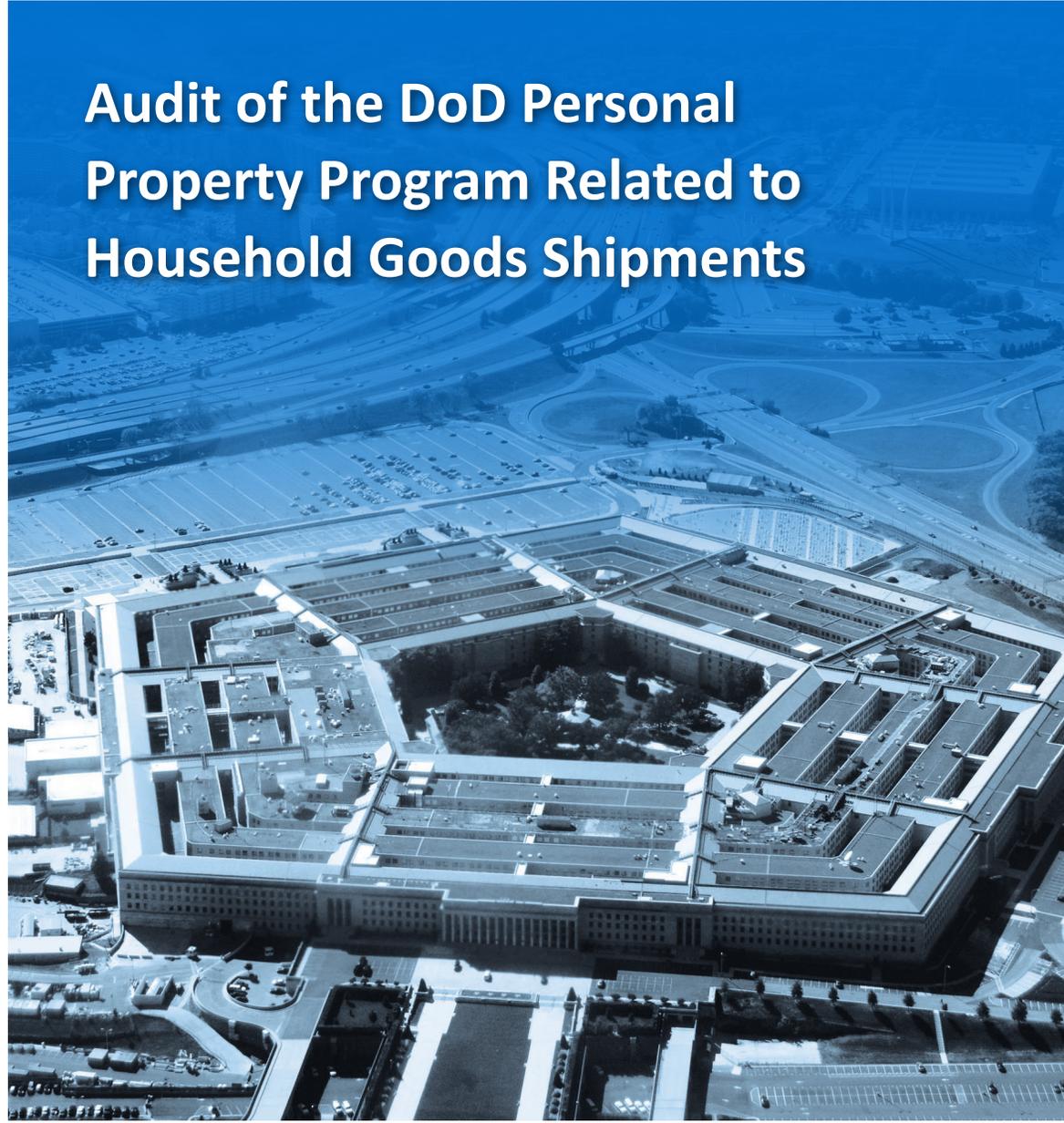




# INSPECTOR GENERAL

*U.S. Department of Defense*

JANUARY 6, 2020



## Audit of the DoD Personal Property Program Related to Household Goods Shipments

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





# Results in Brief

## *Audit of the DoD Personal Property Program Related to Household Goods Shipments*

January 6, 2020

### Objective

The objective of this audit was to determine whether DoD members received personal property shipments in a timely manner and whether proper actions were taken on household goods that were damaged or lost during permanent change of station moves.

### Background

As of October 23, 2019, over 107,000 individuals signed a petition on Change.org to hold moving companies accountable for losses and damages incurred during the DoD military move process. Many DoD military families have complained about unexpected delays in pickups or delivery of their household goods. There also have been complaints about the moves themselves, which have resulted in loss and damage for some families.

The DoD is the single largest customer in the personal property shipping industry, representing approximately 15 percent of all domestic and international moves. U.S. Transportation Command (USTRANSCOM) is responsible for administering the DoD Personal Property Program. The DoD Personal Property Program was developed to improve the permanent change of station process for the DoD service members, civilians, and their families by promoting quality of service and streamlining the overall process. To implement the DoD Personal Property Program, the DoD developed the Defense Personal Property System (DPS), a web-based system that supports the

### Background (cont'd)

DoD Personal Property Program with shipment management, invoicing, damage claims, and quality assurance of the DoD personal property shipments (shipments).

For FY 2018, the four Joint Personal Property Shipping Offices (joint shipping offices) that we reviewed processed 9,852 shipments, costing \$102.3 million, that were delivered at least 5 days past the Required Delivery Date (delivery date) and had at least one claim filed for damaged or lost household goods. We selected a statistical sample of 311 shipments from these four joint shipping offices, costing \$3.3 million, to review. The DoD members claimed a total of 3,575 damaged or lost household goods, valued at \$24.5 million, on the 311 shipments reviewed. Of the 3,575 damaged or lost household goods, we reviewed 662 finalized damaged or lost household goods claims, valued at \$8.5 million to determine if the DoD member received a replacement household good, a repaired household good, or the entitled compensation allowed under the Defense Transportation Regulation (DTR) and USTRANSCOM business rules.

### Findings

We determined that of 9,852 shipments, the DoD members did not receive a projected 4,004 shipments (41 percent), costing \$33.1 million, on or before the delivery date or the agreed-upon delivery date from the storage location. This occurred because the Transportation Service Providers (moving companies), which are selected by the shipping offices but conduct the move independently with the DoD members, had scheduling and equipment problems. Additionally, moving companies did not provide an explanation for delivering some of the shipments after the delivery date. As a result, DoD members and families did not receive their shipments timely and incurred additional costs for lodging, food, and rental or purchase of household necessities, which may be compensated through an inconvenience claim.



# Results in Brief

## *Audit of the DoD Personal Property Program Related to Household Goods Shipments*

### **Findings (cont'd)**

DPS data showed that 21 percent of all domestic household goods shipments had at least one damage claim filed during FY 2018. We determined that of the 311 shipments we reviewed, the moving companies resolved 622 of 662 finalized damaged or lost household goods claims (94 percent), valued at \$8.4 million, with the DoD members in accordance with DoD guidance. However, the moving companies did not resolve 40 damaged or lost household goods claims, valued at \$20,258 because the DoD members did not use the Military Claims Offices to process the 40 household goods claims. As a result, the DoD members did not receive the entitled compensation for 40 damaged or lost household goods.

Finally, we determined that DPS had system limitations and inaccuracies. Specifically, of the 9,852 shipments identified in DPS as being delivered late at the four joint shipping offices reviewed, we determined that the moving companies delivered a projected 5,692 shipments, costing \$65.2 million, on or before the delivery date or met the agreed-upon delivery date from the storage location. Additionally, moving companies could not provide an agreed-upon delivery date from the storage location for a projected 156 shipments for us to use to determine whether the shipments were timely. DPS system limitations and inaccuracies occurred because the joint shipping offices are not required to validate destination information, including delivery dates in DPS.

Furthermore, DPS also inaccurately identified finalized household goods claims between the moving companies and the DoD members as in process. Specifically, DPS identified 342 of 793 damaged household goods claims, valued at \$271,193, as in process that should have been identified as closed. This occurred because the moving companies and the DoD members did not update DPS when household goods claims were finalized

and the joint shipping offices are not required to review household goods claims data to ensure it was properly entered into DPS. As a result, USTRANSCOM cannot rely on DPS delivery and claims information to determine whether DoD members received timely shipments and whether the DoD members' household goods damage and loss claims were finalized.

### **Recommendations**

We recommend that the USTRANSCOM Commander develop and implement a methodology that accounts for warnings in the performance score of the moving companies for the best value determinations and update the Defense Transportation Regulation to:

- issue warnings or letters of suspension to the moving companies within 14 days of missing the delivery date or the agreed-upon delivery date from storage location;
- contact the DoD members if they have not completed a Customer Satisfaction Survey within 1 month after they receive the shipment;
- help the DoD members and families file inconvenience claims with moving companies within 14 days of the missed delivery date;
- transfer the damaged or lost household goods claims to the Military Claims Offices if the DoD member decides to pursue reimbursement from the moving company;
- obtain and validate the delivery information in DPS within 14 days of the completed move; and
- review all household goods claims greater than 60 days old and contact the DoD members to determine the status.



# Results in Brief

## *Audit of the DoD Personal Property Program Related to Household Goods Shipments*

### Management Comments and Our Response

This report contains seven recommendations addressed to the USTRANSCOM Commander. Of the seven recommendations, four were unresolved and three were resolved but will remain open until further actions are taken.

The USTRANSCOM Chief of Staff responded for the USTRANSCOM Commander on all recommendations. The Chief of Staff did not agree with the recommendation to develop and implement a methodology that accounts for Letters of Warning in the performance score of the moving companies for the best value determinations. The Chief of Staff also disagreed with the recommendation to update the Defense Transportation Regulation to issue warnings or letters of suspension to the moving companies within 14 days of missing the delivery date or the agreed-upon delivery date from storage location. The Chief of Staff stated that USTRANSCOM agreed with the ultimate goal of the recommendations to improve service for customers of the DoD Personal Property Program, but also stated that a comprehensive approach must be taken to achieve reform. The Chief of Staff stated that issuing additional warnings, even if tied to best value determinations, would not result in improved service for customers of the DoD Personal Property Program. The Chief of Staff further stated that improved survey return rates represent a more feasible, immediate avenue to ensuring the best value determinations reward quality providers than incorporating warnings into the calculation.

Comments from the Chief of Staff did not address the specifics of the recommendations; therefore, the recommendations are unresolved. We agree that the increase in survey completion percentage would help develop a more accurate best value score, reward

qualified moving companies, and hold moving companies accountable for missing the required delivery date or the agreed-upon delivery date from a storage location. However, we believe that the incorporation of warnings in the performance score of the moving companies for the best value determination would result in improved service for DoD members. For example, by including the warnings in the best value score, USTRANSCOM would have a direct and immediate impact on the moving company's rating, which is used to determine what future shipments the company will be offered in DPS.

Additionally, the issuance of warnings would immediately hold the moving companies accountable for untimely shipments. We identified that the joint shipping offices issued warnings for only 20 percent of the identified late shipments. By inconsistently issuing warnings, USTRANSCOM is also reducing its ability to hold moving companies accountable by issuing suspensions, which could impact the quality of DoD member moves. If a moving company is suspended, it is prevented from accepting any moves for 30 days in DPS. We therefore recommend that USTRANSCOM reconsider its responses to these recommendations.

All of the recommendations, summaries of management's comments to the recommendations, and our responses are located in the "Recommendations, Management Comments, and Our Response" sections of the report. Please see the recommendations table on the next page for the status of recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, U.S. Transportation Command	A.1, A.2.a, C.1.a, and C.1.b	A.2.b, A.2.c, and B.1	None

Please provide Management Comments by February 6, 2020.

