



UNITED STATES DEPARTMENT OF DEFENSE



Agency Financial Report

November 2011

Addendum A

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO

ADDENDUM A, OTHER ACCOMPANYING INFORMATION

Other Accompanying Information provides additional details that support the Fiscal Year (FY) 2011 Department of Defense (DoD) Agency Financial Report (AFR). This addendum includes the following sections:

- Inspector General's (IG) summary of the most significant management and performance challenges facing the Department, its assessment of the Department's progress in addressing these challenges, and the Department's response to the IG's assessments.
- Managers' Internal Control Program and Financial Statement Audit Material Weaknesses;
- Improper Payment and Payment Recapture Programs Reporting

IG-IDENTIFIED MANAGEMENT AND PERFORMANCE CHALLENGES

As discussed in the Management Discussion and Analysis section of this Report, the [*Reports Consolidation Act of 2000*](#) requires that the Agency Financial Report include a statement, prepared by the Department's Inspector General (IG) that summarizes what he considers to be the most serious management and performance challenges facing the Department, along with a brief assessment of the Department's progress made in addressing those challenges. The DoD IG identified the following seven management and performance challenges facing the Department in FY 2011:

1. Financial Management
2. Acquisition Processes and Contract Management
3. Joint Warfighting and Readiness
4. Information Assurance, Security, and Privacy
5. Health Care
6. Equipping and Training Iraq and Afghan Security Forces
7. The Nuclear Enterprise

The IG no longer cites the [*American Recovery and Reinvestment Act \(ARRA\) of 2009*](#) as a serious management challenge due to the Department's performance and progress in addressing this challenge.

The following is a summary of the seven challenges, the IG's assessment of the Department's progress in addressing these challenges, and the Department's management response. The Department has opted to provide a summary-level response for the challenges related to Acquisition Processes and Contract Management and the Nuclear Enterprise.

1. IG-Identified Challenge: Financial Management	
1-1A. Financial Management	IG Summary of Challenge
<p>The Department continues to face financial management challenges that adversely affect its ability to provide reliable, timely, and useful financial and managerial data needed to support operating, budgeting, and policy decisions. Gaps in the financial framework impact the accuracy, reliability and timeliness of budgetary and accounting data and financial reporting, thereby reducing the effectiveness of decision making by leaders at all levels.</p> <p>Congress requires the Department ensure that the DoD financial statements are validated as audit ready by September 30, 2017. The most significant challenge for the Department will be in meeting that date. Further, Public Law 111-383, entitled the "<i>Ike Skelton National Defense Authorization Act for Fiscal Year 2011</i>," Section 881, dated January 7, 2011, requires the Department to establish interim milestones to achieve audit readiness of its financial statements by September 30, 2017. These interim milestones for Military Departments and Defense Components call for the achievement of audit readiness for each major element of the Statements of Budgetary Resources (SBR), such as civilian pay, military pay, supply orders, contracts, and the entity's Funds Balance with the Treasury. Also, the interim milestones must address the existence and completeness of each major category of DoD assets, which includes military equipment, real property, inventory, and operating material and supplies. Additionally, Section 881 requires the Department examine the costs and benefits of alternative approaches to valuing its assets, develop remediation plans when interim milestones cannot be met, and identify incentives to achieve auditability by September 30, 2017. The Department must aggressively pursue the development and implementation of comprehensive improvement initiatives and monitor progress according to interim milestones. The Department may need to revise these initiatives and milestones as additional deficiencies and corrective actions identified as a result of DoD's Financial Improvement and Audit Readiness (FIAR) process.</p> <p>In an attempt to standardize and develop an effective financial management process throughout the Department, DoD embarked on various efforts to implement new financial management systems and associated business processes. These efforts involved implementing new commercial off-the-shelf Enterprise Resource Planning (ERP) systems that were capable of handling financial transactions throughout an event's life cycle. These ERP systems should provide the integration needed to minimize system interface problems and provide greater DoD financial visibility.</p>	
1-1B. Financial Management	IG Assessment of Progress
<p>A significant measure of DoD's ongoing progress in the area of financial management is the ability to obtain an unqualified opinion on its financial statements. The Defense Commissary Agency, Defense Contract Audit Agency, Defense Finance and Accounting Service, Military Retirement Fund, U.S. Army Corps of Engineers, and DoD IG financial statements all have received unqualified audit opinions. However, in the FY 2010 audit opinion on DoD's consolidated financial statements, the DoD IG reported the same 13 material internal control weaknesses as the previous year. These pervasive and longstanding financial management issues directly affect DoD's ability to obtain an unqualified opinion on its financial statements. These weaknesses affect the safeguarding of assets, proper use of funds, and impair the prevention and identification of fraud, waste, and abuse.</p> <p>Although DoD is far from reaching an unqualified opinion on its consolidated financial statements, the Department has demonstrated improvement. In FY 2010, the DoD IG audited the SBR for the U.S. Marine Corps (USMC), the first Military Component to undergo such an audit. The USMC encountered many challenges during this first-time audit, which resulted in a disclaimer of opinion; however, the USMC and the Department are learning from this audit experience. The FY 2011 USMC SBR is again under audit in FY 2011, and the USMC is working to provide auditable data to support its financial transactions. While some improvements have occurred, many of the same challenges encountered during the FY 2010 audit have affected the FY 2011 audit.</p>	

The Department must continue to conduct comprehensive reviews of its business processes. The DoD IG recently identified deficiencies in DoD's estimate of high-dollar overpayments that caused it to under-report the amount of improper payments made. Further, DoD's controls over the acquisition and development of systems are crucial to providing accurate, timely, and meaningful financial management information. The Department continues to implement ERP systems in the effort to modernize the business and financial systems; however, systems implementation has resulted in incurred cost and schedule growth and has lacked appropriate senior level governance over their development, test, and implementation. The Department will continue to struggle to improve its processes to ensure accurate, timely, and meaningful financial management information for the users, both internally and externally, and long-term sustainability of the financial management improvements.

1-1C. Financial Management

Department Response

With the exception of the IG's assertion that the Department has deficiencies in its estimate of high-dollar overpayments, which resulted in under-reporting the amount of improper payments, for the most part the Department agrees with the DoD IG's assessment of progress to improve financial management and resolve the DoD IG-identified 13 material weaknesses. Although the Department has struggled for many years to improve its business and financial processes, controls, and systems that prevent it from producing auditable financial statements; the Department's commitment to resolve these problems and produce auditable financial statements is stronger than ever. Our commitment is backed by recent significant actions that enable meaningful progress, to include the ability to achieve the goal of auditable financial statements.

These actions are:

- Visible Leadership and Department-wide Audit Readiness Goal. Secretary Panetta directed the Under Secretary of Defense (Comptroller) to provide a revised plan to achieve audit readiness for the Statement of Budgetary Resources by the end of 2014. The Secretary informed all DoD employees that the lack of auditable financial statements is unacceptable.
- Accountability and Incentives. Senior executives across the Department, both financial and functional, are held accountable for meeting audit readiness milestones and outcomes through organizational and individual performance plans and evaluations.
- Broad Functional Community Support and Participation. A streamlined approach, with well-defined, short- and long-term milestones that focus first on the information most often used to manage the Department (budgetary and mission-critical asset information), has better engaged the functional community.
- Senior Leadership Oversight and Involvement. Progress is reported and monitored by a formal and regularly scheduled FIAR governance process that involves the Deputy Secretary of Defense/Chief Management Officer (CMO), USD(Comptroller), DoD Deputy CMO, Military Department CMOs and Financial Management/Comptrollers, and senior leaders from the functional communities.
- Integrated, Audit Ready Systems Environment Work. The modernization of the Department's business and financial systems through the deployment of ERP systems that utilize process reengineering and business best practices is taking place concurrently with the FIAR Plan and has been integrated into the Components' financial improvement plans.
- Resources to Accomplish FIAR Goals and Objectives. Resources of approximately \$300 million are being applied annually on Component FIAR activity (excludes ERP resources).

The above actions clearly are impacting the Department's progress, as evidenced by the following:

While the Department did not achieve its third quarter goal with regard to validating DoD appropriations received, this goal subsequently was met in August 2011 (Strategic

Objective 5.5.1-2U), when the Army, Navy, and Air Force received unqualified opinions on their “Appropriations Received” audit readiness assertions based on Independent Public Accounting (IPA) firms’ examinations. Specifically, the IPAs reported that the audit readiness assertions were fairly stated in all material respects.

Audit readiness assertions by the Navy and the Air Force on key elements of the SBR;

Audit readiness assertion by the Air Force on the existence and completeness of its military equipment assets; the Navy has asserted audit readiness on certain classes of military equipment;

Significant progress made by the U.S. Marine Corps toward an auditable SBR that also is providing important lessons learned to the other Military Services; and

Sustainment of unqualified audit opinions by Independent Public Auditors on the financial statements of the U.S. Army Corps of Engineers, Defense Contract Audit Agency, Defense Commissary Agency, Defense Finance and Accounting Service, Office of the Inspector General, and the Military Retirement Fund.

Unqualified audit opinion on the FY 2011 financial statements for TRICARE Management Activity – Contract Resource Management.

Additional information regarding the DoD FIAR Plan can be found in the semi-annual [FIAR Plan Status Report](#).

The Department does not agree that deficiencies in the methods used to estimate high dollar overpayments resulted in under-reporting the amount of improper payments. The IG’s conclusion is based, in part, on its claim that the Department did not review approximately \$167.5 billion in quarterly disbursements for Quarter 1, FY 2010. Our review disclosed that more than two thirds of these disbursements either were not subject to review or public reporting, per OMB guidance, or were not individually material in amount. The Department continues to work closely with the IG to ensure accurate reporting of improper payments.

