

Department of Defense

AGENCY FINANCIAL
REPORT FOR
FISCAL YEAR 2009

ADDENDUM B
OTHER ACCOMPANYING
INFORMATION

November 16, 2009

Addendum B – Other Accompanying Information

The Other Accompanying Information provides additional details that support the Fiscal Year (FY) 2009 Department of Defense (DoD) Agency Financial Report (AFR). This addendum includes:

- (1) Inspector General’s (IG) summary of the most significant management and performance challenges facing the Department, to include the Department’s responses to DoD IG’s assessments.
- (2) Summary of Management Assurances and Financial Statement Audit Material Weaknesses
- (3) Improper Payments Information Act Reporting
- (4) Defense Security Cooperation Agency Financial Statements and Notes

INSPECTOR GENERAL’S SUMMARY OF MANAGEMENT AND PERFORMANCE CHALLENGES FOR FY 2009

The Reports Consolidation Act of 2000 requires that the Agency Financial Report include a statement prepared by the Agency’s IG summarizing what the IG considers the most serious management and performance challenges facing the Agency and briefly assessing the progress in addressing those challenges. The DoD IG identified the following eight management and performance challenges facing the Department for FY 2009:

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 Iraqi and Afghan Security Forces
7. Nuclear Enterprise
8. American Recovery and Reinvestment Act

The table below outlines these challenges and includes both DoD IG’s and the Department’s management assessment of progress made by DoD in addressing these issues.

1. Financial Management	
1-1A. Financial Information	IG Summary of Challenge
	<p>The Department continues to face financial management challenges that adversely affect DoD’s ability to provide reliable, timely, and useful financial and managerial data needed to support operating, budgeting, and policy decisions. Since the 1990s, DoD IG has identified financial management as a challenge area. The DoD’s financial management problems are so significant they constitute the single largest and most challenging impediment to the U.S. Government’s ability to obtain an opinion on its consolidated financial statements.</p> <p>In the FY 2008 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 the Department’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>

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1-1B. Financial Information	IG Assessment of Progress
<p>One significant measure of the ongoing progress in the area of financial management would be the Department's ability to obtain an unqualified opinion on its financial statements. The Defense Commissary Agency (DeCA), Defense Contract Audit Agency (DCAA), Defense Finance and Accounting Service (DFAS), Military Retirement Fund, and DoD IG all continued to receive unqualified opinions, while the Medicare-Eligible Health Care Fund continued to receive a qualified audit opinion. The U.S. Army Corps of Engineers (USACE) showed significant financial management improvement because the qualified opinion on its FY 2007 financial statements was upgraded to an unqualified opinion on the FY 2008 financial statements.</p> <p>Although DoD is far from reaching an unqualified opinion, the Department has demonstrated improvement. One improvement area is the ability to provide timely, complete, and accurate financial information through an integrated set of enterprise business systems. DoD, through the Enterprise Transition Plan, plans to support metrics in improved financial information.</p>	
1-2A. Improving Financial Information	IG Summary of Challenge
<p>The following elements and actions continue to be key for improving the Department's financial management:</p> <ul style="list-style-type: none"> • Creating an environment that will effectively identify, coordinate, implement, and monitor the financial management improvement efforts and hold managers accountable for the successful and timely implementation of those efforts. • Fully implementing and maintaining an effective internal review and monitoring process to identify all material financial management and reporting deficiencies, internal control weaknesses, and quality of data issues. • Developing corrective action plans that will adequately correct deficiencies and result in financial reporting in accordance with generally accepted accounting principles. • Implementing corrective action plans that address the systems, controls, reporting, and quality of data weaknesses. 	
1-2B. Improving Financial Information	IG Assessment of Progress
<p>The Department's ongoing initiatives in the area of financial management improvement demonstrate DoD management is responding to the significant and pervasive financial management issues identified. The Department is positioning itself to leverage planned systems and business improvements to achieve sustainable and long-term solutions. One initiative is the Financial Improvement and Audit Readiness (FIAR) Plan.</p> <p>Since the Department issued the first FIAR Plan in December 2005, the Department has continued to evaluate the overall approach to DoD financial improvement efforts. As the FIAR Plan has evolved, the Department has made, and continues to make, changes to that approach. The Department has issued seven updated versions of the FIAR Plan since the December 2005 version. The Department issued the December 2005 FIAR Plan as the roadmap to fix internal controls, correct processes, and obtain an unqualified audit opinion by focusing on certain financial statement line items. As discussed in the March 2008 update to the FIAR Plan, the Department refined the FIAR Plan's audit strategy to validate and sustain financial improvements and audit readiness not across individual line items, as previously done, but across segments of the business environment. In the March 2009 FIAR Plan, the Department acknowledged that a new strategy was being formulated to focus on the tasks that will provide the greatest improvements in the Department's ability to manage its finances. Preliminary planning efforts by the Department to revise the approach indicate that the Department plans to focus improvement efforts primarily on the financial information for budgetary and mission critical assets, which the Department considers the most useful type of financial information for managers and warfighters.</p> <p>Further, recent legislation established requirements that should assist the Department to refine and strengthen the framework for the financial improvement efforts and integrate those efforts with the Department's overall business transformation effort. The "National Defense Authorization Act for Fiscal Year 2008," P.L. 110-181, section 904, January 28, 2008 established the DoD Chief Management Officer (CMO) and the military department CMO positions that are responsible for the management and effective and efficient organization of the business operations of the Department or the respective military department. The responsibilities of the DoD CMO position include the development of a strategic management plan that identifies:</p> <ul style="list-style-type: none"> • Performance goals and measures for improving and evaluating the overall efficiency and effectiveness of 	

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the Department's business operations, and progress in achieving an integrated management system.

- Key initiatives and resources to achieve the performance goals.
- Procedures to monitor progress in meeting the performance goals and measures.
- Procedures to review and approve plans and budgets for changes in business operations or requests for defense business systems.

Additionally, section 908, "Business Transformation Initiatives for the Military Departments" of the "Duncan Hunter National Defense Authorization Act for Fiscal Year 2009," P.L. 110-417, October 14, 2008 assigns responsibilities and establishes an organizational structure within each military department for business transformation. Specifically, Section 908 requires each Military Department, acting through the military department CMO position to:

- Develop a comprehensive business transformation plan, an enterprise-wide business systems architecture, and a transition plan.
- Implement those plans.
- Establish a business transformation office that reports directly to the military department CMO.

One of the responsibilities of the military department business transformation office and CMO, is to ensure each element of the business transformation initiative for that military department is consistent with the Department's overall Business Enterprise Architecture and Transition Plan.

The IG considers the following DoD financial management efforts to be limited successes:

- Implementation of integrated organizational structures and processes to address financial management improvement
- Assignment of accountability to DoD managers
- DoD improvement initiatives at the entity and line item level

Although the IG anticipates that DoD will need to make improvements in these areas, the IG considers these the critical steps for establishing a culture and institutionalizing a structure that will facilitate DoD managers in identifying internal control weaknesses and plan effectively for resolution of those weaknesses. This culture and structure also will hold DoD managers accountable for improving internal controls over financial reporting. Further, these steps should result in a financial management structure that can provide accurate, relevant, and timely financial management information for decision-making.

1. Financial Management

Management's Overall Assessment

On August 11, 2009, the Under Secretary of Defense (Comptroller) (USD(C)) established DoD-wide priorities for improving financial information and achieving audit readiness. These DoD-wide priorities were approved by the Deputy Secretary of Defense and vetted with key stakeholders in the Department, as well as Congress, Office of Management and Budget (OMB) and Government Accountability Office (GAO).

The USD(C) audit priorities recognize the importance of achieving auditable financial statements and resolving the long-standing 13 material weaknesses, but focuses improvement efforts first on financial and other information most useful to DoD decision makers. The USD(C) priorities are:

- Budgetary Information - Budget authority, obligations, expenditures, and outlays leading to auditable Statements of Budgetary Resources.
- Mission Critical Asset Information - Existence, location, condition, and other information pertaining to mission critical assets (i.e., Military and General Equipment, Real Property, Inventory, and Operating Materials and Supplies).

The DoD FIAR Plan and the Component's financial improvement plans are being modified to address and accomplish the USD(C)'s priorities. In addition to addressing the USD(C)'s priorities, the Department has taken significant steps to improve the overall effectiveness of the FIAR Plan, many of which address the issues identified in the IG's challenges and assessment of progress. They include:

- FIAR Framework -- A standard template for the Components' Financial Improvement Plans (FIPs) was developed and is now being used that brings consistency to the FIPs and identifies key control objectives and capabilities ensuring improved internal controls and sustainability.
- FIAR Metrics -- Metrics were developed and are being implemented to better track progress and provide oversight to management, Congress, OMB and GAO.

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- Accountability -- Component FIPs are required to identify accountable organizations and people to ensure that such organizations and people are aware of their responsibilities and to hold them accountable.
- Resources -- Resource requirements to execute improvement work are now being captured to ensure resource requirements are known and planned.

In summary, 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 and achieve auditable financial statements. However, as indicated above, the Department's priorities have been revised to focus limited resources on improving information used by management and keep the end goal of auditable financial statements in sight.

2. Acquisition Processes and Contract Management

2-1A. Acquisition Workforce

IG Summary of Challenge

Since the 1990s, DoD IG has identified DoD acquisition and contract management processes as a challenge area. Acquisition initiatives that began in the 1990s led to reductions in acquisition oversight assets. When the spending trend dramatically reversed after September 11th, the Department was not able to react quickly to the need for more contract and oversight support. The emphasis on urgency to support the war effort, especially for contracting in an expeditionary environment, has only served to increase the challenges. One way in which DoD coped with the limited resources was to use other agencies' contracting resources. Increasingly, funds were sent to other agencies to perform work for the Department and in FY 2005 interagency contracting was added to the challenges when it became a GAO high-risk area. In FY 2010, the Defense budget with funding for contingency operations could approach about \$700 billion. This total is more than double the last DoD budget preceding September 11, 2001. Keeping pace with this spending would be a difficult proposition if acquisition and oversight assets were increasing at a proportional rate. However, from 1990 until the end of FY 1999, total personnel included in the DoD acquisition workforce decreased about 50 percent, from 460,516 to 230,556 personnel.

As one example, the Army's Logistics Civil Augmentation Program (LOGCAP) Office, which is co-located in Illinois with the Rock Island contracting center, suffers from significant understaffing. Its executive director told the Commission on Wartime Contracting that Rock Island is authorized 384 people to support its contracting mission, but as of February 2009, only 279 were on hand. The result is 6-day workweeks of 10 to 12 hours per day. Rock Island is working to hire additional staff to get up to 300.

As of May 2008, there were approximately 25,000 contracting officers to handle procurements of goods and services that had grown to about \$400 billion by FY 2008. Other organizations such as Defense Contract Management Agency (DCMA), which is responsible for much of the administration and surveillance of DoD contracts, decreased its staff levels by similar amounts during the same period. Even within DoD IG's Office, we reported in our March 31, 2008 Growth Plan that our auditors are unable to keep pace with the ballooning Defense budget and this growth "leaves the Department increasingly more vulnerable to fraud, waste, and abuse."

