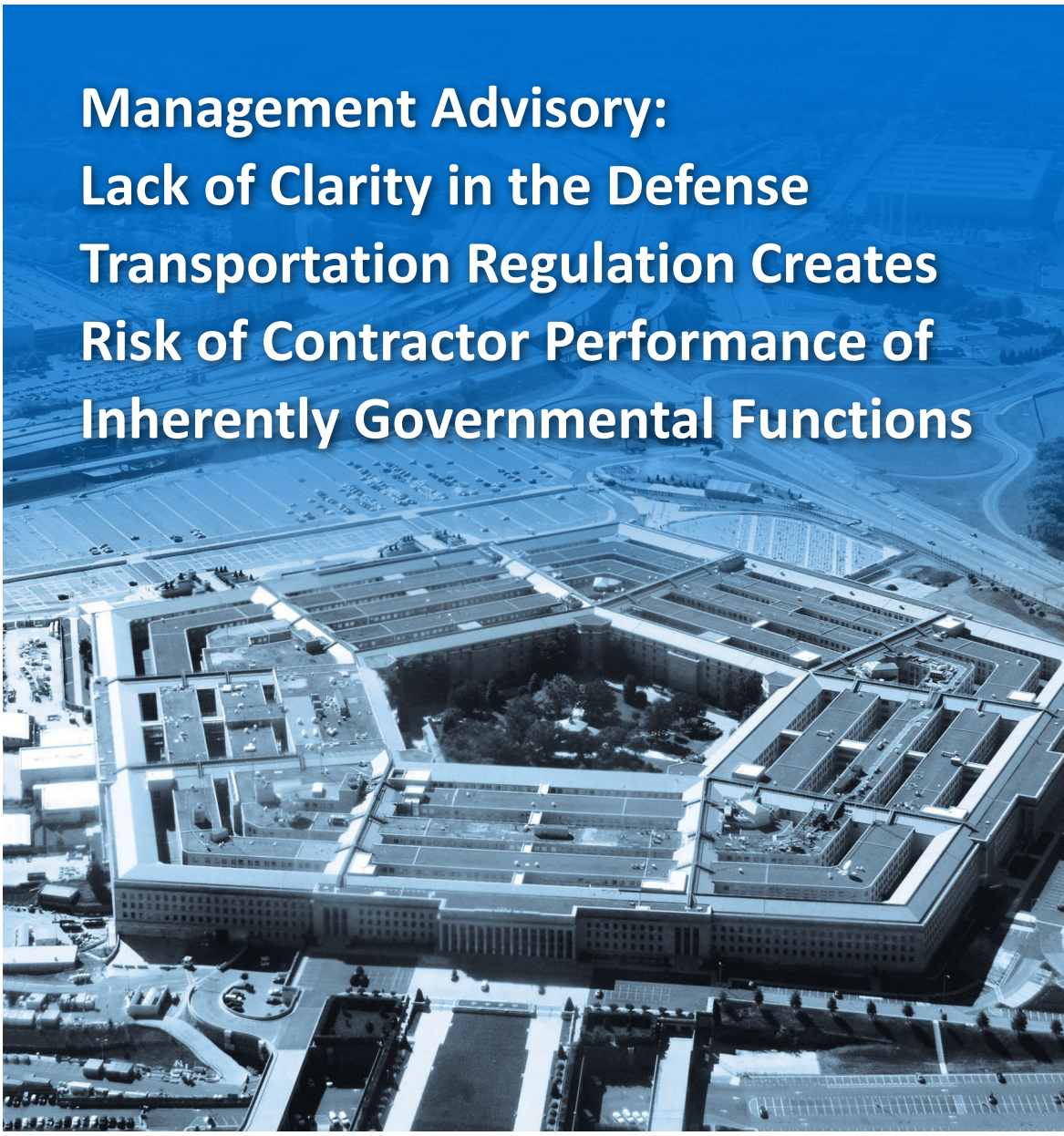
Report No. DOWIG-2026-123

INSPECTOR GENERAL

U.S. Department of War

SEPTEMBER 28, 2026

Management Advisory: Lack of Clarity in the Defense Transportation Regulation Creates Risk of Contractor Performance of Inherently Governmental Functions



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September 28, 2026

MEMORANDUM FOR UNDER SECRETARY OF WAR FOR ACQUISITION AND SUSTAINMENT
COMMANDER, U.S. TRANSPORTATION COMMAND

SUBJECT: Management Advisory: Lack of Clarity in the Defense Transportation Regulation Creates Risk of Contractor Performance of Inherently Governmental Functions (Report No. DOWIG-2026-123)

This final management advisory informs the leadership in the Office of the Under Secretary of War for Acquisition and Sustainment and the U.S. Transportation Command (USTRANSCOM) that lack of clarity in the Defense Transportation Regulation (DTR) may result in violations of Office of Management and Budget (OMB) Policy Letter 11-01 and DoW financial management requirements, including improper performance of inherently governmental functions.[1] We are issuing this management advisory to enable the Office of the Under Secretary of War for Acquisition and Sustainment and USTRANSCOM to take corrective action while we complete our evaluation. We conducted this evaluation from December 2025 through September 2026 in accordance with the "Quality Standards for Inspection and Evaluation," published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency.

