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Statement
of
Mr. Thomas F. Gimble
Acting Inspector General
Department of Defense

before the

Permanent Subcommittee on Investigations
Senate Committee on Homeland Security and
Governmental Affairs

on

"Management and Use of the Defense Travel System"

Mr. Chairman and Members of the Permanent Subcommittee on Investigations:

Thank you for the opportunity to discuss our recent audit of the Defense Travel System (DTS) with you. By now you should have received copies of Report No. D-2007-024, dated November 13, 2006, "Management and Use of the Defense Travel System," which details our findings. I testified before your committee on September 29, 2005, regarding our July 1, 2002, audit report.* In that report, we concluded that there was substantial risk that DTS would not successfully streamline the Department's travel management process and that DoD should have managed the DTS Program as a major automated information system. We recommended that the Director, Program Analysis and Evaluation conduct a cost effectiveness study of DTS; however, that study could not be completed.

More recently, in a letter dated August 11, 2005, your Subcommittee requested that my office "undertake a full, complete and independent performance and cost benefit evaluation of the Defense Travel System to determine if it is the most cost-effective solution to the Department's travel needs." The Department could not provide supporting documentation to substantiate all DTS and legacy system cost data. Therefore, it is not possible for us to determine whether DTS is the most cost-effective way to meet the Department's travel management needs or even to fully quantify cost savings that might have been realized by using DTS. However, we believe that DTS could potentially achieve benefits for DoD. Substantiating such benefits will require effective data collection throughout the Department.

DTS supports two distinct processes: travel reservations and financial management. DoD personnel indicate they have experienced problems with the travel reservation functionality, but did not indicate problems existed with the financial management functionality. As a matter of fact, DoD personnel indicated that they have seen dramatic improvements in: reducing the time it takes for travelers to receive reimbursement; reconciling centrally billed accounts; controlling delinquent accounts; and management of their travel budgets. Although the Department did collect data to demonstrate faster payments to travelers, they did not establish processes or maintain sufficient data to measure the benefits. The Department's failure to develop a formal reporting process to capture and retain travel cost data, including data necessary for measuring benefits, remains a major challenge to determining whether this travel system is the most cost-effective solution to the Department's travel needs.

*Report No. D-2002-124, "Allegations to the Defense Hotline on the Management of the Defense Travel System"

Section 943 of Public Law 109-364, “John Warner National Defense Authorization Act for Fiscal Year 2007,” enacted on October 17, 2006, should guide the Department to determine the most cost-effective method of meeting travel needs. Section 943 requires the Department to determine the feasibility of separating the financial management infrastructure from the travel reservation process and making the financial management infrastructure mandatory for Department travelers. Recommendations in our audit report on DTS could also improve the efficiency of the overall process.

The Department employs almost 3 million potential travelers—a significant sized group to shepherd through the learning curve for a procedural change. DTS represents a marked change in how travelers process their authorizations and vouchers. Many Department employees feel DTS saves them time in planning travel and reimburses them more timely. And conceptually, DTS should provide a better audit trail and move the Department forward in its drive to achieve a financial statement audit opinion in the near future.

Defense Travel System

The Department envisioned DTS as the 21st century model of efficiency and service, featuring the best practices in industry. The Program Management Office planned for DTS to support all forms of business travel through a single, paperless travel system, available to users 24 hours a day and 7 days a week. In addition, the Program Management Office designed DTS to interface with DoD accounting and disbursing systems to increase the speed with which DoD travelers receive payment to settle vouchers. The Department reported that it expected total DTS Program costs of approximately \$2.24 billion over the 20-year life cycle of the Program.

Availability of Supporting Documentation

The Department could not provide supporting documentation to substantiate all cost data for DTS Investment or Operation and Support. Costs to maintain legacy travel management systems while DTS was being implemented and historic travel costs (Status Quo) could not be validated either. We requested FY 2003 through FY 2005 cost data from the Program Management Office, the Services, the Defense Finance and Accounting Service, the Defense Information Systems Agency, and the Defense Logistics Agency (the Reporting Entities). The remaining Defense agencies did not have specific focal points responsible for DTS management; therefore, we were unable to obtain data from those agencies. We audited FY 2005 cost data and available supporting documentation to determine whether an audit trail existed for us to substantiate the most recent cost data reported to us.

