

February 5, 2004



Cooperative Threat Reduction

Management Structure of the
Cooperative Threat Reduction
Program
(D-2004-050)

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Acronyms

ATSD(NCB)	Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs)
CTR	Cooperative Threat Reduction
DTRA	Defense Threat Reduction Agency
DUSD(TSP&CP)	Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation)
FSU	Former Soviet Union
IG DoD	Inspector General of the Department of Defense
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USD(P)	Under Secretary of Defense for Policy
WMD	Weapons of Mass Destruction



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February 5, 2004

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE FOR POLICY
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY

SUBJECT: Report on the Management Structure of the Cooperative Threat Reduction
Program (Report No. D-2004-050)

We are providing this report, which the Deputy Secretary of Defense requested, for your information and use. We considered management comments on a draft of this report when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Evelyn R. Klemstine at (703) 604-9172 (DSN 664-9172) or Mr. Donney J. Bibb at (703) 604-9613 (DSN 664-9613). See Appendix C for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

Shelton R. Young
Director, Readiness and
Logistics Support Directorate

Office of the Inspector General of the Department of Defense

Report No. D-2004-050

(Project No. D2002LG-0219.02)

February 5, 2004

Management Structure of the Cooperative Threat Reduction Program

Executive Summary

Who Should Read This Report and Why? Acquisition professionals and individuals who assist in the development of organizational structures should read this report. This report discusses topics of significant congressional, national, and international interest.

Background. This report, which is one in a series requested by the Deputy Secretary of Defense, discusses the organizational arrangements between the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense for Policy; and the Defense Threat Reduction Agency. The objectives of the Cooperative Threat Reduction (CTR) program are to destroy chemical, nuclear, and other weapons; to transport, store, disable, and safeguard weapons until their destruction; and to establish verifiable safeguards against proliferation of weapons of mass destruction. This report discusses the organizational arrangements of the CTR Program. We previously reported on individual CTR projects for building disposal facilities for liquid propellant and solid rocket motors, storage facilities for fissile materials, and destruction facilities for chemical weapons.

Results. The Under Secretary of Defense for Acquisition, Technology, and Logistics did not fulfill his responsibilities for managing the implementation and execution of CTR Projects. For the four CTR projects on which we previously reported, the Government lost \$195.2 million because the disposal facilities for liquid propellant and solid rocket motors will not be used for their intended purposes. Also, although DoD has invested \$576.7 million on storage facilities for fissile materials and destruction facilities for chemical weapons, those projects are at risk of not being fully used for their intended purposes. The Director, Administration and Management should coordinate with the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense for Policy; and the Director, Defense Threat Reduction Agency to update DoD directives to clarify the CTR responsibilities. Although the Under Secretary of Defense for Acquisition, Technology, and Logistics established a position to oversee CTR implementation in July 2003, he needs to determine the appropriate staffing level for that office, fill those positions, and determine what management information is needed to fulfill the roles, responsibilities, and coordination requirements for the CTR Program. (See the Finding section of the report for the detailed recommendations.)

Management Comments. The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Director, Administration and Management concurred with the recommendations. Although not required to comment, the Under Secretary of Defense for Policy and the Director, Defense Threat Reduction Agency agreed with the recommendations. See the findings section of the report for a discussion of the management comments and the Management Comments section for the complete text.

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Background

On March 18, 2002, the Deputy Secretary of Defense requested that the Office of Inspector General of the Department of Defense (IG DoD) review the Cooperative Threat Reduction (CTR) projects that rely on Russian Federation (Russia) assurances and that are vulnerable to misuse and review the organizational arrangements between the CTR Policy office within the Office of the Under Secretary of Defense for Policy (USD[P]) and the CTR Directorate at the Defense Threat Reduction Agency (DTRA). This report discusses the organizational arrangements between the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]); USD(P); and DTRA. On September 30, 2002, we issued IG DoD Report No. D-2002-154, "Cooperative Threat Reduction Program Liquid Propellant Disposition Project," on September 11, 2003, we issued IG DoD Report No. D2003-131, "Cooperative Threat Reduction Program: Solid Rocket Motor Disposition Facility Project," and on December 18, 2003, we issued IG DoD Report No. D-2004-039, "Cooperative Threat Reduction Construction Projects." IG DoD Report No. D-2004-039 reports on the Chemical Weapons Destruction Facility and the Fissile Material Storage Facility. This report concludes the review requested by the Deputy Secretary of Defense.

To reduce the threat posed by weapons of mass destruction (WMD) in the territory of the former Soviet Union (FSU), Congress enacted Public Law 102-228 (section 2551 [note], title 22, United States Code), "Soviet Nuclear Threat Reduction Act of 1991," December 12, 1991. Public Law 102-228 designates DoD as the executive agent for the CTR Program. Public Law 102-228 and subsequent laws that continue the CTR Program are commonly referred to as Nunn-Lugar legislation. The objectives of Public Law 102-228 are to destroy chemical, nuclear, and other weapons; to transport, store, disable, and safeguard weapons until their destruction; and to establish verifiable safeguards against proliferation of WMD. From FY 1992 through FY 2003, Congress appropriated \$5.1 billion for the CTR Program.