2. IG-Identified Challenge: Acquisition Processes and Contract Management

The Department’s summary-level response to the IG’s challenge and its assessment of the Department’s progress on acquisition processes and contract management is reported in paragraph 2-3C of this section.

2-1A. Acquisition Workforce	IG Summary of Challenge
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The Department continues to struggle with its efforts to rebuild an acquisition workforce that is sufficient in size and adequately trained and equipped to oversee DoD acquisitions. The DoD acquisition workforce has not kept pace with DoD’s increased contracting requirements. Throughout the 1990s, the Department reduced its acquisition workforce by about 50 percent, but the workload was not proportionately reduced. To the contrary, DoD’s spending on goods and services since 2001 has more than doubled, from approximately \$145.2 billion to \$367.3 billion in FY 2010. To further complicate matters, the Department challenged its workforce when the wars in Afghanistan and Iraq began and the workload and responsibilities placed on them significantly increased. Although the Defense budget is declining, with the budget request of \$670.9 billion in FY 2012 compared to the \$708.2 billion requested in FY 2011, it is not likely that the vital role the acquisition workforce plays in providing the warfighters with new capabilities will decrease.

2-1B. Acquisition Workforce	IG Assessment of Progress
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The Department continues to recognize the importance of a workforce sufficient to manage and oversee DoD acquisition and contracting. To successfully accomplish the acquisition mission, DoD is placing greater emphasis on developing a higher-quality workforce that has the right competencies and skill sets at the right place at the right time. The Department’s hiring initiatives

appear to be on track, as efforts were made to continue to grow the workforce to a desired level of 147,000 by 2015. The Defense Acquisition Workforce Development Fund budget estimate of \$305.5 million in FY 2012 further demonstrates DoD's sustained commitment to increase the end strength and quality of the acquisition workforce; however, current budget constraints raise questions as to whether the department will be able to sustain this projected growth and support related initiatives.

The Defense Acquisition Strategic Workforce Plan, dated April 2010, outlines additional strategies the Department is employing to support an acquisition workforce that has the capacity and ability to appropriately manage and oversee acquisitions. Specifically, the Department is working to improve the certification process, placing greater emphasis on qualifications and experience, and assessing the critical skills and competencies of the acquisition workforce to identify gaps and improve training. They are closely partnering with the Defense Acquisition University to expand the training available to acquisition professionals so that forecasted demand is met.

2-1C. Acquisition Workforce

Department Response

The Department's summary-level response to the IG's challenge and its assessment of the Department's progress may be found in paragraph 2-3C of this section.

2-2A. Weapon System Acquisition

IG Summary of Challenge

The Department remains challenged in its management of major acquisition programs. In FY 2012 the Department requested \$553.1 billion in base and \$117.8 billion in Overseas Contingency Operations (OCO) funding to ensure warfighters have weapon systems that provide the best capabilities. The number of Major Defense Acquisition Programs (MDAPs), now at 111 in FY 2011, has increased despite the prospects of a flat or slowly decreasing defense budget. While the performance of no two acquisition programs is the same and a good number of them operate within their cost and schedule constraints, there are still too many programs that are experiencing significant cost growth and delay in delivering capabilities. DoD needs to continue to look for a better balance between its limited resources and the capabilities needed to be successful in current conflicts and to prepare for possible future conflict. As budgets come under increasing scrutiny, the Department will be challenged to evaluate the merits of all programs as to their usefulness versus cost.

2-2B. Weapon System Acquisition

IG Assessment of Progress

Through leadership at the highest levels, the Department has demonstrated its commitment to addressing shortcomings identified in the management of weapon system acquisitions. The Department has begun to reprioritize and rebalance its investments in weapon systems and has made strides towards improving efficiency. Over the last two to three years, the Department has cancelled more than \$300 billion in acquisition programs, some of which were not performing, were too costly, or were duplicative of capabilities DoD already had.

The Department continues its efforts to implement changes resulting from the passage of [Weapon Systems Acquisition Reform Act of 2009](#) and is still revamping the bureaucracy of DoD acquisition, as well as making process and oversight changes that will aid the Department in achieving better outcomes.

On September 14, 2010, the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) issued a directive geared at obtaining better buying power through greater efficiencies and productivity in defense spending. This objective will be accomplished by pursuing initiatives in targeting affordability and controlling cost growth; incentivizing productivity and innovation in industry; promoting competition; improving tradecraft in services acquisition; and reducing non-productive processes and bureaucracy.

Most recently, the USD(AT&L), as part of his Better Buying Power initiative to buy more for less money, established a new position focused on defense pricing. Specifically, with the establishing of this position, the Department will concentrate on how much it pays for the things it buys, looking beyond program cost estimates and determining what a program should cost. In an attempt to become better at buying, emphasis will be placed on developing the workforce so it has better negotiating skills when dealing with a company on a contract's pricing strategy.

Audits continue to identify oversight and pricing problems that show the Department's need to prudently evaluate contractors in the fast-paced environment of war. The Department is beginning to apply extra scrutiny to weapon systems that are behind schedule and over cost as it continues the process of making the hard decisions about what is and is not affordable.

2-2C. Weapon System Acquisition	Department Response
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The Department's summary-level response to the IG's challenge and its assessment of the Department's progress may be found in paragraph 2-3C of this section.

2-3A. Contract Management	IG Summary of Challenge
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The Department continues to experience inefficiencies and wasteful use of funds in its contracting efforts. The DoD's continuing contracting challenges include obtaining adequate competition in contracts, defining contract requirements, overseeing contract performance, creating and maintaining adequate contract documentation files for critical contract decisions, and recurring validation of contract requirements.

The Department continues to face challenges when it comes to contract oversight and administration. These challenges are significant, and the impact is heightened by the need to support contingency operations in Iraq and Afghanistan. In FY 2010, the Department obligated approximately \$367.3 billion for contracts for goods and services, yet despite the billions spent, the Department managed these contracts without sufficient resources.

With a smaller, less experienced, and insufficiently trained workforce, the Department has experienced problems in managing the complexities of its acquisitions and the increasing volume of business. Consequently, the Department continues to rely heavily on contractors to provide acquisition management and contract support functions, which oftentimes includes acquisition planning, requirement determinations, contract award, performance review, bid analysis, cost assessment, and contract monitoring functions. The Department's increased use of contractors as acquisition support highlights DoD's shortcomings. Our audits continue to identify that without proper oversight, the Department cannot be certain that contractors are performing in accordance with contract requirements, cannot support payments of award or incentive fees, cannot support the certification of invoices for services performed, and cannot ensure that services are performed, thus leaving the Department vulnerable to increased fraud, waste, abuse and misuse of taxpayer monies.

2-3B. Contract Management	IG Assessment of Progress
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At the direction of Congress, the Department stood up the Panel on Contracting Integrity comprised of senior leaders from a cross section of DoD for the purpose of reviewing its progress in eliminating high-risk areas and vulnerabilities in defense contracting. In its fourth annual report to Congress, the Panel identified 25 actions for implementation in FY 2010 and additional actions for consideration and implementation in FY 2011. During 2010, the Panel developed policy directives and memoranda, published articles, case studies, and training guides, all related to improving DoD's contracting system. Some of the work that the Panel accomplished included developing recommendations for a standardized contracting officer warranting program, a "back-to-basics," on-the-job-training for new contracting workforce members, and tools that contracting officers could

use in determining fair and reasonable prices. The Panel specifically addressed requirements imposed by the [Weapons Systems Acquisition Reform Act of 2009](#).

As a follow on to his June 28, 2010 memorandum, entitled “Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending,” the USD(AT&L) released another memorandum on September 14, 2010, entitled “Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending.” This memorandum outlined 23 principal actions to improve efficiencies in five major areas, in which the panel assessed how to contribute and support these areas in potential actions for FY 2011.

The Department continues its work to improve contingency contracting. Some initiatives include:

- Developing joint contingency contracting doctrine;
- Improving DoD business processes;
- Formulating a single training plan for contingency contracting operations;
- Creating a Contingency Contracting Corps; and
- Maintaining an open, user-friendly source for studies, reports, and lessons learned.

Additionally, during the past year the Department has pressed forward in its effort to strengthen DoD contracting and has issued policy, procedures, and guidance addressing defense acquisition workforce improvement initiatives, source selection procedures, and improving competition in defense procurements.

2-3C. Acquisition Processes and Contract Management

Department Summary-Level response

The Department agrees with the IG’s summary of challenges and assessment of progress and continues to work aggressively to resolve the long-standing material weaknesses.

The Secretary of Defense established a 23-point plan of action to improve acquisition efficiency in five areas: Target Affordability and Control Cost Growth; Incentivize Productivity and Innovation in Industry; Promote Real Competition; Improve Tradecraft in Services Acquisition; and Reduce Non-Productive Processes and Bureaucracy. The Department is institutionalizing these initiatives and policy implementation. The Department’s Senior Integration Group (SIG) tracks the implementation and progress of these initiatives.