2-1B. Acquisition Workforce

IG Assessment of Progress

Progress in training and equipping more contract officials within DoD to handle the increased workload will take time. However, a number of initiatives are underway that are addressing the challenges, both within the Department and from proposed legislation. A commission, headed by Dr. Jacques Gansler, evaluated the Army Expeditionary Contracting and recommended urgent reform. As a result, the U.S. Army Materiel Command activated the Army Contracting Command, which will oversee more than \$85 billion in contracts annually and focus on maintaining and improving the Army's ability to respond globally in support of warfighters' needs.

In April 2009, Secretary Gates announced plans to hire 20,000 new acquisition professionals by 2015. Of those, 9,000 will be new jobs and 11,000 will convert from contractor held positions. The shift will begin in FY 2010 with 1,600 new jobs and 2,500 conversions. The positions will fill gaps identified in a recent workforce competency survey, according to the Department's acquisition policy director.

2-2A. Major Weapon Acquisition

IG Summary of Challenge

Challenges also continued with major acquisition programs. Many large weapons systems acquisitions are receiving Congressional scrutiny because of continued cost, schedule, and control problems. The GAO reported between FY 2003 and FY 2008 the number of DoD major defense acquisition programs increased from 77 to 96, total planned commitments grew from \$1.2 trillion to \$1.6 trillion, and the average schedule delay in delivering initial capabilities increased from 16 to 22 months.

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As program costs increase, DoD must request more funding to cover the overruns, make trade-offs with existing programs, delay the start of new programs, or take funds from other accounts. Delays in providing capabilities to the warfighter will result in the need to operate costly legacy systems longer than expected, to find alternatives to fill capability gaps, or to go without the capability.

2-2B. Major Weapon Acquisition

IG Assessment of Progress

The DoD also outlined a series of initiatives to the House Oversight Committee on acquisition improvements. Three recent studies produced 55 recommendations for improving acquisition processes. Of the 55 recommendations, 48 have been fully or partially implemented. Initiatives include early and competitive prototyping, continuous improvement through use of process review tools, stability in program management tenure, use of capital funding and configuration steering boards, and a capital funding pilot program. Another proposed initiative to improve major acquisition programs would require all new efforts to move through a "material development decision" milestone and would shift the crucial Milestone B decision to later in the process.

DoD continues to make limited progress in controlling cost and schedule of major acquisition programs and will have to make critical decisions about which systems should be cut based on competing resources. The DDG 1000 is one recent example of a major system that succumbed to cost and schedule pressures.

However, progress has been made to implement new policies. The Department has revised its policies and guidance to improve its acquisition of weapon systems and address contract management issues. For example, in December 2008, DoD revised its policy governing major defense acquisition programs to provide key department leaders with the knowledge needed to make informed decisions before a program starts and to maintain discipline once it begins. The revised policy includes the completion of key systems engineering activities before the start of the systems development, a requirement for more prototyping early in programs, and the establishment of review boards to monitor weapon system configuration changes. The DoD also issued guidance to address contracting weaknesses and promote the use of sound business arrangements. The DoD established a framework for reviewing major services acquisitions, developed guidance on linking monetary incentives for contractors to acquisition outcomes, and implemented regulations to better manage its use of contracting arrangements that can pose additional risks for DoD. These are positive steps, but inconsistent implementation has hindered past DoD efforts to address these high-risk areas. To improve outcomes DoD must ensure these policy changes and others are consistently put into practice and reflected in decisions made on individual acquisitions.

Further, the Weapon Systems Acquisition Reform Act of 2009 strengthened the Department's oversight of the acquisition process with the objective of reducing program cost overruns, shortening the delivery schedule, and improving system performance. Through this Act, Congress legislated that the Department establish an independent Director of Cost Assessment and Program Evaluation to improve cost estimates and a Director of Developmental Test and Evaluation to ensure developmental test and evaluation activities of the Department are fully integrated into, and consistent with, the systems engineering planning processes. It also provides an increased role for the commanders of the combatant commands in identifying joint military requirements.

2-3A. Contracting and the Impact on Decision Making

IG Summary of Challenge

Dealing with the decreasing acquisition workforce has created a myriad of other challenges.

The Department has increasingly relied on interagency contracting and use of contractors to fill the gap from the reduced acquisition and oversight workforce, bordering on inherently governmental functions, thereby potentially taking on decision-making roles. Key areas where use of contractor support has bordered on inherently government functions that impact decision-making include: strategic planning within programs and organizations; acquisition planning for specific acquisitions; source selection assistance and source selection decision making; contract administration and surveillance; and contractor testing of systems and weapons in which they participate in the development.

Our recent audit coverage has found a number of problems with use of interagency contracting, including lack of competition, inadequate and unreasonable price determinations, and insufficient surveillance. In addition, the use of contractors has raised concerns about contractor ethics requirements and conflicts of interest.

Distorted use of acquisition initiatives, such as commercial item procurements to achieve speed and reduce oversight in procurements, continues to challenge contracting officials and the oversight community. Use of commercial items is beneficial when there is an established market to allow contracting officials to use the marketplace to establish reasonable pricing for the items we buy. It also reduces the need for Government quality

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assurance when the Department can rely on a well-established commercial quality assurance program. However, because the broad definition of commercial items includes items that are not commercial items, but are “of a type” or have not been in the marketplace, such as items offered to the public or items that will be available in time to meet the Government’s needs, cause significant challenges to ensure reasonable prices and sufficient quality assurance practices.

Another concern voiced by DoD IG in testimony from 1998 was the lack of oversight in services contracting, another high-risk area for waste and mismanagement. Services contracts were a growth area in DoD, and continue to increase because of the expanded emphasis on outsourcing. In FY 1998, about \$49 billion was spent on services contracts. However, there were almost no oversight mechanisms for service contracting, and the Office of the Secretary of Defense (OSD) received little information on how the Department was managing services contracts. We saw no comprehensive efforts by the Department to oversee or manage the growth, costs, profits, or fees for services contracts. In just the last decade, the value of services contracting more than tripled and yet the number of acquisition and oversight staff was essentially flattened. For FY 2008, DoD, as the largest purchasing organization in the world, obligated over \$396 billion for contracts. More than 50 percent of those dollars were spent on the acquisition of services.

The Department continues to be challenged to strike a balance between urgent contracting to support the warfighter and performing all of the appropriate acquisition requirements. Our audit coverage has found numerous shortcuts in the acquisition process related to urgent procurements. This is especially true when contracting in an expeditionary environment. In one instance, we estimated that 68 percent of Non Tactical Vehicle (NTV) contract files did not contain adequate justification for the NTVs and 85 percent did not contain documentation to show contracting officers appointed contracting officer’s representatives to oversee the contracts.

2-3B. Contracting and the Impact on Decision Making

IG Assessment of Progress

The Under Secretary of Defense (Acquisition, Technology, and Logistics (USD(AT&L))), and the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) have taken a series of corrective actions to improve systemic problems that our audits disclosed on interagency contracting. Each Under Secretary issues policy memoranda to implement actions based on our recommendations, and the USD (C)/CFO formed a task force to review the potential Antideficiency Act Violations we reported.

In addition, Section 813 of the John Warner National Defense Authorization Act (NDAA) for FY 2007 directed DoD to establish a Panel on Contracting Integrity. The Panel, consisting of senior leaders, is focused on eliminating areas of vulnerability in contracting that allow fraud, waste, and abuse. The committee has established subcommittees in the areas of sustained senior leadership, capable contracting workforce, adequate pricing, appropriate contracting approaches, and techniques, sufficient contract surveillance, contracting integrity in a contingent environment, procurement fraud indicators, and contractor employee conflicts of interest. Initially, the Panel developed 21 recommendations for FY 2008 and an additional 28 actions for FY 2009 and is working to improve the contracting process.

In September 2008, the USD (AT&L) issued a memorandum on peer reviews of contracts for supplies and services. The memorandum established DoD policy for peer reviews. The objectives of peer reviews are three fold: 1) to ensure that Contracting Officers across the Department are implementing policy and regulations in a consistent manner; 2) to continue to improve the quality of contracting processes across the Department; and 3) to facilitate cross-sharing of best practices and lessons learned across the Department.

On February 18, 2009, AT&L issued a memorandum on review criteria for the acquisition of services. AT&L reviews and approves all proposed acquisitions for services with a total estimated value greater than \$1 billion, as well as service acquisitions that are categorized as “Special Interest.” These reviews seek to ensure the requirements are clear and well defined, the acquisition approach and business strategy are appropriate, and there are mechanisms in place to provide for proper oversight of contractor performance.

In addition, the Joint Contracting Command-Iraq/Afghanistan updated its Acquisition Instruction to include guidance for maintaining contract files. Implementation of this guidance will help ensure contracting officers maintain contract files that provide an adequate history of the contract actions.

2. Acquisition Processes and Contract Management

Management’s Overall Assessment

The DoD continues to work a number of acquisition excellence initiatives that address contracting and contract management issues to include contracting in an expeditionary environment, addressing the GAO high-risk area of interagency contracting, growing the contracting workforce, and increasing DoD organic acquisition management capability.

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DoD initiatives to improve contingency contracting include increasing staffing in the Office of the Director, Defense Procurement and Acquisition Policy (DPAP) dedicated specifically to contracting in expeditionary operations and development of the first-ever Joint Contingency Contracting Handbook that provides essential tools and training for contingency contracting officers. The recently released second edition of the handbook, includes many enhancements such as critical action checklists, laminated foldout charts, color-coded pages to flag vital information, and summary-level key points. Draft Expeditionary Contracting Policy has been developed, and forms a foundation for the handbook. DPAP is also developing electronic solutions for in-theater problems experienced in requirements generation, contract writing, invoicing, and the use of the Government Purchase Card.

DPAP continues to lead efforts across the Department to ensure initiatives to benefit the warfighter in current and future contingencies are developed, staffed, and implemented. A campaign, led by a joint Task Force, is developing near-term and long-term solutions to resourcing contingency contract administration services (CCAS). The CCAS effort is examining the manning levels needed to support contracting, quality assurance, and property administration functions for a contingency operation involving two major regional conflicts. The Deputy Secretary of Defense has tasked the Services to plan for and fund the necessary resources, and the Services have responded.

In another example, DPAP is providing support and input to the Commission on Wartime Contracting in Iraq/Afghanistan, which was established in the FY 2009 National Defense Authorization Act. Appointed by the Secretary of Defense to assist in the Commission's mission, DPAP led and escorted members of the Commission, as well as Department of State representatives, on a December 2008 trip into theater of operations that provided the Commission with its first sense of the climate and working conditions in a deployed environment.