Framework for Assistance. DoD provides assistance to FSU countries through umbrella agreements and implementing agreements. The umbrella agreement with Russia, signed on June 17, 1992, establishes the overall framework under which the United States provides assistance to Russia. The umbrella agreement, which was to expire in June 1999, was extended by a protocol in June 1999 for an additional seven years.

DoD Program Management. A joint memorandum and DoD directives provide the overall responsibilities of DoD Components for the CTR Program. The joint memorandum from the Under Secretary of Defense for Acquisition (now USD[AT&L]) and USD(P), "Strengthening Cooperative Threat Reduction (CTR) Implementation, Decision Memorandum," May 3, 1994, details organizational relationships for the CTR Program. The Deputy Secretary of Defense approved that memorandum, commonly referred to as the 1994 Decision Memorandum, on May 6, 1994.

1994 Decision Memorandum. The 1994 Decision Memorandum provides the roles and responsibilities of USD(AT&L) and USD(P) for the CTR Program. That memorandum also established a CTR Program office under USD(AT&L) and located with the Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs) (ATSD[NCB]). The memorandum described a “seamless transition in leader/advisor” where USD(P) would initially lead program development while USD(AT&L) provided advice. USD(P) was to develop program concepts, notify Congress of new programs and projects, and modify the budget to obtain funding. The USD(P) was also to negotiate detailed implementing agreements with FSU countries while USD(AT&L) provided advice to ensure that provisions in those agreements would conform to what DoD could actually accomplish. After USD(P) signed implementing agreements and approved CTR programs, USD(AT&L) was to develop detailed implementation plans and acquisition structures. USD(AT&L) was also responsible for contractual obligations, while USD(P) ensured that program goals and budgets met the program conditions.

USD(AT&L) Responsibilities. DoD Directive 5134.1, “Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)),” April 21, 2000, and DoD Directive 5134.8, “Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs (ATSD(NCB)),” June 8, 1994, define USD(AT&L) responsibilities for the CTR Program. DoD Directive 5134.1 states that the USD(AT&L) is the principal staff assistant and advisor to the Secretary of Defense and Deputy Secretary of Defense for various matters including environmental security; military construction; nuclear, chemical, and biological matters; and procurement. The Directive also states that the USD(AT&L) exercises authority, direction, and control over the Director, DTRA through the Director of Defense Research and Engineering. The Directive requires USD(AT&L) to develop international agreements related to acquisition matters, in coordination with USD(P) and the General Counsel of the Department of Defense. Other officials within the Office of the Secretary of Defense are to coordinate with USD(AT&L) on matters related to its responsibilities and functions. DoD Directive 5134.8 states that ATSD(NCB) manages the execution and implementation of concluded implementing agreements for CTR projects. That office is directly responsible to the Secretary of Defense and Deputy Secretary of Defense for matters associated with nuclear weapons safety and security, chemical weapons demilitarization, and chemical and biological defense programs.

USD(P) Responsibilities. DoD Directive 5111.1, “Under Secretary of Defense for Policy (USD(P)),” December 8, 1999, and DoD Directive 5111.8, “Assistant Secretary of Defense for Strategy and Threat Reduction (ASD(S&TR)),” February 3, 2000, provide USD(P) responsibilities for the CTR Program. DoD Directive 5111.1 states that the USD(P) is the principal staff assistant and advisor to the Secretary of Defense and Deputy Secretary of Defense for formulating national security and defense policy. USD(P) develops policy for defense-related international negotiations and develops, coordinates, and oversees implementation of DoD policies to reduce and counter the threat of WMD, including counterproliferation policy, arms control policy, and security policy. USD(P) also represents DoD in matters involving the National Security Council and other Federal agencies with responsibility for national security policy. DoD

Directive 5111.8 states that the Assistant Secretary of Defense (Strategy and Threat Reduction), now called the Assistant Secretary of Defense (International Security Policy), develops, coordinates, and oversees implementation of CTR policy, including safety, security, and dismantlement of WMD and associated materials and infrastructure. The Assistant Secretary of Defense (International Security Policy) also negotiates and concludes international agreements for the CTR Program. In addition, the Assistant Secretary of Defense (International Security Policy), in coordination with the USD(AT&L), provides national security and defense strategy policy guidance for the CTR Program. Beginning in 2001, the Assistant Secretary of Defense (International Security Policy) carried out responsibilities for the CTR Program through the Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) (DUSD[TSP&CP]). DoD Directive 5105.62, "Defense Threat Reduction Agency," September 30, 1998, states that USD(P) provides policy guidance to the Director, DTRA in order to implement the CTR Program.

DTRA Responsibilities. DTRA operates under the authority, direction, and control of USD(AT&L). However, DoD Directive 5105.62 provides DTRA responsibilities for the CTR Program and states that the Director of DTRA is responsible to USD(P) for implementing the CTR Program. Specific DTRA responsibilities include development of long-term program plans and objectives, support to international arms control treaties and delegations, execution of implementing agreements and memoranda of understanding, and development of technical requirements with the ministries and agencies of recipient states.