Between 1998 and 2008, the core acquisition workforce size fluctuated from approximately 146,000 to a low of 125,879, respectively. Since 2009, DoD leadership has reversed this decline by hiring and filling over 9,000 “new capacity” positions under a DoD-wide initiative. As supported by the President’s FY 2012 budget request to Congress, the Department is continuing targeted growth as an exception to DoD constraints on overall civilian budgeted full-time equivalents (FTE) levels. The DoD’s progress has helped rebuild capacity in contracting, pricing, engineering, program management, contract management (Defense Contract Management Agency), and audit (Defense Contract Audit Agency) capability. The Department also is bolstering acquisition workforce capability through increased training, development, and performance support tools.

Consistent with the plan of action, the Department has implemented a number of policies designed to improve weapons systems cost, schedule and performance outcomes.

Key policies include:

- Mandating affordability as a requirement: We will set dollar limits for our programs to ensure they are constrained by the resources the department can afford to allocate to the capability. The approved affordability requirement will not be exceeded without formal executive review.

Conducting a systems engineering tradeoff analysis before program initiation: The purpose of the analysis is to determine how cost varies as major design parameters and time to complete are varied. The intent is to determine how systems can be made less expensive without loss of important capability.

- Implementing “Should-Cost” Management: The “Should Cost” initiative challenges Program Managers to find specific ways to control the cost of what they are doing and expect to do. The objective is to eliminate non-value added overhead from program costs without trading away essential design and engineering activities. It reflects a concerted effort to lower costs where it makes sense to do so.
- Improving milestone process effectiveness: New policies ensure that the Department reviews program requirements, schedule, content, and funding prior to releasing final Request for Proposals (RFP). By conducting the review at this point, the Department will ensure that the Department’s business arrangements, as specified in the RFP, are aligned with the approved program.

The Department also has implemented a number of initiatives designed to improve contract management. These key initiatives include:

- Continued use of “peer reviews” to improve the quality of contracting processes across the Department and facilitate cross-sharing of best practices and lessons learned.
- Improved tradecraft in the acquisition of services by the creation of a senior manager (General Officer/Flag Officer/Senior Executive Service level) within each Military Department to govern, execute and manage service acquisitions and the adoption of a uniform taxonomy for different types of services to provide a standard approach for measuring productivity.
- Developed the [Automated Requirements Roadmap Tool](#) (ARRT). The ARRT provides a structured approach for defining requirements and performance standards as well as how the results will be inspected. This process results in a draft of the Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP).
- Published a comprehensive “Guidebook for the Acquisition of Services.”
- Directed improvements in competition for the acquisition of services. Policy now requires contracting officers to take additional steps to secure competition in certain cases where only one offeror responds to a competitive solicitation.
- Published the [Joint Contingency Contracting Officer Representative \(COR\) Handbook](#) to supplement official training and policy and serves as a handy pocket guide that provides CORs, who are supporting contingency operations with basic tools and knowledge.

In addition, the USD(AT&L)’s commitment to restoring affordability and productivity in Defense spending includes other initiatives, such as leveraging real competition, involving dynamic small business, improving audits, and protecting the technology base.

3. IG-Identified Challenge: Joint Warfighting and Readiness

3-1A. Joint Warfighting and Readiness

IG Summary of Challenge

The challenge of joint warfighting and readiness continues to be: Provide the right force, the right personnel, and the right equipment and supplies in the right place, at the right time, and in the right quantity, across the full range of military operations. The challenges facing the Department at this moment in time have a greater sense of urgency. The responsible drawdown of forces from Iraq and the ongoing counterinsurgency efforts in Afghanistan highlight the need to reset the personnel and equipment of the armed forces. This reset must be balanced, though, by the need to maintain a force able to address ongoing security commitments in Afghanistan and other areas, such as supporting the North Atlantic Treaty Organization (NATO) operations. All of these challenges are

set against a backdrop of a decreasing budget for the Department as the country comes to grips with domestic and fiscal issues. The mission of maintaining readiness, resetting the force, structuring the force to meet future threats, and taking care of the service members and their families will require significant resources and continuous management attention. The completion of the drawdown of troops in Iraq and the initial drawdown in Afghanistan will require continued management visibility over assets and equipment. Management will have increased pressure to ensure accountability, visibility, and redistribution of excess equipment and proper transfer, reset, or disposal of assets in conjunction with the responsible drawdown of U.S. Forces. The ongoing efforts in Afghanistan, fighting insurgents and training the Afghanistan National Security Forces, and the realignment of forces in other geographical areas, such as the Pacific theater, present their own set of challenges, including ensuring the Department can maintain its overall readiness posture against the threats it faces.

3-1B. Joint Warfighting and Readiness

IG Assessment of Progress

The Department is making progress, but that progress must be monitored to ensure it continues. The Department cannot afford to ignore new and, in some cases, recurring situations that will require attention. For example, although the drawdown from Iraq is underway and the President has outlined his plan for a gradual drawdown in Afghanistan, those actions must be monitored to ensure all equipment and personnel are properly accounted for, and that only those items approved for transfer are transferred and those approved for disposal are demilitarized and disposed of correctly. With the increased fiscal constraints, resetting and modernization of equipment will be more critical to ensure more funds are available for equipment that is adaptable, expandable, interoperable, and protects the warfighter.

The Department has lacked adequate policies and procedures that address the use of DoD inventory before entering into contractor logistics support and performance-based logistics arrangements or contracts. The Department must ensure effective use of existing inventory, and when procurement is warranted, it must ensure fair and reasonable prices are paid for the parts procured.

While the Department has ensured that deployed units are trained, manned, and equipped to accomplish missions, this deployment has impacted the readiness of the Reserve Components. As Operation New Dawn (OND) and Operation Enduring Freedom (OEF) wind down, the Department must ensure the reserve components have the equipment and training necessary to ensure readiness and the ability to meet their various missions. The ongoing efforts to relocate service members to Guam and other locations around the globe will enable the armed forces to better shape and focus their force structure in a way that will provide greater flexibility in responding to threats. The Government of Guam is experiencing shortcomings in several areas of their infrastructure that fall outside of DoD funding authority, which could adversely impact the realignment. The Department needs to ensure that interagency planning and execution occur, as these concerns will need to be addressed with additional non-DoD funding.

3-1C. Joint Warfighting and Readiness

Department Response

Despite our consistently high operations tempo, the Department remains committed to ensuring deployed forces around the globe are trained, equipped, and ready to perform their assigned missions. Deploying capable and ready forces for current operations continues to impact the non-deployed forces' ability to prepare for full spectrum operations. Non-deployed forces are focusing their available training time to prepare for their next mission in support of OEF or other named operations, hedging against execution of other potential contingencies. The continued withdrawal of forces from Iraq, combined with Presidential directives to reduce deployed numbers in Afghanistan, is expected to reduce the stress on forces for the short term; however, the expected fiscal constraints looming on the horizon that may result in tough decisions on materiel, manpower, and infrastructure could negate the positive aspects expected from the reductions in operational stress. The Department is continually developing and refining comprehensive plans for both

resetting and rebalancing the total force, which includes all reserve component forces, in the most effective and efficient manner possible. We recognize the most important part of maintaining joint warfighting capability and readiness is caring for the all-volunteer force. Finding the proper balance between maintaining readiness, force structure, modernization, fiscal realities, and future threats remains the highest priority of the Department's leadership.

4. IG-Identified Challenge: Information Assurance, Security, and Privacy

4-1A. Cyber Security

IG Summary of Challenge

One of the major challenges the Department faces is in addressing cyber security and the threat posed by computer network attacks. According to recent reports from the Department of Homeland Security, Federal agencies suffered 41,776 cyber attacks in 2010. As reported in numerous reports on cyber security, attacks come from a variety of sources, including criminal groups, hackers, other nations, terrorists, and insiders. A variety of exploits used by these attackers to breach/impact DoD networks include worms, war driving, intrusion tools, and denial of service. In fact, as previously noted by the Commander, U.S. Cyber Command, DoD networks are probed approximately 250,000 times per hour. In today's information assurance security environment, the Department faces significant challenges in securing approximately 15,000 different computer networks across 4,000 military installations around the world.

4-1B. Cyber Security

IG Assessment of Progress

It has been approximately one year since the Secretary of Defense directed the establishment of the U.S. Cyber Command. The focus of the Cyber Command is to plan, coordinate, integrate, synchronize, and conduct activities to lead the day-to-day defense and protection of DoD information networks. While the Department has made progress in combating cyber attacks and breaches, it still faces a challenge in recruiting and hiring cyber specialists. In addition, the Department has made progress in implementing its host-based intrusion detection system (HIDS), which is installed at the individual workstation/server level (host) and monitors systems for network-based attacks and host-specific events. Phased implementation and evaluation of the Host-Based Implementation System (DoD's primary HIDS) is continuing and adjustments are being made. While the Department has taken strides to improve its cyber security efforts, it must continue to be ever diligent in preparing for the next threat. The DoD IG has several on-going audits looking at DoD efforts to ensure the information/cyber security of its networks and data.

4-1C. Cyber Security

Department Response

The Department continues to strengthen cyber security and address the threat posed by network attacks. We have taken steps to effectively isolate the department's official-use networks from the Internet using a variety of techniques, which include redesigning the addressing system for increased security and searching for and removing web browsing malicious software and spam from incoming email. We also have improved our defenses against blocking distributed denial-of-service attacks at perimeter routers, and that, coupled with quarantine of suspicious and known bad traffic and files, has resulted in increased security from Internet probes and attacks. Our internal efforts include configuring every computer securely and keeping them that way. We do this by using Defense Information Systems Agency and National Security Agency published security guides, which are now being automated for ease of implementation, and applying Unified Government Configuration Baseline operating system settings in accordance with OMB direction. Additionally, we are procuring advanced automated vulnerability scanning and remediation tools for our networks, and implementing a Department-wide enterprise Host-based Security System to extend protections to the user's desktop level.