**Note:** The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

January 6, 2020

MEMORANDUM FOR COMMANDER, U.S. TRANSPORTATION COMMAND

SUBJECT: Audit of the DoD Personal Property Program Related to Household Goods Shipments (Report No. DODIG-2020-046)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

This report contains recommendations that are considered unresolved because U.S. Transportation Command did not agree and did not fully address the recommendations presented in the report. Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, the recommendations remain open. We will track these recommendations until an agreement is reached on the actions to be taken to address the recommendations, and adequate documentation has been submitted showing that the agreed-upon action has been completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please send a PDF file containing your comments on the recommendations within 30 days to [audclev@dodig.mil](mailto:audclev@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me at [REDACTED]

A handwritten signature in cursive script, appearing to read "Theresa S. Hull".

Theresa S. Hull  
Assistant Inspector General for Audit  
Acquisition, Contracting, and Sustainment

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# Introduction

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## Objective

The objective of this audit was to determine whether DoD members received personal property shipments (shipments) in a timely manner and whether proper actions were taken on household goods that were damaged or lost during permanent change of station moves. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the audit objective.

## Background

According to an August 2018 Military Times article, more than 41,000 people signed a petition asking DoD military leaders and Members of Congress to hold moving companies accountable after untold numbers of complaints by DoD military families about their household goods moves during the 2018 summer. As of October 23, 2019, over 107,000 individuals signed the petition on Change.org. The Change.org petition calls for holding moving companies accountable to minimize the loss and damage families have been experiencing during DoD military moves. Many DoD military families have complained about unexpected delays in pickups or delivery of their household goods. There have also been complaints about the quality of work by the moving companies, which have resulted in the loss and damage of household goods for some families.

According to a military spouse quoted in the article, military families are tired of how things with the current moving system are being handled. There is only so much that our military families can do, and without proper accountability, they will continue to get away with the mishandling of our service members' personal property. She cited a claims process that is "long and tedious with companies only paying pennies on the dollar for something that is supposed to be protected." Among the solutions she offered is to have move coordinators and quality assurance inspectors properly trained in being a mediator between the DoD military family and the moving company and its crews. Another solution she offered was to have less frequent moves.

## ***Congressional Letters for Permanent Change of Station Problems***

Four U.S. Senators and the Committee on Armed Services from the U.S. House of Representatives (House Armed Services Committee) sent letters to the Commander of U.S. Transportation Command (USTRANSCOM) asking officials to address the problems with permanent change of station moves. A permanent change of station move is the assignment of a DoD member to a different permanent duty station for

more than 20 weeks. The U.S. Senators requested that USTRANSCOM enhance the transparency and accountability to the DoD members with a timely review of the contractors used to move the household goods of DoD members and their families across the globe. The House Armed Services Committee was concerned about the large number of military families who experienced poorly executed household goods moves and raised the concerns in a petition where the DoD members and families reported problems with delays in pickups and arrivals, and breakage or loss of household goods during permanent change of station moves.

USTRANSCOM is exploring a centralized acquisition approach that would transition the DoD Personal Property Program to a single move manager. In April 2019, USTRANSCOM posted a draft request for proposal to hire a single company to manage all permanent change of station moves. The DoD expects to issue a final request for proposal and have the contractor ready to support the 2021 peak moving season. In a provision in the pending FY 2020 National Defense Authorization Act, Section 355, the next National Defense Authorization Act proposes to require USTRANSCOM prepare a business case analysis for the proposed award and prohibited funding the contract until 30 days after USTRANSCOM briefed the congressional defense committees on the business case analysis.

### ***DoD Personal Property Program***

The DoD is the single largest customer in the personal property shipping industry, representing approximately 15 percent of all domestic and international moves. The USTRANSCOM Commander is responsible for developing, publishing, and maintaining DoD Regulation 4500.9-R, “Defense Transportation Regulation” (DTR).<sup>1</sup> The DTR includes the Defense Personal Property Program Tender of Service.<sup>2</sup> This Tender of Service serves as an agreement between the moving companies and the Government. In addition, USTRANSCOM is responsible for administering the DoD Personal Property Program.<sup>3</sup> The DoD Personal Property Program was developed to improve the permanent change of station process for the DoD service members, civilians, and their families by promoting quality of service and streamlining the overall process. USTRANSCOM’s Personal Property Division serves as the single manager for all aspects of the DoD Personal Property Program, including solicitations, rates, quality assurance analysis, and carrier qualification.

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<sup>1</sup> DoD Directive 4500.09E, “Transportation and Traffic Management,” September 11, 2007, Change 2, August 31, 2018.

<sup>2</sup> Defense Transportation Regulation, Part IV Personal Property, Appendix B, “The Defense Personal Property Program Tender of Service,” September 18, 2018.

<sup>3</sup> DoD Instruction 4500.57, “Transportation and Traffic Management,” March 7, 2017, Change 2, August 31, 2018.

## ***Defense Personal Property System***

USTRANSCOM developed the Defense Personal Property System (DPS), a web-based system that supports the DoD Personal Property Program with shipment management, invoicing, damage claims, and quality assurance of DoD personal property shipments. DPS replaced the legacy Transportation Operational Personal Property Standard System. According to a USTRANSCOM official, DPS will be replaced with a new MilMove system within the next 2 to 3 years. The MilMove system is in the prototype phase. MilMove will allow real-time data entry of move information and feedback for DoD members and the moving companies as the move occurs. The expectation is that the MilMove system will function similar to a smart phone application and be more user friendly than the current system.

For FY 2018, DPS included 175,626 shipments, costing \$1.3 billion, for the DoD members within the continental United States.<sup>4</sup> Of the 175,626 shipments, DPS included 100,868 shipments, costing \$650.4 million that were delivered within 5 days of the Required Delivery Date (delivery date). The DTR requires the moving company to enter the actual delivery date in DPS within 3 business days and according to a USTRANSCOM official, DPS cannot be backdated. Therefore, we reviewed shipments that DPS indicated were at least 5 days late to accommodate the 3 business days, the lack of backdating, and to account for weekends. DPS establishes the delivery date as the pickup date plus the transit time from the pickup location to the delivery location. The remaining 74,758 shipments, costing \$612.3 million, had delivery dates that were at least 5 days past the delivery date. According to an official from the Department of Transportation's Federal Motor Carrier Safety Administration, the Department of Transportation does not maintain statistics on the timeliness of civilian moves.

## ***Defense Personal Property Program Claims***

According to a USTRANSCOM official, USTRANSCOM stated that about 20 percent of DoD members reported damaged or lost household goods during moves. Specifically, DPS included 37,431 of the 175,626 shipments (21 percent), costing \$360.3 million that had at least one claim filed for damaged or lost household goods during FY 2018. The DoD's damaged or loss rate is consistent with the civilian moving industry. According to the American Moving and Storage Association, 20 percent of all civilian moves have a damage or loss claim. The DTR Tender of Service does not require the moving companies to exceed civilian standards.<sup>5</sup>

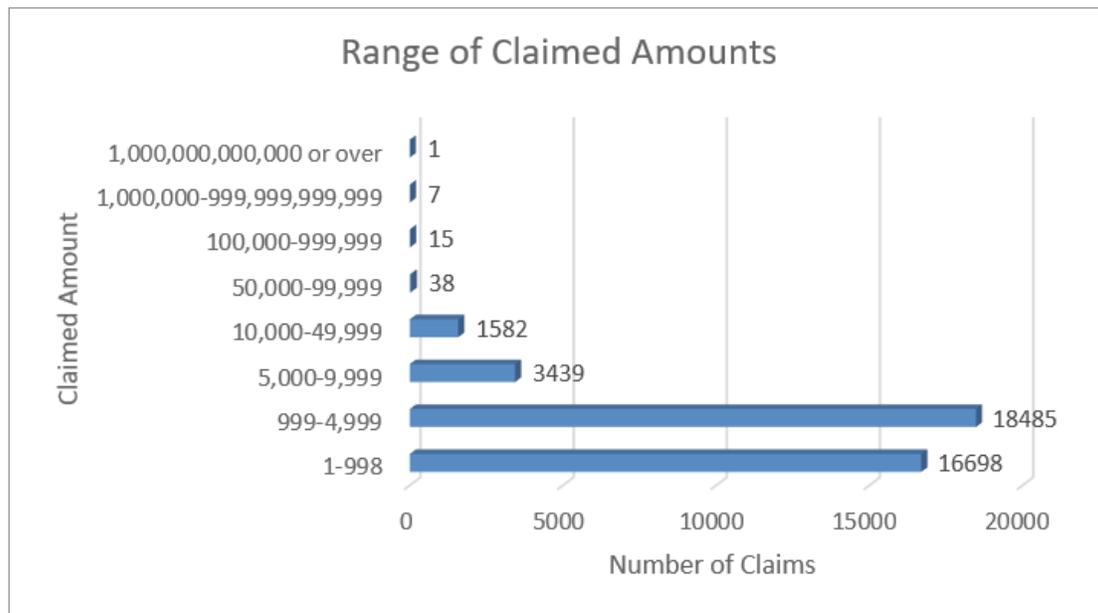
<sup>4</sup> We did not include shipments for the U.S. Coast Guard because the U.S. Coast Guard is under the Department of Homeland Security.

<sup>5</sup> Defense Transportation Regulation, Part IV Personal Property, Appendix B, "The Defense Personal Property Program Tender of Service," September 18, 2018.

According to a USTRANSCOM official, the DoD rate increased to 27 percent when shipments were placed in a Storage-In-Transit (storage) location. The moving companies use storage if the DoD member does not have a delivery address when the household goods are ready for delivery. USTRANSCOM is taking steps to reduce damage or loss claims during permanent change of station moves. Specifically, in February 2019, USTRANSCOM proposed to pack more household goods in crates for continental United States moves placed in storage. Additionally, USTRANSCOM proposed to increase the number of quality assurance inspections to 50 percent at the point of packing and delivery to hold moving companies more accountable for the 2019 moving season.

The DoD members can claim any amount for their damaged or lost household goods and can choose to file one claim that includes multiple damaged or lost household goods or multiple claims that include only one damaged or lost household good each. For example, a DoD member filed one claim, totaling \$22 million, which included 22 damaged or lost household goods, each valued at \$1 million. This DoD member claimed \$1 million for a trash can that was denied. In another example, a DoD member filed and was paid a claim, totaling \$280, which included three damaged or lost household goods. Of the 37,431 shipments, the DoD members filed a total of 40,265 claims, valued at over \$1 trillion, for damaged or lost household goods. However, \$1 trillion of that total came from one claim that was denied, from one member. The remaining 40,264 claims were valued at \$235 million. The majority of claims were filed in amounts under \$5,000. Specifically, the DoD members filed 35,183 of the 40,265 claims (87 percent) under \$5,000. See the following Figure for a range of damaged and lost claims for FY 2018.

Figure. Damage and Loss Claims



Source: DPS.

The Personal Property Shipping Offices or Joint Personal Property Shipping Offices (shipping offices) serve as the point of contact for DoD members and their families on all shipments.<sup>6</sup> For FY 2018, the four joint shipping offices that we reviewed processed 9,852 shipments, costing \$102.3 million, that were delivered at least 5 days past the delivery date and had at least one claim filed for damaged or lost household goods. We reviewed a statistical sample of 311 shipments out of the 9,852, costing \$3.3 million.

### ***DoD Personal Property Shipment Process***

The DTR details the DoD personal property household goods shipment process.<sup>7</sup> Once a member receives permanent change of station orders, the DoD member coordinates with the local Personal Property Processing Office (processing office) for counseling. The processing offices are located at military installations around the world and are staffed by DoD and contractor personnel. Officials from the processing offices interview and counsel members on their allowances and responsibilities while moving and review the member's orders. The processing offices also help the DoD members file a claim for damaged or lost household goods.

The DoD members, with input from the processing offices, enter their move information in DPS. DPS electronically offers the shipments to one of almost 900 Transportation Service Providers (moving companies) based on the DoD member's type of shipment, desired pickup and delivery dates, and the pickup and delivery locations. Moving companies are DoD-approved commercial companies that are fully responsible for the shipment and storage of personal property. The moving companies are required to meet the specified pickup date and deliver shipments on or before the delivery date.