The Department established a Joint Task Force to evaluate the June 10, 2009 interim report of the Commission on Wartime Contracting, with particular focus on the interim report's issues of concern. Among the issues that the Task Force is examining is the LOGCAP program. The Task Force findings and recommendations will be provided in October 2009. The Task Force exemplifies the Department's dedication to improving contingency contracting in Iraq and Afghanistan. The group advocates the good work accomplished by the Department's committed professionals. The involved organizations will continue to enhance contingency contracting, regardless of the locale, to best support our troops in any deployed mission.

In response to GAO concerns regarding interagency contracting, the Director, DPAP issued a policy memorandum on October 31, 2008, which endorsed the Office of Federal Procurement Policy memorandum of June 2008 and required the use of an Interagency Agreement for any interagency acquisition, regardless of dollar value. The memorandum provides clarifications on DoD policy regarding Interagency Acquisition. The Department has posted on its Interagency Acquisition webpage a model Interagency Agreement required for all interagency acquisitions in excess of \$500,000. In August 2009, the Department issued a comprehensive policy memorandum, including a list of Frequently Asked Questions (FAQs) that specifically addressed numerous findings in relevant DoD IG audits related to interagency acquisition.

The DoD continues to work a number of initiatives that address the contracting workforce. The cornerstone of many of these initiatives is the Contracting Competency Assessment, completed in September 2008. This effort targeted 20,573 contracting professionals DoD-wide and achieved a participation rate of over 87 percent. The purpose was to assess individual capabilities and training needs, and evaluate overall organization/command capabilities and gaps. Assessment results were given to each participating organization/command to provide senior procurement executives and contracting leaders with an organization/command-level view of their workforce's overall proficiency levels. A key role for senior contracting leaders was to apply their leadership judgment to these results as a way to identify workforce gaps and the appropriate gap closure strategies, align their workforce with their mission, and develop a workforce for the future.

The Defense Acquisition Workforce Development Fund (DAWDF) and the FY 2010 Defense Budget together provide senior leaders with the means to close workforce gaps and adjust human capital strategies. Today, the Department is implementing DAWDF initiatives to include training enhancement and capacity expansion, retention and recognition efforts, career broadening and academic programs, intern programs, recruiting incentives, outreach programs, journeyman-hiring programs, and hiring expert knowledge and/or highly qualified professionals. In addition, the Department will grow the contracting workforce and increase DoD organic acquisition management capability. This will create a better balance between our government workforce and contractor support personnel and ensure that critical and inherently governmental functions are performed by government employees. The Department's strategy will increase and improve the Department's oversight capabilities, thereby ensuring we get what we pay for; ferret out waste, and assist in combating contract fraud. Together, these actions ensure we will have the workforce we need to deliver mission critical capabilities.

The DoD's commitment to a long-range vision for improving the contracting and contract management processes and the continued accomplishment of near-term initiatives ensures both immediate and long-term improvements in contracting and contract management in expeditionary operations.

3. Joint Warfighting and Readiness	
3-1A. Joint Warfighting and Readiness	IG Summary of Challenge
<p>The challenge of Joint Warfighting and Readiness is to 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. This challenge is compounded by the strain on resources because of Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). The challenges facing the Department will increase, in both the near- and long-term, as the Department prepares for, and begins, the scheduled withdrawal of forces from Iraq and the deployment and redeployment of forces to Afghanistan. In the near-term, the Department must plan for and execute the withdrawal and redeployment. In the long-term, the Department faces the challenge of resetting the Services; retraining skills that have not been required for the current operations; and reengaging with other nations' militaries. This challenge encompasses the need to ensure basic services continue uninterrupted for the members of the armed forces and their families. The other management challenges encompass areas that support the ability of the U.S. to conduct joint warfighting and readiness issues. The synergy of those other management challenges will shape the U.S. ability to achieve its national objectives through joint operations.</p>	
3-1B. Joint Warfighting and Readiness	IG Assessment of Progress
<p>The Department is making progress on the issue of Joint Warfighting and Readiness, 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 planning is underway for the withdrawal from Iraq, it must be monitored to ensure all equipment and personnel are properly accounted for; only items approved for transfer are transferred; and the training of indigenous forces continues. Similarly, the increase of forces in Afghanistan must be monitored to ensure forces receive the support required. In addition, 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. However, some challenges facing the Department were evident during reviews pertaining to the reset of Army equipment returning from OIF and the training of DoD ground forces supporting OIF.</p> <p>Military operations depend on information and information systems for many simultaneous and integrated activities. Information Operations are essential to the successful execution of military operations. Therefore, a key goal of Information Operations is to achieve and maintain information superiority for the U.S. and its allies.</p> <p>Although DoD has made strides in advancing Information Operations as a core military competency, we concluded that there is a weakness in DoD oversight management processes. Until DoD improves oversight, it cannot efficiently and effectively advance Information Operations into a warfighting capability for combatant commanders</p>	
3-2A. Alignment of Resources	IG Summary of Challenge
<p>While U.S. forces continue to operate around the world, changes are underway to better align the resources of the Department to benefit the warfighters, wherever they are. Those changes have taken a variety of forms, not the least of which is the improvement of the tools used to fight the enemies of the U.S..</p> <p>The fight against terrorism, as well as the ongoing OEF and OIF, continue to test the limits of the Department and its ability to successfully defend the U.S.. These have been shared battles, with each Service shouldering its portion of the load. For example, DoD IG's investigative component, the Defense Criminal Investigative Service, has worked effectively with the Army's Criminal Investigation Command, the Federal Bureau of Investigation, the Special Inspector General for Iraq Reconstruction, and the Special Inspector General for Afghanistan Reconstruction by assigning 12 special agents to Iraq, Kuwait, and Afghanistan for 6 month rotating details. These agents specifically address allegations related to bribery, kickbacks, contracting irregularities, and other matters that involve procurement fraud and public corruption that impact joint warfighting capabilities. In addition, in June 2007 DoD IG established a field office in Afghanistan to conduct audits of contracts, funds management, and other accountability related issues in support of Operation Enduring Freedom.</p> <p>The Department's available resources are finite and require constant monitoring of our abilities and of the world situation to enable the Department to operate successfully on a global scale. The combination of these various factors continues to challenge the Department.</p>	

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3-2B. Alignment of Resources	IG Assessment of Progress
<p>Despite high operating tempo, U.S. Forces are effectively executing their missions globally. Sustained operations in Iraq and Afghanistan impact equipment, the troops, and their families. Forward deployed units are trained, manned, and equipped to accomplish missions. However, non-deployed units' unit readiness levels are impacted because resources are limited. Non-deployed units realize additional costs by ensuring that deployed and next-to-deploy units have adequate manning, training, and equipment. In addition, the continued use of equipment over the past several years in harsh environments is causing wear and tear at higher rates than planned.</p> <p>Increased deployments and shorter dwell times impact the readiness of equipment, the troops, and their families. Insufficient dwell time affects readiness of the total force because it does not allow our troops time to reconnect fully with an important support system – their families.</p> <p>Maintaining readiness, resetting the force during the extended war, modernizing to face future challenges, and allowing troops to reconnect with their families are challenges that the Department and Congress must continually address.</p>	
3. Joint Warfighting and Readiness Acquisition	Management's Overall Assessment
USD Personnel and Readiness concurs with the IG's Summary of Challenge and Assessment of Progress.	
4. Information Assurance, Security and Privacy	
4-1A. Risk Management	IG Summary of Challenge
<p>Ensuring a robust risk management, security, and information assurance program has been – and continues to be – a significant, on-going challenge to the Department. Such a program includes periodic risk assessments; physical and information security awareness training; security policies, procedures, and practices, as well as tests of their effectiveness; procedures for addressing deficiencies and for detecting, reporting, and responding to security incidents and privacy data breaches; and ensuring the continuity of operations.</p> <p>On top of the challenge of ensuring that advances in technology do not compromise security and privacy protections, DoD faces the additional challenge of securing information from cyber attacks. The Defense Science Board Task Force noted that as reliance on automated information systems for command, control, communications, and operations increases, it is essential that defenses of these information systems also increase. Cyber attacks can result in a commander's loss of confidence in information systems, the loss of classified information, or even the loss of critical operational capabilities.</p> <p>DoD must also develop policies and procedures to ensure the integrity of information and the oversight of such tools for the recent widespread use of social networking technologies.</p>	
4-1B. Risk Management	IG Assessment of Progress
<p>The Department has made little improvement in its information assurance and security posture. Previous issues have been exacerbated by ongoing losses of privacy and sensitive, but unclassified government data. The lack of clear DoD policy regarding protection of such data and the reporting of incidents regarding its compromise has also contributing to the ongoing issues. Still of particular concern is protection of DoD information in the hands of contractors, to include all members of the Defense Industrial Base, and other non-DoD entities such as foreign, state, local and tribal governmental entities.</p>	
4-1. Risk Management	Management's Overall Assessment
<p>With regard to DoD's improvements in Information Assurance (IA) and security posture, DoD made the following significant advances in FY09:</p> <ul style="list-style-type: none"> Expanded enterprise rollout of Host Based Security System for both Secret Internet Protocol Router Network and Nonsecured Internet Protocol Router Network IAW Communications Task Order (CTO) 07-12 and Fragmentary Order (FRAGO) 13. Implemented Security Contact Automate Protocol compliant Federal Desktop Core Configuration compliance scanning capability as part of Host Based Security System Policy Auditor module. This capability supports OMB direction for automated compliance scanning capability. 	

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- As part of the Enterprise Solutions Steering Group (ESSG) efforts, DoD is in process of developing a replacement and updated contract for automated computer vulnerability scanning and remediation tools.
- ESSG insider threat mitigation tool availability has been coordinated with DNI and Office of the National Counter Intelligence Executive (ONCIX) representatives as part of an increased focus on Insider Threat mitigation.
- Coordinated with U.S. Strategic Command Headquarters (USSTRATCOM-HQ), Joint Task Force – Global Network Operation and Defense Information Systems Agency in the development and details supporting Computer Network Defense priorities and funding for FY09-13 Operation Buckshot Yankee Requirements.
- Established blanket purchase agreements for data at rest encryption products to facilitate the protection of sensitive data, both through disk encryption and file encryption.
- Increased the number of certified IA professionals in support of DoD Instruction (DoDI) 8570.

Supported USSTRATCOM requirements for Operation Gladiator Phoenix and the development and coordination of an IA Campaign Plan outlining multiple initiatives to ensure IA supremacy and capability to respond to and protect DoD networks and systems from cyber attack.