The Department has taken many steps to improve its cyber security efforts. Implementation of the Host-based Security System is nearing global deployment on our unclassified and classified systems. Cyber Command has made progress in recruiting and hiring cyber specialists. Operations

plans and directives have also been issued to strengthen the U.S. Cyber Command role in defending, protecting, and operating the Department's vital classified and unclassified networks.

4-2A. Information Technology (IT) Acquisition System	IG Summary of Challenge
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Another challenge the Department faces is the development and implementation of a new acquisition process for IT systems. Section 804 of the National Defense Authorization Act (NDAA) for Fiscal Year 2006 requires the Secretary of Defense to develop and implement a new acquisition process for information systems. The process was to be based on recommendations from the March 2009 report of the Defense Science Board (DSB) Task Force on Department of Defense Policies and Procedures for the Acquisition of Information Technology. This report concluded that “the conventional DoD acquisition process is too long and too cumbersome to fit the needs of the many systems that require continuous changes and upgrades...” In fact, an analysis conducted by the Office of the Assistant Secretary of Defense for Networks and Information Integration (OASD/NII) calculated that the average time to deliver an initial program capability is 91 months. The Department is challenged to respond more quickly to information technology’s rapid turn-over and acquire new-age capabilities when available.

4-2B. IT Acquisition System	IG Assessment of Progress
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In November 2010, the Department issued its response to the requirements of Section 804 of the FY 2010 NDAA. This report, entitled “[A New Approach for Delivering Information Technology Capabilities in the DoD](#),” provides an update on the progress for developing a new acquisition process for information capabilities. The report identifies the establishment of an information technology (IT) Acquisition Task Force, made up of stakeholders from the Department and industry, to further refine the details of the new process, begin implementation, and provide transition oversight; however, no milestones for implementation activities were provided. The Department must continue to push forward on a new IT acquisition process in order to ensure success for its mission and the individual warfighters.

4-2C. IT Acquisition System	Department Response
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The Department is committed to the implementation of IT Acquisition Reform and has achieved key accomplishments, proposed short- and long-term milestones, and conducted risk assessments.

On June 23, 2011, a Directive-Type Memorandum (DTM) on [Business Capability Lifecycle](#) (BCL) was signed by the USD(AT&L). The BCL provides a tailored acquisition process with alternative requirements development processes for Defense business systems, a major step forward in implementing more flexible and streamlined processes. Additionally, USD(AT&L) and the [Joint Requirements Oversight Council](#) (JROC) have launched efforts to update the DoD Acquisition Instruction and the Chairman of the Joint Chiefs of Staff Instruction to incorporate ongoing IT acquisition reform efforts.

Finally, the Deputy Secretary of Defense soon will issue a memorandum that identifies existing flexibilities within current regulations that Components can leverage to better posture IT projects for upcoming acquisition reform policy changes.

The implementation of the new IT acquisition reform process will be executed in the following phased approach:

- Agreed upon IT acquisition reforms that do not require statutory change will be implemented as soon as possible.
- Concurrently, the Department will maximize use of existing regulation flexibilities for streamlining its current IT acquisitions.
- The IT reform initiatives that require further discussion but do not require statutory changes will

be phased-in, beginning with business systems and IT infrastructure initiatives.

- Finally, reform initiatives that require statutory change will be piloted, with lessons learned incorporated into proposed regulation and statutory changes.

The Defense Business System Management Committee (DBSMC) will serve as the decision-making forum for IT reform initiatives.

5. IG-Identified Challenge: Health Care

5-1A. Medical Readiness

IG Summary of Challenge

Keeping members of the Active Duty and the Reserves and National Guard medically ready to deploy continues to challenge the DoD Military Health System (MHS). This challenge is compounded by the frequency and duration of deployments. Caring for Active Duty family members is part of the medical readiness challenge.

Increased numbers of returning service members with psychological health issues, along with a shortage of uniformed and civilian mental health workers, will require examination of automated screening tools and improved diagnostics to provide earlier detection and intervention. In addition, addressing the psychological effects of deployment on family members and non-Active Duty personnel will continue to be a challenge.

5-1B. Medical Readiness

IG Assessment of Progress

The MHS is moving forward on improving medical readiness while attempting to control costs. The MHS uses the Quadruple Aim Concept to shape its vision, identifying readiness, population health, experience of care, and per capita cost as the four aims that set the strategic direction to improve mission outcomes. The Quadruple Aim Concept is the military health care concept that focuses on the encouragement of healthy behaviors, beneficiary satisfaction, maximizing force readiness, and the successful management of per capita health costs. The MHS leadership adopted a dashboard to monitor implementation of strategic imperatives and serve as an indicator of mission success.

Individual medical readiness rates for the Active Duty, Reserves, and National Guard continued to improve from FY 2010 to FY 2011; however, while the Active Duty rate surpassed the overall MHS target rate of 80 percent, the Reserves and National Guard rate, while improved, has not attained the target rate. The MHS continues to meet all mission requirements despite very high operational tempo. Data from the Joint Theater Trauma Registry reveal unprecedented outcomes, including reduction in died-of-wounds rates and the lowest ever disease, non-battle injury rates.

The MHS management identified the family medical readiness strategic imperative, but the applicable performance measure is in the concept phase. The need to improve the planning for medical needs of family members was discussed in our report on the planning of Guam dental care for Active Duty family members. In addition, the DoD IG is currently assessing the medical staffing and specialty care requirements in Guam.

The MHS identified psychological health and resiliency as a strategic imperative, with performance measures and goals established for Post-Traumatic Stress Disorder (PTSD) and depression screening, referral, and engagement.

5-1C. Medical Readiness	Department Response
<p>Readiness is at the core of the Department's Quadruple Aim concept, which focuses on encouraging healthy behaviors and beneficiary satisfaction, maximizing force readiness, and successfully managing per capita health costs. Every strategic initiative undertaken by the Department is selected and evaluated based on its ability to create positive change in one or more of these areas. Several initiatives are currently underway, including implementing the medical home concept and optimizing the delivery of psychological healthcare, that directly impact the readiness of the force and their families.</p> <p>Through a wide variety of programs, including the Defense Centers of Excellence, the Department is committed to the psychological wellbeing of our wounded warriors, active duty service members and their families. As the conflicts wind down, the psychological effects of the deployments will continue to be felt for many years.</p>	
5-2A. Cost Containment	IG Summary of Challenge
<p>The MHS must provide quality care for approximately 9.6 million eligible beneficiaries within fiscal constraints while facing increased user demands, legislative imperatives, and inflation, which makes cost control difficult in both the public and private sectors. During a hearing with the Senate Appropriations Subcommittee on Defense, the Secretary of Defense stated that the escalating cost of health care is a problem that must be addressed. The DoD budget for health care costs was approximately \$52.6 billion in FY 2011, an increase of approximately 70 percent since FY 2005. Another part of the challenge in containing health care costs is combating fraud. Health care fraud is among the top five categories of criminal investigations of the DoD IG's Defense Criminal Investigative Service, representing 9.9 percent of the 1,856 open cases at the beginning of FY 2011. Increasing health care benefits also provides additional pressure to manage and contain costs.</p>	
5-2B. Cost Containment	IG Assessment of Progress
<p>The MHS is focusing on many areas to manage per capita health care costs. Two new TRICARE contracts were awarded, and the request for proposal (RFP) for the remaining contract was issued during FY 2011. Award protests resulted in staggered implementation of the two new contracts. The contracts provide incentives for customer satisfaction and include the managed-care support contractors as partners in support of medical readiness. The MHS has organized an internal study group to examine the options for the next generation of TRICARE contracts for purchasing civilian health care, which are anticipated to begin 2015. No similar internal review process has been used to examine preceding generations of contracts. An unprecedented Federal budget environment, punctuated by regular reports of the poor quality of U.S. health care relative to its cost, compelled a fresh look at how the MHS purchases health care from the private sector. The guiding principle of the study group is that high-quality, patient-centered care is also cost-efficient care.</p> <p>Officials within the Office of the Assistant Secretary of Defense (Health Affairs) identified areas that assist in managing costs, to include fraud management, and pharmaceuticals. Additionally, the Quadruple Aim Concept is intended to simultaneously improve quality and reduce costs by focusing on the elimination of unnecessary care, tests, and procedures, and by focusing on delivering health care in the most appropriate setting. Additionally, the MHS identified optimization of the pharmacy practices and implementation of the patient-centered medical home as strategic initiatives, both of which are aimed at increasing the quality of health care services while reducing the cost of providing high quality care.</p> <p>Controls over Philippines medical claims continue to challenge MHS management. The DoD IG found that the MHS needs additional oversight of the Philippine medical payment process. Specifically, controls over procedures for certifying medical providers and for verifying beneficiaries' addresses before issuing payments need improvement.</p>	