Investment Cost Data

The Program Management Office and Services reported \$58.44 million in DTS Investment costs for FY 2005; however, their documentation could support only \$47.31 million of those costs. In other words, \$11.13 million in FY 2005 DTS Investment costs were not substantiated by documentation.

Operation and Support Cost Data

The Reporting Entities reported \$44.05 million in DTS Operation and Support costs for FY 2005; however, their documentation could support only \$7.32 million of those costs. The other \$36.73 million in FY 2005 DTS Operation and Support costs they reported were not substantiated by documentation. Again, the FY 2003 and FY 2004 cost data were limited. To further complicate the issue, the Services used different data when calculating DTS Operation and Support costs. The Services used varying methodologies for calculating personnel costs (salary, etc.), which introduced additional inconsistencies in the universe of Operation and Support cost data.

Legacy System Cost Data

The Services, the Defense Finance and Accounting Service, and the Defense Logistics Agency reported \$215.29 million in legacy system costs for FY 2005; however, none of those costs were substantiated by supporting documentation. Limited supporting documentation was available for FY 2003 and FY 2004 cost data.

Travel Voucher Data

The Defense Finance and Accounting Service could not support the number of travel vouchers it processed for DoD personnel during FY 2005. It provided two sources of travel voucher data: a consolidated report from e-Biz and individual databases from each Defense Finance and Accounting Service disbursing center. The two sources should have provided consistent data on the number of vouchers processed but differed by more than 3 million vouchers. However, the DTS Program Management Office indicates that DTS data is now stored in a centralized repository, which may improve the Department's ability to capture travel voucher payment data.

Previous Departmental Efforts to Collect and Validate Travel-Related Cost Data

Problems with documentation supporting DoD travel costs existed before DTS and continue to exist. During a 1994 to 1995 study, the Task Force to Reengineer Travel concluded in its January 1995 report, "Report of the Department of Defense Task Force to Reengineer Travel," that it could not easily identify all costs involved in the temporary duty travel process. Specifically, the report states that the costs of administering travel

were unquantifiable, and the cost of time spent by travelers completing authorizations and vouchers had never been officially calculated or documented.

In response to a draft of our July 2002 audit report, the Under Secretary of Defense (Comptroller)/Chief Financial Officer tasked the Director, Program Analysis and Evaluation to complete a cost-effectiveness study. The Director, Program Analysis and Evaluation conducted that review and issued a report on December 17, 2002, "Defense Travel System Cost Effectiveness Review" concluding that the Department did not capture travel costs necessary to validate program savings. As such, the Director, Program Analysis and Evaluation could not say whether DTS was the most cost effective system to support DoD travel.

In anticipation of the DTS Milestone C Decision Review, the Principal Deputy Director, Program Analysis and Evaluation, wrote in a memorandum, "Defense Travel System (DTS) Acquisition Program Baseline Comments," that the Department needed more reliable data after reviewing the 2003 DTS Economic Analysis. Office of Management and Budget Circular A-94, "Guidelines and Discount Rates For Benefit-Cost Analysis of Federal Programs," October 29, 1992, and DoD Instruction 7041.3, "Economic Analysis for Decision-making," November 7, 1995, require such data for making decisions and assessing the effectiveness of a program. The Program Management Office developed the 2003 DTS Economic Analysis and subsequent Addendum (September 2, 2003) without ensuring all sources of data had been or could be validated. These undertakings, in addition to our inability to validate current DTS and other travel-related cost data, represent a fundamental flaw in the Department's reporting process. The flaw is not specific to DTS—it is a Department-wide failure to collect and retain travel-related cost data that are auditable.

Continued Use of Legacy Systems to Support Temporary Duty Travel

The Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum on July 17, 2001, "Defense Travel System," and the Deputy Secretary of Defense issued Management Initiative Decision 921 (MID 921) on October 18, 2004, "Commercial Travel Management." The memorandum and the Decision require DTS to be used as the single standard system for completing temporary duty travel. However, the Department continues to use legacy systems to support travel. Specifically, at 5 of 27 sites visited, DoD Components continued to use only legacy systems to support travel despite DTS being deployed to those sites. At the remaining sites visited, DoD Components continued to use legacy systems some of the time to support travel that could have been processed using DTS.