- Finalized and coordinated with DoD Components details of a cyber demilitarized zone standard security design.
- Improved operational testing of IA/computer network defense security through Bulwark Defender and other exercises.
- In support of DoDI 8530, achieved Certification and Accreditation of all Computer Network Defense Service Provider Organizations.
- DoD expanded the Data at Rest enterprise effort providing multiple technical solutions to address the need for encryption of data at rest for laptop computers.
- In response to the proliferation and utilization of social networking technologies DoD is in process of developing and coordinating a policy that will address DoD use of these technologies, including consideration of potential cyber risks and appropriate mitigation strategies.
- In FY 2009, DoD developed and coordinated with DoD Components an updated Information Assurance Strategy document outlining the primary IA goals and capabilities being pursued by the Department in order to adequately defend and protect the networks.
- Directive Type Memorandum (DTM) M-08-27, "Security of Unclassified DoD Information on Non-DoD Information Systems" dated 31 July 2009, established policy for managing the security of unclassified DoD information on non-DoD (including contractor) information systems. This new guidance stresses that appropriate requirements must be incorporated into all contracts, grants, and other legal agreements or understandings with non-DoD entities.
- AT&L proposed interim contracting guidance to strengthen the DTM. A modification to the Defense Federal Acquisition and Contracting Regulation has been developed on cyber security reporting and information assurance standards and is expected to be released for Advanced Notice of Proposed Rulemaking in the fall of 2009.
- DoD initiated a pilot program addressing Defense Industrial Base (DIB) Cyber Security and IA activities. This program establishes a comprehensive approach between DoD and industry for protecting unclassified DoD information requiring controls transiting or residing on DIB unclassified networks. Through this collaborative effort, the pilot program involves 29 companies and is focused on threat information sharing of unclassified and classified threat information, incident reporting and mitigation, and cyber intrusion damage assessment. The DoD Cyber Crime Center is designated the operational focal point for the DIB and U.S. government in executing this program. The objective is to transition from pilot to program status in FY 2010 and open the program to all qualified cleared defense contractors, which number over 2600 companies. A phased expansion is planned to accommodate the increased number of DIB partners.
- DoD also has policies that govern the use of certain insecure technologies. Specifically, DoD has policy governing the use of file transfer protocol (FTP), which as an insecure protocol is subject to limitations set out in policy guidance on where it can be employed and what types of data may be hosted on an FTP server.

4-2A. Protecting DoD Information

IG Summary of Challenge

One of the major challenges remaining is the protection of DoD information in the hands of contractors and the appropriate response to data breaches involving both privacy-protected data, such as personally identifiable information, and sensitive, but unclassified, information, such as contractor proprietary information. This challenge is amplified by challenges associated with continued critical inaccuracies in the DoD database used for oversight

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of the DoD information system inventory. Further, DoD has made very limited progress in developing a Homeland Security Presidential Directive-12 compliant Personal Identity Verification credential, thereby failing to take advantage of possible enhancements to DoD physical and logical access security programs.

Another significant challenge with protecting DoD information is concerned with the sanitizing and disposal of excess unclassified information technology equipment in accordance with Federal, DoD security, and environmental regulations. Specifically, excess unclassified information technology equipment must be disposed of in a manner that safeguards sensitive information.

4-2B. Protecting DoD Information

IG Assessment of Progress

The Department continues to lack an accurate, authoritative data repository for information regarding DoD systems and does not have a requirement for an inventory of systems containing DoD information operated by contractors and other non-DoD entities. Metrics based on systems regarding DoD information security and privacy are not that meaningful for management oversight and verification of reported data. Further, DoD has yet to develop a Homeland Security Presidential Directive-12 compliant Personal Identity Verification credential, thus failing to achieve the possible benefits of utilizing such a credential for logical and physical access envisioned by the 2004 Presidential Directive. In addition, internal controls over card stock for existing DoD identification credentials are inadequate.

DoD Components have not been properly sanitizing and accounting for unclassified information technology equipment before releasing this equipment to other organizations. As a result, DoD could not ensure that personally identifiable information or other sensitive information was protected from unauthorized release.

4-2. Protecting DoD Information

Management's Overall Assessment

- Assistant Secretary of Defense, Network and Information Integration/DoD Chief Information Officer does maintain an accurate and authoritative data repository for information regarding DoD systems. It is called the Defense IT Portfolio Repository (DITPR). Automated data entry controls which prevent the introduction of inconsistent data have been implemented in DITPR, as well as in DITPR feeder systems maintained by the Departments of the Navy and Air Force. Similar measures are in the process of being implemented in the Army. These continuous improvements in DITPR have resulted in an inventory that is increasingly accurate and authoritative and provides meaningful data on which to base metrics for management oversight.
- Federal Information Security Management Act requires an inventory of agency-operated systems and systems operated on behalf of agencies. It does not require agencies to maintain inventories of systems owned and operated by contractors and other non-DoD entities simply because they may contain DoD information provided by DoD or developed as a function of doing business with the Department. DTM 08-027, discussed above, and other guidance issued by the Department address security requirements for such systems. The Department has no plans to attempt to compile an inventory of the estimated 40,000 plus information systems in this category.
- DoD is now able to issue a Homeland Security Presidential Directive-12 compliant Personal Identity Verification (PIV) credential.
- During FY09, DoD made changes to its Public Key Infrastructure (PKI) architecture to publish Certificate Revocation Lists (CRLs) every 18 hours, as required by the Federal Common Policy Framework Certificate Policy.
- DoD worked along with the Federal community to revise the timeframe requirement for populating the next update field in CRLs, as specified in the Federal Common Policy Framework Certificate Policy, section 4.9.7. DoD can now meet the requirement .
- DoD worked with the Federal community and OMB to come to agreement on an approach for handling the requirement to indicate the status of a Mission Assurance Category-I. The DoD meets the approach.
- The Department has introduced a new configuration of the Common Access Card (CAC), the "Gemalto TOP DL GX4 144K," into the issuance infrastructure and began initial deployment in August 2009 of a compliant PIV credential from workstations configured with the latest Real-time Automated Personal Identification System release. Among other things, this configuration supports the following enhancements:
 - DoD CAC PIV endpoint implementation
 - Asserting the common policy object identifier in DoD's PIV Authorization Certificate
 - End Entity certificates with Rivest, Schamir, Adlelmn (RSA) 2048 key lengths algorithms and SHA-1, signed with RSA 2048 keys

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- Deputy Secretary of Defense Memorandum, "Disposition of Unclassified DoD Computer Hard Drives," dated June 4, 2001, is still relevant and effective guidance for ensuring that hard drives of DoD computers being disposed of outside of the Department are properly sanitized or destroyed. A DoD IG audit discovered instances where the guidance was not being followed by DoD organizations.
- The guidance will be updated in upcoming revisions to relevant DoD information assurance issuances and expanded as required to cover other information technology equipment.

5. Health Care

5-1A. Cost Containment

IG Summary of Challenge

The DoD Military Health System must provide quality care for approximately 9.3 million eligible beneficiaries within fiscal constraints while facing increased user demands, legislative imperatives, and inflation that make 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 the escalating cost of health care is a problem that must be addressed. The DoD budget for health care costs was approximately \$45 billion in 2009, a 45 percent increase since FY 2005 (\$31 billion). In addition, the American Recovery and Reinvestment Act of 2009, provides \$0.4 billion for facilities sustainment and \$1.3 billion for construction of hospitals. Another part of the challenge in containing health care costs is combating fraud. Health care fraud is among the top 5 categories of criminal investigations; currently representing approximately 8.7 percent of the 1,825 open cases of DoD IG's Defense Criminal Investigative Service. Increasing health care benefits also provides additional pressure to manage and contain costs.

5-1B. Cost Containment

IG Assessment of Progress

The DoD Military Health System has been moving forward on improving health care while attempting to control costs. Three new TRICARE contracts were awarded in July 2009. The contracts provide incentives for customer satisfaction and include the managed care support contractors as partners in support of medical readiness. An internal ASD (HA) review identified areas that assist in managing costs, to include US Family Health Plan, fraud management, and pharmaceuticals. DoD obtained authority to use federal ceiling prices for pharmaceuticals, and issued the final rule effective May 26, 2009. The DoD is also making headway in economizing pharmacy costs by implementing use of generic drugs and promoting use of the TRICARE Mail Order Pharmacy system. Additionally, the Military Health System has adopted an approach to cost control that will simultaneously improve quality and reduce cost by focusing on the elimination of unnecessary care, test and procedures.

5-2A. Medical Readiness

IG Summary of Challenge

The ability to support and develop the people in the Military Health System continues to be a challenge. Maintaining medical readiness of the medical staff and units includes ensuring medical staff can perform at all echelons of operation, and the units have the right mix of skills, equipment sets, logistics support, and evacuation and support capabilities. The challenge of keeping members of the Reserves and National Guard medically ready to deploy continues because of the frequency and duration of deployments.

5-2B. Medical Readiness

IG Assessment of Progress

The Department published the Military Health System Human Capital Strategic Plan for 2008 to 2013 and established a Military Health System Human Capital Strategic Support Office. Quarterly Force Health Protection Survey results show continued improvement in service members' medical readiness, except for the Reserves and National Guard. The Military Health System has continued 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.

5-3A. Wounded Warrior Care

IG Summary of Challenge

Strengthening comprehensive and integrated health care from accession, through active service, to rehabilitation, and transition to Veterans Affairs (VA) care is a major challenge for the Military Health System. The number of wounded warriors associated with Southwest Asia and other conflicts requires diligent management of health care resources. Another related challenge to force health protection and medical readiness is oversight of post-deployment health needs, including identifying and managing those requiring care. Although a number of objectives have been identified by DoD and the VA, and programs have been initiated, the quality and oversight of

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these programs must be tightly managed. Transitioning wounded, ill, or injured service members to post-deployment care will grow as a challenge while the Global War on Terror, OIF, and 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 Department of VA system.

Increased numbers of returning service members with psychological health issues and traumatic brain injuries, 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.

5-3B. Wounded Warrior Care

IG Assessment of Progress

The revised Military Health System strategic plan recognizes continuum of care as a strategic priority. As stated last year, disparities in the transition of health care and benefits were readily identified, yet actionable solutions are difficult to implement and monitor.

The Center for the Intrepid in San Antonio, Texas, and the new Defense Centers of Excellence being constructed on the National Naval Medical Center campus in Bethesda, Maryland, provide promising venues to introduce new therapies for amputees, burn victims, and those with traumatic brain injuries and psychological disorders.

The Department established the Senior Oversight Council (SOC) in FY 2008 to ensure that all aspects of care, rehabilitation, and reintegration for wounded warriors was accomplished. One focus of the SOC is to overhaul the disability processing system and implement improved case management for recovering warriors. The Department is institutionalizing the changes directed by the SOC.

The Armed Forces Health Surveillance Center was established to ensure tracking and ongoing surveillance of the health of service members would be accomplished in a joint manner and coordinated with VA.

5-4A. Electronic Health Records

IG Summary of Challenge

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. Maintaining information operations that ensure the protection and privacy of data will continue to grow as a challenge.