5-2C. Cost Containment	Department Response
	<p>An unprecedented health care and Federal budget environment, punctuated by regular reports of the poor quality of U.S. healthcare relative to its cost, compelled a fresh look at how the military health system purchases healthcare from the private sector. This fresh look at the next generation of TRICARE contracts (known as “T4”) for purchasing healthcare began in October 2010 with the organization of the T4 Study Group. The guiding principle of the group is: High-quality, patient-centered care is also cost efficient care, and those who serve and have served and their families should have both.</p> <p>The T4 Study Group is composed of 18 representatives from the Army, Navy, Air Force, Army Reserves, Coast Guard, Uniformed Services University of the Health Sciences, Office of the Secretary of Defense (Health Affairs), and the TRICARE Management Activity. At this time, the group has narrowed the options to five potential courses of action based on the anticipated impact and ability to create incentives that influence patient and provider behavior and support the Quadruple Aim of readiness, population health, experience of care and per capita cost. The Group currently is performing a detailed market analysis and will present their recommendations in the fall of 2011. The group will then lead the effort to test the options within demonstration pilots and develop the acquisition strategy needed to meet the timeline for deploying these new contracts by 2015.</p> <p>On the horizon, the Department has two strategic initiatives that demonstrate significant potential for transforming our healthcare delivery system and slowing, if not reversing, the cost trajectory: Healthy Behaviors and Evidence-Based Health Care. Both of these strategic imperatives are key to achieving the Quadruple Aim of Readiness, Population Health, Experience of Care, and Per Capita Cost.</p> <p>To reduce the healthcare cost burden in the long term and improve readiness and productivity in the near term, the Department is focused on improving the general health of the force through development of healthy behaviors. By reducing obesity and tobacco usage, for example, the long term health implications of Diabetes and Chronic Obstructive Pulmonary Disease can be reduced significantly. Preventable conditions such as these are expensive and long-term in nature.</p> <p>Similar to the Healthy Behaviors imperative, Evidence-Based Health Care is a key driver to reduce cost while improving the quality and outcomes. Using best practice care and technology to enhance the availability of information, intelligent standardization of health care practices can reduce variability in treatment, improve outcomes and reduce unnecessary utilization of medical services.</p>
5-3A. Population Health	IG Summary of Challenge
	<p>Managing the overall health of this large population of approximately 9.6 million eligible beneficiaries is a continuing challenge for the MHS. Identifying unhealthy behaviors and providing appropriate interventions across the population is a challenge and one of the primary emphasis areas of the MHS Quadruple Aim. By reducing obesity and tobacco usage, for example, the long-term health implications of diabetes and chronic obstructive pulmonary disease can be reduced significantly. Preventable conditions such as these are expensive and long term in nature.</p>
5-3B. Population Health	IG Assessment of Progress
	<p>The MHS is implementing the “medical home” concept throughout the direct care system. With the medical home, the patient will have more direct access to a medical team that is equipped to recognize potentially unhealthy behaviors and has the ability to intervene early. The MHS fully supports the National Prevention Strategy to support better health behaviors and overall fitness. Although the MHS goal was not attained, cigarette use among Active Duty forces decreased from FY 2010 to FY 2011. The MHS has actively committed to supporting the National Partnership for Patients initiative with the Department of Health and Human Services to improve care, transition,</p>

and prevention of harm during treatment. The two goals of this partnership are “keeping patients from getting injured or sicker” and “helping patients heal without complication.”

5-3C. Population Health

Department Response

The Department’s two strategic initiatives, “Support the National Prevention Strategy to promote healthy behaviors and total fitness” and “Partnership for Patients,” combined with the implementation of the medical home throughout the system, are long-term programs designed to promote population health while avoiding unnecessary health care costs.

The vision of the National Prevention Strategy is to promote and improve the health and wellbeing of individuals, families, and communities by transitioning away from a focus on illness and disease to a focus on prevention and wellness activities that support healthy behaviors, lifestyles, and choices.

The Partnership for Patients initiative helps improve readiness and well-being through prevention, population health management and patient activation, while positively impacting cost by reducing uncoordinated care, repeated hospital readmissions and hospital-acquired conditions. As part of the Quadruple Aim, the MHS works to provide safe, effective care to the entire beneficiary population. The Partnership for Patients further supports this effort and will enable the MHS to demonstrate measurable improvements in each aspect of the Quadruple Aim. For example, reducing hospital-acquired conditions means that patients receive treatment only for the condition they arrive at the hospital with, and are not caused by any additional (avoidable) harm. This reduces per capita cost and improves population health as no extra treatments, procedures, or medications are required, and patients spend minimal time in the hospital. Military readiness is improved because patients in Military Treatment Facilities (MTFs) are part of the DoD workforce, and lower rates of injury and infection help maintain a fit and ready workforce.

5-4A. Experience of Care

IG Summary of Challenge

Strengthening comprehensive and integrated health care from accession through active service, to rehabilitation and transition to the Department of Veterans Affairs (VA) care is a major challenge for the MHS. The number of wounded warriors associated with Southwest Asia and other such conflicts, particularly those affected with Traumatic Brain Injury and PTSD and those in need of prosthetic services, requires diligent management of health care resources. In this respect, as a result of a congressional request for assistance, DoD IG initiated a “Wounded Warriors Matters” assessment program in the spring of 2010. This assessment determines whether DoD programs for the care, management, and transition of recovering service members wounded during deployment in Operation Iraqi Freedom (OIF)/Operation New Dawn (OND) or Operation Enduring Freedom (OEF) are managed effectively and efficiently. Field work has been completed, with visits to six Wounded Warrior Battalions. The first report, [“Assessment of DoD Wounded Warrior Matters – Fort Sam Houston”](#) was published in March 2011. The remaining reports pertaining to these visits are expected to be published in the 4th quarter, FY 2011, and 1st and 2nd quarters of FY 2012. This series of assessments will result in a report that reviews systemic problems identified in the DoD Wounded Warrior Programs.

Another challenge is oversight of post-deployment health needs, including identifying and managing those requiring care, to maximize the service members’ experience of care. Although a number of objectives have been identified by the Department and the VA and programs have been initiated, the quality and oversight of these programs must be tightly managed. Transitioning wounded, ill, or injured service members to post-deployment care will grow as a challenge while Operation New Dawn (OND) and Operation Enduring Freedom (OEF), continue. The Department needs to improve the medical care and benefits transition program to achieve a streamlined, transparent, and timely process as wounded warriors move from the DoD system to the VA system.

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5-4B. Experience of Care	IG Assessment of Progress
<p>The MHS strategic plan recognizes continuum of care as a strategic priority concerning the experience of care. Disparities in the transition of health care and benefits have been identified, yet actionable solutions are difficult to implement and monitor. The MHS is redesigning primary care according to the Joint Principles of the Patient Centered Medical Home (PCMH) to improve the health of the population, improve care coordination, improve beneficiary satisfaction, and reduce growth in per capita cost. The MHS intends to build partnerships with beneficiaries in an integrated health delivery system that encompasses military treatment facilities, private sector care, and other federal health facilities, including the VA. Globally accessible health and business information enables patient-centered, evidence-based processes that are both effective and efficient.</p>	
5-4C. Experience of Care	Department Response
<p>The Department is redesigning primary care in MTFs according to the Joint Principles of the Patient Centered Medical Home to improve the health of the population, improve care coordination, improve beneficiary satisfaction, and reduce growth in per capita cost. The Department is also proposing demonstrations to encourage PCMH models of care in practices in the Private Sector Care (PSC) to which TRICARE beneficiaries are enrolled and also to encourage TRICARE patients in the network to seek primary care from PSC practices that are recognized as PCMHs by the National Center for Quality Assurance (NCQA or equivalent.)</p> <p>To address the transition issues for wounded warriors, beginning in November 2007, the Departments of Defense (DoD) and Veterans Affairs (VA) integrated their disability evaluation processes to create the Integrated Disability Evaluation System (IDES), enabling wounded, ill, and injured (WII) Service members to receive both their DoD and VA disability compensation as soon as possible after discharge from Military Service. While the IDES provides a significant improvement over the separate Department legacy processes, in early 2011 then-Secretary Gates and Secretary Shinseki recognized the need to continue to improve the IDES, particularly the timeliness of the process, for disabled Service members and their families.</p> <p>The Departments have been collaborating on the Remodeled IDES (rIDES) since March 2011, developing streamlined methods for determining fitness for duty and disability ratings for WII members. In June 2011, the Secretaries directed their Departments to begin testing the resulting efficiencies at three locations by December 31, 2011: Fort Carson, Colorado; Camp Lejeune, North Carolina; and Shaw Air Force Base, South Carolina. The rIDES proof of concept will run until August 2012, and the Departments will evaluate the results to determine the viability of deploying the lessons learned to improve the IDES.</p>	
5-5A. Electronic Health Records	IG Summary of Challenge
<p>Providing information to the right people so they can make informed decisions continues to be a challenge in the health care community. Along with the benefits of expanding automation efforts comes the increased risk to security and privacy of information. The transition from paper to electronic patient records increases the exposure of sensitive patient information to inadvertent or intentional compromise, highlighting the need for appropriate information assurance procedures. Developing and maintaining information operations that ensure the protection and privacy of data will continue to grow as a challenge.</p>	
5-5B. Electronic Health Records	IG Assessment of Progress
<p>The MHS Information Management/Information Technology Strategic Plan for 2010 to 2015 includes the electronic health record as a strategic goal. The goal over the next five years is to focus on improving the electronic health record family of applications to create a comprehensive and reliable system. Specific milestones were established to implement a personal health record prototype and to expand bidirectional sharing of health information between DoD and the</p>	

Department of Veterans Affairs; however, DoD has encountered delays in establishing the electronic health record. The Department of Defense continues to progress in sharing electronic medical records with the Department of Veterans Affairs. The final report on the DoD and VA joint assessment project recommended that the Departments pursue a common-services approach to sharing inpatient records, which will allow them to build upon their existing information sharing capabilities. It also will set the stage for the appropriate level of interoperability with other government and private sector organizations.

