31, 1994, it would direct the military services to revise their implementing regulations for calculating the cash incentive to be paid under the DITY program by requiring that constructive commercial cost calculations reflect the best estimated costs that DOD could reasonably be expected to pay if the shipment moved commercially. The DOD comments in their entirety are provided in appendix II.

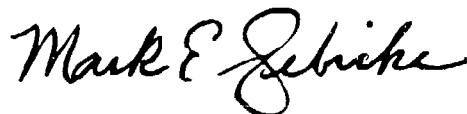
Details of the objectives, scope, and methodology of our review are discussed in appendix I.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 5 days from the date of this letter. At that time, we will send copies to the Chairmen,

Senate and House Committees on Armed Services and Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; the Secretaries of Defense, the Army, the Navy, and the Air Force; and the Commander, Military Traffic Management Command. We will also make copies available to other interested parties upon request.

Please contact me on (202) 512-5140 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "Mark E. Gebicke". The signature is written in a cursive style with a large, prominent "M" and "G".

Mark E. Gebicke
Director, Military Operations
and Capabilities Issues

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Abbreviations

DOD	Department of Defense
DITY	Do-It-Yourself

Objectives, Scope, and Methodology

Our objectives in reviewing the Do-It-Yourself (DIY) program were to (1) assess the extent to which service members were using the program, (2) determine whether the Department of Defense (DOD) was adequately making service members aware of the program's benefits, and (3) ascertain whether DOD had adequate controls to ensure that the program was cost-effective.

We focused our review on management of the DIY program by DOD and the military services and the reasons service members are or are not participating in the program. We looked at the program only as it applied to moves within the United States, emphasizing moves with the 48 contiguous states.

We met with and discussed DIY program and individual shipment administration matters with officials responsible for or affected by the DIY program in DOD and in the military services. Included were officials from the

- Office of the Under Secretary of Defense (Acquisition), Deputy Under Secretary for Logistics (Transportation Policy);
- Army Office of the Deputy Chief of Staff Personnel, Compensation and Entitlements Branch;
- Army Office of the Office of the Deputy Chief of Staff for Logistics, Personal Property Branch;
- Military Traffic Management Command;
- Navy Supply Systems Command, Assistant Commander for Navy Transportation, Personal Property Division;
- Navy Office of the Comptroller;
- Air Force Office of the Deputy Chief of Staff, Compensation Branch;
- Air Force Office of the Deputy Chief of Staff for Logistics, Personal Property Branch; and
- Marine Corps Office of the Deputy Chief of Staff for Installations and Logistics, Personal Property Branch.

We visited the following personal property transportation offices to determine how members are counseled, records are maintained, and the DIY program is administered:

- Fort Belvoir, Virginia;
- the Joint Personal Property Shipping Office-Washington, Fort Belvoir, Virginia;
- the Naval District-Washington, Anacostia Annex, Washington, D.C.;

Appendix I
Objectives, Scope, and Methodology

-
- Andrews Air Force Base, Maryland; and,
 - Marine Corps Combat Development Command, Quantico, Virginia.

We also contacted a selected sample of personal property transportation offices from various sections of the United States, including Maine, Rhode Island, New York, Maryland, North Carolina, Alabama, Indiana, Oklahoma, Idaho, California, and Washington to discuss the program and its administration. Included were the following:

Army Offices

- Headquarters, New York Area Command and Fort Hamilton, Brooklyn, New York;
- Aberdeen Proving Ground, Maryland;
- Fort Detrick, Maryland;
- Fort Bragg, North Carolina;
- Fort McClellan, Alabama;
- Redstone Arsenal, Alabama;
- Fort Benjamin Harrison, Indiana;
- Fort Sill, Oklahoma;
- McAlester Army Ammunition Plant, McAlester, Oklahoma;
- Fort Irwin, California;
- Fort Ord, California; and
- the Joint Personal Property Shipping Office-Lewis, Fort Lewis, Washington.