The shipping offices review the delivery date and determine whether the date is reasonable based on the DoD member's requirements. The shipping offices use DPS to accept and process applications for shipments by acquiring the transportation or storage necessary to fulfill the requirements of the DoD member. Once a moving company accepts a shipment in DPS, the moving company will work independent of the shipping office and coordinate directly with the DoD member to conduct a pre-move survey. The pre-move survey allows the moving company to address the DoD member's specific needs and concerns, establish the volume of household goods to be transported, identify special packaging requirements, and establish

<sup>6</sup> Personal Property Shipping Offices are staffed by a single Military Service and are located on individual Military Service bases, while Joint Personal Property Shipping Offices are staffed by multiple Military Services and are typically located on joint bases with multiple Military Services. For this report, when referring to both the Personal Property Shipping Offices and the Joint Personal Property Shipping Offices, we will use the term shipping offices. When clarification is needed to refer to only the Joint Personal Property Shipping Offices, we will use the term joint shipping offices.

<sup>7</sup> Defense Transportation Regulation, Part IV Personal Property, Chapter 402, "Shipment Management," September 18, 2018.

agreed-upon pack and pickup dates. The moving company and the DoD member coordinate to pack, load, and inventory household goods. According to the DTR, the moving company must be in regular contact with the DoD member throughout the entire shipment.<sup>8</sup>

When a shipment arrives at the delivery location, the moving company coordinates delivery directly with the DoD member, or the shipment is delivered to a temporary storage location if the DoD member does not have a delivery address. Although storage normally is at the destination location, storage also may be at the origin or at an intermediate point when considered by the shipping offices to be in the best interest of the DoD member and the Government. The DoD member then coordinates with the moving company to establish an agreed-upon delivery date and obtain the household goods from the storage location. The moving company is responsible for meeting the agreed-upon delivery date from the storage location. After the shipment has been delivered to the DoD member's residence, the moving company must enter the actual delivery date in DPS within 3 business days.

### ***Damaged or Lost Household Goods Claims Process***

The DoD member may file a claim against the moving company for damaged or lost household goods during a move. The DTR explains the damaged or lost household goods claims process.<sup>9</sup> The DoD member can file a quick-claim settlement for damaged or lost household goods. Quick-claim settlements are for minor damage or loss under \$500 dollars and are not reported in DPS unless the DoD member files a full replacement value (FRV) claim. FRV means that if an item is lost or destroyed during the move, the moving company should pay to replace it with a similar item. FRV claims are for the undepreciated replacement value of damaged or lost household goods, not necessarily what the DoD member originally paid for the item, and are filed by the DoD member in DPS. The DoD member must notify the moving company of damaged or lost household goods within 75 days of the delivery and must file a damage or loss claim in DPS within 9 months of the delivery to be eligible for FRV. The moving company must pay, deny, or make an offer within 60 days from receipt of a DoD member's completed claim through DPS. In addition, the DTR states that the moving company has the authority to repair household goods to pre-shipment condition.<sup>10</sup> According to the USTRANSCOM business rules, the moving company may inspect the damaged items

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<sup>8</sup> Defense Transportation Regulation, Part IV Personal Property, Chapter 402, "Shipment Management," September 18, 2018.

<sup>9</sup> The DoD updated Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," October 23, 2018, on March 21, 2019. Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," March 21, 2019, is consistent with the previous version.

<sup>10</sup> The DoD updated Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," October 23, 2018, on March 21, 2019. Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," March 21, 2019, is consistent with the previous version.

at any time before settlement of the claim and must initiate repair within 30 days of settlement.<sup>11</sup> If the moving company determines that the damaged household goods are unable to be repaired, the moving company must pay the FRV to the DoD member. The DoD member can accept or reject the moving company's offer. On average, the DoD members settled damaged or lost household goods claims with the moving companies in 56 days.

The DoD member has the option to transfer an unresolved claim to the servicing Military Claims Office (claims office) 30 days after it is filed. Specifically, the Army Center for Personnel Claims Support, Navy Personnel Claims Unit, and Air Force Claims Service Center are the claim offices responsible for processing or adjudicating unresolved claims with the moving companies on behalf of the DoD member. According to the United States Code, all settlements between the moving companies and DoD members are final.<sup>12</sup> Which means, that the claims offices cannot adjudicate a claim for which the member has already accepted a settlement. In other words, if the member later decides they were lowballed there is no recourse. During FY 2018, the Army and Air Force claims offices took an average of 37 and 45 days, respectively, to settle damaged or lost household goods claims with the moving companies. The Navy could not provide the average number of days needed to settle damaged or lost household goods claims.

### ***DoD Initiatives***

On March 7, 2019, the USTRANSCOM Commander reported to the House Armed Services Committee that USTRANSCOM is working with the Military Services and is committed to improving relocation processes for the DoD members and families. The Office of the Under Secretary of Defense for Acquisition and Sustainment and the Office of the Under Secretary of Defense for Personnel and Readiness established a cross-functional team to identify broad and impactful improvements to the DoD Personal Property Program. The cross-function team outlined 10 specific 2019 tasks in its action plan, including integrating the orders process with transportation systems; improving the overall order lead time; seeking opportunities to reduce report dates during peak season; resourcing transportation offices to meet quality assurance inspection standards; and establishing a central call center to improve customer service.<sup>13</sup>

<sup>11</sup> USTRANSCOM, "Defense Personal Property Program Claims and Liability Business Rules," Version 1.2, December 7, 2018.

<sup>12</sup> Section 3721, title 31, United States Code, "Claims of personnel of agencies and the District of Columbia government for personal property damage or loss."

<sup>13</sup> Peak moving season is weeks 20 through 35 of each year, which correlates to May 14, 2018, through September 2, 2018, for FY 2018.

## Review of Internal Controls

DoD Instruction 5010.40 requires the DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>14</sup> We identified that the moving companies, which are selected by the shipping offices but conduct the move independently with the DoD members, had scheduling and equipment problems or that the moving company did not provide an explanation for delivering the shipments after the delivery date. Additionally, joint shipping offices did not have a requirement to validate destination information, including delivery dates in DPS, or to review household goods claims data to ensure it was properly entered into DPS by the moving companies and DoD members. We will provide a copy of the report to the senior official responsible for internal controls in USTRANSCOM.

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<sup>14</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding A

### DoD Members Did Not Receive Timely Shipments

Of 9,852 shipments, DoD members did not receive a projected 4,004 shipments (41 percent), costing \$33.1 million, on or before the delivery date or the agreed-upon delivery date from the storage location. This occurred because the moving companies, which are selected by the shipping offices but conduct the move independently with the DoD members, had scheduling and equipment problems. Additionally, moving companies did not provide an explanation for delivering the shipments after the delivery date. As a result, some of the DoD members and families did not receive their shipments timely and incurred additional costs for lodging, food, and rental or purchase of household necessities, which may be compensated through an inconvenience claim.

### Deliveries Were Not Timely

For FY 2018, USTRANSCOM officials provided 175,626 shipments, costing \$1.3 billion, for DoD members' household goods within the continental United States from DPS. We identified 18,023 shipments within DPS, costing \$190.8 million, that were recorded as being delivered at least 5 days past the delivery date and had at least one claim filed for damaged or lost household goods. Of the 18,023 shipments, we identified that the four joint shipping offices that we reviewed processed 9,852 shipments, costing \$102.3 million. Of the 9,852 shipments, DoD members did not receive a projected 4,004 shipments (41 percent), costing \$33.1 million, on or before the delivery date or the agreed-upon delivery date from the storage location. See Table 1 for a breakout of untimely shipments by the four joint shipping offices.

*Table 1. Untimely Shipments by the Four Joint Shipping Offices Reviewed*

Joint Shipping Office	Location Base and State	Total Shipments	Number of Late Shipments	Total Cost of Late Shipments (In Millions)
Mid-Atlantic	Ft. Belvoir Army Base, VA	2,343	965	\$9.0
South East	Naval Air Station Jacksonville, FL	2,291	697	6.3
South Central	Lackland AFB, TX	2,601	1,055	9.1
North Central	Colorado Springs, CO	2,617	1,287	8.7
<b>Total</b>		<b>9,852</b>	<b>4,004</b>	<b>\$33.1</b>

Source: DPS and the DoD OIG.

The DTR states that moving companies are required to deliver shipments on or before the delivery date or to meet the agreed-upon delivery date from the storage location.<sup>15</sup> However, we projected that the moving companies delivered 41 percent of the shipments after the delivery date. For example, an Air Force employee had a shipment, costing \$7,070, with a delivery date of August 9, 2018. However, the moving company delivered the shipment to the DoD member's residence on August 17, 2018, 8 days late. The moving company admitted that the shipment was late and provided the DoD member instructions on how to file an inconvenience claim. The DoD member filed an inconvenience claim and received \$1,275.

Additionally, the moving companies did not deliver household goods on the agreed-upon delivery date from storage locations. For example, a Navy member had a shipment, costing \$4,359, with a delivery date of March 9, 2018. The moving company split the shipment and delivered only the first portion of the shipment by March 9, 2018. The moving company originally told the Navy member that the shipment was lost, but the shipment was actually left in a Jacksonville warehouse. The moving company delivered the remaining portion of the Navy member's household goods on March 22, 2018, 13 days late. The DoD member did not file an inconvenience claim for the late shipment. According to the DTR, if the moving company determines that it needs to split a shipment due to limited space on the truck, the established delivery date applies to all parts of the shipment.<sup>16</sup>

## Moving Companies Experienced Scheduling and Equipment Problems

*• Moving companies experienced scheduling problems, including assignments of drivers, driver delays, and mistakes with shipments such as delivering household goods to the wrong location.*

DoD members did not always receive timely shipments because moving companies, which are selected by the shipping offices but conduct the move independently with the DoD members, had scheduling and equipment problems. Moving

companies experienced scheduling problems, including assignments of drivers, driver delays, and mistakes with shipments such as delivering household goods to the wrong location. For example, a Navy member had a shipment, costing \$20,533, with a delivery date of June 25, 2018. However, the moving company delivered the shipment to the Navy member's residence on July 5, 2018, 10 days late. According to moving company documents, the shipment was delayed because the moving

<sup>15</sup> Defense Transportation Regulation, Part IV Personal Property, Appendix B, "The Defense Personal Property Program Tender of Service," September 18, 2018.

<sup>16</sup> Defense Transportation Regulation, Part IV Personal Property, Appendix B, "The Defense Personal Property Program Tender of Service," September 18, 2018.

company did not have a driver to transport the shipment to the destination location. In another example, the moving company stated that a Navy member's shipment, costing \$2,976, would be delivered late because the moving company did not have a van available to deliver the shipment. The shipment was delivered 15 days late and the DoD member was paid an inconvenience claim of \$882. Moving companies also experienced equipment problems, such as trucks breaking down and truck or trailer fires. For example, an Air Force member had a shipment, costing \$5,252, with a delivery date of May 4, 2018. However, the moving company delivered the shipment to the Air Force member's residence on May 15, 2018, 11 days late. According to notes added by the moving company in DPS, the moving company missed the delivery date because the truck had mechanical problems. Additionally, moving companies did not provide an explanation for some of the late shipments. For example, an Air Force member had a shipment, costing \$4,261, with a delivery date of June 18, 2018. However, the moving company delivered the shipment to the Air Force member's residence on July 3, 2018, 15 days late. The moving company entered a note in DPS on June 16, 2018, stating that the delivery date would be missed and that the moving company would provide a new estimated delivery date. The moving company did not provide an explanation for why the delivery was late, but paid an inconvenience claim of \$169 to the DoD member.

