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United States General Accounting Office
Washington, DC 20548

July 18, 2003

The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

Subject: *FY 2004 Annual Report on the Cooperative Threat Reduction Program*

Under section 1308 of the National Defense Authorization Act for Fiscal Year 2001 (P.L. 106-398), the Department of Defense is to submit an annual report to Congress on its Cooperative Threat Reduction (CTR) program no later than the first Monday in February of each year. The report should include a five-year plan that discusses the amount and purpose of funding needed over the term of the plan and a description of efforts conducted by the United States to ensure that CTR assistance is fully accounted for and used for its intended purposes. The Act requires the Comptroller General to assess this five-year plan and the description of efforts to account for CTR assistance within 90 days of the report's submission to Congress. The Department submitted its CTR annual report for fiscal year 2004 to Congress on April 18, 2003.¹

We analyzed the 2004 report to determine whether (1) the five-year plan addressed the legislative requirements and presents accurate information, (2) the accountability section addressed legislative requirements and presents accurate information, and (3) the presentation and usefulness of the CTR annual report could be improved. Attached to this letter are a series of slides provided to your

¹The CTR annual report for fiscal year 2004 includes a section titled "cooperative threat reduction (CTR) program implementation plan for FY 2004," which we refer to as the five-year plan, and a section titled "accounting for cooperative threat reduction (CTR) program assistance to states of the former Soviet Union (FSU) conducted during FY 2002," which we refer to as the accountability section.

staff presenting our assessment of the CTR annual report submitted for fiscal year 2004 (see encl. I).

We found that the five-year plan addressed the legislative requirements by setting forth funding information for the term of the plan and the purpose of those funds. We also confirmed with project managers that, for the eight projects we reviewed in detail, the information provided in the five-year plan was generally accurate. We found that the accountability section addressed all legislative requirements. It described the condition and location of CTR-furnished equipment, discussed the status of contracts and services and the methods used to ensure that CTR aid is used for the purposes intended, determined whether assistance provided has been used effectively and efficiently, and described the audits and examinations planned for the next year. We found that the information was generally accurate and complete and included the concerns raised in project trip reports and audit and examinations. However, we noted two issues where the information was not accurate and complete. First, there was no discussion of Russia's plans to store weapon-grade plutonium at Mayak. CTR funding for this facility was intended only for the storage of weapon-source fissile material to facilitate the dismantlement of nuclear weapons.² Second, the list of equipment delivered under the CTR program was incomplete because CTR officials do not have complete records of equipment delivered before fiscal year 1999.

We found that the report lacked a discussion of key strategic planning elements that could help congressional decision makers in their annual CTR budget deliberations. Specifically, the report did not include annual performance goals linked to long-term goals, information on external factors that could affect the achievement of these goals, and plans for revising program goals, all of which are already developed by CTR program managers. Furthermore, the report provided relevant project information in different locations, making it difficult to understand the progress and problems of each project. Therefore, we recommend that, in preparing future CTR annual reports to Congress, the Secretary of Defense (1) incorporate key federal strategic planning elements and (2) integrate the five-year plan and accountability sections of the report to provide Congress with all project information in one location.

We performed our work in Washington, D.C., from April 2003 through July 2003 in accordance with generally accepted government auditing standards.

We provided a draft of this report to Department of Defense (DOD) officials. DOD provided written comments on the draft of this report, which are included in Enclosure II. DOD concurred with our recommendation that future CTR annual reports integrate the five-year plan and accountability sections of the report. DOD did not, however, concur with the recommendation that the department

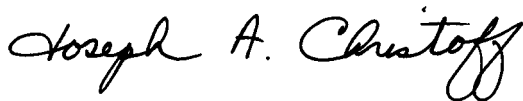
²See U.S. General Accounting Office, *Weapons of Mass Destruction: Effort to Reduce Russian Arsenals May Cost More, Achieve Less Than Planned*, [GAO-NSIAD-99-76](#) (Washington, D.C.: April 1999).

incorporate key federal strategic planning elements in future CTR annual reports. DOD stated that the legislation does not require reporting on these elements in the annual report to Congress.