Navy Offices

- Naval Air Station, Brunswick, Maine;
- Naval Education Training Center, Newport, Rhode Island;
- Naval Administrative Unit, Scotia, New York
- Naval Air Station, Patuxent River, Maryland;
- U.S. Naval Academy, Annapolis, Maryland;
- Naval Administrative Unit, Idaho Falls, Idaho;
- Naval Air Station, Lemoore, California; and
- Naval Air Station, Whidbey Island, Oak Harbor, Washington.

Air Force Offices

- Loring Air Force Base, Maine;
- Griffiss Air Force Base, New York;
- Seymour Johnson Air Force Base, North Carolina;
- Maxwell Air Force Base, Alabama;
- Grissom Air Force Base, Indiana;
- Tinker Air Force Base, Oklahoma;

- Vance Air Force Base, Oklahoma;
- Mountain Home Air Force Base, Idaho; and
- McClellan Air Force Base, California.

Marine Corps Offices

- Marine Corps Base, Camp LeJeune, North Carolina;
- Marine Corps Air Station, Cherry Point, North Carolina;
- Marine Corps Base, Camp Pendleton, California;
- Marine Corps Air Station, El Toro, California; and
- Marine Corps Air Ground Combat Center, Twenty-Nine Palms, California.

From the files of the Joint Personal Property Shipping Office-Washington, Fort Belvoir, Virginia, we obtained names and locations of individual service members who had made commercial moves within the past several years. We then contacted a limited number to discuss the counseling they had received from transportation counselors.

We also discussed DITY payment matters with officials at two of the service central finance offices. Included were personnel at the Navy Material Transportation Office, Norfolk, Virginia; and the Marine Corps Transportation Voucher Certification Branch, Marine Corps Logistics Base, Albany, Georgia.

We met with or discussed with officials of the rental truck industry matters affecting their operations.

To establish the extent of DITY usage, we asked each of the military service DITY program managers to provide us installation-by-installation data for the latest 2 fiscal years for which data were available. Data were provided by the Army Office of the Office of the Deputy Chief of Staff for Logistics, Personal Property Branch; Navy Supply Systems Command, Personal Property Division; Air Force Office of the Deputy Chief of Staff, for Logistics, Personal Property Branch; and the Marine Corps Office of the Deputy Chief of Staff for Installations and Logistics, Personal Property Branch. The Navy Material Transportation Office also provided us summarized data on paid DITY moves and furnished us copies of their records on selected DITY shipments.

The Military Traffic Management Command also provided us data on commercial shipments, excluding those paid by the Marine Corps, covering fiscal year 1992. We analyzed those shipments and obtained microfiche copies of paid shipments from the files of the General Services

Appendix I
Objectives, Scope, and Methodology

Administration. We used commercial carrier rate data provided by the Military Traffic Management Command for cost comparison purposes.

We reviewed the regulations of DOD and each of the military services. We also reviewed the legislative history of the statute authorizing the payment of cash incentives.

We conducted our review from September 1993 through July 1994 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense



ACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000



20 AUG 1994

(L/TP)

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, entitled "HOUSEHOLD GOODS: Concerns About DoD's Do-It-Yourself Moving Program," dated July 14, 1994 (GAO code 703032, OSD Case 9735). The Department generally agrees with the report.

The DoD Do-It-Yourself (DITY) program has been extremely successful. The program affords Service members flexible options and monetary incentives for moving household goods, while also providing significant savings to the Government. The DoD recognizes, however, that improvements to the program may be possible. Accordingly, the Department will direct the Military Services to revise their implementing regulations for calculating cash payment under the DITY program to ensure calculations reflect the best estimated costs that the DoD could reasonably be expected to pay if the shipment moved commercially.

