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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ALEXANDRIA, VIRGINIA 22350-1500

APR 18 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Accountability of the Air Force's Classified Inventory of Nuclear Weapons-Related Material (Report No. DODIG-2013-064)

We announced the subject audit on November 6, 2012. The overall objective was to determine the status of the U.S. Air Force's (Air Force) supply-system procedures for receiving, marking, storing, and shipping classified nuclear weapons-related material (NWRM). We planned to assess the supply-chain processes and compliance in the control of sensitive components for maintenance, quality assurance, engineering inspection, self-assessments, and oversight.

The former Deputy Assistant Secretary of Defense for Nuclear Matters requested this review as a follow-up to Admiral Kirkland H. Donald's (Ret.) "Report of Investigation into the Facts and Circumstances Surrounding the Accountability for, and Shipment of, Sensitive Missile Components to Taiwan," May 22, 2008. The report resulted from an August 2006 incident when the Defense Distribution Depot Hill shipped four classified MK-12 forward Section Reentry Vehicle Assemblies to Taiwan. After discovery of this error in March 2008, former Secretary of Defense Robert M. Gates appointed Admiral Donald (Ret.) to investigate the facts and circumstances involving accountability for, and shipment of, the sensitive missile components. According to the Director for Nuclear Safety, Security, and Response, the former Deputy Assistant Secretary of Defense for Nuclear Matters sought confirmation that the Air Force had made progress to correct loopholes that would prevent similar incidents from reoccurring.

The audit was performed from November 2012 through February 2013 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. To meet our audit objective, we met with representatives from the Air Force's Directorate of Logistics, Nuclear Weapons, Munitions and Missile Maintenance Division (AF/A4L), and the Air Force Audit Agency's Acquisition and Logistics Audit Directorate (AFAA/QLS). We reviewed all available documentation; applied relevant criteria including Air Force Instruction (AFI) 20-110, "Nuclear Weapons-Related Materiel Management (Air Force Materiel Command Supplement)," July 19, 2012; and obtained AFAA audit reports related to our objective.

AF/A4L develops and publishes NWRM logistics management guidance. We determined that AF/A4L established an integrated product team (IPT) in August 2012, that is conducting a comprehensive review of NWRM management to further streamline and improve policy, processes, and compliance. The IPT will incorporate lessons learned in identifying discrepancies in NWRM identification and inventory procedures and foster solutions within the boundaries of nuclear surety compliance. The IPT also sponsors forums to actively solicit and compile all possible issues, questions, or concerns and provide valid DoD and Air Force-referenced responses to each item. AF/A4L anticipates recommending by April 2013 on whether to continue with current inventory procedures or incorporate new processes.

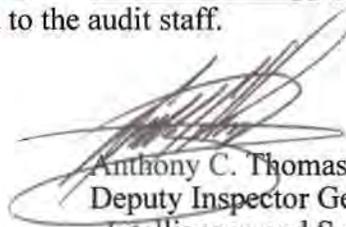
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The AFAA published NWRM inventory audit reports at the request of AF/A4L in response to the Taiwan incident detailed in the May 2008 Admiral Donald (Ret.) report. The AFAA reports documented AFAA/QLS's thorough coverage of the NWRM inventory process at government-managed and contractor-managed storage facilities. AFAA/QLS auditors conducted periodic evaluations of NWRM inventory procedures with NWRM Accountable Officers and Item Managers located at the storage facilities. The reviews were conducted in accordance with generally accepted government auditing standards and measured compliance with AFI 20-110. The scope of the AFAA/QLS reviews included observing Air Force and contractor inventory procedures, storage measures, inventory reconciliations, and NWRM training at multiple Air Force Command locations. The reviews' methodology included obtaining inventory logs from the five primary inventory systems or from Item Managers at contractor-managed storage facilities and verifying the stated NWRM inventories through auditor observations, interviews, and hardcopy documentation reviews. AFAA/QLS auditors did not assess whether the applicable systems used to track the location and quantity of NWRM were adequate. At the conclusion of the evaluations, the auditors produced installation-level reports that were submitted to AFAA/QLS headquarters. Those reports were reviewed for trends and compiled into a single report AFAA/QLS issued.

The most recent AFAA/QLS headquarters report, "Follow-up Audit—Nuclear Weapons Related Materiel Inventories," December 14, 2012, identified two areas where Air Force personnel could improve the accuracy of NWRM inventories. According to the report, logistics personnel did not accurately record all NWRM assets on accountable records and did not always properly identify NWRM assets at contractor locations. As a result, Air Force Global Strike Command, AF/A4L, and Air Force Materiel Command updated guidance, developed procedures, and modified contracts dealing with NWRM assets. AFAA/QLS accepted managements' actions to address the issues identified.

Based on our review of the information that AF/A4L and AFAA/QLS provided, we concluded that the Air Force's procedures for receiving, marking, storing, and shipping NWRM are adequately monitored with sufficient oversight. The IPT that AF/A4L established and the reports that AFAA/QLS issued addressed the concerns from the former Deputy Assistant Secretary of Defense for Nuclear Matters, and our audit objectives. No further audit work by the Office of the Inspector General for Intelligence and Special Program Assessments is currently warranted; however, we plan to continue to periodically monitor Air Force oversight of NWRM.

Comments to this memorandum are not required. Should you choose to provide a formal response, please send your comments in electronic format (Adobe Acrobat file only) to [REDACTED] [REDACTED] ([REDACTED]@dodig.mil) and [REDACTED] ([REDACTED]@dodig.mil). We appreciate the courtesies extended to the audit staff.



Anthony C. Thomas
Deputy Inspector General for
Intelligence and Special Program Assessments

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