### ***Issuance of Letters of Warning and Suspension***

The joint shipping offices did not consistently issue Letters of Warning (warnings) to the moving companies for missing the delivery date or the agreed-upon delivery date from the storage location when the moving company was responsible for missing the delivery dates. The DTR states that the shipping offices may issue a warning when a moving company violates any provision of the moving agreement and must include the rule or regulation the moving company violated.<sup>17</sup>

For the 124 late shipments, the joint shipping offices issued only 25 warnings to the moving companies for missing the delivery date or agreed-upon delivery dates from the storage locations. According to a USTRANSCOM official, it is up to the joint shipping offices to issue warnings, and some joint shipping offices issue more warnings than others. The North Central joint shipping office issued 12 warnings to moving companies for missing the delivery date on 37 late shipments. The other three joint shipping offices we reviewed issued a combined total of 13 warnings for missing the delivery dates on 87 late shipments. For example, the North Central joint shipping office issued a warning to a moving company for delivering a shipment 11 days past the delivery date. See Table 2 for a breakout of warnings issued by the joint shipping offices.

<sup>17</sup> Defense Transportation Regulation, Part IV Personal Property, Chapter 405, "Quality Assurance," August 17, 2018.

Table 2. Warnings Issued by the Joint Shipping Offices Reviewed

Joint Shipping Office	Location Base and State	Number of Late Shipments	Number of Warnings for Timeliness
Mid-Atlantic	Ft. Belvoir Army Base, VA	32	3
South East	Naval Air Station Jacksonville, FL	22	1
South Central	Lackland AFB, TX	33	9
North Central	Colorado Springs, CO	37	12
<b>Total</b>		<b>124</b>	<b>25</b>

Source: DPS.

A warning serves as a notice to a moving company that if violations or performance problems continue, suspension action may follow that will prevent the moving company from being offered shipments in DPS. Additionally, the DTR states that a Letter of Suspension (suspension) may be issued to a moving company that repeatedly violates any provision of its agreement three or more times during a 180-day period, which includes repeated failure to meet the delivery date.<sup>18</sup> If a moving company is suspended, it is prevented from accepting any moves for 30 days in DPS, and the moving company must provide proof of corrective action to the shipping offices before it can be reinstated. USTRANSCOM should update the DTR to issue warnings or suspensions to the moving company within 14 days of missing the delivery date or the agreed-upon delivery date from a storage location when the moving company was either responsible for or did not provide an explanation for missing the delivery date.

### ***Evaluation of Moving Company Performance***

USTRANSCOM uses the Best Value Score (BVS) to rank moving companies from highest to lowest in DPS and offers shipments to qualified moving companies, starting with companies that have the highest BVS. The methodology for calculating the BVS is based on an average performance score from customer surveys and the rate charged by the moving company. Warnings and suspensions

USTRANSCOM does not consider warnings when determining the BVS of a moving company.

are actions USTRANSCOM can use to affect moving company performance. However, USTRANSCOM does not consider warnings when determining the BVS of a moving company. As a result,

warnings will not affect the ability of a poorly performing moving company from obtaining future shipments, which limits the impact of warnings on the moving companies' performance. Warnings should have a direct impact on the BVS of

<sup>18</sup> Defense Transportation Regulation, Part IV Personal Property, Chapter 405, "Quality Assurance," August 17, 2018.

the moving companies and which future shipments the moving company will be offered in DPS. Including the warnings in the BVS calculation will hold the moving companies accountable for poor performance. USTRANSCOM should develop and implement a methodology that accounts for warnings in the performance score of moving companies for the best value determinations.

Additionally, the joint shipping offices did not confirm that the DoD members submitted surveys as required by the DTR. The DTR states that a survey must be completed by the DoD member after delivery of each shipment and that the joint shipping offices should monitor survey completion.<sup>19</sup> The survey consists of questions designed to measure the moving company's performance. DPS automatically sends reminder survey notifications to the DoD members. The DoD members are sent their first e-mail reminder 7 calendar days after shipments have been identified by the moving companies in DPS as delivered. If the DoD member does not complete the survey, DPS sends additional e-mail reminders to the DoD member on the 14th and 21st calendar days after shipment delivery. There is no further follow-up conducted by the joint shipping offices.

In addition, the DTR states that the DoD member must acknowledge the requirement to complete the surveys before moving.<sup>20</sup> According to USTRANSCOM officials, the DoD members complete surveys only 30 to 35 percent of the time. According to the USTRANSCOM Commander, 90 percent of completed surveys rated the permanent change of station move as either excellent (63 percent), good (18 percent), or satisfactory (9 percent). The remaining 10 percent of DoD members reported an unsatisfactory experience and expressed concerns with the quality of service provided, the claims process for damaged or lost household goods, DoD actions to hold moving companies accountable, and a lack of transparency regarding industry performance. USTRANSCOM officials stated that the 30 to 35 percent of surveys provides enough data for decisions and conclusions on the DoD Personal Property Program. However, the surveys provide the DoD and moving companies with direct feedback about the moving experience. Additional survey responses would incentivize moving companies to improve their performance because the surveys affect the BVS, which impacts the moving company's rating

*Additional survey responses would incentivize moving companies to improve their performance because the surveys affect the BVS, which impacts the moving company's rating and its ability to receive shipments.*

<sup>19</sup> Defense Transportation Regulation, Part IV Personal Property, Chapter 403, "Best Value," September 18, 2018, and Defense Transportation Regulation, "Individual Missions, Roles, and Responsibilities," October 22, 2018.

<sup>20</sup> The DoD updated Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," October 23, 2018, on March 21, 2019. Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," March 21, 2019, is consistent with the previous version.

and its ability to receive shipments. USTRANSCOM should update the DTR to contact the DoD members if they do not complete surveys within 1 month after receiving the shipments, to increase the survey completion percentage and develop a more accurate BVS.

## DoD Members Did Not Receive Timely Shipments and Incurred Additional Costs

Some of the DoD members and families did not receive their shipments timely and incurred additional costs for lodging, food, and rental or purchase of household necessities, which may be compensated through an inconvenience claim. The DTR states that the moving company is required to reimburse the DoD members for out-of-pocket expenses resulting from the moving companies missing the delivery date or agreed-upon delivery dates.<sup>21</sup> The DoD members can file an inconvenience claim directly with the moving company for reimbursement of out-of-pocket expenses related to a late shipment that was not delivered on or before the delivery date or the agreed-upon delivery date from the storage location. Inconvenience claims can include, but are not limited to, out-of-pocket expenses for lodging; meals; laundry service; furniture or appliance rentals, including television rental; and purchase of items such as towels, pots, pans, paper plates, plasticware, and napkins. However, most DoD members did not file inconvenience claims for out-of-pocket expenses when shipments were late. Of the 124 late shipments in our sample, the DoD members filed only 25 inconvenience claims. The DoD members were reimbursed a total of \$17,945 for the inconvenience claims. See Table 3 for a breakout of inconvenience claims filed by the DoD members.

*Table 3. Inconvenience Claims Filed by DoD Members*

Joint Shipping Office	Location Base and State	Number of Late Shipments	Number of Inconvenience Claims	Total Amount Paid to DoD Member
Mid-Atlantic	Ft. Belvoir Army Base, VA	32	4	\$1,852
South East	Naval Air Station Jacksonville, FL	22	3	2,356
South Central	Lackland AFB, TX	33	10	9,004
North Central	Colorado Springs, CO	37	8	4,733
<b>Total</b>		<b>124</b>	<b>25</b>	<b>\$17,945</b>

Source: Moving Companies.

<sup>21</sup> Defense Transportation Regulation, Part IV Personal Property, Appendix B, "The Defense Personal Property Program Tender of Service," September 18, 2018.

The joint shipping offices have no oversight of whether the DoD members filed inconvenience claims and do not obtain any documentation. According to the joint shipping offices, the DoD member is responsible for filing the inconvenience claim, and the claim is between the DoD member and moving company. In one instance, an Army member had a shipment, costing \$2,923, with a delivery date of December 29, 2017. However, the moving company delivered the shipment to the Army member's residence on January 11, 2018, 13 days past the delivery date. The Army member received, from the moving company, \$400 for out-of-pocket expenses incurred as a result of the late delivery. According to the Army member, the moving company delivered the wrong household goods and paid \$400 for out-of-pocket expenses incurred by the member until the correct shipment arrived. USTRANSCOM is responsible for administering the DoD Personal Property Program and should have oversight of the inconvenience claims filed by DoD members. An increase in inconvenience claims would motivate the moving companies to provide timely service to avoid having to reimburse DoD members for out-of-pocket expenses. USTRANSCOM should update the DTR to help the DoD members and families file inconvenience claims with moving companies within 14 days of when the moving company did not meet the agreed-upon delivery dates.

## Recommendations, Management Comments, and Our Response

### ***Recommendation A.1***

**We recommend that the Commander of U.S. Transportation Command develop and implement a methodology that accounts for Letters of Warning in the performance score of the Transportation Service Providers for the best value determinations.**

### ***Recommendation A.2***

**We recommend that the Commander of U.S. Transportation Command update the Defense Transportation Regulations to:**

- a. Issue Letters of Warning or Letters of Suspension to the Transportation Service Provider within 14 days of missing the Required Delivery Date or the agreed-upon delivery date from a Storage-In-Transit location when the Transportation Service Provider was either responsible for or did not provide an explanation for missing the Required Delivery Date.**

### ***U.S. Transportation Command Comments***

The USTRANSCOM Chief of Staff, responding for the USTRANSCOM Commander, did not agree with Recommendations A.1 and A.2.a. The Chief of Staff stated that USTRANSCOM agreed with the ultimate goal of the recommendations to improve service for customers of the DoD Personal Property Program, but also stated that

a comprehensive approach must be taken to achieve the reform DoD families deserve and that their representatives in Congress demand. The Chief of Staff stated that issuing additional warnings, even if tied to best value determinations, would not result in improved service for customers of the DoD Personal Property Program. The Chief of Staff stated that the framework the DoD currently operates is fundamentally flawed, and will never generate the quality capacity, accountability, and clear responsibility the DoD requires. The Chief of Staff recommended fundamentally restructuring the DoD's relationship with industry as a means to improve service for DoD Personal Property Program customers and hold transportation providers accountable for performance requirements. The Chief of Staff stated that the DoD does not have a formal contract with any current providers and cannot hold them accountable in a meaningful way.

The Chief of Staff acknowledged the central role of the performance score in the current traffic distribution methodology and agreed with the DoD Office of Inspector General's emphasis on improving return rates for surveys. The Chief of Staff stated that improved survey return rates represent a more feasible, immediate avenue to ensuring the best value determinations reward quality providers than incorporating warnings into the calculation. Additionally, the Chief of Staff recommended that the moving companies declare any and all financial and administrative control of all subsidiary moving companies registered in the DoD Personal Property Program and that all moving companies under a management group share a performance score based on the collective performance of those providers.

### *Our Response*

Comments from the USTRANSCOM Chief of Staff did not address the specifics of Recommendations A.1 and A.2.a; therefore, the recommendations are unresolved. We agree that the increase in survey completion percentage would help develop a more accurate BVS, reward qualified moving companies, and hold moving companies accountable for missing the required delivery date or the agreed-upon delivery date from a storage location. However, we believe USTRANSCOM can improve how it holds moving companies accountable for poor performance in the current structure of the moving program. Incorporating Letters of Warning in the performance score of the moving companies for the best value determination would result in improved service for DoD members. For example, by including the warnings in the BVS, USTRANSCOM would have a direct and immediate impact on the moving company's rating, which is used to determine what future shipments the company will be offered in DPS. By excluding the warnings from the BVS, USTRANSCOM continues to limit the impact of warnings on the moving companies' performance and does not prevent a poorly performing moving company from

obtaining future shipments. Warnings should have a direct impact on the BVS of the moving companies and which future shipments the moving companies will be offered in DPS. USTRANSCOM should reconsider developing and implementing a methodology that accounts for warnings in the performance score of moving companies for the best value determinations.