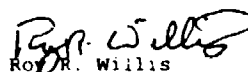
While the GAO cited examples where the DoD overestimated carrier charges, the Department does not agree that the lowest rates on file at any given time should always be used to calculate cost comparisons between commercial moves and DITY moves. Since not all transportation offices have ready access to the lowest discounted rates, for any period nor are those rates necessarily available for each move, arbitrarily using the lowest rate on file to calculate a cost comparison will likely result in a reduced cash payment to the member, and thereby lessen the incentive for program participation.



Appendix II
Comments From the Department of Defense

The detailed DoD comments addressing the report findings and recommendations are provided in the enclosure. The DoD appreciates the opportunity to comment on the GAO draft report.

Sincerely



Roy R. Willis
Principal Assistant Deputy Under
Secretary of Defense (Logistics)

Enclosure

Appendix II
Comments From the Department of Defense

GAO DRAFT REPORT - DATED JULY 14, 1994
(GAO CODE 703032) OSD CASE 9735

"HOUSEHOLD GOODS: CONCERNS ABOUT DOD'S DO-IT-YOURSELF
MOVING PROGRAM"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

- o **FINDING A: The DoD Do-It-Yourself (DITY) Moving Program.**
The GAO reported that Military Service members are generally entitled by statute to have their personal property, including household goods, moved at Government expense if they are under permanent change-of-station orders or are retiring or being separated. The GAO explained that the DITY is a voluntary program in which Service members move their own household goods--using their privately owned vehicles or rental trucks--or arrange to have them moved by a private company. The GAO further explained, however, that the member is responsible for packing, loading, unloading, and unpacking. The GAO noted that Service members participating in the voluntary program receive taxable cash incentives equal to the difference between the amount authorized and expenses incurred. The GAO pointed out that the amount authorized is equal to 80 percent of what it would have cost the Government to use a commercial carrier.

The GAO reported that, when a Service member participates in the DITY program, he or she meets with a transportation counselor and provides the counselor with an estimate of the weight of the goods to be shipped and the location and destination. According to the GAO, using the applicable Military Service regulation and mileage guide, the counselor determines the mileage between the Service members origin and destination. The GAO observed that the counselor then uses the weight estimates and mileage to calculate the price carriers would charge. The GAO noted that the DoD calculates that amount using the baseline rates contained in domestic, personal property rate solicitations published by the Military Traffic Management Command (MTMC), then adds a \$5.00 per hundredweight charge for packing. For local moves, the GAO observed that the counselor simply uses the local commercial carriers contract rate to calculate the price the commercial carrier would charge. (pp. 1-3/GAO Draft Report)

Enclosure

Now on p. 2.

Appendix II
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DOD RESPONSE: Concur. Transportation counselors compute an estimated constructive DITY cost based on 80 percent of what it would have cost the Government to transport the property. In estimating the cost to move by DITY, likely accessorial charges (such as destination and transportation charges) are not included in the computation and should be considered as a savings. The amount that the Service member will receive after the move is based on the actual weight of the property less any expenses incurred, less applicable taxes.

- o **FINDING B: Commercial Moves Outnumber DITY Moves.** The GAO determined that the DoD funds about 150,000 DITY moves each year. The GAO noted that the Services made 149,659 DITY moves in FY 1992, and 146,429 in FY 1993, representing both local and intercity moves. The GAO explained that those figures represent data from 56 Army activities, 24 Navy, 62 Air Force, and 12 Marine Corps, within the 48 contiguous states. The GAO further explained that the figures are conservative because two of the most active Marine Corps DITY bases could not provide data for FY 1992, and 16 Army activities, 12 Navy, and 13 Air Force could not provide data on DITY moves for FY 1992 or FY 1993.