Travel That Could Have Been Processed by the Defense Travel System

More than 50 percent of the 1,632 vouchers reviewed at 26 sites (892 vouchers) could have been processed using DTS. Use of legacy systems at sites where DTS is up and running reduces the Department's ability to achieve potential cost savings. Of the 892 vouchers, 295 were Army and Defense agency vouchers, which could have reduced overall travel processing costs paid to the Defense Finance and Accounting Service by as much as \$31.80 per voucher. In addition, when the Department uses legacy systems instead of DTS, it limits its own ability to successfully achieve the projected benefits described in the Addendum to the 2003 DTS Economic Analysis. The Department works against itself.

Guiding Defense Travel System Implementation

The Department lacks an overall travel management strategy to guide it in achieving the benefits identified in the Addendum to the 2003 DTS Economic Analysis. The strategy should describe a means for supporting all types of temporary duty travel and include necessary changes to travel policy. We believe DTS cannot effectively streamline the Department's travel management or bring about cost savings without:

- a DoD-wide process for monitoring use,
- procedures for holding the Services and Defense agencies accountable for complying with DoD policy, and
- a plan for meeting existing requirements and new requirements that may be added.

Monitoring and Accountability

The Department does not have a single process for monitoring DTS use, and the different processes used did not capture uniform types of data. During our site visits, we found that DoD Components did not always use DTS to support travel that involved the use of a centrally billed account, another organization's line of accounting, or invitational travel even though DTS clearly supports travel under these circumstances. If the Department had a process in place to effectively monitor DTS use and the Services and Defense agencies were held accountable for not using the System, it would discourage Components from processing travel through means other than DTS.

Meeting Additional Travel Requirements

DTS does not yet support all types of routine temporary duty travel because the Program Management Office has not met deadlines for all planned releases or system updates. The Program Management Office has not developed a plan stating how and when critical upgrades with missed deadlines or those planned for the final release will be executed, nor has it addressed all system change requests that seriously affect DTS functionality. In fact, the Defense Finance and Accounting Service issued a report on February 22,

2006, “Review of the Defense Travel System,” identifying 24 types of routine temporary duty travel in the Joint Federal Travel Regulations that were not included in scheduled releases or the final release. Examples of those types of travel include travel for Reserve and Guard members and permanent duty travel.

We believe the Department’s travel management strategy should address a process to effectively measure realistic and achievable benefits. Until the Department develops a travel management strategy and improves its ability to measure efficiencies gained by implementing DTS, it will not know whether it could achieve such benefits as:

- transforming travel management to a fully integrated end-to-end travel and financial management system that supports temporary duty travel,
- increasing personnel productivity by reducing the time spent on travel administration by a minimum of 40 percent,
- reducing travel processing costs,
- contributing to clean audit opinions, and
- reducing delinquent travel card payments.

Report Recommendations

Our report recommends that the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense for Personnel and Readiness coordinate with Department comptrollers to develop a formal reporting process, maintain detailed records of all DTS and legacy system travel costs, and establish a viable process for measuring whether using DTS has enabled DoD to achieve projected benefits cited during the Milestone C Decision.

The report recommends that if DTS is to continue being used after the DTS study required by Section 943 of Public Law 109-364 is completed, then the following should occur:

The Under Secretary must develop—in coordination with the Director, Business Transformation Agency; the Services; and Defense agencies—a travel management strategy that includes a plan for effectively implementing DTS at all remaining sites, and a single methodology for consistently monitoring compliance with Department policy.

The report also recommends that the Under Secretary establish a plan addressing short- and long-term goals to achieve 100 percent use of DTS for routine temporary duty travel.

Further recommendations include:

- The Director, Defense Finance and Accounting Service should implement a process to ensure voucher payments recorded in the disbursing systems can be reconciled to voucher payment data in the e-Biz accounting system.

- The Program Director, DTS Program Management Office, should institute a more effective and timelier process for addressing system change requests to improve the Department's ability to use the System if a decision is made to continue the program after the newly legislated review.