5-4B. Electronic Health Records

IG Assessment of Progress

The organizational goal to deliver information that aids in better decision-making was added to the Military Health System strategic plan. Specific milestones were established to implement a personal health record prototype, and to expand bidirectional sharing of health information between DoD and the Department of Veterans Affairs. In addition, a deadline was established to define the Military Health System strategic plan for implementing a paperless electronic health record. The DoD continues to progress in sharing electronic medical records with the Department of Veterans Affairs. The DoD and VA executive leadership initiated a joint assessment project to determine the best approach for sharing inpatient electronic health records. The final report on the assessment project recommends the Departments pursue a common-services approach, which will allow DoD and VA to build upon their already extensive information sharing capabilities. It also will set the stage for the appropriate level of interoperability with other government and private sector organizations.

5-5A. Implementing BRAC

IG Summary of Challenge

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.

5-5B. Implementing BRAC

IG Assessment of Progress

The BRAC process addresses part of the aging infrastructure, but to fully address the challenge, better

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standardized data on the condition of facilities is needed. The Military Health System has begun the multiyear transition and acquisition process of improving capability and access to care in two major and several minor markets. Groundbreaking for the new Walter Reed National Military Medical Center at Bethesda occurred July 3, 2008.

Additionally, the Military Health System is following a roadmap for changes in governance that should result in increased unity of purpose and functional integration.

By establishing more unite of purpose in each of the major markets, the market leaders should be able to integrate resources across hospitals and clinics within a market to meet the needs of the entire population of eligible beneficiaries. In addition, the increased management oversight 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 and categorized civilian positions as DoD. Through the establishment of joint governance for the Tri-service Medical Education and Training Campus, the Military Health System should improve the quality and consistency of training for all enlisted, contributing to a culture of jointness and interoperability.

The combination of all medical research and development assets under joint governance should foster better coordination of research activities, eliminate redundant efforts, and focus resources on developing solutions for both the warfighter and the clinician.

Co-locating of the headquarters functions of Health Affairs, the TRICARE Management Activity, the Army Medical Command, the Navy Bureau of Medicine, and the Air Force Medical Service should enhance efforts to achieve unity of purpose for Military Health System policy, strategy, and financial programming, and yield greater consistency across the Services in program execution.

5-6A. Humanitarian Assistance

IG Summary of Challenge

The Department's role in providing humanitarian assistance and disaster relief to support U.S. strategic objectives and promote human dignity through better health has been identified as a core capability of the Military Health System, but will continue to provide financial and organizational challenges. The Military Health System will collaborate with ASD (GSA) to develop a strategy that complements the overall DoD strategy and interfaces well with other executive agencies, including the Agency for International Development, and the Departments of State, Health and Human Services, and Homeland Security, which have traditionally played the lead role in humanitarian assistance and disaster responses.

5-6B. Humanitarian Assistance

IG Assessment of Progress

Building a bridge to peace through humanitarian assistance and disaster relief is a goal under the Military Health System strategic plan, in response to Combatant Command goals. The May 2008 Military Health System Strategic Plan recognizes many of these challenges and includes a set of performance metrics to measure mission success.

5. Health Care

Management's Overall Assessment

The Department concurs with the above assessment and offers the following additional comments. The Department agrees with analyses by organizations such as the Institute of Medicine that state a significant portion of health care spending is waste; true health care reform must reduce that waste. Some of the waste consists of overutilization of expensive tests and medical services, which are not only costly, but also dangerous. In addition, key healthcare processes are inefficient. DoD is implementing continuous process improvement across its system to make health care processes safer and more cost effective. In addition, DoD is implementing programs to increase evidence based practices to ensure that the right care is delivered and unnecessary tests and procedures are avoided. This kind of health care reform has the potential to both improve quality and reduce costs.

The Department is working with the Reserves and National Guard to address challenges in force readiness, particularly in the area of dental readiness. The DoD's human capital team is actively addressing the need for additional mental health services in support of the readiness of the force. Over the past two years, we have added over 1900 new mental health professionals to the DoD work force.

In addition to the actions noted above, the acquisition structure and processes within the Office of the Assistant Secretary of Defense (Health Affairs) (OASD(HA)) and the TRICARE Management Activity are being strengthened to ensure that major acquisitions such as the Electronic Health Record (EHR) are accomplished efficiently and effectively. The DoD and Department of Veterans Affairs are working together to implement the Virtual Lifetime Electronic Record (VLER). The VLER vision is that health, benefits, and personnel information of a Service member or Veteran from the time of accession to internment will be available to those who need the data.

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Although the intent was for DoD to incorporate the expanded mission of humanitarian assistance within the normal planning and budgeting framework, that has not yet been accomplished. That will not, however, prevent the Department from continuing to support these activities

6. Equipping and Training Iraqi and Afghan Security Forces

6-1A. Iraqi Security Forces

IG Summary of Challenge

The Iraqi Security Forces (ISF) are comprised of the military and police. Although the Iraqi government, with the support of the Coalition, has achieved the generation of the core of ISF with respect to the Iraqi Army and Police, it is still committed to developing the necessary enabling forces to expand current capabilities and build the foundation of a credible and enduring Iraq Air Force and Navy for the future, and to modernize the ISF to be able to provide for the protection of the country against external threats. It still needs to address a fundamental leadership shortage in the Army and Police. In addition, building the institutional capacity of the Ministry of Defense (MoD) and Ministry of Interior (MoI) is still a priority. President Obama defined his major goals for Iraq: 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. An Iraq capable of providing for internal security with a foundational external defense capability prior to the withdrawal of U.S. Forces from Iraq in December 2011, is essential to achieving these U.S. national objectives."

6-1B. Iraqi Security Forces

IG Assessment of Progress

Efforts are ongoing to build the capability of the ISF, MoD, and MoI to sustain themselves, without Coalition logistical support, and for the forces to be able to operate independently without the full range of Coalition combat enablers, such as air and ground transport of troops, equipment, and supplies, tactical air support, fire support; communications, intelligence, surveillance, and reconnaissance capabilities, logistics, sustainment, and health services support.

6-2A. Iraqi National Army

IG Summary of Challenge

While the MoD has filled approximately 92 percent of its authorized numbers, it continues to experience shortfalls in generating the officer and noncommissioned officer (NCO) personnel needed to meet requirements. As of November 2008, the Iraqi Army was manned at 57 percent of its authorized officers and 45 percent of its authorized NCOs. The MoD experienced difficulties in developing a sustained funding plan. Its continued practice of centralized decision-making continues to inhibit necessary MoD force capability improvements.

The MoD/Iraqi Army continues to experience numerous challenges in acquisition processes, including the lack of a multi-year acquisition strategy, weak requirements determination, overly centralized decision-making, an inadequately trained and inexperienced acquisition staff, and inefficient use of technology to optimize processes. The Army continues to experience shortfalls in self-sustaining logistics. While the initiatives to develop the Iraqi Army logistics base have been significant, success may be hampered by shortages in the number of formally trained Iraqi logistics personnel, inadequate acquisition and distribution policies and procedures that prevent effective stock replenishment, inadequate maintenance and repair operations, and lack of information connectivity.

6-2B. Iraqi National Army

IG Assessment of Progress

The Iraqi Army is taking several steps to mitigate leader shortages, such as actively recruiting prior service officers and NCOs, using mobile recruiting teams, and exploring accelerated promotions of personnel currently in the Army. However, it is unclear whether sufficient candidates can be recruited to offset the increased force requirements to field 14 Army divisions and support forces, a Navy of 2,700 personnel, and an Air Force of 6,000 personnel.

Multi-National Security Transition Command-Iraq and Multi-National Corps-Iraq are making significant strides in assisting the Iraqi Army to develop an Iraqi logistics sustainment base, but much work remains to be done. The MoD continues to develop its national supply and distribution network, including establishment of Location Commands in support of each IA division; however, the Location Commands are still lacking in equipment and manning and will not be fully operational for several more months.

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Through the efforts of the U.S. Forces Iraqi Logistics Development Committee, specific logistics advisory, training, and partnering relationships have been established throughout the MoD, Joint Headquarters Staff, and Iraqi Army to build a logistics system using an Iraqi model that it will be able to sustain.

U.S. Logistics Management Advisory Teams have been assigned to each regional Iraqi logistics Location Command. In addition, U.S. Logistics Training and Assistance Teams, formed from in-country U.S. logistics sustainment brigades, have refocused their efforts to provide more intense mentoring and partnering interaction with Iraqi Army units, including the regional Location Commands supporting line units, division, and below. With U.S. forces downsizing significantly over the next 12 months, there is still a continuing need to ensure the momentum of the training and partnering mission is sustained, and appropriate and sufficient forces will be specifically tasked with the logistics-mentoring mission.

Nevertheless, newly organized and trained U.S. Advisory and Assistance Brigades (AABs) will be deployed to Iraq starting in Fall 2009. AABs are re-missioned brigade combat teams augmented with U.S. military field grade advisors that will focus on stability operations within a given region in Iraq. The mission requirements of the AABs are to conduct stability and civil capacity building operations; to partner with, enable, and advise the ISF; and if required, conduct full spectrum operations

6-3A. Iraqi Federal Police

IG Summary of Challenge

The capacity of the Mol to plan, coordinate, conduct, and sustain operations continues to improve, though planning efforts remain highly centralized and not thoroughly integrated with MoD plans. The Mol has made some notable improvements in its logistics capability, having executed a \$48 million Foreign Military Sales (FMS) case to create a computer-based supply-chain management system and to enhance its vehicle maintenance training on non-tactical vehicles assigned to the Mol ground transport fleet. A Federal Police Sustainment Brigade is scheduled to be operational by September 2009, capable of line-haul transport, deployable maintenance, supply receipt, storage, and issue for NP divisions.

Additional challenges for the Mol include ensuring ongoing and advanced training for the Iraqi Police Service (IPS), the Iraqi Federal Police (IFP), the Directorate of Border Enforcement (DBE), the Ports of Entry Directorate (PoED), and those security personnel assumed from the Oil Police (OP) and the Facilities Protection Services (FPS).

6-3B. Iraqi Federal Police

IG Assessment of Progress

The Mol's ability to address basic equipping shortfalls for each of its components – the IPS, the National Police (NP), the DBE, the PoED, the OP, and the FPS – remains a concern. For example, although progress has been made, some NP units lack personnel, individual equipment, and reliable vehicles to conduct operations without Coalition support.

The ongoing professionalization of the basic community-based uniformed police, the IPS, is crucial to develop and maintain a credible police force. But, training challenges remain, particularly for the DBE, the PoED, the OP, and the FPS, which are crucial since these organizations have not previously had the benefit of focused security and ethics training.

6-4A. ISF Health Care System

IG Summary of Challenge

The ISF continues to develop health systems that parallel the civilian sector, but depend on the supporting capability within the civilian sector for anything other than basic outpatient care. Challenges remain in recruiting medical personnel, particularly specialist physicians, and in building military hospital facilities.

Cooperation and collaborative planning between the Iraqi Ministries of Defense, Interior, Health, and Higher Education are required to achieve comprehensive and sustainable health care delivery, independent of Coalition support. Medical logistics, training and education programs, and transportation of casualties will remain the highest priority challenges.