Threat Reduction Advisory Committee. In July 1998, USD(AT&L) established the Threat Reduction Advisory Committee. The Committee advises USD(AT&L) on matters related to the DTRA mission. The Committee identifies and considers emerging threats from WMD, reviews counters to such threats, and assesses the adequacy of responses to national policy and emerging threats. Committee members include leading civilians, retired flag officers, and senior representatives from other Federal agencies.

Objectives

Our overall audit objective was to evaluate the sufficiency and effectiveness of organizational arrangements between the CTR policy office within USD(P) and the CTR implementation office at DTRA. Specifically, we evaluated the sufficiency of organizational arrangements between USD(AT&L), USD(P), and DTRA to ensure that CTR projects were effectively planned and implemented and that CTR Program decisions were properly coordinated. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.

Effectiveness and Sufficiency of Organizational Arrangements

USD(AT&L) did not fulfill its responsibilities for managing the implementation and execution of CTR projects. That occurred because the organizational arrangements between USD(AT&L), USD(P), and DTRA were insufficient. Specifically, USD(AT&L) positions responsible for CTR oversight were vacant for almost 5 years, and DoD directives did not clearly define the planning and oversight responsibilities of USD(AT&L) and USD(P) or provide an adequate chain of command between the organizations responsible for implementation and those responsible for oversight. The lack of oversight by USD(AT&L) may have contributed to the disbursement of \$195.2 million on two projects that will not be used for their intended purposes. Also, the lack of oversight by USD(AT&L) may have contributed to the possibility that two other projects, for which DoD has invested \$576.7 million, will not be fully used for their intended purposes.

Management Control Guidance

Office of Management and Budget Circular No. A-123, "Management Accountability and Control," June 21, 1995, provides guidance to Federal managers for improving the accountability and effectiveness of Federal programs and operations. The circular states that management controls, including organization, policies, and procedures, are tools that reasonably ensure that programs achieve the desired results and that safeguard the integrity of the programs. The circular requires managers to incorporate basic management controls in strategies, plans, guidance, and procedures that govern their programs and operations and states that the controls shall be consistent with specific standards drawn from the "Standards for Internal Control in the Federal Government," (the Standards), revised November 1999, by the General Accounting Office.

The Standards provide the framework for establishing and maintaining internal controls within the Federal Government. The Standards state that internal controls, which are synonymous with management controls, serve as the first line of defense in safeguarding assets. The Standards state that good internal controls require the organizational structure to clearly define key areas of authority and responsibility and establish appropriate lines of reporting. The Standards also cite reviews of performance by top-level management as an example of a control activity.

Fulfilling Responsibilities

Between October 1998 and July 2003, USD(AT&L) did not fulfill its responsibility for managing the execution and implementation of CTR projects.

Specifically, USD(AT&L) did not actively participate in the planning, programming, and budgeting activities related to the CTR Program nor evaluate whether procurements for CTR projects should have received management attention either because of the project costs or because of the congressional, national, and international interest that the program generates. Also, USD(AT&L) did not evaluate whether DTRA was effectively managing costs, schedules, or performance of CTR projects. Instead, DUSD(TSP&CP) oversaw project implementation and monitored progress and issues on CTR projects, even though, according to the Director, CTR Policy, the DUSD(TSP&CP) staff were not acquisition certified¹ or responsible for acquisition or program management, cost estimating, or financial management. USD(AT&L) would be better qualified to provide that oversight since USD(AT&L) is responsible for many of the areas associated with the CTR Program—environmental security; military construction; nuclear, chemical, and biological matters; and procurement.

During the time that USD(AT&L) positions were vacant, CTR projects became more complex, costly, and risky. Initially, DoD provided equipment, support, and training so that FSU countries could destroy their own WMD and improve the infrastructure needed to destroy those weapons. In the mid-1990s, however, DoD began hiring companies to coordinate and integrate the destruction of WMD because the FSU countries could no longer afford to perform the work, and the work was falling behind schedule. Several of those projects, which often took years to complete, involved the construction of complex facilities to either store or destroy weapons. Two of those projects, the liquid propellant disposition facility and the solid rocket motor disposition facility, have been cancelled. Although the fissile material storage facility and the chemical weapons destruction facility are ongoing, they ultimately may not be fully used for their intended purposes.

Organizational Arrangements

The lack of management oversight occurred because the organizational arrangements between USD(AT&L), USD(P), and DTRA were insufficient. Specifically, positions in USD(AT&L) responsible for CTR oversight were vacant for almost 5 years, and DoD directives did not clearly define USD(AT&L) responsibilities or provide a direct chain of command between DTRA, which was responsible for implementation of the program, and the Secretary of Defense offices, which were responsible for oversight of the program.