5-5C. Electronic Health Records	Department Response
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The Electronic Health Record (EHR) and related decision support capabilities underpin all of the Department's strategic goals, imperatives and initiatives. The foundation of information is critical to delivering the best care possible to our beneficiaries at the lowest cost. It will provide connected care across all care settings and venues - theater, en-route care, garrison, and VA/Civilian facilities and supports the Virtual Lifetime Electronic Record (VLER) – a seamless record for each service member from enlistment through retirement.

The strategic imperatives of "Enabling Better Decisions," "Fostering Innovation," "Managing Health Care Costs," and "Promoting Patient Centeredness" all rely on the accurate and timely flow of information across DoD and with external partners (e.g., Department of Veterans Affairs, private sector partners, etc.). The Department currently has two active strategic initiatives in support of the EHR: The Joint DoD-VA Integrated EHR and Evidence Based Healthcare.

5-6A. Implementing BRAC	IG Summary of Challenge
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Implementing recommendations resulting from the 2005 Base Realignment and Closure (BRAC) process will continue to be a challenge. In addition to improving the readiness and cost efficiency associated with realigning base structure, a primary objective of the process was to examine and implement opportunities for greater joint activity among the Military Departments. Recapitalization of the physical infrastructure is a challenge. Military treatment facilities are aging and in need of replacement.

5-6B. Implementing BRAC	IG Assessment of Progress
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The BRAC process addresses part of the aging infrastructure, but to fully address the challenge, better standardized data on the condition of facilities is needed. The MHS has begun the multiyear transition and acquisition process of improving capability and access to care in two major and several minor markets. For example, the new Walter Reed National Military Medical Center at Bethesda is expected to be completed in 2011.

By establishing more unity of purpose in each of the major markets, the market leaders should be able to distribute resources across hospitals and clinics within a market to meet the needs of the entire population of eligible beneficiaries. In addition, the increased span of control will enable improved continuity of care and coordination of safety and quality programs. In the National Capital Region, the Secretary of Defense established the Joint Task Force National Capital Region – Medical to clarify command and control and implemented a single-manning document categorizing civilian positions as Department of Defense rather than affiliated with any one Military Department. A different joint leadership initiative was established for the San Antonio major market. Evaluating the variety of governance models may provide innovative solutions that can be used across the MHS. The Tri-Service Medical Education and Training Campus should improve the quality and consistency of training for all enlisted personnel, contributing to a culture of jointness and interoperability.

Several infrastructure issues are addressed through implementation of the [American Recovery and Reinvestment Act \(ARRA\) of 2009](#). We completed our review of planning for Phase I of the new hospital being built at Fort Hood. Planning for the facility was adequate and met the ARRA's goals

of transparency and accountability. The DoD IG is currently reviewing the new hospital project at Camp Pendleton.

5-6C. Implementing BRAC

Department Response

The BRAC recommendations for the Military Health System (MHS) were approved in 2005 with the specific goals of promoting efficiency and joint-interoperability. These initiatives drove a historic and necessary transformation of DoD clinical care, medical education and training, and biomedical research and development (R&D) capabilities. The clinical portions of BRAC reorganized two of the largest military medical markets (National Capital Region and San Antonio) into jointly staffed and managed healthcare systems and downsized several small hospitals to clinics. Other medical BRAC actions consolidated DoD-wide basic medical enlisted training in San Antonio and consolidated the fragmented biomedical R&D technical base into centers of excellence.

BRAC Commission Recommendation 169 called for the realignment of Walter Reed Army Medical Center (WRAMC), Washington, DC. This entailed construction of a new community hospital and a dental clinic at Fort Belvoir and an expansion of the National Naval Medical Center (NNMC), Bethesda, MD, which is re-named the Walter Reed National Military Medical Center (WRNMMC). Implementation of this recommendation created a jointly staffed and managed healthcare system in the National Capital Region, including a more robust hospital at Fort Belvoir, VA, which brings a greater range of services closer to where most beneficiaries reside. Closure of WRAMC reduces funding required to operate and maintain a large and rapidly aging physical plant and allows for the elimination of both military and civilian positions.

BRAC Commission Recommendation 172 directed realignment of Lackland Air Force Base (AFB), Texas, by relocating the inpatient medical function of the 59th Medical Wing (Wilford Hall Medical Center) to the Brooke Army Medical Center (BAMC), Fort Sam Houston, Texas, establishing it as the San Antonio Regional Military Medical Center, and converting Wilford Hall Medical Center into an ambulatory care center. This required construction within the existing BAMC, alteration of portions of WHMC, and construction of a new free-standing outpatient clinic at Fort Sam Houston. Corollary actions within this recommendation included the Medical Enlisted Training Center (METC) and U.S. Army Institute of Surgical Research on Fort Sam Houston.

BRAC Commission Recommendation 198 directed the co-location of the Medical Command Headquarters. This action allowed for the lease of office space within the National Capital Region in order to co-locate the Services' Medical Headquarters with OSD Health Affairs and the TRICARE Management Activity. The on-going consolidation of governance within the various components of the MHS is a high priority task that has wide ranging implications on the operations of the Department. Between the 2006 call for consolidation and today, there have been examples of successful joint operations, including the Medical Education and Training Command and the Joint Task Force Capital Area Medical, both of which were facilitated by BRAC 2005. These entities' activities are consistent with our framework of incremental steps to support principles of unity of command and effort while creating a joint environment for the development of future MHS leaders. The concept includes co-location of medical headquarters, maintenance of OUSD(Personnel and Readiness) oversight of the Defense Health Program, and positions the MHS for further unification, if warranted. The concept is too new to fully understand the implications of applying the consolidation across all of the services.

6. IG-Identified Challenge: Equipping and Training Iraq and Afghan Security Forces

6-1A. Iraq National Security Forces

IG Summary of Challenge

A major national security goal is the establishment of a sovereign, stable, and self-reliant Iraq that contributes to the peace and security of the region and with whom the U.S. can forge a long-term security partnership. Iraq Security Forces (ISF), capable of providing for internal security as well as a foundational external defense capability, is essential to achieve these U.S. national objectives.

Over the next three months, U.S. policy and related DoD military strategy will encompass withdrawing the remaining U.S. combat forces from Iraq by the end of 2011 while continuing to train, equip, and mentor the ISF. To be able to continue supporting the development of the ISF, the Department will transition management of all remaining training, equipping, and mentoring activities from U.S. Forces-Iraq to the newly established Office of Security Cooperation - Iraq (OSC-I), under the Department of State and Chief of Mission authority. The OSC-I, with continued DoD assistance, will seek to establish the framework for a robust security assistance and Foreign Military Sales (FMS) program that will endure after the last U.S. military forces leave in December 2011.

The effective transition of DoD training, equipping, and mentoring assistance from U.S. Forces-Iraq to the OSC-I before December 2011 is critical to sustain progress made thus far in developing an independent ISF capability after the withdrawal of US combat forces. This objective is especially timely given that there still are Iraqi Army and Police minimum essential capabilities that have not been met, without which their security forces may not be prepared to counter internal or external threats to the country's stability. The OSC-I, functioning under Chief of Mission authority, will have a key role to play in this regard, further building the independent capability of the Government of Iraq's security forces while creating the foundation for a longer-term security cooperation and assistance relationship between our two countries.

It is imperative, therefore, that the political and legal framework and authorities necessary be established in a timely manner in the second half of 2011 so that the new OSC-I and its personnel can be in a strong position to operate effectively, safely, and with the necessary legal protections before the withdrawal of the remainder of US combat forces. In addition, the transition of DoD security cooperation and assistance functions to the Department of State authority must be completed before the end of 2011 and the enhanced capabilities vested in the OSC-I operating within the U.S. Mission fully organized and in place.

6-1B. Iraq National Security Forces

IG Assessment of Progress

The ISF must be able to effectively conduct counter-terrorism operations, protect critical national infrastructure, maintain civil order, and protect against external threats in order to minimize the strategic risk to Iraq and provide a stable partner in the region in support of achieving U.S. national security goals.

The ISF has made significant progress in developing these capabilities, and many of the security functions performed by U.S./NATO forces have already transferred to the ISF. Nonetheless, the ISF has not yet achieved certain minimum essential skills in the critical area of logistics sustainment and in the development of other enabling force functional capabilities. In addition, the capacity of the Government of Iraq and its Ministry of Defense to sufficiently plan, program, and budget the resources necessary to sustain the readiness of its military forces is still maturing.

U.S. Forces – Iraq is conducting an expedited, intensive push to address the most significant ISF sustainability deficiencies by December 31, 2011; however, to complete certain key aspects of this ISF force build-up will require the continuing efforts of a robust OSC-I capability beginning in 2012.

6-1C. Iraq National Security Forces

Department Response

The Department faces significant challenges in Iraq. The Department continues the training, equipping, and mentoring of the ISF, including development of the ISF's logistics sustainment base, while conducting a responsible drawdown of U.S. forces by December 31, 2011 in accordance with the United States-Iraq Security Agreement. In addition, the Department is faced with transitioning all remaining training, equipping, and mentoring activities to the OSC-I, as well as laying the groundwork for a security assistance and security cooperation program that will endure after U.S. forces leave in December 2011.

The Department has made considerable progress in achieving the goal of the establishment of a sovereign, stable, and self-reliant Iraq that contributes to the peace and security of the region and with whom the U.S. can forge a long-term security partnership. Additionally, DoD continues to support the ISF as they develop the capabilities to provide for internal security and foundational external defense. In addition, the Department continues to support the transition to a civilian-led Iraq mission and to stand up the OSC-I, which will be the foundation of the long-term security partnership.