The GAO reported that, although the number of DITY moves has increased dramatically over the years, the number of commercial moves each year still outnumber DITY moves. The GAO noted that the DoD makes about 200,000 commercial moves in the 48 contiguous states each year. The GAO pointed out that not all commercial shipments would be candidates for DITY because some shipments are too large for safe handling in a typical rental vehicle. The GAO also pointed out that other shipments moved into or out of long-term storage required special crating that made handling as a DITY move impossible. (pp. 3-5/GAO Draft Report)

DOD RESPONSE: Concur. While the number of DITY moves has dramatically increased over the years, the DITY remains a voluntary program. There are several reasons, other than the size of available rental vehicles, why members do not elect a DITY. Insufficient cash payment, time constraints, and the difficulty of packing, driving, and unpacking are reasons most often cited for not using the DITY method.

- o **FINDING C: Members Generally Aware of the DITY Program, But Not the Amount of the Cash Incentive.** The GAO reported that in general members were made aware of the DITY program or were aware of it prior to the time they were given transportation counseling. The GAO determined that Service members were not, however, always provided with detailed

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information about the amount of money they could receive from the program unless they initiated the request for such information. The GAO reported, however, that money was the primary reason members participated in the program.

The GAO reported that DoD regulations require installation commanders to establish personal property transportation offices that (1) ensure that all Service members are made aware of all responsibilities and entitlements in the personal property shipping program and (2) provide all services to which the members are entitled. The GAO explained that, at each military post or base, counselors are assigned responsibilities to advise Service members of their transportation entitlements and allowances; however, it is the Service members' responsibility to report to the personal property transportation office for counseling, usually at least 30 days in advance of any move.

The GAO observed that the transportation officials viewed their responsibility regarding the DITY program as neutral. The GAO noted that, although transportation officials believed that they had to ask whether a member wanted to make a DITY move, they did not have to try to sell or promote the program--they believed that the burden of responsibility to use the program rested with the member, regardless whether or not the Government might be able to reduce transportation costs if the member chose to participate in the program. The GAO pointed out that, according to the officials, few, if any, members were unaware of the program at the time of their pre-move counseling. The GAO noted that the officials indicated that the members' awareness of the program was attributed to their friends or co-workers; ads in local post or base newspapers by rental truck companies; and various DoD promotional brochures. In addition, the GAO indicated that the officials believed it was not always necessary to discuss the program for those members going overseas or having shipments moving into or out of long-term storage. The GAO explained that those members were not likely to use the program because they could not be with their goods and members placing goods into long-term storage, at Government expense, had to have their goods packed professionally or they would not be accepted for storage. Moreover, the GAO pointed out, transportation officials indicated that their experience had shown that many members simply did not want to make a DITY move under any circumstances.

The GAO reported that the most significant reasons for participation in the program were (1) the money (the ability to obtain some cash in exchange for handling the move); (2) the members' ability to control the timing of the move (being able to decide the exact day of the move and not have

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to adjust to the carrier's timetable;; (3) the desire to keep certain goods with them while the commercial carrier was enroute to the destination; and (4) the ability to maintain control over their property, particularly fragile or extremely valuable items that may have been damaged or lost in a previous commercial move. (pp. 5-7/GAO Draft Report)

DOD RESPONSE: Concur. While it is true that members were not always provided detailed information about the amount of money they could receive unless they initiated the request for information, the Department maintains that it is not usually feasible to provide more detailed information. At the time of counseling, the member is provided an estimated cash payment based on the estimated shipment weight provided by the member. The Joint Federal Travel Regulations, Volume 1, states that the counselor will compute an "estimated moving cost" and "estimated savings." The final amount of the DITY payment can only be computed after the member completes the move and submits certified weight ticket(s) and receipt(s) for expenses, as required.

The GAO stated that the members were not always informed of the prevailing local rental truck rates or the possibility of obtaining a carrier to assist in the handling of a DITY move. It should be recognized that transportation offices do not maintain rental vehicle rates or have information on available carriers providing line-haul services for a DITY move. It is the Service member's responsibility to select a rental vehicle company and obtain the most economical vehicle rates possible.

The GAO commented that transportation officials believed that they did not have to sell or promote the program. The Joint Federal Travel Regulations state the DITY program is voluntary. Therefore, transportation counselors will remain neutral and not apply undue influence to "sell" the program to Service members.