Vacant Positions. USD(AT&L) did not fulfill its responsibilities for managing the CTR Program because the positions with responsibility for oversight of the CTR Program were vacant for almost 5 years between October 1998 and July 2003. Those ATSD(NCB) positions were left vacant after the Deputy Secretary of Defense unsuccessfully attempted to abolish the position of the ATSD(NCB). In a December 1997 program budget decision, DoD reported that

¹ Career acquisition professionals in DoD are required to meet certain education, training, and experience standards. There are three certification levels: (I) entry or basic; (II) intermediate or journeyman; and, (III) advanced or senior.

it would disestablish the ATSD(NCB) office in October 1998. That decision was to help meet a Defense Reform Initiative effort to reduce staffing levels in the Office of the Secretary of Defense. Although House Report 105-736 accompanying H.R. 3616 on the Strom Thurmond National Defense Authorization Act for FY 1999 urged the President to submit a nomination for the ATSD(NCB) position, that position remained unfilled and staff members that managed the CTR Program at ATSD(NCB) were re-assigned to DTRA in October 1998. That left no one responsible for the CTR Program at ATSD(NCB).

After ATSD(NCB) staff were transferred to DTRA, DTRA reported to the Director of Defense Research and Engineering, a component of USD(AT&L). However, according to USD(P) officials and an ATSD(NCB) official with CTR Program responsibilities who was formerly assigned to the Director of Defense Research and Engineering, the Director of Defense Research and Engineering did not exercise direction and control of the CTR Program. DTRA officials also stated that during the 5-year period that ATSD(NCB) positions were vacant, the Director of Defense Research and Engineering received only two CTR-related briefings from DTRA staff. The former official from the Director of Defense Research and Engineering stated that between June 1999 and November 2001, he spent less than 40 hours working on CTR-related issues, and those efforts were limited to preparing for, participating in, and following up to briefings of visits by Russian scientists to the Los Alamos National Laboratory. Also, according to DTRA officials, the Office of the Director of Defense Research and Engineering was not on the DTRA distribution list for CTR management reports and those officials did not attend any of the quarterly CTR Program reviews that were attended by the staff of the IG DoD between April 2001 and April 2003. Officials from the Director of Defense Research and Engineering did not attend the semi-annual executive review with Russian officials that was attended by the staff of the IG DoD in January 2003.

Management Action Taken. In November 2001, the President appointed an ATSD(NCB). According to ATSD(NCB) staff, the new appointee requested that the Threat Reduction Advisory Committee review the CTR Program. In March 2003, the Committee recommended that a Deputy Assistant to the Secretary of Defense position be created in ATSD(NCB) to develop, along with the DUSD(TSP&CP), yearly CTR strategic plans that connect CTR activities to related DoD policies and programs. In July 2003, the Office of the ATSD(NCB) was reorganized to establish the position of Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction), responsible for providing oversight and direction for implementation of the CTR Program. Responsibilities included providing guidance for planning and implementation of CTR policy in coordination with USD(P) and establishing and co-chairing CTR steering committees and working groups with the DUSD(TSP&CP). Also, in July 2003, a civilian official and a military officer from the CTR Directorate, DTRA, were assigned to the ATSD(NCB) office. The civilian position, which was being filled temporarily, was the acting Chief, Cooperative Threat Reduction. The military assignment, which was permanent, was to assist the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction).

Defining Responsibilities. DoD Directive 5134.8 and DoD Directive 5111.8 define the responsibilities of USD(AT&L) and USD(P) offices for the CTR Program, and DoD Directive 5105.62 defines the CTR Program responsibilities of DTRA. However, DoD Directive 5134.8 does not clearly define the responsibilities of USD(AT&L) and DoD Directive 5105.62 does not provide an adequate chain of command between DTRA, which is responsible for implementation of the program, and USD(P), which is responsible for oversight. After clarifying USD(AT&L) and USD(P) responsibilities, those offices need to determine the types and frequency of information each office needs to receive from DTRA in order to fulfill its managerial responsibilities.

DoD Directive 5134.8. DoD Directive 5134.8 defines the CTR Program responsibilities of ATSD(NCB). Although DoD Directive 5134.8 states that ATSD(NCB) “manages execution and implementation of concluded [implementing agreements for] CTR assistance projects,” it does not define ATSD(NCB) authority, direction, and control over DTRA or the working relationship between the ATSD(NCB) and the Assistant Secretary of Defense (International Security Policy) for coordinating strategic guidance for the CTR Program. Also, DoD Directive 5134.8 does not define the responsibilities of the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction) for the CTR Program. Clearly defining responsibilities will help ensure that all duties are performed and that organizational conflicts and overlapping duties are minimized. Clearly defined responsibilities would also help ensure that there is adequate oversight to minimize cost overruns and schedule delays and that projects are used for their intended purposes.

DoD Directive 5111.8. DoD Directive 5111.8 defines the CTR Program responsibilities of the Office of the Assistant Secretary of Defense (International Security Policy). Although DoD Directive 5111.8 states that the Assistant Secretary of Defense (International Security Policy) is to develop, coordinate, and oversee the implementation of policy for the CTR Program, the Directive does not identify the DoD offices with which it should coordinate those activities. Also, DoD Directive 5111.8 does not fully implement the 1994 Decision Memorandum in that it does not address the leader-advisor concept or state that the Assistant Secretary of Defense (International Security Policy) is responsible for developing and negotiating detailed implementing agreements with FSU countries, with ATSD(NCB) acting as a key advisor.

