Description of document:	Six Defense Logistics Agency (DLA) Accountability Office Audits and the DLA audit database, 2007-2011
Requested date:	June 13, 2011
Released date:	12-October-2011
Posted date:	23-April-2012
Titles of documents:	See following page
Source of document:	Defense Logistics Agency 8725 John J. Kingman Road Fort Belvoir, VA 22060-6221

INCLUDED RECORDS

DAO-09-10	Final Interim Report, Defense Logistics Agency (DLA) Transfer of Nuclear Weapons Related Materiel (NWRM) to the United States Air Force (USAF), August 18, 2009
DAO-09-12	Audit of Military Construction Resulting from Base Realignment and Closure 2005, January 27, 2010
DAO-09-10b	Final Audit Report, Audit of Nuclear Weapons Related Material Worldwide Inventory, Defense Distribution Depot, Oklahoma City, Oklahoma, January 15, 2009
DAO-09-14	Withheld in Its Entirety pursuant to Exemption b (5).
DAO-10-02	Draft Audit Report, Audit of Nuclear Weapons Related Material Demilitarization Process and Controls, March 8, 2010

(The first ten pages of):

DAO-09-02	Audit of the Procurement Technical Assistance Program DLA Office of Small Business Program Audit, September 29, 2010

DLA audit database since 2007, entries: 6/13/2007 - 3/16/2011

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

OCT 12 2011

This letter responds to your June 13, 2011, Freedom of Information Act (FOIA) request, as amended on August 12, 2011, for copies of DLA Audits DAO-09-10, DAO-09-10b, DAO-09-12, DAO-10-02, DAO-09-14, and the first ten pages of DAO-09-02; and your June 14, 2011, FOIA request for a copy of the DLA audit database since 2007, as amended on June 29, 2011.

The enclosed records are released in part. We are withholding portions pursuant to FOIA exemptions 5 U.S.C. § 552b(3), prohibited from disclosure by another federal statute, 5 U.S.C. § 552(b)5, predecisional and deliberative, 5 U.S.C. § 552 b(6), personal privacy and 5 U.S.C. § 552b(7)(C), personal information in law enforcement records.

Exemption 3 protects information which is specifically prohibited from disclosure by another federal statute. Therefore, we withheld information pertaining to special nuclear material equipment or systems pursuant to 5 U.S.C. § 552b(3) as the information is exempt from disclosure by "Physical Protection of Special Nuclear Material: Limitation on Dissemination of Unclassified Information," 10 U.S.C. § 128, and "Department of Defense Unclassified Controlled Nuclear Information," DoDD 5210.83 (2003).

Exemption 5 protects information that is considered to be predecisional and deliberative in nature, the disclosure of which would injure the quality of the decision-making process within this agency. DLA is invoking the "deliberative process" privilege to the Defense Commissary Agency peer review as it was rescinded on July 20, 2011, and is considered a draft. Therefore, we are withholding in their entirety, three pages pertaining to the peer review for DAO-09-14.

Exemption 6 protects information about individuals when disclosure of such information would constitute a clearly unwarranted invasion of personal privacy. Due to increased security of DoD personnel, the names and signatures of DLA employees who are not in the public domain are withheld. Exemption 7(C) protects law enforcement information contained in an investigatory record compiled for law enforcement purposes, when disclosure could reasonably be expected to constitute an unwarranted invasion of personal privacy; therefore, the names of the auditors have been withheld.

No fees are assessed. You have the right to appeal this partial denial response. An appeal must be made in writing to the General Counsel and reach the General Counsel's Office within 60 calendar days from the date of this letter. The appeal should include your reasons for reconsideration and enclose a copy of this letter. An appeal may be mailed, emailed to hq-foia@dla.mil, or faxed to 703-767-6091. Appeals are to be addressed to the General Counsel, Defense Logistics Agency, ATTN: DGA, Suite 1644, 8725 John J. Kingman Road, Fort Belvoir, Virginia 22060-6221.

Should you have any questions or require further information, please contact Ms. Kathy Tennessee at 703-767-6183 and reference case number DLA-11-HFOI-00148.

Sincerely,

Bridget A Skjoldal

Bridget Skjoldal
Deputy Inspector General for Auditing
DLA Office of the Inspector General

Enclosures:
as stated

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21-60

DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO DA

August 18, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
CHIEF OF STAFF, DEFENSE LOGISTICS AGENCY
COMMANDER, DEFENSE DISTRIBUTION CENTER
DIRECTOR, LOGISTIC OPERATIONS AND READINESS
DIRECTOR, INFORMATION OPERATIONS

SUBJECT: Final Interim Audit Report: Transfer of Nuclear Weapons Related Material (NWRM) to the United States Air Force (USAF)

In accordance with the DLA approved FY 2009 Audit Plan, the DLA Accountability Office (DA) conducted an assessment of the NWRM transfer process. We conducted our work from January 2009 through May 2009.