The DoD agrees with the GAO that few, if any members, were unaware of the program at the time of pre-move counseling. The DITY program receives a significant amount of publicity at installation levels; from word of mouth, rental truck advertisements in local papers, various promotional brochures and the like.

- o **FINDING D: A Typical DITY Move Saves Money.** The GAO reported that, with some exceptions, DITY moves result in savings to the DoD. The GAO noted that the program is designed so that the DoD pays no more than 80 percent of the constructive costs. The GAO noted that, because actual commercial carrier charges vary, savings can vary. The GAO also noted that the DoD does not ensure that the DITY program is not violating the statute which requires that each DITY move result in savings to the DoD. The GAO determined that local DITY moves, which make up about 20 percent of all DITY moves, produce about 20 percent savings, basing the savings on the DoD use of actual contract rates for cost comparisons and paying members 80 percent of that figure. The GAO also determined that intercity moves, which make up about 80 percent of all DITY moves, are not based on actual prices the DoD pays or on all the assessorial charges for which carriers bill the Government. The GAO concluded that savings, therefore, vary considerably and can sometimes be a little less than 20 percent, but sometimes much more. The GAO provided examples of savings based on a comparison of actual carrier charges--charges actually paid by the DoD--and what the DoD would have paid had the shipments moved in the DITY program. (pp. 8-9/GAO Draft Report)

DOD RESPONSE: Concur.

- o **FINDING E: Use of DITY May Not Result in Savings.** The GAO concluded that not all DITY shipments provide savings, and the DoD does not know for sure that it is paying less than what a commercial shipment would cost. The GAO pointed out that DITY costs are sometimes higher than the costs the DoD would have incurred if it had made the moves using commercial carriers. The GAO further concluded that occurs when the DITY costs are calculated based on regulation-prescribed carrier rates, rather than actual rates offered to the DoD at sharply discounted levels. The GAO noted that the differences occur because (1) Service regulation-prescribed formulas used to calculate DITY payments do not contemplate use of the discounted carrier rates; (2) the formulas used by the Army and the Air Force stipulate use of mileages that differ from those used in calculating actual carrier charges; and (3) the use of such mileages typically causes the Military Services to over-estimate carriers' actual charges. The GAO indicated as an example, according to the regulations, a 2,040-pound shipment moving from Fort Devens, Massachusetts, to Edgefield County, South Carolina--a distance of 912 miles--would be priced at a rate of \$36.60 per hundredweight. The GAO determined that is the rate that would have been used for purposes of constructing commercial cost estimates. In fact, the GAO noted, the carrier offering rates on that

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route was actually charging a rate that was only 63 percent of the \$36.60 rate. The GAO pointed out that, consequently, the DoD would be paying far more for such a DITY move than the actual commercial carrier cost. The GAO concluded that, for some posts or bases where the actual commercial rates for many carriers to nearly every destination is well below the rates used to construct estimated commercial costs, almost any DITY move will result in the DoD paying a member in excess of what the commercial move would cost. The GAO emphasized that major shipping locations, such as those in the Washington, D.C.; Boston, Massachusetts; Norfolk, Virginia; Oakland, California; and San Diego, California, areas; and at Newport, Rhode Island; and Camp Pendleton, California, were examples of activities having heavily discounted rates. (pp. 9-12/GAO Draft Report)

DOD RESPONSE: Concur. Overall, there is no question that the DITY program saves money. The DoD agrees, however, that there may be isolated instances where the DITY costs of an individual move could be higher than a commercial shipment at Government discounted rates.

The GAO cited worst-case examples of potential DITY excess costs using discounted rates which may or may not have been available at that time and location. Similarly, transportation counselors cannot always determine whether or not discounted rates are available when computing every DITY move. Discounted rates may be on file, but the discounted carriers may not always be available, especially in highly concentrated areas during peak season, which is often when the majority of moves occur.