DoD Directive 5105.62. DoD Directive 5105.62 defines the CTR Program responsibilities and reporting relationships of DTRA and includes additional responsibilities of USD(P). The Directive states that DTRA shall develop long-term program plans and objectives to support the CTR Program and execute CTR implementing agreements pursuant to USD(P) guidance and policies. However, it states that DTRA operates under the authority, direction, and control of USD(AT&L). As such, DoD Directive 5105.62 creates a situation where there is a break in the chain of command. That is, DTRA reports to one office but is responsible to another office for program execution. There is no clear line of communication between USD(P) and USD(AT&L) for the CTR Program. In order for that organizational layout to be successful, communication between DTRA and USD(P) needs to flow through USD(AT&L).

Project Performance

Because USD(AT&L) is responsible for oversight of acquisitions; military construction; and matters related to nuclear, chemical, and biological weapons, oversight from that office could have ensured that DTRA was using effective acquisition methods and that the facilities were effectively designed to meet intended purposes. In addition, USD(AT&L) could have assisted in establishing milestones, identifying risks, and decision making when DTRA was at risk of not meeting project milestones.

Managing Performance. The CTR Directorate in DTRA is responsible for managing performance of CTR projects. The CTR Directorate tracks cost, schedule, and overall performance of ongoing CTR projects and reports the status during quarterly program reviews. Those reviews, attended by officials from DUSD(TSP&CP), provide metrics that measure costs and schedules for individual CTR projects. The reviews also present other issues that are critical to individual project completion and DTRA actions to resolve those issues. In 2000, DTRA began to include managing costs, schedules, and performance as general risk areas to the four projects in the project plans. The project plans also included strategies for controlling the risks. However, schedule delays and other critical issues led to Russia not using the liquid propellant disposition facility or the solid rocket motor destruction facility, as reported in IG DoD Report No. D-2002-154 and IG DoD Report No. D2003-131.

Project Outcomes. CTR projects to assist Russia in converting liquid propellant into commercial products and disposing of solid rocket motors were not used by Russia for their intended purposes. In addition, the CTR projects to assist Russia in the storage of its fissile material and the destruction of its chemical weapons are at risk of not being fully used for their intended purposes.

In IG DoD Report No. D-2002-154, we reported that although DoD spent \$95.5 million through July 2, 2002, to design and build facilities that would convert liquid propellant into commercial products, Russian officials informed DoD in February 2002 that Russia had used the liquid propellant for its commercial space program. In IG DoD Report No. D-2003-131, we reported that DoD spent \$99.7 million through April 2003 to design and begin construction of a facility to dispose of solid rocket motors, and in January 2003 Russian officials informed DoD that Russia would not provide the land allocation to support the facility to dispose of solid rocket motors. The outcome of the liquid propellant project was affected by a lack of requirements in the implementing agreement for Russia to provide the liquid propellant. The outcome of the solid rocket motor project was also affected by a lack of requirements in the implementing agreement for Russia to provide the land and permits necessary to build and operate the facility. In addition, for the solid rocket motor project, there were no assurances that adequate acquisition planning occurred or that contracts for the projects adequately protected the U.S. Government's interests.

In IG DoD Report No. D-2004-039, we reported that although DoD had invested \$576.7 million on the chemical weapons destruction facility and fissile material storage facility, as of July 2003, those projects were at risk of not being

fully used for their intended purpose. Similar to the situation with the liquid propellant disposition facility project, there are risks that Russia may not fully utilize the fissile material storage facility. Also, similar to the situation with the solid rocket motor disposition facility project, there are risks that Russia will rescind the land allocation for the chemical weapons destruction facility. There are also risks that delays in obtaining design approvals for the chemical weapons destruction facility will cause the construction schedule to slip and increase costs, that Russia will not use the designed bituminization building, and that construction and operation of the facility will be suspended or terminated because of environmental laws.

Had USD(AT&L) staffed the positions responsible for CTR management between October 1998 and July 2003, USD(AT&L) may have identified that the lack of requirements in the implementing agreements were risks to project outcomes and identified actions that DTRA could take to mitigate those risks. Also, for the solid rocket motor disposition facility project, USD(AT&L) may have minimized U.S. Government losses by requiring that Russia obtain the land allocation before allowing DTRA to proceed with the facility design and construction.

Conclusions

Although the CTR Program expanded from a program where DoD provided Russia with equipment and associated support and training to a program where DoD constructed complex facilities to either store or destroy weapons, USD(AT&L) did not fulfill its responsibilities for managing the implementation and execution of CTR projects. DoD directives and the 1994 Decision Memorandum provided the roles and responsibilities of USD(AT&L) and USD(P) for the CTR Program. However, because ATSD(NCB) did not staff positions responsible for CTR Program oversight between October 1998 and July 2003, USD(P) was solely responsible for oversight of the CTR Program. While the CTR Program is primarily executed through contracts, according to the Director, CTR Policy at USD(P), his office was not technically responsible for the management of acquisitions and was not staffed with employees trained or certified in acquisition management. Although other factors were involved in outcomes on CTR projects, oversight by trained acquisition professionals and technical experts should reduce the risks on existing and new CTR projects.