6-2A. Afghan National Security Forces

IG Summary of Challenge

On June 28, 2011, the Government of the Islamic Republic of Afghanistan gained the support of the international community to significantly expand the size of the Afghan National Security Forces (ANSF) to 352,000 personnel to be able to conduct and sustain independent security operations and provide for the future stability of the country. In addition to expanding the force, a significant and sustained training, partnering and mentoring effort is required to professionalize the ANSF, ensuring “quality, not just quantity.”

Between now and the end of 2014, U.S. policy and related DoD military strategy in the Afghanistan-Pakistan region will be implemented by high-intensity, complex operations that emphasize:

- Providing continued training, equipping, partnering and mentoring to enable the ANSF to assume a leading security operations role;
- Building the size of the ANSF to 352,000, as agreed by the International Joint Coordination and Monitoring Board’s Security Standing Committee, June 28, 2011, and the Government of the Islamic Republic of Afghanistan;
- Withdrawing 10,000 U.S. combat forces from Afghanistan before December 2011;
- Withdrawing an additional 23,000 U.S. combat forces from Afghanistan in 2012;
- Conducting a phased drawdown of U.S. combat forces in 2013 and 2014, and
- Enabling the ANSF to assume lead responsibility for the security of the Afghan people and its government as ISAF forces withdraw.

The Department must continue its efforts to develop the capability of the Afghan Ministries of Defense and Interior to logistically sustain the ANSF. These efforts include the capacity to plan, program, budget, and execute the fiscal resources provided by the international community along with revenue generated by its own government. In addition, there are still certain combat support and service support functional capabilities of the ANSF that will need to be developed for them to be able to assume independent security responsibilities.

A strategic challenge to mission accomplishment has been to mobilize sufficient institutional trainers and mentors from NATO and coalition countries. The purpose of the mobilization is to keep pace with current and anticipated ANSF expansion and the priority of increasing the professional skills of the security forces.

The extremist force elements based in western Pakistan continue to pose a security threat to the stability of Afghanistan; therefore, the Department will need to continue developing the capacity of the Pakistan Security Forces to maintain internal security and eliminate extremist Taliban and al-Qaeda forces in the Northwest Frontier safe haven.

6-2B. Afghan National Security Forces

IG Assessment of Progress

The size of the ANA and ANP already has grown at a very significant rate over the past two years, and the International Security Assistance Force (ISAF) command is on track to meet or exceed its growth targets set for this year. Moreover, the partnering of US and Coalition units and training

teams has enabled Afghan National Army (ANA) units to accelerate improvement in their operational capability.

Increasing command focus on the need to have visibility and oversight over the myriad of contractors supporting ISAF operations has led the NATO Training Mission – Afghanistan/Combined Security Transition Command – Afghanistan (NTM-A/CSTC-A) to request several hundred additional U.S. military personnel with specialized skills. A new training program support office within NTM-A/CSTC-A is intended to provide an integrated contract support program. In addition, ISAF Joint Command (IJC) has agreed to assume the additional responsibility of extending the contract oversight capability of NTM-A/CSTC-A by providing Contracting Officer Representatives when CSTC-A personnel are unable to do so. Finally, an initiative is underway which, if authorized by the Department, would provide the ability to use military personnel from non-U.S. coalition commands in a contract oversight role.

The success of the counterinsurgency campaign being conducted against Taliban and extremist anti-government elements depends on how well the ANSF provides protection for the Afghan people, establishes an environment of law and order, and gains the people’s trust. The responsibility to protect the Afghan people falls most directly on the ANP, which operates at the direct interface with the population in provinces and districts around the country.

In light of this reality, the NTM-A/CSTC-A is conducting an accelerated build-up of the ANP forces and has achieved considerable progress in increasing its institutional training capacity to grow these forces, to improve training quality, reduce attrition, and improve recruitment.

In addition, U.S./Coalition forces have implemented an extensive literacy and numeracy program for army and police personnel. Along with pay reform, this has also improved morale as well as personnel effectiveness. This program will become even more essential as security forces now are entering into more specialized and technical training programs requiring a higher level of comprehension.

For the first time, with the concurrence of the ISAF command and the Government of the Islamic Republic of Afghanistan, several provinces and districts, along with the greater Kabul capitol area of operation, were selected to take the lead in governance and security operations starting in July 2011.

6-2C Afghan National Security Forces	Department Response
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A key strategic focus remains on training, equipping, and partnering with the ANSF to enable the transition of lead security responsibility to the Government of Afghanistan. Redeployments of U.S. combat forces have already begun, with the ANSF to lead security responsibilities by 2015. The North Atlantic Treaty Organization (NATO) and the Government of the Islamic Republic of Afghanistan continue to grow both the quality and quantity of the ANSF. Both the ANA and the ANP still need support from the international community – particularly in pledging institutional trainers for the ANSF and Police Operational Mentoring and Liaison Teams – in order to train the ANSF and provide mentors and partners in the field.

As of July 2011, both ANA and ANP force levels were on track to achieve target goals, at approximately 170,000 and 131,000. The NATO Training Mission-Afghanistan has implemented several positive changes in the ANSF training regime since November 2009, including increasing the number of trainers, providing better marksmanship training, adding literacy training, and opening branch schools for higher end training.

7. IG-Identified Challenge: The Nuclear Enterprise	
7-1A. Prior Decline of Focus on the Nuclear Enterprise	IG Summary of the Challenge
<p>Prior to FY 2011, various reports from government and non-government entities detailed an environment where the nuclear enterprise in the Department had experienced a marked but gradual decline in focus upon the nuclear enterprise. That decline was characterized by nuclear forces being subordinated to non-nuclear forces in military organizations and not receiving sufficient staffing and funding to perform the nuclear mission according to past standards. Since the last Management Challenge report, twelve reports were issued that commented on the current state of the nuclear enterprise.</p> <p>During the past fiscal year, the DoD IG issued a classified report detailing the current environment of the nuclear enterprise. Although the specific findings and recommendations of that report are classified, the report identified continuing weaknesses in maintenance, logistics, and technical documentation for the employment of nuclear weapons. The organizations referenced in the report responded positively to the findings and recommendations, using the report results as justification for organizational and procedural changes.</p>	
7-1B. Prior Decline of Focus on the Nuclear Enterprise	IG Assessment of Progress
<p><u>DoD Focus on Sustainment Assessment.</u> In the wake of the Minot and Taiwan incidents numerous reports were issued by the Department and private consulting organizations concerning the current state of the Nuclear Enterprise, reasons for the decline of the nuclear enterprise, and recommendations to improve that enterprise. In September 2009, the DoD IG reported that the Department is making significant progress in addressing concerns raised and recommendations given by those reports.</p> <p>The 2011 Defense Science Board Report from the Defense Science Board Permanent Task Force on Nuclear Weapons Surety stated that the actions taken since have been “effective in correcting many of the deficiencies in the operating forces.” At present, we are conducting a review to measure progress subsequent to the FY 2009 DoD IG report.</p> <p>During FY 2011, the DoD IG reviewed progress to follow-up on the audit from the 2002 report, entitled “Physical Security of Nuclear Weapons Located in the Continental United States.” During that audit, we noted that uneven progress was being made, but overall completion was slower than the plan detailed in the roadmap. The U.S. Navy had made rapid progress on most areas identified for improvement. The DoD IG currently is reviewing U.S. Air Force progress as well as reviewing the status of the recommendations from several prior audits on the DoD nuclear enterprise.</p> <p>The following reports were issued by either DoD, Nuclear Command and Control System Security Staff, Department of Energy, the Defense Science Board, or the Government Accountability Office since the last Management Challenge report:</p> <ul style="list-style-type: none"> • Government Accountability Office Report 11-387 “DoD and NNSA Need to Better Manage Scope of Future Refurbishments and Risks” (May 2011). • Defense Science Board Permanent Task Force on Nuclear Weapons Surety, “Independent Assessment of the Air Force Nuclear Enterprise,” (April 2011). • “Exercise Vigilant Shield/Global Thunder Nuclear Weapons Accident Incident Exercise After Action Report,” (April 2011). • FY 2011-2017 Nuclear Weapon Stockpile Plan – (February 2011) DoD and Department of Energy. 	

- NSS Assessment Report on “DOE/NNSA and DoD Mechanisms to Achieve the NSPD-28 Access Denial Standard,” (August 2010).
- 2010 Joint Defense Science Board/Threat Reduction Advisory Committee Task Force: “Nuclear Weapons Effects National Enterprise” (June 2010).
- “Nuclear Weapons Surety” (JSR-10-103) The JASONS, (May 2010).
- Nuclear Command and Control System Security Staff Assessment report on “Lifecycle Security and Integrity of Code and Authentication Materials,” (May 2010).
- Nuclear Command and Control System Security Staff Assessment Report on “Critical Equipment,” (March 2010).
- FY 2010 Joint Surety Report
- Joint Surety 2010 report on the “Nuclear Weapons Stockpile Assessment (ROSA).”
- “FY 2012 Annual Update to the Report Specified in Section 1251 of the National Defense Authorization Act for FY 2010.”

Joint Chiefs of Staff. During FY 2010, the Chairman, Joint Chiefs of Staff, created the Command, Control, and Nuclear Operations (J36) within the Operations Directorate. This sub-directorate is headed by a Brigadier General who oversees all aspects of nuclear operations. Also during FY 2010, a Deputy Director for Strategic Stability was added to the Joint Staff Strategic Plans and Policy Directorate. This staff subsection oversees all aspects of nuclear weapons and other weapons of mass destruction from a prevention and preparation perspective.