Additionally, the issuance of warnings would immediately hold the moving companies accountable for untimely shipments. We identified that the joint shipping offices issued warnings for only 20 percent of the identified late shipments. According to a USTRANSCOM official, it is up to the joint shipping offices to issue warnings, and some joint shipping offices issue more warnings than others. The joint shipping offices did not consistently issue warnings to the moving companies for missing the delivery date or the agreed-upon delivery date from the storage location when the moving company was responsible for missing the delivery dates. By inconsistently issuing warnings, USTRANSCOM is also reducing its ability to hold moving companies accountable by issuing suspensions, which could impact the quality of DoD member moves. The DTR states that suspensions may be issued to a moving company that repeatedly violates any provision of its agreement three or more times during a 180-day period, which includes repeat failure to meet the delivery date. If a moving company is suspended, it is prevented from accepting any moves for 30 days in DPS, and the moving company must provide proof of corrective action to the shipping offices before it can be reinstated. We therefore recommend that USTRANSCOM reconsider updating the DTR to issue warnings or suspensions to the moving company within 14 days of missing the delivery date or the agreed-upon delivery date from a storage location when the moving company was either responsible for or did not provide an explanation for missing the delivery date.

- b. Contact the DoD members if they do not complete Customer Satisfaction Surveys within 1 month after receiving the shipments, to increase the survey completion percentage and develop a more accurate Best Value Score.**

### *U.S. Transportation Command Comments*

The USTRANSCOM Chief of Staff, responding for the USTRANSCOM Commander, agreed with the recommendation. The Chief of Staff stated that DPS sends e-mails to complete surveys at 7, 14, and 21 days following delivery. Additionally, USTRANSCOM provides the system response center a list identifying moving companies that have not received a suitable number of survey responses and calls up to 500 customers each week. The system response center has instructions to not deviate from the survey questions and then record the results.

### *Our Response*

Comments from the USTRANSCOM Chief of Staff address the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once USTRANSCOM provides documentation to verify actions resulted in an increased survey completion percentage to develop a more accurate BVS.

- c. Help DoD members and families file inconvenience claims with Transportation Service Providers within 14 days of when Transportation Service Providers did not meet the agreed-upon delivery dates.**

### *U.S. Transportation Command Comments*

The USTRANSCOM Chief of Staff, responding for the USTRANSCOM Commander, agreed with the recommendation. The Chief of Staff stated that the DTR requires the shipping offices to assist customers with inconvenience claims and to adjudicate any disagreement between a moving company and customer on the inconvenience claim. The Chief of Staff also stated that USTRANSCOM will implement the 14-day timeline and that the DoD is pursuing a change to match the amount owed to families in an inconvenience claim to local per diem rates for the 2020 Peak Season. The Chief of Staff stated that this change will take effect on May 15, 2020.

### *Our Response*

Comments from the USTRANSCOM Chief of Staff addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once USTRANSCOM provides documentation to verify that the DTR was updated to help DoD members and families file inconvenience claims with the moving companies within 14 days of when the moving company did not meet the agreed-upon delivery dates.

## Finding B

### Most Damaged or Lost Household Goods Were Resolved

Of the 311 shipments we reviewed, the moving companies resolved 622 of 662 finalized damaged or lost household goods claims (94 percent), valued at \$8.4 million, with the DoD members in accordance with DoD guidance.<sup>22</sup> However, the moving companies did not resolve 40 damaged or lost household goods claims, valued at \$20,258. This occurred because the DoD members did not use the claims offices to process the 40 household goods claims. As a result, the DoD members did not receive the entitled compensation for 40 damaged or lost household goods.<sup>23</sup>

### Household Goods Claims Were Resolved

Of the 311 shipments we reviewed, the moving companies resolved 622 of 662 finalized damaged or lost household goods claims (94 percent), valued at \$8.4 million, with the DoD members in accordance with DoD guidance. The DoD members claimed a total of 3,575 damaged or lost household goods, valued at \$24.5 million, on the 311 shipments reviewed. Of the 3,575 damaged or lost household goods, we reviewed 662 finalized damaged or lost household goods claims, valued at \$8.5 million to determine if the DoD member received a replacement household good, a repaired household good, or the entitled compensation allowed under the DTR and USTRANSCOM business rules.

The USTRANSCOM business rules state that when household goods are destroyed or lost, the moving company will either replace the lost or destroyed household good with a new household good or pay the undepreciated fair market replacement cost of a new household good.<sup>24</sup> New household goods should be from the same manufacturer and should be the same make and model as the household good that was lost or destroyed. If the moving company cannot find a new household good that is the same as the household good that was lost or destroyed, it may replace the household good with one of comparable quality and features. It is the DoD members' responsibility to file the claim for damaged or lost household goods with the moving company. For example, a moving company resolved a Navy member's claim for damage to a 55-inch flat screen television. The Navy member claimed the original replacement cost of \$700 for the entire television because the

<sup>22</sup> A final claims status includes that the claim was settled or denied in DPS.

<sup>23</sup> Entitled is defined as a right to certain benefits and privileges.

<sup>24</sup> USTRANSCOM, "Defense Personal Property Program Claims and Liability Business Rules," Version 1.2, December 7, 2018.

television stand was cracked and could no longer support the television. However, the moving company offered \$70 for a replacement television stand and the Navy member accepted. The DoD member received the entitled compensation of \$70 to replace the television stand.

## Household Goods Claims Not Resolved

*The moving companies did not resolve 40 damaged or lost household goods claims, valued at \$20,258.*

The moving companies did not resolve 40 damaged or lost household goods claims, valued at \$20,258. Specifically, the moving

companies did not resolve seven settled damaged or lost household goods claims, valued at \$7,130. The moving company did not reimburse the DoD members the undepreciated fair market replacement cost of a new item, repair the item, or provide the DoD member with a similar replacement item. For example, an Air Force member filed a claim for \$800 against a moving company, stating that the movers drilled screws through a media console. Per the USTRANSCOM business rules, for items that are destroyed (when the repair cost exceeds replacement cost) or lost, the moving company will, at its option, either replace the lost or destroyed item with a new item, or pay the undepreciated fair market replacement cost of a new item.<sup>25</sup> The undepreciated replacement cost of the media console was \$1,099 for the exact same media console, but the moving company only offered \$346. The member accepted the offer; however, the member should have claimed and received the full undepreciated amount of \$1,099 per the USTRANSCOM business rules.

Additionally, the moving companies did not resolve 33 denied damaged or lost household goods claims, valued at \$13,128. A moving company may deny a claim for various reasons, including when the DoD member did not file the claim within the required dates established in the DTR, when the claimed household good is not on the inventory list prepared by the moving company, and when the moving company could not verify damage to the household good. However, a claim denial may be improper if the moving company did not follow the USTRANSCOM business rules. For example, an Air Force member filed a \$350 claim for a broken Kenmore washing machine. The Air Force member stated that the inside of the washing machine was sideways, springs were missing, and the tub bangs on the inside walls. The moving company denied the claim because it was related to internal damage, mechanical and electronic devices have an indeterminable service life and are susceptible to parts failure at any time, and there was no evidence the moving company caused the damage. The moving company denied the household goods claim without inspecting the washing machine. The DTR states that the

<sup>25</sup> USTRANSCOM, "Defense Personal Property Program Claims and Liability Business Rules," Version 1.2, December 7, 2018.

moving companies have the right to replace damaged items or repair items to a pre-shipment condition.<sup>26</sup> If the moving companies elect to repair damaged items, the moving companies are responsible for obtaining all repair estimates. The USTRANSCOM business rules further state that the household goods claim must have additional support, such as video or other evidence to show the item was functional before the move, if the household goods claim includes repair of internal damage to appliances or electronic items.<sup>27</sup> The USTRANSCOM business rules also state that the moving company will attempt to obtain the repair estimate, including the repair technician's opinion as to the source of damage. Even though the DoD member did not provide additional support, at a minimum, the moving company should have obtained a repair technician's opinion and estimate as required by the DTR and USTRANSCOM business rules before denying the household goods claim.

## DoD Members Did Not Use the Claims Offices

The DoD members did not use the claims offices to process the 40 household goods claims. The DTR states that the DoD members have the option to transfer their

*The DoD members did not use the claims offices to process the 40 household goods claims.*

claims in DPS to the servicing claims office 30 days after the claim has been filed.<sup>28</sup> The claims office reviews the damage or loss claim and pays the DoD member the item's depreciated value. According to an Army claims office official, the claims office attempts to pay the DoD member the item's depreciated value within 60 days of receiving the damage or loss claim. The claims office then pursues the full replacement value (FRV) with the moving company and pays the DoD member any additional money received. According to Army and Air Force claims office officials, the collection of the additional amounts above the depreciated value can take from 1 to 12 months.

According to a Navy claims office official, many DoD members assume FRV means that they will always be reimbursed the cost of a new household good, which is not always the case. The DoD member will receive the cost of the repair if the household good can be repaired. An Army claims office official further explained that the replacement cost is at the current replacement rate, not what the DoD member originally paid for the item. For example, a DoD member purchased a television for \$2,000 more than 4 years ago that was damaged beyond repair during shipment. The DoD member is entitled to the current replacement cost of \$800 for a comparable television.

<sup>26</sup> The DoD updated Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," October 23, 2018, on March 21, 2019. Defense Transportation Regulation, Part IV Personal Property, Chapter 401, "General Personal Property Provisions," March 21, 2019, is consistent with the previous version.

<sup>27</sup> USTRANSCOM, "Defense Personal Property Program Claims and Liability Business Rules," Version 1.2, December 7, 2018.

<sup>28</sup> Defense Transportation Regulation, Part IV Personal Property, Attachment G6, September 18, 2018.

The claims offices are the experts on damage and loss household goods claims and can help DoD members receive their full entitlement. For example, an Army member filed one claim, valued at \$2,896, for a total of six damaged household goods. The Army member settled four household goods for \$549 with the moving company. The moving company denied the remaining two household goods because the inspector could not determine that the damage to a power reclining sofa and loveseat was caused during transportation. The Army member did not agree with the moving company's denial and transferred the sofa and loveseat claim to the Army claims office for processing. The Army claims office declined the claim for the loveseat because the damage was not proven to be directly related to the shipment. The Army member claimed \$1,188 for the sofa; however, the FRV for a comparable sofa was determined to be \$800. The Army claims office paid the depreciated value of \$760 to the Army member and pursued the FRV with the moving company. The Army claims office obtained the additional \$40 from the moving company and paid the Army member the remaining FRV for the sofa. USTRANSCOM should update the DTR to transfer the damaged or lost household goods claims to the claims offices if the DoD member decides to pursue reimbursement from the moving company.

## Some DoD Members Did Not Receive Entitled Compensation for Household Goods

*The DoD members should receive comparable replacement household goods or compensation for repairing the household goods to pre-shipment condition.*

The DoD members did not receive the entitled compensation for 40 damaged or lost household goods. The DoD members should receive comparable replacement household goods or compensation for repairing the household goods to pre-shipment condition. In a previous

example, an Air Force member accepted a \$346 settlement for a media console. However, the full replacement cost of that item was \$1,099. Therefore the member did not receive \$753 in compensation that they were entitled to. The DoD members should receive the entitled compensation for damaged or lost household goods.

## Recommendation, Management Comments, and Our Response

### **Recommendation B.1**

**We recommend that the Commander of U.S. Transportation Command update the Defense Transportation Regulations to transfer the damaged or lost household goods claims to the Military Claims Offices if the DoD member decides to pursue reimbursement from the moving company.**

#### *U.S. Transportation Command Comments*

The USTRANSCOM Chief of Staff, responding for the USTRANSCOM Commander, did not agree with the recommendation. The Chief of Staff stated that the current claims process allows the customer and moving company to work together toward an agreed-upon settlement. Additionally, the Chief of Staff stated that the DoD member always has an option to transfer their claim to the claims office and should exercise this option once they assess they cannot reach a suitable solution with the moving company.