Neither effort proposed by our recommendations is required in the legislation. However, incorporating the key federal strategic planning elements and integrating the five-year plan and accountability sections of the report will improve the presentation and usefulness of future CTR annual reports to Congress. Furthermore, key federal strategic planning elements are already included in CTR project management planning documents. Incorporating these planning elements into the CTR annual report could help congressional decision makers in their annual CTR budget deliberations. Incorporating key federal strategic planning elements into a report that integrates its five-year plan and accountability sections would strengthen the presentation and usefulness of the annual CTR report provided to Congress. Therefore, we continue to recommend that the Secretary of Defense incorporate key federal strategic planning elements and integrate the five-year plan and accountability sections of the report.

We are sending copies of this report to the Secretary of Defense and to interested congressional committees. This report will also be available at no charge on our Web site at <http://www.gao.gov>.

If you or your staff have any questions regarding this assessment, please contact me at (202) 512-8979. James Shafer, Hynek Kalkus, Monica Brym, Beth Hoffman León, David Maurer, Pierre Toureille, Martin de Alteriis, Valerie Nowak, and Lynn Cothem also made key contributions to this report.



Joseph A. Christoff
Director, International Affairs and Trade

Enclosures



Cooperative Threat Reduction Annual Report for FY 2004

Briefing to the Staffs of the Armed Services Committees

Overview

- Background
- GAO objectives
- Results in brief
 - Five-year plan
 - Accountability section
 - CTR annual report presentation
- Conclusions
- Recommendations

Background

- The National Defense and Authorization Act (NDAA) for fiscal year 2001 requires the Department of Defense to submit an annual CTR report that sets forth
 - the amount and purpose of funding needed over the next 5 years, and
 - a description of the audit and examinations (A&E) and other efforts conducted by the United States to ensure that CTR assistance is fully accounted for and used for its intended purposes.
- NDAA requires GAO to assess the five-year plan and the accountability section within 90 days of the annual report's submission.

Objectives

- Determine whether the five-year plan addresses legislative requirements and presents accurate information
 - Determine whether the accountability section addresses legislative requirements and presents accurate information
 - Identify ways to improve the presentation and usefulness of the CTR annual report
-



Scope & Methodology: Five-year plan

To determine whether the five-year plan addresses legislative requirements and presents accurate information:

- We assessed the plan to determine if it included the amount of funds and resources proposed to be provided over the term of the plan and a description of how those resources will be used.
- We selected eight projects and compared the information presented in the plan with information from project managers to determine the accuracy of the data.



Scope & Methodology: Accountability section

To determine whether the accountability section addresses legislative requirements and presents accurate information:

- We assessed the section to determine if it included a description of the condition and location of CTR-furnished equipment, a discussion of the status of contracts and services and the methods used to ensure CTR aid is used for purposes intended, a description of whether assistance provided has been used effectively and efficiently, and a description of the audits and examinations planned for the next year.
- We reviewed 14 A&Es and 133 project management trip reports for FY 2002 to determine if the section accurately presents concerns raised in these reports.



Scope & Methodology: CTR annual report presentation

To identify ways to improve the presentation and usefulness of the CTR annual report:

- We compared the FY 2004 CTR report's content with key planning elements from the Government Performance and Results Act.
- We assessed how the legislative requirements were presented in the report.



Results in Brief

- FY 2004 five-year plan
 - All legislative requirements were addressed
 - Information provided in eight sample projects was accurate

 - Accountability section
 - All legislative requirements were addressed
 - Information provided was generally accurate and complete

 - CTR annual report presentation
 - Key strategic planning elements are not incorporated in the report
 - Project information not provided in one comprehensive discussion
-



Principal Findings: Five-year plan addressed legislative requirements; the information provided was accurate.

- The report provided the amount of funds and resources proposed for the term of the plan.
- The report stated the purposes for which these proposed funds and resources will be used.
- The project managers of eight selected projects confirmed that the project information was accurate as of January 2003.



Principal Findings: Accountability section addressed all legislative requirements.

- Described the condition and location of CTR-furnished equipment;
 - Discussed the status of contracts and services and the methods used to ensure CTR aid is used for purposes intended;
 - Determined whether assistance provided has been used effectively, efficiently, and for the purpose intended; and
 - Described the audits and examinations planned for the next year.
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Principal Findings: Accountability section information was generally accurate and complete.