Department of the Air Force. The Air Force accomplished the following goals since the last Management Challenge Report:

- The Air Force Global Strike Command activated August 7, 2009, has completed a year of operations since declaring Full Operational Capability in September 2010. Command staff has grown from an initial permanent staff of 47 to a staff of over 800 personnel. The command is responsible for three Intercontinental Ballistic Missile (ICBM) wings, two B-52 wings, one B-2 wing, and involves approximately 23,000 assigned personnel in locations around the world. Two of the three legs of the nuclear triad are now under one command. Global Strike Command is now the lead advocate for sustainment and recapitalization of nuclear related systems such as the development of a new manned/unmanned nuclear capable bomber, a follow-on cruise missile and replacement helicopter for missile field security.
- The Air Force Nuclear Oversight Board, chaired by the Secretary of the Air Force and the Chief of Staff of the Air Force, started meeting in 2008. The Board continues to meet on a regular basis several times annually, attended by senior Air Force officers, to discuss critical issues in all phases of the Air Force nuclear enterprise.
- The Air Force Assistant Chief of Staff for Strategic Deterrence and Nuclear Integration (HAF/A10) is a fully staffed and functional organization that provides oversight and guidance to all aspects of the Air Force Nuclear Enterprise, except for requirements, which have returned to Deputy Chief of Staff for Operations, Plans and Requirements (HAF/A3/5). Functional areas include Assessments, Capabilities, Executive Services, Force Development, Operations, and Planning Policy and Strategy.
- The Air Force Nuclear Weapons Center continues to enhance capabilities to perform its primary sustainment and maintenance missions. Its organization contains a missile sustainment group for ICBM issues, a nuclear systems group for engineering and logistics issues, and a munitions maintenance group for storage and surety issues. As the nuclear mission continues to approach its Cold War competency, the Nuclear Weapons Center continues to be tasked to provide technical assistance and increased logistics support.

- A decision to transfer CONUS Munitions Squadrons from the operational control of Air Force Materiel Command to Air Force Global Strike Command by April 2012. The Munitions Squadrons store, maintain, and prepare nuclear weapons for possible use during wartime. The units that deliver the weapons to missile and bomber wings are all under the command of Air Force Global Strike Command.
- The Nuclear Weapons Related Materiel Positive Inventory Control Fusion Center provides nuclear enterprise users with a single source for enterprise tracking of NWRM and is designed to prevent a repeat of the Taiwan incident.
- Inspection results now have an adjudication process to ensure there is one agreed-upon grade, which is approved by the Inspector General of the Air Force.

Department of the Navy. Prior reports on the U.S. Navy’s nuclear enterprise, including the Schlesinger II report, recommended that the command of the Strategic Systems Program be elevated to Vice-Admiral. While Navy did concur with the intent of the recommendation to put more senior leader focus on the nuclear weapons enterprise issues, Navy did not concur with the notion that the Director, Strategic Systems programs (DIRSSP) needed to be a Vice Admiral. The Chief of Naval Operations corrected that deficiency by establishing the Navy’s Nuclear Weapons Oversight Council and placing the Director of the Navy Staff in charge of all nuclear weapons management related issues.

Issues identified in those reports include the following:

- (1) Strategic Systems Programs continues its leadership in the maintenance of survivability of fleet units, particularly regarding Electro-Magnetic Pulse vulnerability. Funding continues to be sufficient to conduct further survivability studies.
- (2) The current Ohio class submarines will remain in service although preliminary plans are underway for a new class of nuclear armed submarines.
- (3) The nuclear armed fleet is continuing to upgrade its in-port and at-sea security posture through acquisition of new systems and continuous training of security force personnel.

7-1C. Prior Decline of Focus on the Nuclear Enterprise	Department Response
The Department’s summary-level response to the IG’s challenge and its assessment of the Department’s progress in the nuclear enterprise is reported in paragraph 7-2C of this section.	
7-2A. Keys to Improvements in the DoD Nuclear Enterprise	IG Summary of Challenge
<p>The Department needs to sustain its focus on the nuclear enterprise. The following elements are key to improvements within the DoD nuclear enterprise:</p> <ul style="list-style-type: none"> • Create an environment that emphasizes the nuclear mission and a reliable, safe, secure, and credible nuclear deterrent that is essential to national security and is a high DoD priority. • Conduct detailed reviews and studies of all critical elements of the nuclear enterprise to identify key deficiencies and methods for improvement. • Develop corrective action plans that address the deficiencies and provide adequate funding and leadership to ensure implementation. • Ensure adequate funding and resources to effectively implement action plans. • Implement the corrective actions and conduct follow-up reviews to ensure that the action plans are correcting the deficiencies. 	

7-2B. Keys to Improvements in the DoD Nuclear Enterprise	IG Assessment of Progress
<p><u>Air Force.</u> Since the Taiwan and Minot incidents, the Air Force has refocused their efforts on reinvigorating the management and everyday operations of their nuclear enterprise. The most significant events were the creation of the Air Force Global Strike Command and the Assistant Chief of Staff for Strategic Deterrence and Nuclear Integration (HAF/A10). Activated in 2009, the Air Force Global Strike Command assumed operational and administrative control of all Air Force ICBM and strategic bomber assets. With the full operation of that command, the various logistical, intelligence, and security organizations inherent in a military organization of that size are functioning properly. Within Headquarters Air Force, HAF/A10 is a fully staffed and functional organization, which performs oversight and provides advice in the area of assessments, operations, planning, policy, strategy, capabilities and force development. The Air Force maintains an application accessed through the Air Force Portal that tracks nuclear enterprise action items, along with due date and status. The DoD IG Intelligence and Special Programs Assessments staff was given access to that AF website, so continuous follow-up is now available.</p> <p>The nuclear inspection process has become more standardized; as a result, systemic issues can be identified. The rate of failure on operational inspections has declined. According to the DSB 2011 report “the risk of an unauthorized transfer of a nuclear weapon is near zero.”</p> <p><u>Navy.</u> The Navy continues its use of the Navy Nuclear Weapon Senior Leaders Council involving nuclear weapon systems. The lessons learned will be incorporated into the design of the new submarine follow-on. The OPNAV Nuclear Weapons Council and Navy Nuclear Weapons Senior Leader Oversight Council, established to coordinate all OPNAV staff responsibilities for nuclear weapons activities, were consolidated into a single Navy Nuclear Weapons Oversight Council.</p> <p><u>National Nuclear Security Administration.</u> The Administration proposed \$11.8 billion in new budget authority for the National Nuclear Security Administration for FY 2012, a 5.1 percent increase over the FY 2011 request. The budget request includes \$7.6 billion for Weapons Activities, including the B-61 Life Extension Program (LEP).</p> <p>This action supports the recommendation made in the DoD IG report on B-61 Nuclear Weapon Use Control, issued September 18, 2009. The LEP will significantly extend the life of the B-61 and allow it to be mated with the F-35 Joint Strike Fighter. Also, with the approval of the New Strategic Arms Reduction Treaty (START), the reduction of total warheads will increase the importance of the B-61 Life Extension Program and place more emphasis on infrastructure capability and responsiveness.</p> <p><u>Continuing Concerns.</u> The increased emphasis in the re-vitalization of the nuclear enterprise has been joined by increased levels of spending for personnel, acquisitions, and maintenance (personnel and materiel). Improvements cannot be sustained without the appropriate financial commitment. If funding levels decline, the previous patterns will repeat: personnel paying less primary attention to the nuclear endeavor, acquisition of spare parts and new weapons systems either deferred or denied altogether, and shortages of skilled personnel in the critical technical areas.</p> <p>In April 2010, the Department issued the Nuclear Posture Review report, which establishes the nuclear weapons policy, strategy, capabilities, and force protection for the next five to ten years; however, it lacks direction for some of the other areas of the nuclear enterprise, including threat and warning assessments as well as command and control direction. The Nuclear Posture Review report is crucial for the establishment of national level requirements and funding priorities for the entire nuclear enterprise, but limited itself to areas which were needed to successfully conclude the New START treaty.</p> <p>Systemic problems still exist within the Air Force nuclear enterprise. Although not as prevalent as in the past, inspection failures continue to occur, resulting in the decertification of some systems and personnel. During an FY 2010 DoD IG classified audit of weapons storage facilities, problems were noted in funding levels for sustainment activities, and recommendations were made to the Air</p>	

Force Nuclear Weapons Center to obtain additional supplemental funding. Recommendations also were made to continue compatibility between storage systems and weapons upgrades, develop spare parts inventory management systems, and to review and update Technical Orders. To date, the Center has reported that additional funding was obtained, inventory management changes were made, and they are in the process of upgrading Technical Orders.

7-2C. DoD Nuclear Enterprise

Department Response

The Department has made significant progress in continuously improving the nuclear enterprise. Specifically, new management structures, such as the Air Force Global Strike Command and the Air Force Assistant Chief of Staff for Strategic Deterrence and Nuclear Integration, are gaining momentum. Arguably, the clearest lines of accountability and responsibility have been established since the end of the Cold War. While much work remains, the nuclear community's interagency team has provided continuous surveillance and oversight, along with robust inspection regimens across the Services, thereby adding a layer of nuclear surety not seen in recent years. Additionally, while facing unprecedented challenges, in a fiscally-constrained environment, the Department remains committed to providing innovative solutions through sustainment and modernization programs.