#### *Our Response*

Although the USTRANSCOM Chief of Staff did not agree with the recommendation, comments from the Chief of Staff addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. The Chief of Staff agreed in her response to Recommendation C.1.b to update the DTR to direct shipping office personnel to help military families with the claims process but stated that she does not agree that claims should be immediately transferred to the claims office. The DTR does not allow the DoD member to immediately transfer a claim to the claims office. The DTR states that the DoD member has the option to transfer their unresolved claim to the servicing claims office after 30 days. Additionally, the shipping office personnel should follow the guidance to transfer the claim to the claims office once a suitable solution with the moving company cannot be reached. We will close the recommendation once USTRANSCOM provides documentation to verify the DTR was updated to direct shipping office personnel to help military families with the claims process.

## Finding C

### System Limitations and Inaccuracies in DPS

DPS had system limitations and inaccuracies. Of the 9,852 shipments identified in DPS as being delivered late at the four joint shipping offices reviewed, we determined that the moving companies delivered a projected 5,692 shipments, costing \$65.2 million, on or before the delivery date or met the agreed-upon delivery date from the storage location. Additionally, moving companies could not provide an agreed-upon delivery date from the storage location for a projected 156 shipments for us to use to determine whether the shipments were timely. This occurred because the joint shipping offices are not required to validate destination information, including delivery dates in DPS.

Furthermore, DPS inaccurately identified finalized household goods claims between the moving companies and the DoD members as in process. Specifically, DPS identified 342 of 793 damaged household goods claims, valued at \$271,193, as in process that should have been identified as closed. This occurred because the moving companies and the DoD members did not update DPS when household goods claims were finalized and the joint shipping offices are not required to review household goods claims data to ensure it was properly entered into DPS.

As a result, USTRANSCOM cannot rely on DPS delivery and claims information to determine whether DoD members received shipments timely and whether the DoD members' household goods damage and loss claims were finalized.

### Timely Deliveries Were Indicated as Late in DPS

DPS had system limitations and inaccuracies. Specifically, of the 9,852 shipments identified in DPS as being delivered late at the four joint shipping offices reviewed, we determined that the moving companies delivered a projected 5,692 shipments, costing \$65.2 million, on or before the delivery date or met the agreed-upon delivery date from the storage location. See Table 4 for a breakout of projected timely shipments identified as late in DPS for the four joint shipping offices.

*Table 4. Projected Timely Shipments Identified as Late in DPS for the Four Joint Shipping Offices Reviewed*

Joint Shipping Office	Location Base and State	Total Shipments Identified as Late in DPS	Number of Shipments That Were Timely	Total Cost of Timely Shipments (in Millions)
Mid-Atlantic	Ft. Belvoir Army Base, VA	2,343	1,341	\$15.3
South East	Naval Air Station Jacksonville, FL	2,291	1,523	13.0
South Central	Lackland AFB, TX	2,601	1,546	18.1
North Central	Colorado Springs, CO	2,617	1,282	18.8
<b>Total</b>		<b>9,852</b>	<b>5,692</b>	<b>\$65.2</b>

Source: DPS and the DoD OIG.

DPS did not capture instances where the DoD member and moving company agreed to a delivery date out of the storage location other than the required delivery date. DPS included only limited delivery information, including the date the shipment arrived at storage and the date the moving company delivered the shipment out of storage. As a result, DPS indicated that the shipments arrived at least 5 days past the delivery date and presented USTRANSCOM with inaccurate data on late shipments because it did not capture agreements between the moving companies and DoD members for the new delivery dates. For example, DPS included a delivery date of January 25, 2018, for a shipment and an actual delivery date of February 22, 2018. DPS also included that this shipment went into a storage location on January 22, 2018. Based on the DPS information, the moving company delivered this shipment 28 days after the delivery date. However, the DoD member and moving company agreed to a delivery date of February 22, 2018, from the storage location. The agreed-upon delivery date was not included in DPS.

## Destination Information Was Not Validated

The joint shipping offices are not required to validate destination information, including delivery dates in DPS. Therefore, the joint shipping offices did not obtain destination documentation from the moving companies to determine the timeliness of the deliveries. The DTR states that the moving companies are responsible for recording delivery information in DPS. However, DPS did not contain the necessary shipment delivery information, such as the agreed-upon delivery date from the storage location, to know whether the deliveries were timely.

The moving companies maintained destination documentation and correspondence with the DoD members on the delivery of shipments within the systems used by the moving companies. The shipping offices could obtain the destination documentation and additional correspondence from the moving companies to verify that destination information, including delivery dates, was accurate in DPS. USTRANSCOM should update the DTR to obtain and validate the delivery information, including actual delivery dates and agreed-upon delivery dates from the storage location in DPS within 14 days of the completed move.

## In-Process Claims Status in DPS Was Not Accurate

*DPS inaccurately identified finalized household goods claims between the moving companies and the DoD members as in process.*

DPS inaccurately identified finalized household goods claims between the moving companies and the DoD members as in process. Specifically, for the 3,575 damaged or lost

household goods on the 311 shipments, we reviewed 793 household goods claims, valued at \$516,755, that were identified in DPS as in process. Of the 793 damaged household goods claims, we identified that the claims for 342, valued at \$271,193, were finalized. For example, an Army member filed one claim, valued at \$115, for two damaged household goods. As of February 2019, DPS included the claim for two household goods as in process; however, the moving company and Army member finalized the household goods claim for \$115 on March 8, 2018.

## Household Good Claims Data Were Not Reviewed

The moving companies and the DoD members did not update DPS when household goods claims were finalized. The joint shipping offices did not obtain household goods claims documentation to verify whether household goods claims were finalized because the joint shipping offices are not required to review household goods claims data to ensure it was properly entered into DPS. According to joint shipping office personnel, household goods claims processing is between the moving company and the DoD member. The DTR states that the DoD member may file a claim against the moving company for any damaged or lost household goods and if the DoD member cannot resolve the claim with the moving company, the DoD member has the option to transfer their unresolved claim to the servicing claims office after 30 days. Although the household goods claims processing is between the moving company and DoD member, the shipping offices should be aware of the damaged or lost claims associated with the shipments because the shipping offices have the responsibility to issue warnings to the moving companies to hold them accountable for poor performance, including when the moving company damages or loses a DoD member's household goods.

DPS contained limited information on household goods claims, including the status and submission date, claimed amount, household good description, damage description, moving company offer, and amount paid to the DoD member.

The moving companies maintained detailed documentation and correspondence with the DoD members on the household goods claims within their systems.

The shipping offices should monitor the in-process household goods claims

within DPS to verify status. USTRANSCOM is responsible for holding the moving companies accountable for poor performance.

*USTRANSCOM is responsible for holding the moving companies accountable for poor performance.*

The shipping offices need to have oversight of the damaged and lost claims that have been in

process and are still unresolved so they can take appropriate action with regard to the moving companies. Of the 793 household goods reviewed, the claims for 451 household goods, valued at \$245,561, were still in process for between 63 and 440 days. The DTR states that the moving companies must pay, deny, or make an offer within 60 days from receipt of a complete claim through DPS.<sup>29</sup> For example, an Air Force member had a household goods claim for five furniture items that was in an offer pending status in DPS for 347 days. However, we determined that on April 20, 2018 the claim was finalized for \$1,422. The information was not updated by either the DoD member or the moving company in DPS, which resulted in DPS showing this claim as offer pending for 305 days after it was accepted. USTRANSCOM should update the DTR to review all household goods claims greater than 60 days old in DPS and contact the DoD members to determine the status. If the DoD member received payment or does not want to pursue the household goods claim, DPS information should be updated. If the DoD member would like to pursue reimbursement from the moving company, the DoD member should be counseled to transfer the household goods claim to the claims office for processing. This practice should continue for all claims greater than 60 days.

## **Delivery Information and Joint Shipping Offices' Knowledge of Household Goods Claims is Unreliable**

USTRANSCOM cannot rely on DPS delivery and claims information to determine whether DoD members received timely shipments and whether DoD members' household goods damage and loss claims were finalized. USTRANSCOM officials run weekly metrics on the status of all aspects of the DoD Personal Property Program using DPS data. Specifically, USTRANSCOM reviews the delivery dates of shipments to determine and report on the timeliness of shipments. DPS indicated that the shipments were late because the moving company delivered the

<sup>29</sup> Defense Transportation Regulation, Part IV Personal Property, Attachment G6, September 18, 2018.

shipments after the delivery date. However, DPS does not capture the agreed-upon delivery date from the storage location. The shipments were not late because the moving company met the agreed-upon delivery date from the storage location. Additionally, DPS did not always contain accurate information related to delivery of shipments or status of household goods claims.

*The joint shipping offices did not know whether the DoD members received the entitled compensation from the moving companies for household goods that were damaged or lost.*

The joint shipping offices did not know whether the DoD members received the entitled compensation from the moving companies for household goods that were damaged or lost. USTRANSCOM lacks visibility to identify the actions taken on in-process household goods

claims. A major concern of the U.S. Senators and the House Armed Services Committee is holding the moving companies accountable for poor performance. The U.S. Senators stated that significant changes to accountability are needed to restore confidence in the moving companies under the oversight of USTRANSCOM. If the joint shipping offices reviewed in-process household goods claims, USTRANSCOM would know whether the DoD members received adequate and timely compensation for household goods claims.

## Recommendations, Management Comments, and Our Response

### *Revised Recommendations*

As a result of management comments, we revised draft Recommendation C.1.a. to remove the word required from the recommendation and adjusted the recommendation to include the actual delivery dates.

### **Recommendation C.1**

**We recommend that the Commander of U.S. Transportation Command update the Defense Transportation Regulation to:**

- a. Obtain and validate the delivery information, including actual delivery dates and agreed-upon delivery dates, from the Storage-In-Transit location in Defense Personal Property System within 14 days of the completed move.**

### *U.S. Transportation Command Response*

The USTRANSCOM Chief of Staff, responding for the USTRANSCOM Commander, partially agreed with the recommendation. The Chief of Staff stated that the recommendation should read, “including the actual delivery date,” as the required delivery date will not change. The Chief of Staff also stated that a system change is required to capture agreed-upon delivery dates from a storage location.

### *Our Response*

Comments from the USTRANSCOM Chief of Staff did not address the specifics of the recommendation; therefore, the recommendation is unresolved. We revised the recommendation to state the actual delivery date. However, USTRANSCOM did not propose any action based upon this recommendation. The necessary delivery information could be captured in DPS without a systems change. The delivery date column in DPS could be updated with the actual delivery date and the notes section to capture the agreed-upon delivery date in order to identify the timeliness of the shipments. We found that of the 9,852 shipments that were identified as late in DPS, 5,692 shipments were delivered on or before the delivery date or agreed-upon delivery date. We therefore recommend that USTRANSCOM reconsider updating the DTR to obtain and validate delivery information, including actual delivery dates and agreed-upon delivery dates from the storage location in DPS within 14 days of the completed move.

- b. Review all household goods claims greater than 60 days old in the Defense Personal Property System and contact the DoD members to determine the status. If the DoD member received payment or does not want to pursue the household goods claim, the Defense Personal Property System information should be updated. If the DoD member would like to pursue reimbursement from the Transportation Service Provider, the DoD member should be counseled to transfer the household goods claim to the Military Claims Office for processing. This practice should continue for all claims greater than 60 days.**

### *U.S. Transportation Command Response*

The USTRANSCOM Chief of Staff, responding for the USTRANSCOM Commander, partially agreed with the recommendation. The Chief of Staff agreed to update the DTR to direct shipping office personnel to help military families with the claims process. The Chief of Staff stated that she does not agree that claims should be immediately transferred to the claims office. The Chief of Staff stated that

most claims are resolved in direct coordination between the customer and moving company. The Chief of Staff stated that this should remain the initial avenue for resolution and added that customers always reserve the right to transfer the claim to the claims office if they are not satisfied with the moving company's offer.