6-4B. ISF Health Care System

IG Assessment of Progress

The initial enthusiasm in the Fall of 2008 about refugee physicians returning to Iraq to practice medicine has waned, and major shortages of health care personnel continue in all fields. MoD hospital construction remains an

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unfinanced requirement in the Government of Iraq budget, but it does not appear that the Ministries have developed contingency plans to adjust for the loss of care to ISF members that will occur with the withdraw of U.S. military field hospitals. Logistics capabilities are inadequate, including the maintenance of procured medical equipment, and will likely result in loss of capability unless the problems are addressed.

6-5A. Afghan Security Forces

IG Summary of Challenge

The Afghan National Security Forces (ANSF) are comprised of the military and police forces. Their effectiveness is being tested by increased Taliban attacks, including in previously safe areas of the country.

Coalition efforts to build the capability of the Afghan Ministries of Defense (MoD) and Interior (Mol) and their respective forces continue to focus on four major areas: developing ministerial capacity; improving the proficiency of military and police forces through the assistance of mentors, embedded advisors, and partnership unit relationships; building the training, logistics, medical, and sustainment capability of the MoD and Mol; and supporting the expansion of the army and police, and their ability to operate on an independent basis.

The Afghan government continues to pursue significant expansion of the ANSF, with the support of the international community. The Afghan National Army (ANA) has an approved authorized end-strength of 134,000 and is expected to reach that level by the end of CY 2011. The authorized end-strength of the Afghan Federal Police (AFP) was increased to 96,800 as of June 2009, and it is planned to reach that level by September 2009. As of May 2009, ANA and AFP assigned strength was 86,558 and 81,509, respectively. Both ANA and AFP will likely require additional increases in end-strength beyond currently approved levels, partnered with international security forces, in order to win, the counter insurgency fight and, ultimately, to develop the capacity to conduct and sustain independent operations on their own.

The Afghan Mol recently initiated a pilot program to augment its police through the development of the Afghan Public Protection Program. This program envisions enhancing security and stability, and strengthening community development by building local forces of community-vetted security personnel to assist the police.

The DoD faces numerous challenges with respect to accomplishing the train and equip mission for ANSF. Foremost among these are a continuing lack of sufficient personnel dedicated to training and mentoring, as well as difficulties in coordinating and synchronizing the training effort with our international partners. To solve the problem of insufficient trainers, DoD decided to augment the one National Guard brigade in Afghanistan with an additional Army Brigade Combat Team with the primary mission of training and mentoring. The North Atlantic Treaty Organization (NATO) recently designated Combined Security Transition Command-Afghanistan (CSTC-A) with the dual-hatted mission as NATO Training Mission-Afghanistan. This shift in command and control will provide CSTC-A with more authority in coordinating NATO International Security Assistance Forces (ISAF) with Coalitional and U.S. forces to accomplish integrated training and mentoring missions in support of the ANSF.

6-5B. Afghan Security Forces

IG Assessment of Progress

The ANA as an institution is highly regarded by the populace. As of May 2009, approximately 41 percent of fielded ANA organizations have reached Capability Milestone 1 (the unit, agency, staff function, or installation is capable of conducting primary operational mission[s], with the support of Coalition enablers – air support, medical evacuation, logistics, and intelligence enablers). The ANA now takes the lead in approximately 54 percent of Coalition combat operations. However, there are still significant leadership shortcomings that must be addressed within the ANA, especially at the junior officer and NCO levels.

Progress in building the capability of the AFP, which is often viewed with mistrust due to lack of professionalism and corruption issues, lags that of the ANA in development, as much as several years. The DoD has placed significant emphasis in reforming the Afghan Uniformed Police through the Focused District Development program, an intensified reform initiative that trained the police in 52 of Afghanistan's 365 districts from November 2007 through May 2009. CSTC-A estimates that it will take another 3 to 4 years to train all 365 districts. A similar training program has been initiated for the authorized Afghan Border Police, numbering 18,000.

There are insufficient numbers of Embedded Training Teams (ETTs) to mentor the ANA and Police Mentoring Teams (PMTs) to mentor the AFP. As of April 2009, CSTC-A needed approximately 5,724 personnel for ETTs and PMTs when compared to personnel requirements stated in RFF 920 and 937. However, only about 2,175 had been assigned. Additionally, as of June 2009, ISAF and Coalition partners had provided 54 Operational Mentor and Liaison Teams (OMLTs), about 800 personnel, out of the current requirement of 65. Combining the ETT/PMT/OMLT assigned strength of approximately 2,975 against the 5,724 requirement gives about a 52 percent overall fill rate.

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6-6A. Afghan National Army	IG Summary of Challenge
<p>Developing an effective ANA force of sufficient size and effectiveness is a significant challenge in the midst of an ongoing war. A decision was made to increase the ANA to 134,000 by the end of CY 2011, and very conceivably to an even larger number thereafter.</p> <p>The ANA logistics system required to support its combat forces is progressing, but is still in its infancy, and continues to experience shortfalls in providing a self-sustaining logistics capability. While the Coalition and ISAF initiatives to develop the ANA logistics base are significant, success may be hampered by shortages in formally trained Afghan logistics personnel and lack of information connectivity. In addition, one of the problems in establishing logistics sustainment within the ANA has been the lack of an integrated systems approach. The Afghans have been accustomed to working in stovepipes with little cross coordination. The result is that important nodes in the logistics system were lacking visibility of the ANA logistics capability and challenges, and senior leaders were unable to make informed decisions about logistics requirements and necessary performance improvements.</p>	
6-6B. Afghan National Army	IG Assessment of Progress
<p>Progress has been made in developing a more capable ANA, but significant work still needs to be accomplished.</p> <p>A continually improving national logistics infrastructure exists and is already supporting ANA. A series of national and forward-support depots currently provide the bulk of ANA supply needs. Brigade-level logistics structures and systems continue to develop. However, there is a gap in the linkage from the brigade level to the national level. There are insufficient trained logistics personnel and the capacity to produce them, especially in specialist military occupations specialists. Moreover, some MoD, General Staff, and ANA field command senior officers appear to lack an appreciation for the essential importance of having a strong logistical support system and a commitment to building one. A gap has grown between the ANA operational and logistical capabilities that must be closed for the ANA to become a fully independent and sustainable fighting force.</p>	
6-7A. Afghan Federal Police	IG Summary of Challenge
<p>The AFP are the face of the government to most Afghan people. Unfortunately, in the past, this has often been the face of unprofessionalism and corruption. To be effective in the counter insurgency fight through protecting the population and thereby gaining its confidence, AFP and Mol must change their behavior to overcome the people's negative perceptions.</p> <p>At present, there are insufficient police to provide both effective community policing and security for the populace in a counter insurgency environment. The most current Tashkil, an organizational document, authorized 82,000 AFP spread throughout various units to include: Afghan Uniformed Police, Afghan Border Police, Afghan National Civil Order Police, Counternarcotics Police, Customs, and Special Police. Even with the recent increase in size to 96,800, this number may be insufficient to provide the security needed in the Afghan counter insurgency environment.</p> <p>Most external studies would recommend increasing the size of the police to 130,000 to 140,000 to provide a more viable proportion of police to populace. The new Minister of Interior has recommended a police force of 160,000. A doubling of the AFP would more closely align the ratio of police to population in Afghanistan to that found in Iraq.</p> <p>The Afghan Mol and National Police logistics system continues to experience shortfalls in self-sustaining logistics capability. While the initiatives to develop the AFP logistics base have achieved progress, further advances have been hampered by shortages in formally trained Afghan logistics personnel and lack of experience and confidence in the system being put in place. Logistics sustainment for the Mol and AFP significantly lags that of the ANA. Supplying regional, district, and provincial police units, especially those in far-flung locations, is a vastly different problem than providing support for an army corps, brigade, or battalion. The Mol is behind in establishing needed logistics policies and procedures and in obtaining the requisite training for their logistics personnel.</p> <p>The U.S. Police Mentoring Teams have been under-resourced for personnel, requiring CSTC-A to fill the gap by using U.S. military personnel who had previously been assigned to train the Afghan Army. The shortage of qualified logistics trainers for PMTs also remains a continuing problem in advancing the logistics capability of the Afghan Police. The deficiency in the number of police trainers, unless addressed, will only be amplified as the authorized size of the AFP is increased.</p>	

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Although the International Security Assistance Force has not previously been as engaged in the police mentoring mission as the Coalition, they have provided some Police Operational Mentor Liaison Teams. In addition, there are police trainers and mentors provided by the European Union, the Provincial Reconstruction Teams, and through several bi-lateral country agreements with the Government of Afghanistan. Most of these police training efforts have fallen outside the purview of CSTC-A, resulting sometimes in a lack of coordination, duplication of effort, and inefficiently used or wasted police training resources. However, the recent establishment of the North Atlantic Treaty Organization (NATO) Training Mission-Afghanistan under the Commander, CSTC-A, should address these problems.

6-7B. Afghan Federal Police

IG Assessment of Progress

The Focused District Development program is an effective tool in addressing the problem of corruption and unprofessionalism at the district level, but it will take significant effort to run all districts through the Focused District Development process, and to incorporate the provincial police fully into the program. Furthermore, the impact of the Focused District Development program is limited by the lack of effective linkages between the police and the Afghan justice system at the district level. Consequently, there is a very tenuous connection between the important roles of the police and Rule of Law at the community level. Their ability to collectively promote security and stability is diminished.

Anticorruption has become a primary focus of new Minister of Interior, Mohammad Hanif Atmar, but he will need a reinforced capability to accomplish this goal both within the ministry and down the police chain of command. To enhance accountability and transparency throughout the MoI, there should be an increase in the numbers and capability of DoD IG and internal affairs staff, and internal affairs investigators should have a presence in the provincial and district police headquarters.

The international community has approved increasing the size of the AFP from the 82,000 authorized on its latest staffing documents to 96,800, but this increase has been in large part to accommodate security for the August 2009 elections and to strengthen the police capability in the capital region in and around Kabul, which has been subjected to increasing insurgent attacks. The Afghan Public Protection Program is a new approach developed by the MoI and ISAF to supplement police security at the local level. Although in a nascent pilot stage of development, if effective, the Afghan Public Protection Program force could be expanded to significant effect in terms of providing enhanced local security against the Taliban insurgents. At present, there are notable shortfalls in staffing the authorized numbers of police. The Afghan National Civil Order Police is at approximately 50 percent of its authorized strength, and the Border Police are manned at approximately 75 percent.

Regional, provincial, and district level gaps in effective Afghan Police logistics support stem in part from still-developing MoI logistics policies and procedures and lack of logistics officer skills. The MoI is working to close these gaps through logistics officer training, and there has been a renewed emphasis in new MoI directives on the importance of equipment accountability and control.

