

STATEMENT OF SENATOR NORM COLEMAN

Chairman

Permanent Subcommittee on Investigations

Hearing On

The Defense Travel System: Boon or Boondoggle?

September 29, 2005

Good morning and thank you for attending today's hearing. Nobel Prize winning economist Milton Friedman once stated that, "Governments never learn. Only people learn." I disagree. My job as Chairman of the Permanent Subcommittee on Investigations is to ensure that our government learns as well. Simply put, that is why we are having this hearing, *The Defense Travel System: Boon or Boondoggle*. It follows from other investigations this Subcommittee has held on Defense Department waste, fraud and abuse.

In November 2003, the Subcommittee conducted a hearing on the Department of Defense's use of first and business class airline travel. At the hearing, it was determined that DOD had not properly authorized or justified 73 percent of the first and business class travel undertaken in fiscal years 2001 and 2002. DOD spent \$124 million on over 68,000 tickets during these two years. The improper authorization and justification of these tickets resulted in the improper expenditure of over \$60 million in two years.

On February 12, 2004, the Subcommittee held a hearing on *DOD Contractors Who Cheat on Their Taxes*. The hearing examined the failure to collect unpaid taxes owed by contractors doing business with the Department of Defense and getting paid with taxpayer dollars. The Subcommittee determined that 27,000 DOD contractors owed \$3 billion in unpaid taxes. The taxes were not being collected because DOD was not validating contractors' taxpayer identification numbers and was not referring contractor payments to the Financial Management Service to identify unpaid tax debt.

This hearing is designed to determine if DTS is the windfall to DOD travel that it was promised to be or simply a waste of taxpayers' money. I have repeatedly asked DOD about DTS because of credible allegations that DTS has very serious problems. Specifically, I have heard that DTS:

- is four years behind schedule,
- is deployed in barely half of the 11,000 DOD travel sites,
- has grown in cost from \$273 million to almost \$500 million,
- does not always identify the lowest available airfare,
- does not identify all available lodging facilities that offer government rates, and
- has not generated the projected cost savings for travel agent services and voucher processing.

I am particularly concerned with DOD's failure to realize the projected cost savings for travel agent services. This has occurred because DOD has made the use of DTS voluntary

rather than mandatory at those sites where it has been deployed. The current utilization rate for DTS at those sites is about five percent. DOD pays travel agents about \$5.00 for a DTS transaction as compared to about \$25.00 for a traditional transaction. Thus, ninety-five percent of DOD's travel transactions are costing DOD \$20.00 more for each transaction. This translates into millions of dollars that DOD is wasting in unrealized cost savings.

On three separate occasions over the past two years, I have asked DOD to respond to these allegations. DOD has been unresponsive. For example, I asked if DTS always finds the lowest available airfare. DOD begged the question by stating that DTS displays GSA contracted city pair flights without stating that these are always the lowest cost fares. Finally, on August 11th I sent a Chairman's letter to the Secretary of Defense in which I laid out my concerns with DOD's failure to respond to allegations about DTS. Further, I requested that the Secretary suspend further implementation of DTS until the questions about the system have been fully addressed and resolved.

Let me be specific about that. One year and one day from today the DTS contract will expire. Before DOD renews the DTS contract, the substantive problems and cost and benefit questions about DTS need to be fully resolved. To ensure that DTS is comprehensively and objectively reviewed, I have also asked the Government Accountability Office and the DOD Inspector General to evaluate and report on DTS. I asked GAO to identify the problems that need to be addressed and I asked the Inspector General to conduct a cost benefit analysis and determine if DTS will address DOD's travel needs. Those evaluations and reports are to be concluded before the DTS contract is renewed and will provide the Secretary with the answers he needs to ensure that hundreds of millions of taxpayer dollars are not wasted on an ineffective travel system.

DTS was expected to be a boon to DOD's travel needs by cutting costs and red tape for DOD's travelers. However, by 2001, the commercial off the shelf travel software that DOD had planned to use failed its operational tests, and it became clear that DOD would not be able to translate its concept into reality. Rather than terminating and re-bidding the project, however, DOD restructured the DTS contract to develop a web-based travel system. This restructuring increased the projected costs of DTS from \$263 to \$492 million.

During this time the DOD Inspector General began receiving complaints of DTS fraud and waste on its hotline. After numerous complaints, the Inspector General initiated an audit of DTS. Of the nine complaints the Inspector General received, it was able to substantiate four of them. More importantly, the report concluded there was a substantial risk that DTS would not deliver a viable, integrated travel management system and initially recommended that funding for the development and deployment of DTS be suspended until a determination was made as to whether DTS was the most cost effective solution to DOD's travel needs.

In response to the Inspector General's report, the Comptroller tasked the Program Analysis and Evaluation Division with conducting a cost benefit study and further agreed to abide by its findings. The study concluded that it could not verify that DTS provides the most cost effective solution to DOD's travel needs because there could be alternative solutions that are less expensive. Despite these findings, DOD decided to push ahead with DTS on October 20, 2003.

While DOD claims that it has fully considered the Inspector General's and the Program Analysis and Evaluation Division's concerns as part of its top level management decisions to go forward with DTS, I have seen no studies or reports that clearly address and resolve those concerns. Instead, I continue to see reports that question DTS' effectiveness or hear allegations that the Inspector General's and the Program Analysis and Evaluation Division's concerns have not been addressed. For example, the Program Analysis and Evaluation Division's study raised the question about who owns DTS, the contractor or DOD. The ownership of DTS has both cost and competitive implications for DOD. Seven months after DOD's decision to move forward, the Department of Justice informed Judge George W. Miller of the U.S. Court of Federal Claims that DTS belonged to the contractor and not to DOD. This is clearly an issue that needs to be resolved. I expect today to get some responsive answers from DOD.

Today we will hear testimony from some of the individuals and organizations that help to administer DTS or who have raised questions about DTS' cost and performance. They will share with us their concerns about DTS.

We will also hear from representatives of the Government Accountability Office, the DOD Inspector General, and the Program Analysis and Evaluation Division who will testify about reports or studies they wrote that have questioned the costs and benefits that DTS offers DOD.

Finally, we will hear from the Comptroller and the Director of the Defense Finance and Accounting Service who are the principal officials responsible for DTS.

Before hundreds of millions of additional taxpayer dollars are unnecessarily wasted, it is imperative that DOD adequately address the many questions that have been raised regarding the cost effectiveness of DTS. I expect DOD to provide answers to these questions during today's hearing.

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