ATSD(NCB) was reorganized in 2003 to establish the position of Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction), responsible for providing oversight and direction for the CTR Program. That position was filled in July 2003. DoD could continue to improve management oversight and coordination between USD(AT&L), USD(P), and DTRA by revising DoD directives to clarify strategic planning and other roles and responsibilities for the CTR Program. In addition, DoD needs to determine the appropriate number and qualifications of permanent civilian and military positions required to staff the Office of the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction) and then fill the positions with qualified staff.

Recommendations and Management Comments

1. We recommend that the Director, Administration and Management:

a. **Revise DoD Directive 5134.8, “Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs (ATSD(NCB))” to clarify the strategic planning and other responsibilities and coordination requirements of the Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs) for the Cooperative Threat Reduction Program.**

Management Comments. The Director, Administration and Management concurred. Although not required to comment, the ATSD(NCB) agreed with our recommendation. The ATSD(NCB) stated that he is revising the ATSD(NCB) charter to reflect the CTR mission and will provide the revised charter to the Director, Administration and Management.

b. **Revise DoD Directive 5111.8, “Assistant Secretary of Defense for Strategy and Threat Reduction (ASD(S&TR)),” to:**

(1) **Change the name of the office from Assistant Secretary of Defense (Strategy and Threat Reduction) to the Assistant Secretary of Defense (International Security Policy).**

(2) **Clarify the strategic planning and other responsibilities and coordination requirements of the Assistant Secretary of Defense (International Security Policy) for the Cooperative Threat Reduction Program.**

Management Comments. The Director, Administration and Management concurred. Although not required to comment, the USD(P) agreed with our recommendation.

c. **Revise DoD Directive 5105.62, “Defense Threat Reduction Agency (DTRA),” to clarify the responsibilities and coordination requirements of the Defense Threat Reduction Agency for the Cooperative Threat Reduction Program.**

Management Comments. The Director, Administration and Management concurred. Although not required to comment, the ATSD(NCB) and DTRA agreed with our recommendation. The ATSD(NCB) stated that he will work with the Director, Administration and Management and DTRA to review and revise the DTRA charter. The Director, DTRA stated that he is working closely with ATSD(NCB) to define the roles, responsibilities, and coordination requirements of DTRA.

2. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics:

a. Determine the number and qualifications of permanent civilian and military positions required in the Office of the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction).

b. Expeditiously fill the positions.

c. Determine the types and frequency of management information needed from the Defense Threat Reduction Agency in order to fulfill Under Secretary of Defense for Acquisition, Technology, and Logistics roles, responsibilities, and coordination requirements for the Cooperative Threat Reduction Program.

Management Comments. The ATSD(NCB) concurred, stating that the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction) will be staffed with up to five positions dedicated to CTR with Level III Acquisition Certification in Program Management. The ATSD(NCB) stated that two positions have been filled and he is recruiting for the three remaining positions through the Inter-Governmental Personnel Act. The ATSD(NCB) also stated that the Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction) and DTRA have developed a reporting system and a shared electronic archive. The first report on CTR was delivered to the Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction) in November 2003.

Appendix A. Scope and Methodology

We reviewed DoD methods and policies used to administer the CTR Program, which included program, project, and financial management. The review included provisions of Nunn-Lugar legislation, international agreements, the 1994 Decision Memorandum, OMB circulars, Program Budget Decisions, and DoD directives. The documentation reviewed was dated from December 1991 through August 2003.

We conducted interviews with officials from the Office of the USD(AT&L), the Office of the USD(P), DTRA, and the Office of the Director for Administration and Management.

We performed this audit from October 2002 through October 2003 in accordance with generally accepted government auditing standards. As part of the review, we issued reports on CTR projects to design and construct disposal facilities for liquid propellant and solid rocket motors, storage facilities for fissile materials, and destruction facilities for chemical weapons. The scope and methodology for the reviews of those projects appear in IG DoD Report No. D-2002-154, IG DoD Report No. D-2003-131, and IG DoD Report No. D-2004-039. We did not review the management control program in this audit because we reported on it in IG DoD Report No. D-2004-039.

We evaluated the ability of DoD to efficiently and effectively manage the CTR Program. Specifically, we identified and analyzed the sufficiency of organizational arrangements between USD(AT&L), USD(P), and DTRA. The review included interviews and an examination of available documentation to determine the implementation of and evolution of roles and responsibilities for administering the CTR Program.

Use of Computer-Processed Data. We did not evaluate the general and application controls of the Centralized Accounting and Financial Resource Management System, which accounts for DTRA funds, because that was outside the scope of our review. To support the amount that the United States had disbursed for the liquid propellant and solid rocket motor disposition facilities, the fissile material storage facility, and the chemical weapons destruction facility projects, we relied on data from that system. Inadequate controls in the Centralized Accounting and Financial Resource Management System could affect the disbursements included in this report.