According to CSTC-A plans, PMTs will ultimately be assigned to every AFP unit (including Afghan Uniformed Police, Afghan National Civil Order Police, and Afghan Border Police). Given current personnel resources, PMTs can be provided to no more than one-fourth of all AFP organizations and units. CSTC-A previously determined that in order to deploy PMTs to one-third of all Afghan Uniformed Police districts they would need an additional 2,375 personnel. As of January 2009, they only had 922. To address the mentor shortage, DoD has decided to assign an additional Brigade Combat Team to CSTC-A; it will be uniquely organized and trained to perform the sole mission of training and mentoring. This should address much of the ETT/PMT training and mentoring shortfall, but there still may be some mentoring gaps.

6-8A. Afghan National Security Forces Health Care System

IG Summary of Challenge

The core U.S. strategy toward developing the capacity of the ANSF health care system is through providing medical mentoring teams at ANA and AFP medical facilities, primarily at definitive treatment centers (e.g., hospitals). Training and managing medical mentors remains the greatest challenge, although medical logistics system development is a major concern. The ANSF leadership has resisted U.S. recommendations to develop a single ANSF healthcare system, and continues to build independent ANA and AFP systems, despite limited fiscal and personnel resources and the remote locations of many AFP posts that preclude access to AFP clinics for many AFP members. The ANSF has not developed a plan to care for dependents of ANA and AFP members within the highly constrained resources available, yet it remains a stated objective of ANSF leadership.

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6-8B. Afghan National Security Forces Health Care System	IG Assessment of Progress
<p>CSTC-A has not developed an operational plan to provide leadership and oversight of medical mentoring teams, nor measurements of performance and effectiveness. There is no strategic plan for the role of the U.S. military and NATO forces in ANSF health system development, resulting in poorly defined command and control relationships among medical trainers, mentors, and advisers at all levels of command. Medical mentors have still not received adequate pre-deployment training before deployment to Afghanistan, and they do not arrive with a sufficient understanding of the knowledge and capabilities of ANSF medical personnel, equipment, and facilities. This has hindered the utility of U.S. mentoring mission and has created a sense of dissatisfaction among their medical mentor staff.</p>	
6. Equipping and Training Iraqi and Afghan Security Forces	Management's Overall Assessment
<p>The U.S.'s four areas of focus to develop the ISF remain unchanged: support force generation and force replenishment; improve the proficiency and professionalism of Iraqi forces; build specific logistic, sustainment, and training capacities; and develop ministerial and institutional capacity. The four near-term areas of emphasis also remain unchanged: ensure Iraqi forces continue to improve in logistics, maintenance, and life support; ensure the size, capability, professionalism, and leadership of the ISF enable increasing assumption of additional security roles from U.S. forces; enhance the capabilities of Iraqi Special Operations Forces and Counter-Terrorism Forces; and ensure Iraqi Air Force and Navy growth stays on track. Following the withdrawal of U.S. combat forces from Iraqi cities on June 30, 2009, the ISF continue to mature in their leadership roles providing security and overall stability for the citizens of Iraq. The citizens of Iraq continue to develop their confidence in the ISF, and it is becoming clear that the growing professionalism of the ISF is a source of national pride.</p> <p>The ANP have made progress over the last year as a result of the implementation of the Focused District Development (FDD) program. We concur with the comments made on the issues being addressed with the MoI. The FDD program has attempted to improve the logistics capabilities of ANP districts by ensuring equipment is properly issued and accounted for. The FDD training program that the district police attend also teaches ANP Officers about logistics and equipment accountability. Logistics officers within police units are provided additional training in these areas. As noted, the creation of the NATO Training Mission – Afghanistan (NTM-A) as part of a combined command including CSTC-A will lead to increased coordination between U.S. and Allied training efforts. CSTC-A has a robust program that is focusing on ministerial level logistics development with the MoI. As previously mentioned, we are currently awaiting the President's decision on additional resources for Afghanistan, which may make additional forces available for mentoring and training the ANSF.</p> <p>The Department agrees with DoD IG's assessment of progress made by the ANSF. The ANA is one of the most trusted and respected institutions within Afghanistan. As of November 2009, the ANA has grown to a force size of approximately 95,500 and is growing towards an end strength of 134,000 in October 2010. The ANP currently lags behind the ANA in development, but much progress has been made. The ANP is at a force level of 93,300 and growing towards 96,800. Sixty-four Districts have completed Focused District Development training as of September 2009. The establishment of the NTM-A/CSTC-A command will improve overall coordination of ANSF development. The total number of Coalition trainers available may increase pending the President's decision on committing further troops.</p> <p>The ANA has made great progress over the past year. As the ANA grows to 134,000, it is increasingly improving in capability and in building logistics capacity. While the Department agrees with the need for a more robust ANA logistics processes, it should be noted that priority has been placed on the development of ANA combat forces first, supported by ISAF enablers. Logistic enablers will be developed by design after combat elements have been fielded. Afghanistan poses unique issues in terms of implementing an integrated nation-wide logistics system. Many areas within Afghanistan lack reliable power and communications capacity and do not allow for a networked logistics system. Additionally, the issue is made even more challenging because of low literacy rates among the populace and the lack of trained personnel with logistics background.</p> <p>The DoD is focused on improving logistics within the ANA. One of the objectives of the CSTC-A Campaign Plan is to develop an efficient logistics system that is capable of acquiring and distributing resources to the ANA. The CSTC-A is developing a unified ANA logistics strategy which will ensure standardized logistics mentoring within the ANA. A robust Ministerial Development program is in place which focuses on building logistics capabilities within the MOD and the General Staff Headquarters.</p>	

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The Department agrees that a coordinated ANSF Health Care system is desirable but DoD cannot accomplish this without support from the Afghan Government. The International Community and other areas of the U.S. Government outside of DoD will need to be involved in this effort as well.

7. Nuclear Enterprise

7-1A. Decline of Focus on the Nuclear Enterprise

IG Summary of Challenge

The Department faces complex and long-standing nuclear enterprise management challenges that affect the Department's ability to provide public assurance that it can meet its nuclear operational and surety responsibilities. A 2008 Defense Science Board report stated that since the end of the Cold War, there has been a marked but gradual decline in the level and intensity of focus on the nuclear enterprise and the nuclear mission. When comparing the current level of focus to that of 1990, the aggregate change is dramatic. The decline is characterized by:

- Embedding nuclear mission forces in nonnuclear organizations.
- Markedly reducing levels of leadership whose daily focus is on nuclear enterprise.
- Generally devaluing the nuclear mission and those who perform the mission.

Numerous reports and studies issued over the past decade have documented the decline. From 1991 to 2009, the IG identified and reported on aspects of this decline in a series of classified audit reports related to the security of nuclear systems. Although specific report details are classified, the weaknesses identified in each of those reports are a direct result of the decline in emphasis of the nuclear enterprise and mission.

7-1B. Decline of Focus on the Nuclear Enterprise

IG Assessment of Progress

The Department has begun to address and reverse the nuclear enterprise decline. By the end of June 2009, DoD issued ten reports related to the enterprise. Four additional reports were due during the summer of 2009. The DoD IG recently completed field work examining DoD actions in response to the recommendations contained in three of the 10 reports and found that DoD is taking actions to address those report recommendations.

It is critical that DoD leadership recognize the consequences of failure to ensure the security of its nuclear forces and provide sustained commitment to continue to implement viable recommendations to stop and reverse the decline focus on the nuclear enterprise.

7-1. Decline of Focus on the Nuclear Enterprise

Management's Overall Assessment

The Department has made substantial progress in reversing the decline of the nuclear enterprise. DoD continues to aggressively implement enduring remedies to address recommendations from several DoD reports. For example, the Air Force made an effort to reverse the decline of focus on the nuclear enterprise by activating Air Force Global Strike Command in August 2009. This initiative will place all Intercontinental Ballistic Missile (ICBMs) and nuclear-capable bombers into a single command.

The Air Force also developed a nuclear roadmap last fall which:

- Unified nuclear sustainment into the Nuclear Weapons Center to consolidate authority and responsibility for nuclear weapons related material
- Established an Air Staff directorate to ensure a clear and consistent voice for the nuclear mission
- Established a Nuclear Deterrence Operations Panel to ensure resources advocacy for the nuclear enterprise
- Enhanced our inspection process with improved inspector training, headquarters oversight of command-level Nuclear Surety Inspections, and a centrally managed core team of highly experienced inspectors

Established a Nuclear Oversight Board chaired by the Secretary of the Air Force and the Chief of Staff of the Air Force to provide executive-level supervision of nuclear issues.

7-2A. Incidents Indicate Systemic Problems

IG Summary of Challenge

During FY 2008, the Department experienced a series of incidents that indicated significant problems with nuclear enterprise management. Failure to follow prescribed verification procedures resulted in nuclear warheads being inadvertently transferred from Minot Air Force Base (AFB) to Barksdale AFB. Sensitive missile components were

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erroneously shipped to Taiwan. The 2nd Bomb Wing at Barksdale AFB failed a nuclear surety inspection and had to be re-inspected to a satisfactory rating.

7-2B. Incidents Indicate Systemic Problems

IG Assessment of Progress

In response to the Minot incident, the Air Force conducted a Commander Directed Report of Investigation Concerning an Unauthorized Transfer of Nuclear Warheads Between Minot AFB, North Dakota and Barksdale AFB, Louisiana; August 30, 2007; and the Air Force Blue Ribbon Review of Nuclear Weapons Policies and Procedures, February 8, 2008. In response to a February 2008 request from the USD (AT&L) the Defense Science Board Permanent Task Force issued its "Report on the Unauthorized Movement of Nuclear Weapons." These reports contain over 100 recommendations for improving the nuclear enterprise. The DoD IG is preparing a draft report of our recently completed work to examine DoD actions in response to the recommendations contained in these reports, reporting that DoD is taking actions to address those report recommendations.

The Department has continued to analyze and study critical elements of the nuclear enterprise. In addition to the three reports noted above, DoD issued 7 additional reports related to the nuclear enterprise:

- Nuclear Surety Staff Oversight of US Air Force Nuclear Surety Inspections, April 1, 2008
- Investigation into the Shipment of Sensitive Missile Components to Taiwan, May 22, 2008
- Air Force Inventory and Assessment: Nuclear Weapons and Nuclear Weapons-Related Materiel, May 25, 2008
- Air Force Comprehensive Assessment of Nuclear Sustainment, July 26, 2008
- SECDEF Task Force on DoD Nuclear Weapons Management, September 12, 2008
- Air Force Nuclear Task Force (Nuclear Roadmap), October 24, 2009
- Nuclear Weapons Management, January 8, 2009.

Four additional reports were expected to be published during the summer of 2009:

- Nuclear Command and Control System
- Comprehensive Assessment of Nuclear Sustainment - II
- Commission on Strategic Posture
- Defense Science Board Task Force; DoD Nuclear Surety Inspections.