### *Our Response*

Although the USTRANSCOM Chief of Staff partially agreed with the recommendation, comments from the Chief of Staff did not address the specifics of the recommendation; therefore, the recommendation is unresolved and will remain open. We agree that shipping office personnel should help military families with the claims process and that direct coordination with the moving company should remain the initial avenue for claims resolution, which is why the recommendation states that the DoD member should be contacted if the information in DPS shows that the claim is still open after 60 days. DPS identified 342 of 793 damaged household goods claims as in process, but those 342 claims should have been identified as closed within DPS. The moving companies and DoD members did not update DPS when the household goods claims were finalized. Additionally, the shipping offices did not obtain household goods claims documentation to verify whether the claims were finalized because the shipping offices are not required to review household goods claims data to ensure it was properly entered into DPS. USTRANSCOM lacks visibility to identify the actions taken on in-process household good claims. The shipping offices need to have oversight of the damaged and lost claims that have been in process and are still unresolved so they can take appropriate action. If the shipping offices reviewed in-process household goods claims, USTRANSCOM would know whether the DoD members received adequate and timely compensation for household goods claims. We therefore recommend that USTRANSCOM reconsider updating the DTR to review all household goods claims greater than 60 days old in DPS and contact the DoD members to determine the status. If the DoD member received payment or does not want to pursue the household goods claim, the Defense Personal Property System information should be updated. If the DoD member would like to pursue reimbursement from the moving company, the DoD member should be counseled to transfer the household goods claim to the Military Claims Office for processing. This practice should continue for all claims greater than 60 days.

## Appendix A

### Scope and Methodology

We conducted this performance audit from November 2018 through November 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the DoD members received personal property shipments in a timely manner and whether actions were taken on household goods that were damaged or lost, we interviewed officials from the following components to identify the roles and responsibilities related to the Defense Personal Property Program.

- Joint Chiefs of Staff J-4 Distribution Division, Washington, D.C.
- Personal Property Division, USTRANSCOM, Scott Air Force Base, Illinois
- Joint Personal Property Shipping Office Mid-Atlantic, Fort Belvoir Army Base, Virginia
- Joint Personal Property Shipping Office South East, Naval Air Station Jacksonville, Florida
- Joint Personal Property Shipping Office South Central, Lackland Air Force Base, Texas
- Joint Personal Property Shipping Office North Central, Colorado Springs, Colorado
- Army Center for Personnel Claims Support, Fort Knox Army Base, Kentucky
- Navy Personnel Claims Unit, Naval Station Norfolk, Virginia
- Air Force Claims Service Center, Wright Patterson Air Force Base, Ohio
- Federal Motor Carrier Safety Administration, Department of Transportation, Washington, D.C.

For FY 2018, USTRANSCOM officials provided 175,626 shipments, costing \$1.3 billion, for DoD members' household goods within the continental United States from DPS. The 175,626 shipments included direct and crate and freight moves. Direct shipments are traditional moves when the DoD member's household goods are hand-packed and moved by a moving trailer. Crate and freight shipments are used for smaller moves, and household goods are packed into shipping crates and moved by freight hauler. We did not include shipments for the U.S. Coast Guard

because the U.S. Coast Guard is under the Department of Homeland Security. Of the 175,626 shipments, 74,758 shipments, costing \$612.3 million, were delivered at least 5 days past the delivery date. The DTR requires the moving company to enter the actual delivery date in DPS within 3 business days and according to a USTRANSCOM official, DPS cannot be backdated.<sup>30</sup> Therefore, we determined that 5 days was sufficient to accommodate DPS limitations and account for weekends. Of the 175,626 shipments, 37,431 shipments, costing \$360.3 million, had at least one claim for damaged or lost household goods. As of December 20, 2018, the DoD members filed a total of 40,668 claims, valued at over \$1 trillion, for damaged or lost household goods.<sup>31</sup> We identified 18,023 shipments, costing \$190.8 million, that were delivered at least 5 days past the delivery date and had at least one claim filed for damaged or lost household goods.

Of the 18,023 shipments, we identified that the top four joint shipping offices processed over half of the shipments. Specifically, the top four joint shipping offices processed 9,852 shipments, costing \$102.3 million. The DoD members filed 10,818 claims, valued at \$53.3 million, for damaged or lost household goods on the 9,852 shipments. See Table 5 for a breakdown of the top four joint shipping offices, shipments, claims, and costs.

*Table 5. Shipments and Claims for Top Four Joint Shipping Offices*

Joint Shipping Office	Location Base and State	Number of Shipments	Total Shipping Invoice Cost (in Millions)	Number of Claims	Total Amount Claimed Amount (in Millions)
Mid-Atlantic	Ft. Belvoir Army Base, VA	2,343	\$25.5	2,596	\$7.6
South East	Naval Air Station Jacksonville, FL	2,291	22.0	2,547	7.2
South Central	Lackland AFB, TX	2,601	26.4	2,824	31.0
North Central	Colorado Springs, CO	2,617	28.4	2,851	7.4
<b>Total</b>		<b>9,852</b>	<b>\$102.3</b>	<b>10,818</b>	<b>\$53.3*</b>

\*Column does not sum due to rounding.

Source: DPS.

<sup>30</sup> DTR, Part IV Personal Property, Chapter 402, "Shipment Management," September 18, 2018.

<sup>31</sup> Of the 40,668 claims, only 40,265 claims had a claimed amount, valued at over \$1 trillion, included in DPS. One DoD member filed a claim for \$1 trillion that was denied. The remaining 40,264 claims were valued at \$235 million. The majority of claims were filed in amounts under \$5,000. Specifically, the DoD members filed 35,183 of the 40,265 claims (87 percent) under \$5,000.

We reviewed a statistical sample of 311 shipments, costing \$3.3 million. See Appendix B for the statistical sample plan. The DoD members filed 350 claims, valued at \$24.5 million, for damaged or lost household goods on the 311 shipments. One DoD member at joint shipping office South Central filed two claims against his shipment, valued at \$23 million, which were settled for \$2,960. The remaining 84 claims for joint shipping office South Central were valued at \$460,352. As of February 19, 2019, the 350 claims included 3,575 damaged or lost household goods. The 3,575 damaged or lost household goods were in process or were settled or denied (finalized). We reviewed a nonstatistical sample of 1,537 of the 3,575 household goods, valued at \$9 million. We reviewed the household good if DPS identified the claim status as in process but we determined the claim was finalized. See Table 6 for a breakdown of the sample shipments, claims, and costs.

Table 6. Sample Shipments and Claims

Joint Shipping Office	Location Base and State	Number of Shipments	Total Shipping Invoice Cost (in Millions)	Number of Claims	Total Claimed Amount (in Millions)	Total Household Goods Claimed	Total Household Goods Reviewed	Total Claimed Amount for Household Goods Reviewed (in Millions)
Mid-Atlantic	Ft. Belvoir Army Base, VA	77	\$0.8	86	\$0.4	770	253	\$0.3
South East	Naval Air Station Jacksonville, FL	73	0.6	85	0.2	697	247	0.1
South Central	Lackland AFB, TX	81	0.9	86	23.5	967	513	8.4
North Central	Colorado Springs, CO	80	0.9	93	0.4	1,141	524	0.2
<b>Total</b>		<b>311</b>	<b>\$3.3 million<sup>1</sup></b>	<b>350</b>	<b>\$24.5 million</b>	<b>3,575</b>	<b>1,537</b>	<b>\$9.0 million</b>

<sup>1</sup> Column does not sum due to rounding.

Source: DPS.

For each shipment selected, we obtained Shipment Management summary information from DPS that included shipment dates, DoD member information, moving company information, storage information, and inspection information; U.S. Government Bills of Lading; U.S. Government Bills of Lading Correction Notices; damage or loss claims information, including claim dates, descriptions, status, values, settlement information, and denied remarks; and issued warnings from DPS. We also coordinated with USTRANSCOM, joint shipping offices, and claims office officials to obtain final U.S. Government Bills of Lading, Certified Weight Tickets, Public Vouchers, household goods inventories, survey responses, inconvenience claims documentation, and claims office packages for claims resolved at the Military Service level. The joint shipping offices could not provide documentation related to the delivery of the shipments and inconvenience claims. According to joint shipping office officials, they are not required to maintain delivery documentation.

Because DPS did not contain all the documentation necessary to determine whether DoD members received personal property shipments in a timely manner and whether actions were taken on household goods that were damaged or lost, we contacted 183 moving companies for 299 of the 311 shipments to obtain documentation related to the delivery of shipments, inconvenience claims, and damage or loss claims documentation. In addition, we contacted 38 DoD members when the moving companies could not provide documentation on the agreed-upon delivery date from a storage location. The moving companies and the DoD members could not provide an agreed-upon delivery date from a storage location in five instances.

We compared DPS Shipment Management summary information to the U.S. Government Bills of Lading, U.S. Government Bills of Lading Correction Notices, final U.S. Government Bills of Lading, Certified Weight Tickets, Public Vouchers, household goods inventories, survey responses, inconvenience claim documentation, and issued warnings to determine whether DoD members received shipments in a timely manner. Additionally, we reviewed DPS claims information and claims office packages to determine whether actions were taken on household goods that were damaged or lost. We reviewed the FRV for household goods or compensation for repairing the household goods to pre-shipment condition to determine whether DoD members received the entitled compensation for damaged or lost household goods.

We also reviewed the following Federal and DoD guidance related to personal property shipments.

- DoD Directive 4500.09E, “Transportation and Traffic Management,” September 11, 2007, Change 2, August 31, 2018
- DoD Instruction 4500.57, “Transportation and Traffic Management,” March 7, 2017, Change 2, August 31, 2018
- Per Diem, Travel, and Transportation Allowance Committee, “Joint Travel Regulations--Uniformed Service Members and DoD Civilian Employees,” December 1, 2018
- DTR 4500.9-R, “Defense Transportation Regulation”
- USTRANSCOM, “Defense Personal Property Program Claims and Liability Business Rules,” Version 1.2, December 7, 2018

## Use of Computer-Processed Data

We used computer-processed data from DPS. DPS is a web-based system that supports the DoD Personal Property Program in the qualifications, rate filing, shipment management, invoicing, claims, and quality assurance of DoD personal

property shipments. Specifically, we compared DPS data to packing, shipping, and delivery documents obtained from the joint shipping offices. We also compared the DPS claims data to claims documentation maintained by the claims offices. Finally, we compared the DPS, joint shipping office, and claims office documentation to shipment, delivery, and claims documents obtained from the moving companies. Although we identified instances where DPS data inaccurately identified the delivery dates and status of loss and damage claims, we requested and reviewed actual documentation from the moving companies and the DoD members. We determined that the data were sufficiently reliable for the purposes of this report. See Finding C for a discussion on the accuracy of delivery and claims information in DPS.

## Use of Technical Assistance

The DoD OIG Quantitative Methods Division assisted with the project sample selection and statistical projection of results. See Appendix B for the statistical sample plan.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the DoD Office of Inspector General (DoD OIG) issued three reports discussing USTRANSCOM and permanent change of station moves. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

## GAO

Report No. GAO-15-713, “Military Compensation - DoD Needs More Complete and Consistent Data to Access the Costs and Policies of Relocating Personnel,” September 2015

The GAO determined that the DoD experienced an overall increase in permanent change of station per-move costs since 2001. DoD budget data showed that average permanent change of station per-move costs, after accounting for inflation, increased by 28 percent from FYs 2001 to 2014. However, the GAO’s review of the Military Services’ annual budget materials found that the Military Services did not report complete and consistent permanent change of station data, thereby limiting the extent to which the DoD could identify and evaluate changes occurring within the Permanent Change of Station Program.

**DoD OIG**

Report No. DODIG-2016-044, "U.S. Transportation Command Needs Further Improvements to Address Performance Concerns Over the Global Privately Owned Vehicle Contract III," February 3, 2016

The DoD OIG determined that although USTRANSCOM and the contractor made progress in addressing performance concerns on the Global Privately Owned Vehicle Contract III contract, improvements are needed in contract oversight. USTRANSCOM contracting staff and Surface Deployment and Distribution Command management personnel did not implement adequate controls to ensure proper contract oversight and address all performance concerns.