- The information provided in the report regarding the accountability of CTR-provided assistance was generally accurate and complete, except that it
 - did not discuss Russia's plan to store weapons-grade plutonium at Mayak. CTR funding for this facility was intended only for the storage of weapon-source fissile material to facilitate the dismantlement of nuclear weapons.
 - did not provide a complete list of equipment delivered; CTR program does not have complete records of equipment provided before fiscal year 1999.

Principal Findings: CTR annual report did not include key strategic planning elements.

- The report does not incorporate key federal strategic planning elements that could help congressional decision makers in their annual CTR budget deliberation, including
 - annual performance goals based on objective measures of results and linked to long-term goals,
 - a description of external factors beyond the agency's control that could affect achievement of program goals, and
 - plans for revising program goals.
 - GAO reports cite these factors as important planning elements.
 - The report's five-year plan does not provide these planning elements; however, they are included in CTR project management planning documents.
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Principal Findings: Project information was not provided in one comprehensive discussion.

Project information is provided in various locations of the CTR annual report for fiscal year 2004:

- Progress in the past year (FY2002), proposed funding (FY2004-2009), and purpose of proposed funds for each project are discussed in the report's five-year plan (pp. 8-41).
- Location, efforts to account for CTR assistance, and past problems encountered, such as access issues, project delays, and instances of non-cooperation for each project are discussed in the report's accountability section (pp. 42-99).

For example, the report's discussion of the SS-24 propellant disposition facility project in Ukraine includes

- proposed funding, the purpose of the proposed funds, and a description of activities carried out in FY 2002 (pp. 18-19);
 - the location of the project, efforts to account for the CTR assistance, and past problems encountered on the project (p. 64).
-

Conclusion

- The annual CTR report does not include federal strategic planning factors and thus does not provide a useful context for understanding how project and budget plans might be affected in the future.
- Relevant project information is scattered throughout the report making it difficult to understand the progress and problems of each project. Consolidating this information in one location will provide readers with a more accessible presentation of each project.

Recommendation

We recommend that, in preparing future CTR annual reports to congress, the Secretary of Defense:

- (1) incorporate key federal strategic planning elements, such as a description of annual performance goals linked to long-term goals, external factors that could affect the achievement of program goals, and plans for addressing these external factors, and
 - (2) combine the five-year plan and accountability sections of the report.
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Comments from the Under Secretary of Defense



POLICY

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JUL 14 2003

Mr. Joseph A. Christoff
Director, International Affairs and Trade
U.S. General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Christoff:

This is the Department of Defense (DoD) response to the GAO draft report, "FY 2004 Annual Report on the Cooperative Threat Reduction Program," dated July 9, 2003 (GAO Code 320193/GAO-03-1008R).

DoD has reviewed the draft report and concurs with recommendation 2, but non-concurs with recommendation 1. Specific comments for each recommendation are enclosed.

My point of contact for this report is James H. Reid at (703) 696-7737, james.reid@osd.mil. We appreciate the opportunity to comment on the draft report.

Sincerely

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

Attachments:
As stated

cc:
ATSD(NCB)
DASD (CD&TR)
Director, DTRA



**GAO DRAFT REPORT DATED JULY 9, 2003
GAO-03-1008R (GAO CODE 320193)**

**"FY 2004 ANNUAL REPORT ON COOPERATIVE THREAT
REDUCTION PROGRAM"**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: The GAO recommended that, in future CTR annual reports to Congress, the DoD incorporate key federal strategic planning elements such as a description of annual performance goals linked to long-term goals, external factors that could affect the achievement of program goals, and plans for addressing these external factors. (p. 15/GAO Draft Report)

DOD RESPONSE: DoD non-concurs. DoD continues to use strategic planning elements in its management of the CTR program. The legislation governing the content of the CTR annual report does not require reporting on these elements.

RECOMMENDATION 2: The GAO recommended that, in future CTR annual reports to Congress, the DoD combine the five-year plan and accountability sections of the report. (p. 15/ GAO Draft Report)

DOD RESPONSE: DoD concurs. The congressional staff also supports combining the two sections of the report.

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