The DoW uses the Domestic Tender Program (DTP) to obtain surface freight transportation services within the continental United States. Under the DTP, transportation service providers submit tender rates that identify the prices and service conditions to provide for shipments. The U.S. Army Transportation Command's (ARTRANS) oversight responsibilities include serving as the program office for the Global Freight Management System (GFMS), providing surface and surface intermodal traffic-management services to the DoW Components as directed by USTRANSCOM. Shipping offices must secure full and open competition from qualified carriers to the maximum extent possible when awarding domestic tenders for transporting military cargo by using automated military systems.[2] According to ARTRANS officials, the primary automated systems used for the DTP are the GFMS and Cargo Movement Operations System. These systems automatically calculate and rank active bids to identify the lowest-cost, "best-value" carrier for every shipment, ensuring efficient use of government funds.[3]

[1] OMB Policy Letter 11-01, "Performance of Inherently Governmental and Critical Functions," February 13, 2012.

[2] DTR 4500.9-R, "Defense Transportation Regulation," Part II, "Cargo Movement," Chapter 201, "General Cargo Movement Provisions," April 3, 2025.

[3] The DTR defines "best value" as "the use of a procurement evaluation that, in the Government's estimation, provides the greatest overall benefit in response to the requirement."

The DTR procedure is to award shipments using best-value principles. However, government transportation officers may use processes called bypasses and overrides to award domestic tenders to carriers. Transportation officers can choose to execute a carrier bypass to select a higher-priced option when mission requirements dictate.[4] The DTR limits reasons for bypassing a lower-cost carrier to operational necessity, such as when the cheapest carrier lacks specialized equipment or cannot meet a critical delivery deadline. The DTR also requires authorized transportation officers to provide clear, written justification for the additional expense. Transportation officers may also choose to award tenders to commercial carriers through the override process, which is outside of an automated system, and manually enter the tender information on a bill of lading in the automated system.

We visited 10 military Transportation Management Offices to interview personnel and observe their processes for awarding domestic tenders to carriers. We also gathered data on the domestic tender awards, including bypass and override data, from ARTRANS for each of the Military Services. During those site visits, we found that contractors at Fort Meade, Maryland, selected and approved higher-priced carriers without government oversight. Contractor personnel and transportation officers at Fort Meade told us that contractors regularly awarded the domestic tenders without government oversight. A transportation officer at one site told us that the only other personnel who worked in the Transportation Management Office were contractors and that the transportation officer did not know that contractors could not award domestic tenders. The contractors at the same site told us that awarding domestic tenders was a routine part of their job. The same transportation officer also told us that they did not review tender award decisions under $3,000 and only manually reviewed tenders above $3,000 when contractors requested a review. This means that these contractors may be performing inherently governmental functions in violation of OMB Policy Letter 11-01.[5]

Selecting a domestic tender determines a shipment's final cost and establishes the financial obligation the Government will incur when the bill of lading is issued. This selection requires expending appropriated funds and, therefore, is an inherently governmental function. Under OMB Policy Letter 11-01, the DTR, and the DoW Financial Management Regulations, making value judgements related to monetary transactions that affect the expenditure of government

[4] The DTR states, "A bypass occurs when a Transportation Officer selects other than the low-cost carrier for a transportation movement as provided by the Rating and Ranking portion of the automated system."

[5] OMB Policy Letter 11-01 defines an inherently governmental function as a function that is so intimately related to the public interest that it must be performed by Federal government employees. The functions include making value judgements related to monetary transactions.

funds, such as using bypasses to select other than the lowest-cost carrier, must be performed by authorized government transportation officers.[6] Therefore, contractors must not be permitted to perform bypass actions.

The DTR's "Individual Missions, Roles, and Responsibilities" section states that transportation officers "appoint in writing one or more military members, civilian employees, or contractor personnel as a Transportation Agent to assist the [transportation officer] in his or her responsibilities," and continues by stating that "contractor personnel will not be appointed to perform any function involving the obligation or expenditure of Government funds." However, the DTR does not clearly delineate which assisting functions contractors may perform and which functions contractors are not permitted to perform that involve the obligation or expenditure of funds.