7-2. Incidents Indicate Systemic Problems

Management's Overall Assessment

The Department has taken action to further strengthen nuclear weapons enterprise governance and oversight processes to ensure the highest levels of accountability and control in the stewardship of nuclear weapons. For example, the Secretary of Defense directed nuclear inventories by the U.S. Navy, and Defense Logistics Agency (DLA). There were no discrepancies noted with nuclear weapons and the discrepancies noted with nuclear weapons-related materials were resolved. The Air Force consolidated nuclear weapons management and systems under the Air Force Nuclear Weapons Center and initiated an aggressive and comprehensive program to ensure positive control of nuclear weapons-related materials and components in the Air Force Supply system. Additionally, the Air Force Global Strike Command was charged with providing weapon system oversight and reinvigorating the service's nuclear culture.

The joint DoD/Department of Energy (DOE) Nuclear Weapons Council (NWC) chaired by the USD (AT&L) and the Interagency Nuclear Command and Control System (NCCS) Committee of Principals (CoP) chaired by the Deputy Secretary of Defense, continues to oversee implementation actions to address the findings and recommendations from various reports and studies. Departmental senior leaders are involved in the organizational structure, processes, and procedures to improve every aspect of the nuclear mission area and restore confidence in the safe handling and accountability of the nation's strategic assets.

7-3A. Keys to Improvement

IG Summary of Challenge

To reverse this trend, the Department needs to sustain its focus on the nuclear enterprise. The following elements are key to improvement:

- Create an environment that emphasizes the nuclear mission and that a reliable, safe, secure, and credible nuclear deterrent is essential to national security and is a high DoD priority.

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- 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 correct the deficiencies and provide adequate funding and leadership to ensure implementation.
- Implement the corrective actions and conduct follow-up reviews to ensure that the action plans are correcting the deficiencies.

As stated in the Defense Science Board report, the series of nuclear related incidents that occurred over the past year “can be a just-in-time rescue if lasting corrective actions are implemented now.”

7-3B. Keys to Improvement

IG Assessment of Progress

The Department has taken significant action to conduct detailed reviews and studies of critical elements of the nuclear enterprise to identify key deficiencies and methods for improvement. Additionally, they are implementing report recommendations and developing corrective action plans that correct the deficiencies.

We fully support these efforts. However, successfully addressing the deficiencies in the nuclear enterprise will require years of sustained effort. Fixing the problems will require commitment, effort, and resources. The IG will monitor the Department’s progress in implementing the various report and study recommendations.

7-3. Keys to Improvement

Management’s Overall Assessment

The Department is fully committed to restoring confidence in the nuclear enterprise and in the safe handling and accountability of the nation’s strategic assets. The Department continues to engage in a robust effort implementing report recommendations and corrective action plans to address stockpile deficiencies.

Processes are under development to address the root and systemic cause of the deficiencies with enduring methods to help ensure a lasting approach. Resources have been committed to high-priority nuclear enterprise items through reprogramming and realignment of funds. The Nuclear Command and Control System Oversight Committee (NOC), NWC and NCCS CoP will continue oversight of the reports, recommendations, and findings to ensure proper level of interagency and departmental oversight and to assure proper resources are allocated for and enduring restoration.

8. American Recovery and Reinvestment Act

8-1A. American Recovery and Reinvestment Act

IG Summary of Challenge

In passing the American Recovery and Reinvestment Act of 2009 (Recovery Act), (Public Law 111-5), the Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most affected by the recession; provide investments to increase economic efficiency through technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. Under the Recovery Act, Congress appropriated \$7.4 billion to DoD for the following programs:

- Energy Conservation Investment (\$120 million)
- Facilities Sustainment, Restoration, and Modernization (\$4.26 billion)
- Homeowners Assistance Program(\$555 million)
- Military Construction (\$2.18 billion)
- Near Term Energy-Efficient Technologies (\$300 million).

The USACE received \$4.6 billion in appropriation for its civil works program. The \$4.6 billion provided for the civil works program includes \$2 billion for construction and \$2.075 billion for Operations & Maintenance.

The Recovery Act also provided unprecedented efforts to ensure the responsible distribution of funds for the Act’s purposes and to provide transparency and accountability of expenditures so that the public would know how, when, and where tax dollars were being spent. Further, the Recovery Act stated that the President and the heads of Federal departments and agencies were to manage and expend the funds made available in the Act to achieve its purpose, which included commencing expenditures for activities as quickly as possible, consistent with prudent management.

The DoD is pursuing three broad goals with Recovery Act Funding, preserve and create American jobs, care for U.S. Service members and their families, and improve DoD energy efficiency. The DoD intends to expend DoD

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funds as quickly as possible on facilities sustainment, restoration, and modernization, military construction, energy conservation, near-term energy efficiency technology demonstration and research, and homeowners assistance. Specific investments in military construction will further the goal of providing stimulus to the economy while helping to improve the quality of life for the troops and their families.

By September 4, 2009, DoD planned to start 2,300 construction and facility repair projects (meaning contract award and construction/repair work had commenced) in 49 states, plus Guam and the District of Columbia, using \$1.9 billion of the Recovery Act funds. DoD estimated that about 225 of these projects would be completed by Labor Day. DoD is planning on over 4000 repair projects, totaling \$4.26 billion for installations in all 50 states, two territories and the District of Columbia. An additional \$2.18 billion is available for new construction, including \$1.33 billion for replacement of aging hospitals, \$115 million for family housing construction, \$240 million for 21 Child Development Centers, \$100 million for two Warrior in Transition facilities, and \$555 million to reduce the impact of the down-turn in the housing market on the families of the Department's military and civilian personnel. DoD is using \$120 million in Recovery Act funds for 45 energy efficiency projects and an additional \$300 million for 51 energy programs researching ways to reduce the Department's energy demand via increasing fuel efficiency or advancing new technologies related to alternative energy sources.

The DoD continues to place an emphasis on meaningful and effective competition to get the best deal for the warfighters and the taxpayers. Given the importance of the Recovery Act dollars in stimulating the economy, the Department has taken extra steps, including frequent communications with Senior Procurement Executives (SPEs), regarding the expectations for contract implementation. SPEs in the Department are communicating more frequently with their respective acquisition workforce, including flash notices and reminders of Recovery Act regulations, specifically the importance of competition.

8-1B. American Recovery and Reinvestment Act

IG Assessment of Progress

The OMB specified the initial step for each agency receiving Recovery Act funds to take was to develop formal documented plans identifying how the recovery funds will be applied and managed. OMB required that agencies discuss both Recovery Act goals and how different parts of the agency are coordinating efforts toward successful implementation and monitoring of these goals. Required agencies to submit separate plans for each program funded by the Recovery Act and stipulated 12 minimum requirements that each plan must address. The DoD Agency Plan and four program-specific plans (at the time of our review DoD had not issued the Homeowners Assistance Program plan) met the 12 minimum OMB requirements.

We have noted that further execution of the Recovery Act is not moving as quickly as the Department had planned, and much of the spending and actual work on the projects will not occur until FY 2010. This delay will impact the Recovery Act's goals of commencing expenditures and activities as quickly as possible, consistent with prudent management. Thus, added pressure is likely to be placed on the Department's contracting professionals to award contracts in an expedited manner, potentially impacting the Recovery Act and Department's goal to competitively award a large portion of the contracts.

We believe, as was the case in Hurricane Katrina, Operation Iraqi Freedom, and Operation Enduring Freedom, that identifying, starting, meeting milestones, and accounting for the efforts will be a recurring challenge for DoD. Without adequate planning, contractor oversight, performance measures, and adequate documentary support, DoD may not be able to adequately meet the intent of the Recovery Act and maintain adequate transparency, accountability, and stewardship of taxpayer funds.

8. American Recovery and Reinvestment Act

Management's Overall Assessment

The Department has obligated \$3.3 billion in Recovery Act funds through Sept. 30, 2009, which is over 45 percent of the \$7.4 billion allocated to the Department. This includes \$2.5 billion, or 58 percent, of all Facilities Sustainment, Restoration, and Modernization projects, \$0.1 billion, or 47 percent, of all Near Term Energy-Efficient Technologies projects, and \$0.6 billion or 26 percent of all Military Construction or Energy Conservation Investment projects. Obligations and project completions will continue to increase throughout FY 2010.

The President has established high standards of transparency and accountability for the use of Recovery Act funds. Each project is required to have policies and procedures in place to ensure that recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.

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Performance Measures: The Department has established performance measures consistent with the intent of the Recovery Act, such as:

- Percent of family housing brought up to acceptable Department standards
- Change in facility condition
- Number of families aided by Homeowners Assistance funding
- Estimated annual energy savings.

Program performance measures are supported by standardized definitions, quantifiable outputs, and designated measurement frequencies. The results of the performance measurements will be updated based on the established frequency and will be readily accessible to the public on the website www.recovery.gov.

Additional details on program performance measures are found in the DoD Agency Plan.

Financial Tracking: The Department will track financial performance using established procedures and routines. Examples include:

- Percent of total projects awarded,
- Percent of the total dollar value of projects awarded,
- Percent of projects completed on agreed-to contractor schedule,
- Percent of fixed price contracts,
- Percent of competitive contracts.

These metrics that track program execution are secondary to the critical outputs of Recovery Act spending, such as job preservation and creation.

Since the signing of the Recovery Act, the Department has worked very closely with OMB and other White House offices to effectively implement funding. The Secretary of Defense designated the Principal Deputy Under Secretary of Defense Comptroller (PDUSD(C)) as the Department's primary point of contact to the White House. Within the Office of the USD(C) a senior steering committee oversees implementation, establishes policies and procedures, and reviews key metrics as the funds are obligated and executed.

Within the Department, a working group – which includes OMB and DoD IG – has been meeting weekly to coordinate the implementation of Recovery Act funds. Also, the Military Services have established their own working groups to coordinate execution down to the installation level.

In accordance with legal and executive directives, Department staff creates weekly reports for OMB, Recovery.gov, and the Office of the Vice President. Daily phone calls occur between OMB and Department staff. Reports with project-level plans, including projected costs and deadlines, are submitted on a scheduled basis.

Review of the progress and performance of major programs, including risk-mitigation and corrective actions, is guided by the Risk Management Plan developed by the Department in accordance with OMB Circular No. A-123, Management's Responsibility for Internal Control, Appendix A. The Department's current Appendix A process has a Senior Assessment Team lead by PDUSD(C), who is also the Responsible Officer for the Department's Recovery Act funding. As part of the Risk Management Plan, each program will be evaluated on a quarterly basis, with a Risk Profile being submitted to the Office of the USD(C) and CFO. This process is further elaborated in the detailed program plans.

Due to the magnitude of normal budgeting for national defense within the Department, the OUSD(C) has established a centralized Business Enterprise Integration System (BEIS) for financial review and internal control. The Department will use BEIS to handle financial tracking, particularly obligation and execution data, at a project-level. This ensures compliance with general financial management policies pertaining to the Recovery Act.