In some instances, Service members may overestimate the weight of their property at origin. When the final settlement is computed, and the actual weight is less than estimated, the DITY move results in less savings to the Government. There are also "hidden" savings not factored in the DITY computation. For example, DITY moves do not incur accessorial charges while Government-arranged moves do. Loss and damage claims are usually not a factor on DITY moves, but are a factor on Government-arranged shipments.

- o **FINDING F: Paying More Violates Statute.** The GAO reported that, when the DoD pays a Service member more than what it would cost the DoD to arrange for a like commercial move, the authorizing statute for incentive payments contained in subsection 406(k) (1) of Title 37 of the United States Code

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is violated. The GAO noted that the language of the statute and its legislative history indicate a move-specific focus; nothing suggests that an overall program savings would meet statutory requirements. The GAO further noted that the statute refers to an allowance and requires a comparison with the cost incurred under subsection 406(b) which refers to the entitlement of each individual. The source of the limited entitlement--according to the GAO--was section 747 of the DoD Appropriation Act of 1976 (Public Law 94-212, 90 Stat. 153, 176). The GAO noted that the report of the Committee on Appropriations of the House of Representatives supporting the law, H.R. Report 94-517, 94th Congress, 1st Session 98 (1975), focuses on the specific move: the allowance may exceed the member's total direct cost "...but will be less than the cost to the Government which would be incurred if a commercial carrier were used to handle the move." The GAO concluded, therefore, that each move must provide a savings and that a Service member's entitlement to make a DITY move is contingent on such a savings. The GAO also emphasized that paying more than a commercial move violates DoD regulations: Subparagraph U5320E.4. of the Joint Federal Travel Regulations provides "In no event will the Government incur expenses for the movement of HHG [household goods] under this subparagraph in excess of 100 percent of what it would have cost the Government to transport the HHG commercially." (pp. 12-13/GAO Draft Report)

DOD RESPONSE: Comments deferred. The cited legal issues are currently being analyzed by the DoD General Counsel. The Department will fully address those issues in the DoD response to the final report.

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RECOMMENDATIONS

- o **RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Service Secretaries to prepare and distribute to all transportation counselors materials that can be given to each prospective DITY participant explaining the DITY program and pointing out that there are cash incentives for participants. (The GAO explained that the prospective participants should be provided with a statement showing how much of a cash incentive they could get if they decided to use DITY.) (p. 13/GAO Draft Report)

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DOD RESPONSE: Concur. As the GAO indicated, Service members are generally aware of the DITY program. The DoD agrees, however, that additional detailed material should be available for transportation counselors to provide to prospective DITY participants. To ensure consistency throughout the Department, by December 31, 1994, the DoD will direct the Services to develop a joint DITY publication. Distribution of the joint publication is targeted for December 31, 1995.

- o **RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense revise the Joint Federal Travel Regulations and direct the Military Services to revise implementing regulations for calculating the cash incentive to be paid under the DITY program. (The GAO explained that the revision should ensure that the constructive commercial cost reflects the cost that the DoD could reasonably be expected to pay if the shipment moved commercially.) (p. 13/GAO Draft Report)

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DOD RESPONSE: Partially concur. The Department does not agree that changes to the Federal Joint Travel Regulations are necessary. However, by December 31, 1994, the Department will direct the Military Services to revise their implementing regulations for calculating the cash incentive to be paid under the DITY program by requiring that constructive commercial cost calculations should reflect the best estimated costs that the DoD could reasonably be expected to pay if the shipment moved commercially. Since not all transportation offices have ready access to the lowest discounted rates for any period, nor are those rates necessarily available for each move, arbitrarily using the lowest rate on file to calculate a cost comparison will likely result in a reduced cash payment to the Service member, and thereby lessen the incentive for program participation. That, in turn, will eliminate the 20 percent savings the Government now realizes on DITY moves.

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