Appendix B. Prior Coverage

During the last 5 years, the General Accounting Office (GAO) and the IG DoD have issued 17 reports, including congressional testimonies, discussing the Cooperative Threat Reduction Program. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

GAO

GAO Report No. GAO-03-1008R, "FY 2004 Annual Report on the Cooperative Threat Reduction Program," July 18, 2003

GAO Report No. GAO-03-627R, "FY 2003 Annual Report on the Cooperative Threat Reduction Program," April 8, 2003

GAO Report No. GAO-03-526T, "Weapons of Mass Destruction: Observations on U.S. Threat Reduction and Nonproliferation Programs in Russia," March 5, 2003

GAO Report No. GAO-03-341R, "Cooperative Threat Reduction Program Annual Report," December 2, 2002

GAO Report No. GAO-01-694, "Cooperative Threat Reduction: DoD Has Adequate Oversight of Assistance, but Procedural Limitations Remain," June 19, 2001

GAO Report No. NSIAD-00-138, "Biological Weapons: Effort to Reduce Former Soviet Threat Offers Benefits, Poses New Risks," April 28, 2000

GAO Report No. NSIAD-00-40, "Cooperative Threat Reduction: DoD's 1997-98 Reports on Accounting for Assistance Were Late and Incomplete," March 15, 2000

GAO Report No. T-NSIAD/RCED-00-119, "Weapons of Mass Destruction: U.S. Efforts to Reduce Threats From the Former Soviet Union," March 6, 2000

GAO Report No. RCED/NSIAD-00-82, "Nuclear Nonproliferation: Limited Progress in Improving Nuclear Material Security in Russia and the Newly Independent States," March 6, 2000

GAO Report No. NSIAD-99-76, "Weapons of Mass Destruction: Effort to Reduce Russian Arsenals May Cost More, Achieve Less Than Planned," April 13, 1999

IG DoD

IG DoD Report No. D-2004-039, "Cooperative Threat Reduction Construction Projects," December 18, 2003

IG DoD Report No. D-2003-131, "Cooperative Threat Reduction Program: Solid Rocket Motor Disposition Facility Project," September 11, 2003

IG DoD Report No. D-2003-059-T, "Statement of David K. Steensma, Deputy Assistant Inspector General for Auditing, Office Inspector General of the Department of Defense to the House Committee on Armed Services on U.S.-Russian Cooperative Threat Reduction and Non-Proliferation Programs," March 4, 2003

IG DoD Report No. D-2002-154, "Cooperative Threat Reduction Program Liquid Propellant Disposition Project," September 30, 2002

IG DoD Report No. D-2002-033, "Management Costs Associated With the Defense Enterprise Fund," December 31, 2001

IG DoD Report No. D-2001-074, "Cooperative Threat Reduction Program," March 9, 2001

IG DoD Report No. D-2000-176, "Defense Enterprise Fund," August 15, 2000

Appendix C. Report Distribution

Office of the Secretary of Defense

Deputy Secretary of Defense
Under Secretary of Defense for Acquisition, Technology, and Logistics
Assistant to the Secretary of Defense (Nuclear, Chemical, and Biological Defense Programs)
Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction)
Under Secretary of Defense for Policy
Assistant Secretary of Defense (International Security Policy)
Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation)
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
General Counsel of the Department of Defense
Director, Administration and Management

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Unified Commands

Commander, U.S. European Command
Inspector General, U.S. Joint Forces Command

Other Defense Organizations

Director, Defense Threat Reduction Agency

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Foreign Relations
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform
House Committee on International Relations
House Subcommittee on International Terrorism, Nonproliferation and Human Rights, Committee on International Relations

Under Secretary of Defense for Policy Comments



POLICY

OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000

19 DEC 2003

Mr. Shelton R. Young
Program Director, Readiness and
Logistics Support Directorate
Office of the DoD Inspector General
400 Army Navy Drive
Arlington, VA 22202-2884

Dear Mr. Young:

Thank you for the opportunity to review the draft Report on the Management Structure of the Cooperative Threat Reduction Program (Project No. D2002LG-0219.02) dated October 31, 2003. We concur with the recommendations and the report as written.

Please direct any questions to Mr. Charles Shotwell, (703) 695-6386.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Lisa Bronson", written over the typed name.

Lisa Bronson
Deputy Under Secretary of Defense,
Technology Security Policy and
Counterproliferation



Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs) Comments



ASSISTANT TO THE SECRETARY OF DEFENSE
3050 DEFENSE PENTAGON
WASHINGTON, DC 20301-3050

DEC 19 2003

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on "Management Structure of the Cooperative Threat Reduction Program"

Thank you for the opportunity to comment on your draft report "Management Structure of the Cooperative Threat Reduction Program" (Project No. D2002-0219.02).

Your recommendations are directed to the Director, Administration and Management, and the Under Secretary of Defense for Acquisition, Technology and Logistics. My comments will address recommendations 1a, 1c, and 2, as some of the recommendations to Director, Administration and Management affect this office.

Recommendation 1a. We recommend the Director, Administration and Management revise DoD Directive 5134.8 "Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs (ATSD(NCB))" to clarify the strategic planning and other responsibilities and coordination requirements of the Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs) for the Cooperative Threat Reduction Program.