During our site visit, Fort Meade personnel said that contractors approved any tenders that were $3,000 or less without any government oversight. However, a Fort Meade civilian employee stated that the transportation officer performed cursory reviews of the tender lists above $3,000 generated by the system. The contractors ultimately selected the carrier in the automated system and generated the bill of lading. In 2024, data from the automated system showed that 66 of 80 shipments were under $3,000, and 14 of 80 were above $3,000. For 2025, the data showed that 290 of 333 shipments were under $3,000, and 43 of 333 were above $3,000. For both 2024 and 2025, contractors approved bypasses approximately 80 percent of the time without government oversight.

We also reviewed 2024 and 2025 Fort Meade data on overrides. We determined that in 2024, the data showed 131 of 807 tender overrides were under $3,000. For 2025, 154 of 642 tenders under $3,000 were awarded as overrides. We determined that at a minimum, Fort Meade contractors issued tenders using overrides and bypasses at least 641 times without any government oversight or proper authority to commit the Government to an expenditure of government funds.

This systemic lack of control may lead to contractors performing functions involving the obligation or expenditure of government funds, which is directly contrary to the requirements of the DTR. This may also lead to contractors performing inherently governmental functions in violation of OMB Policy Letter 11-01, exposing installations to unauthorized financial commitments, carrier disputes, and a high risk of fraud, waste and abuse.

[6] DoD 7000.14-R, "Financial Management Regulation," Volume 3, "Budget Execution—Availability and Use of Budgetary Resources," Chapter 8, "Standards for Recording and Reviewing Commitments and Obligations," August 2023. Chapter 8, subchapter 3, "Obligations," section 3.1, "Definition," states that an obligation is a "legally binding agreement or action that will result in outlays, immediately or in the future." The agency incurs an obligation when personnel take actions that require the Government to make payments to the public. Therefore, issuing a bill of lading to a carrier creates an obligation for the Government.

Although we visited only 10 locations, we learned from ARTRANS and Air Force officials that approximately 813 contractors have access to the GFMS and Cargo Movement Operations System, creating a potential risk that more contractors may be performing inherently governmental functions.

Because the DTP does not clearly define or communicate the respective responsibilities of transportation officers and transportation agents, the DoW and Military Services risk having contractors perform inherently governmental functions, including actions involving the obligation or expenditure of government funds. This exposes the Department to regulatory non-compliance with the DTR and increases the risk of unauthorized commitments and improper oversight of transportation operations.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments, we revised draft Recommendation 2 to clarify the needed actions. The Deputy Assistant Secretary of War for Logistics explained that the Military Departments, not the Under Secretary of War for Acquisition and Sustainment, are responsible for reviewing contractor roles in Transportation Management Offices. The Deputy proposed revising the recommendation so the Under Secretary directs the Military Departments to assess contractor involvement in bypass and override decisions and bill of lading issuance, and to develop a plan of action and milestones if needed. We updated Recommendation 2 accordingly.

Recommendation 1

We recommend that the Commander of the U.S. Transportation Command revise the Defense Transportation Regulation to clarify the responsibilities of transportation officers and transportation agents, including expressly prohibiting contractors who support Transportation Management Offices from performing inherently governmental functions, such as awarding domestic tenders.

Commander, U.S. Transportation Command Comments

The Deputy Director of Strategic Plans, Policy, Logistics, and Warfighting Development, responding for the USTRANSCOM Commander, partially agreed with the recommendation. The Deputy Director explained that existing DTR guidance already bans contractors from performing duties tied to obligating or spending government funds, noting the issue is one of compliance rather than missing policy. The Deputy Director stated that, to improve clarity, the Transportation Policy Branch in USTRANSCOM will draft and coordinate expanded DTR language addressing contractor involvement in transportation management functions. These updates will be staffed according to the DTR Charter, with an expected completion date of November 1, 2026.

Our Response

Comments from the Deputy Director for Strategic Plans, Policy, Logistics, and Warfighting Development, responding for the USTRANSCOM Commander, addressed the specifics of the recommendation; therefore, it is resolved but open. We will close the recommendation when we receive the expanded DTR language from USTRANSCOM and verify that it addresses contractor involvement in transportation management functions.

Recommendation 2

We recommend that the Under Secretary of War for Acquisition and Sustainment coordinate with the Secretaries of the Military Departments to review all Military Department-contracted Transportation Management Offices to determine how pervasively contractors are involved in making bypass or override decisions and issue bills of lading, and, if necessary, develop and implement a plan of action and milestones to correct the problem.

Under Secretary of War for Acquisition and Sustainment Comments

The Deputy Assistant Secretary of War for Logistics, responding for the Under Secretary of War for Acquisition and Sustainment, agreed with the revised recommendation, stating that the Under Secretary will issue the tasking within 30 days of the final report.