Report No. DODIG-2014-076, "Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program," May 21, 2014

The DoD OIG determined that the DoD could gain efficiencies and realize cost savings within the Permanent Change of Station Program by implementing controls to ensure that Military Services are tracking and managing non-temporary storage entitlements.

## Appendix B

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### Statistical Sample

**Population.** For FY 2018, USTRANSCOM officials provided 175,626 shipments, costing \$1.3 billion, for the DoD members from DPS. The population consisted of 9,852 shipments, costing \$102.3 million, at the Mid-Atlantic, South East, South Central, and North Central joint shipping offices that were delivered at least 5 days past the delivery date and had at least one claim for damaged or lost household goods.

**Sample Plan.** The DoD OIG Quantitative Methods Division developed a stratified sampling plan to review shipments that were delivered at least 5 days past the delivery date and had at least one claim for damaged or lost household goods. In selecting the sample, DoD OIG Quantitative Methods Division considered the shipment season based on the delivery date. Peak season shipments had delivery dates between May 15, 2018, and August 31, 2018, and non-peak shipments had delivery dates during the remainder of FY 2018. The DoD OIG Quantitative Methods Division also considered the claims status when selecting the sample. A final claims status includes that the claim was settled or denied in DPS, while an in-process claims status includes that the claim was submitted, under review, updated, in a Military Claims Office for adjudication, or in-progress in DPS. The DoD OIG Quantitative Methods Division selected a random sample of 311 shipments, costing \$3.3 million to review. See Table 7 for our population and sampling plan.

Table 7. Population and Sampling Design

Strata	Joint Shipping Office Location	Population	Total Shipping Invoice Cost (in Millions)	Shipment Season	Claims Status	Sample Size	Total Shipping Invoice Cost (in Millions)
1	Mid-Atlantic	562	\$5.6	Non-Peak	Final	15	\$0.2
2	Mid-Atlantic	1,107 <sup>1</sup>	12.3	Non-Peak	In Process	32 <sup>1</sup>	0.3
3	Mid-Atlantic	259	2.6	Peak	Final	15	0.2
4	Mid-Atlantic	415	4.9	Peak	In Process	15	0.2
5	South East	597	4.9	Non-Peak	Final	15	0.1
6	South East	998	9.7	Non-Peak	In Process	28	0.3
7	South East	271	2.7	Peak	Final	15	0.1
8	South East	425	4.6	Peak	In Process	15	0.1
9	South Central	677	5.8	Non-Peak	Final	15	0.2
10	South Central	1,180 <sup>1</sup>	12.4	Non-Peak	In Process	36 <sup>1</sup>	0.4
11	South Central	301	3.1	Peak	Final	15	0.2
12	South Central	443	5.1	Peak	In Process	15	0.2
13	North Central	703	6.8	Non-Peak	Final	15	0.1
14	North Central	1,224	13.3	Non-Peak	In Process	30	0.3
15	North Central	285	3.1	Peak	Final	15	0.2
16	North Central	405 <sup>1</sup>	5.2	Peak	In Process	20 <sup>1</sup>	0.3
<b>Total</b>		<b>9,852</b>	<b>\$102.3 million<sup>2</sup></b>			<b>311</b>	<b>\$3.3 million<sup>3</sup></b>

<sup>1</sup> When designing the sample, the DoD OIG Quantitative Methods Division determined that three additional census strata, totaling 12 additional shipments between the Mid-Atlantic, South Central, and North Central joint shipping offices, would improve the efficiency of the design.

<sup>2,3</sup> Columns do not sum due to rounding.

Source: DPS.

**Timeliness of the Shipments Review.** Table 8 provides the timeliness determination of sample shipments reviewed.

*Table 8. Timeliness of Shipments*

Determination	Number of Shipments	Shipment Invoice Cost (in Millions)
Late Shipments	124	\$1.1
Not Late Shipments	182	2.1
Could Not Determine Timeliness	5	0.1 <sup>1</sup>
<b>Total</b>	<b>311</b>	<b>\$3.3 million</b>

<sup>1</sup>The value of \$63,620 was rounded to \$100,000.

Source: The DoD OIG.

**Analysis and Interpretation.** Table 9 provides the DoD OIG Quantitative Methods Division statistical projection of these amounts across the population at a 95-percent confidence level.

*Table 9. Projection of the Timeliness of Shipments*

	Untimely Shipments (Count)	Untimely Shipments (in Millions)	Timely Shipments (Count)	Timely Shipments (in Millions)	Unable to Determine (Count)	Unable to Determine (in Millions)
Upper Bound	4,581	\$39.0	6,270	\$73.8	321	\$3.2
Point Estimate	4,004	33.1	5,692	65.2	156	1.6
Lower Bound	3,427	\$27.3	5,113	\$56.6	5 <sup>1</sup>	\$0.0 <sup>2</sup>

<sup>1</sup>The projection was replaced with the number of errors found in the sample because the projection results in a negative lower bound.

<sup>2</sup>The lower bound value of \$24,577 was rounded to zero.

Source: The DoD OIG.

# Management Comments

## United States Transportation Command Response



**UNITED STATES TRANSPORTATION COMMAND**  
OFFICE OF THE CHIEF OF STAFF  
508 SCOTT DRIVE  
SCOTT AIR FORCE BASE, ILLINOIS 62225-6357

5 December 2019

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: TCCS

SUBJECT: Response to DoDIG Draft Report "Audit of the DoD Personal Property Program Related to Household Goods Shipments," dated 4 November 2019 (Project No. D2019-D000AT-0056.000)

1. The United States Transportation Command provides responses to recommendations A.1, A.2.a, A.2.b, A.2.c, B.1, C.1.a, and C.1.b found in subject report.

2. The point of contact in this matter is [REDACTED] with any questions or concerns.

KOTULICH,DEBORAH LOUISE  
AH,LOUISE [REDACTED] Digitally signed by  
KOTULICH,DEBORAH LOUISE.1  
Date: 2019.12.02 15:23:33 -0600

DEBORAH L. KOTULICH  
Major General, U.S. Army  
Chief of Staff

1 Attachment  
USTRANSCOM Response

cc:  
TCJ9  
TCAQ

## United States Transportation Command Response (cont'd)

### DoDIG Draft Report (Project No. D2019-D000AT-0056.000)

“Audit of the DoD Personal Property Program Related to Household Goods Shipments,” Dated 4 November 2019

**Recommendation A.1: The DoDIG recommends that the Commander of United States Transportation Command develop and implement a methodology that accounts for Letters of Warning in the performance score of the Transportation Service Providers (TSPs) for the best value determinations.**

**USTRANSCOM Response:** Non-concur. While USTRANSCOM agrees with the ultimate goal of this recommendation (i.e. improved service for DP3 customers), a comprehensive approach must be taken to achieve the reform DoD families deserve and that their representatives in Congress demand. Issuing additional Letters of Warning—even if tied to best value determinations—will not translate into improved service for DP3 customers. USTRANSCOM assesses that the framework DoD currently operates is fundamentally flawed, and will never generate the quality capacity, accountability, and clear responsibility DoD requires. As such, USTRANSCOM recommends fundamentally restructuring DoD’s relationship with industry as a means to improve service for DP3 customers and hold transportation providers accountable for performance requirements. Today, DoD does not have a formal contract with any of our current providers and cannot hold them accountable in a meaningful way.

USTRANSCOM does, however, acknowledge the central role of the performance score in the current traffic distribution methodology and concurs with DoD IG’s emphasis on improving return rates for Customer Satisfaction Surveys (CSS). While there are limitations with both approaches, USTRANSCOM believes improved CSS return rates represent a more feasible, immediate avenue to ensuring the best value determinations reward quality providers than incorporating Letters of Warning into the calculation. Additionally, USTRANSCOM recommends that 1) TSPs declare any and all financial and administrative control of all SCACs registered in DP3 and 2) that all TSPs under a management group share a Performance Score based on the collective performance of those providers.

**Recommendation A.2: The DoDIG recommends that the Commander of United States Transportation Command update the Defense Transportation Regulations to:**

**A.2.a: Issue Letters of Warning or Letters of Suspension to the Transportation Service Provider within 14 days of missing the Required Delivery Date or the agreed-upon delivery date from a Storage-In-Transit location when the Transportation Service Provider was either responsible for or did not provide an explanation for missing the Required Delivery Date.**

**USTRANSCOM Response:** Non-concur. Reference response to Recommendation A.1.

**A.2.b: Contact the DoD members if they do not complete Customer Satisfaction Surveys within 1 month after receiving the shipments, to increase the survey completion percentage and develop a more accurate Best Value Score.**

## United States Transportation Command Response (cont'd)

Final Report  
Reference

2

**USTRANSCOM Response:** Concur. This action currently takes place. DPS sends emails prompting DP3 customers to complete surveys at 7, 14, and 21 days following delivery. Additionally, USTRANSCOM provides the system response center (SRC) a list identifying TSPs who are not statistically valid (i.e. who have not received a suitable number of CSS responses) and calls up to 500 customers Mon- Fri each week. The SRC has instructions to not deviate from the questions, ask each CSS question verbatim, and then record the results.

**A.2.c: Help DoD members and families file inconvenience claims with Transportation Service Providers within 14 days of when Transportation Service Providers did not meet the agreed-upon delivery dates.**

**USTRANSCOM Response:** Concur. The DTR requires the Shipping Offices to assist customers with inconvenience claims and to adjudicate any disagreement between a TSP and customer on the inconvenience claim. The 14 day timeline will be a new addition. For the 2020 Peak Season, DOD is pursuing a change to peg the amount owed to families in an inconvenience claim to local per diem rates—this change eliminates the need for families to have to independently negotiate settlements with TSPs. If enacted, this change will take effect 15 MAY 2020.

**Recommendation B.1: The DoDIG recommends that the Commander of United States Transportation Command update the Defense Transportation Regulations to transfer the damaged or lost household goods claims to the Military Claims Offices if the DoD member decides to pursue reimbursement from the moving company.**

**USTRANSCOM Response:** Non-concur. As DoD IG highlighted in Finding B, the current claims process allows the customer and TSP to work together towards an agreed upon settlement. The member always has an option to transfer their claim to MCO, and should exercise this option once they assess they cannot reach a suitable solution with the TSP.

**Recommendation C.1: The DoDIG recommends that the Commander of United States Transportation Command update the Defense Transportation Regulation to:**

**C.1.a: Obtain and validate the delivery information, including actual Required Delivery Dates and agreed-upon delivery dates from the Storage-In-Transit location in Defense Personal Property System within 14 days of the completed move.**

Revised  
Recommendation  
C.1.a

**USTRANSCOM Response:** Partially concur. We believe the recommendation should read “including the actual delivery date” as the RDD will not change. A system change is required to capture agreed-upon delivery dates from SIT.

**C.1.b: Review all household goods claims greater than 60 days old in the Defense Personal Property System and contact the DoD members to determine the status. If the DoD member received payment or does not want to pursue the household goods claim, the Defense Personal Property System information should be updated. If the DoD member would like to pursue reimbursement from the Transportation Service Provider, the DoD member should be counseled to transfer the household goods claim to the Military Claims Office for processing. This practice should continue for all claims greater than 60 days.**

## United States Transportation Command Response (cont'd)

**3**

**USTRANSCOM Response:** Partially concur. We agree to update the DTR to direct Shipping Office personnel to help Military Families with the claims process. We do not concur that claims should be immediately transferred to the MCO. As mentioned in Finding B, most claims are resolved—the sheer majority of these are resolved in direct coordination between the customer and TSP. This should remain the initial avenue for resolution; that said, customers always reserve the right to transfer the claim to the MCO if they are not satisfied with the TSP's offer.

## Acronyms and Abbreviations

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<b>BVS</b>	Best Value Score
<b>DPS</b>	Defense Personal Property System
<b>DTR</b>	Defense Transportation Regulation
<b>FRV</b>	Full Replacement Value
<b>USTRANSCOM</b>	United States Transportation Command



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