ATSD (NCB) Response: Concur. ATSD(NCB) is currently revising its charter to reflect the Cooperative Threat Reduction (CTR) mission. The responsibilities lie with the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction) (DATSD (CD&TR)). This charter will be submitted to the Director, Administration and Management.

Recommendation 1c: We recommend the Director, Administration and Management revise DoD Directive 5105.62, "Defense Threat Reduction Agency (DTRA)," to clarify the responsibilities and coordination requirements of the Defense Threat Reduction Agency for Cooperative Threat Reduction Program.

ATSD(NCB) Response: Concur. This office will work with DTRA and Director, Administration and Management to review and revise its charter as needed.

Recommendation 2 a: We recommend the Under Secretary of Defense for Acquisition, Technology and Logistics determine the number and qualification of

permanent civilian and military positions required in the Office of the Deputy Assistant to the Secretary of Defense (Chemical Demilitarization and Threat Reduction).

ATSD (NCB) Response: Concur. The DATSD(CD&TR) office is currently led by a member of the Senior Executive Service. In addition, we intend to staff this office with up to five CTR dedicated people who have or will have Level III Acquisition Certification in Program Management.

Recommendation 2b. We recommend the Under Secretary of Defense for Acquisition, Technology and Logistics expeditiously fill the positions.

ATSD (NCB) Response: Concur. As mentioned, the DATSD(CD&TR) is currently in place. At this moment, there are two personnel in the CTR positions. One has Level III Certification in Program Management and the other is working towards it. One is a GS-15 Program Manager; the other is a Navy O-5. It is envisioned the GS-15, who is on loan from DTRA, will be replaced with a Navy O-6. In addition, this office is recruiting three people via the Inter-Governmental Personnel Act (IPA) to fill the remaining slots.

Recommendation 2c. We recommend the Under Secretary of Defense for Acquisition, Technology and Logistics determine the types and frequencies of management information needed from the Defense Threat Reduction Agency in order to fulfill Under Secretary of Defense for Acquisition, Technology and Logistics roles, responsibilities, and coordination requirements for the Cooperative Threat Reduction Program.

ATSD(NCB) Response: Concur. CD&TR and DTRA developed a reporting system and a common shared electronic archive. The first DTRA report on CTR was delivered to CD&TR in November 2003. The information is also shared with CTR Policy. CD&TR and DTRA will constantly review this process and look for any improvements.

We are addressing some technical corrections to your staff under separate correspondence. Thank you again for the opportunity to comment on this draft report.



Dale Klein

cc:
ASD/ISP
DTRA

Director, Administration and Management Comments



ADMINISTRATION AND
MANAGEMENT

OFFICE OF THE SECRETARY OF DEFENSE
1950 DEFENSE PENTAGON
WASHINGTON, DC 20301-1950

DEC 12 2003

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ATTENTION: MS. EVELYN R. KLEMSTINE

SUBJECT: Report on the Management Structure of the Cooperative Threat Reduction Program
(Project No. D2002-0219.02)

This memorandum responds to your October 31, 2003 memorandum regarding Project No. D2002-0219.02. We concur with the recommendation pertaining to the Director, Administration and Management. Also, we request that the Director, Administration and Management be added to Appendix C, Report Distribution, under the Office of the Secretary of Defense.

A handwritten signature in black ink, appearing to read "Howard G. Becker".

Howard G. Becker
Deputy Director

Defense Threat Reduction Agency Comments

Final Report
Reference



Defense Threat Reduction Agency
8725 John J Kingman Road MSC 6201
Ft Belvoir, VA 22060-6201

JAN 5 2004

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Draft Report on "Management Structure of the Cooperative Threat Reduction Program" (Project No. D2002LG-0219.02)

Thank you for the opportunity to comment on the draft report concerning the management structure of the Cooperative Threat Reduction (CTR) program. As this report addresses more than one organization, the Defense Threat Reduction Agency (DTRA) will comment only on those recommendations pertaining to DTRA.

We recommend that the Director, Administration and Management, revise the Department of Defense Directive 5105.62, "Defense Threat Reduction Agency," to clarify the responsibilities and coordination requirements of DTRA for the CTR program. DTRA concurs with the need to revise this directive, especially in light of the recent establishment of the Office of the Deputy Assistant to the Secretary of Defense for Chemical Demilitarization and Threat Reduction. DTRA is already fully engaged with this new office and is working closely to define roles, responsibilities and coordination requirements. We feel this interaction will lead to both meaningful and substantive revisions, reflecting both lessons learned and a well coordinated way ahead for the CTR program.

We would normally address any technical inaccuracies in separate correspondence, however, we note that DTRA and the Office of the Secretary of Defense have already addressed and corrected the assertion that CTR cost and scheduled growth (pages 8-11) are due to a lack of sufficient Assistant to the Secretary of Defense (Nuclear, Chemical and Biological Defense Programs) office staffing. We have been assured those corrections will be reflected in the final report.

Thank you again for the opportunity to comment on this draft report. We request you consider this response prior to publishing your final report.

Stephen M. Younger
Director

Attachments:
As stated

Deleted

Team Members

The Readiness and Logistics Support Directorate, Office of the Deputy Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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