Our Response

Comments from the Deputy Assistant Secretary of War for Logistics, responding for the Under Secretary of War for Acquisition and Sustainment, addressed the specifics of the revised recommendation; therefore, it is resolved but open. We will close the recommendation when the Under Secretary issues the task to the Military Departments, receives the information from the Military Departments, and either notifies us that a plan is not necessary or provides the plan of actions and milestones to correct the identified problems.

Bryan Clark

Bryan T. Clark
Assistant Inspector General for Evaluations
Programs, Combatant Commands, and Operations

cc:
INSPECTOR GENERAL OF THE ARMY
NAVAL INSPECTOR GENERAL
INSPECTOR GENERAL OF THE AIR FORCE

Management Comments

Commander, U.S. Transportation Command

UNITED STATES TRANSPORTATION COMMAND
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MEMORANDUM FOR DEPARTMENT OF WAR INSPECTOR GENERAL

FROM: USTRANSCOM J4/J5/J7

SUBJECT: USTRANSCOM Response to DoW Office of Inspector General (DoWIG) Draft Management Advisory: Lack of Clarity in the Defense Transportation Regulation Creates Risk of Contractor Performance of Inherently Governmental Functions (Project No. D2026-DEV0PC-0019.001)

1. In response to the above referenced DoWIG Draft Management Advisory, USTRANSCOM partially concurs with the report as written and welcomes the opportunity to enhance/clarify Defense Transportation Regulation (DTR) guidance.

RECOMMENDATION 1: The DoW OIG recommends that the Commander, USTRANSCOM revise the Defense Transportation Regulation to clarify responsibilities of transportation officers and transportation agents, including expressly prohibiting contractors who support Transportation Management Officers from performing inherently government function such as awarding domestic tenders.

RESPONSE: USTRANSCOM partially concurs with Recommendation #1. The current DTR already provides guidance which prohibits contracted employees from performing "any function involving the obligation or expenditure of Government funds." Therefore, this issue stems from a lack of compliance rather than a policy or procedure shortfall. The Military Services are responsible for ensuring compliance with the DTR. However, recognizing that additional clarity would be helpful, USTRANSCOM J4/5/7 Transportation Policy Branch will develop and coordinate expanded DTR verbiage related to contractors performing transportation management functions to address concerns identified in Recommendation #1. The DTR changes will be staffed and coordinated IAW with the DTR Charter. Anticipated completion date is 1 November 2026.

2. The point of contact is [redacted] Chief, Transportation Policy Branch, USTRANSCOM J4/J5/J7/, [redacted] or via email at [redacted]

THOMAS J. MOREAU, SES, DAF
Deputy Director, Strategic Plans, Policy, Logistics and Warfighting Development

Under Secretary of War for Acquisition and Sustainment

OFFICE OF THE ASSISTANT SECRETARY OF WAR
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WASHINGTON, DC 20301-3500

SUSTAINMENT

MEMORANDUM FOR DEPARTMENT OF WAR INSPECTOR GENERAL

FROM: Erica H. Plath, DASW(Logistics)

SUBJECT: Response to Management Advisory: Lack of Clarity in the Defense Transportation Regulation Creates Risk of Contractor Performance of Inherently Governmental Functions (Project No. D2026-DEC0PC-0019.001)

1. In response to the above referenced Department of War (DoW) Inspector General (IG) draft Management Advisory, the Office of the Under Secretary of War for Acquisition and Sustainment (OUSW(A&S)) partially concurs with the report as written and welcomes the opportunity to enhance/clarify Recommendation 2.

RECOMMENDATION 2: We recommend that the Under Secretary of War for Acquisition and Sustainment conduct a review of all Transportation Management Offices to determine how pervasively contractors are assigned to make bypass and override decisions and issue bills of lading, and then develop and implement a Plan of Action and Milestones, if necessary, to correct the problem.

Revised Recommendation 2

RESPONSE" OUSW(A&S) partially concurs with Recommendation 2 and offers the following revision.

RECOMMENDATION 2. The Under Secretary of War for Acquisition and Sustainment should task the Secretaries of the Military Departments to review all Military Department contracted Transportation Management Offices to determine how pervasively contractors are assigned to make bypass and override decisions and issue bills of lading, and then develop and implement a Plan of Action and Milestones, if necessary, to correct the problem. The Military Departments will report the information to the USW(A&S) and to the DoW OIG.

If the DoW OIG concurs with revised Recommendation 2, OUSW(A&S) will task the Military Departments accordingly and require the Military Departments to report the results to the USW(A&S) and the DoW OIG. OUSW(A&S) expects to issue this task within 30 days of the DoW OIG report going final.

2. My point of contact is [redacted] Director, Transportation, [redacted]

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Erica H. Plath
Deputy Assistant Secretary of War
for Logistics

INSPECTOR GENERAL
INTEGRITY
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U.S. Department of War

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For more information about DoW OIG reports or activities, please contact us:

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