The attached report identifies vulnerabilities and risks in eight areas and makes 14 recommendations for corrective action. During our review we found instances where process guidance and management oversight over NWRM inventory transfer could have been improved. Management agreed and where possible took responsive actions during the audit. Additionally, since NWRM assets will remain on hand until the second positive inventory control (PIC) facility is completed (estimated to be December 2009), additional safeguards are needed. We identified risks to DLA for consideration. Management should take appropriate actions to reduce the risk to an acceptable level. Management comments were provided and are included in appendices 3 through 5 of this report.

We appreciate the courtesies and cooperation extended to us by all staff involved in this audit. Please direct any questions to Mr. Steve Houlette, Audit Lead, DA Audit Division at (614) 692-9008; DSN 850-9008 or via email at steven.houlette@dla.mil or Ms. Trang Ho, IT Audit Director, DA Audit Division at (703) 767-7482; DSN 427-7482 or via e-mail at trang.ho@dla.mil.

(b)(6)

BRIDGET SKJOLDAL
Staff Director, Audit Division
DLA Accountability Office

Attachment

Defense Logistics Agency
Accountability Office – Audit Division

Final Interim Report

Defense Logistics Agency (DLA) Transfer of Nuclear Weapons Related Materiel (NWRM) to the United States Air Force (USAF)

FOR OFFICIAL USE ONLY

Recipients of this report must not, under any circumstances, show or release its contents for other than official use. It must be safeguarded to prevent improper disclosure.

August 18, 2009

DAO-09-10

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DEFENSE LOGISTICS AGENCY
Accountability Office – Audit Division

DAO-09-10 **August 18, 2009**

FINAL INTERIM REPORT

DLA Transfer of Nuclear Weapons Related Material (NWRM) to the United States Air Force (USAF)

A. Interim Results in Brief

(b)(3):10 U.S.C. 128

However, we found instances where process guidance and management oversight over NWRM inventory transfer could be improved. Management agreed and where possible took responsive actions during the audit. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

- Documentation, including record retention, is critical for DLA to ensure its ability to support and answer future questions about individual NWRM item transfers. (D.1.)
- NWRM accountability must be accurate 100% of the time. Furthermore, specific guidance for all NWRM assets related to causative research requirements and handling NWRM is needed. (D.2. and D.3.)
- (b)(3):10 U.S.C. 128
- (b)(3):10 U.S.C. 128

[1] Defense Distribution Center – Warner Robins (DDWG)

- (b)(3):10 U.S.C. 128
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-
-
-

B. Background

(b)(3):10 U.S.C. 128

As a result of this incident, several reviews have been conducted. In particular, the subsequent Report of the Secretary of Defense Task Force on DoD Nuclear Weapons Management Phase I: The Air Force's Nuclear Mission, September 2008 stated that the USAF is implementing PIC for NWRM. Further, wholesale distribution responsibilities for NWRM assets were transferred from the Defense Logistics Agency (DLA) to a USAF organization. In the subsequent Memorandum of Agreement (MOA) between the USAF Nuclear Weapons Center and the DLA (here-in-after referred to as 'the MOA'), it stated that as a result of the agreement reached by the Joint Asset Accountability Partnership Group, (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

On 5 January 2009, the transfer of NWRM assets at (b) began. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

[2] The original list actually had 276 NSNs, but only 226 had quantities.

(b)(3):10 U.S.C. 128 Based on the final combined list, (b)(3):10 U.S.C. 128 (b)(3):10 U.S.C. 128 However, throughout the transfer, assets continue to be received and shipped by DLA causing a continuous change in the number of NWRM assets on-hand.

Table 1	NWRM - DoD/Air Force Defined Universe					
	Combined		DoD		AF	
Depot	Assets	NSNs	Assets	NSNs	Assets	NSNs
(b)(3):10 U.S.C. 128						

(b)(3):10 U.S.C. 128

C. Objectives, Scope, and Methodology

The objective of this audit was to evaluate the internal controls over the process design and implementation for transfer of NWRM from DLA to the USAF. Between January 2009 and April 2009 a DLA Internal Audit team conducted fieldwork at the (b)(3):10 U.S.C. 128 (b)(3):10 U.S.C. 128 [4]. During our visits we:

1. Determined whether controls ensured that all NWRM assets stored in DDC warehouses were identified and transferred timely to the USAF, and

2. Observed the subsequent accountability transfer process to ensure there was agreement between DLA and the USAF over material physically transferred and that the corresponding documentation was current, accurate, and complete.

[3] DoD and USAF published the final list as of 5 February 2009

(b)(3):10 U.S.C. 128

Table 2	Assets Reviewed Jan - Apr 2009		Audit Results Jan - Apr 2009			
Depot	Assets	NSNs	Documentation Errors	OMF	Missing NWRM	Frustrated Inventory
(b)(3):10 U.S.C. 128						

To accomplish this, we reviewed applicable laws and regulations along with the NWRM Transfer MOA between the USAF Nuclear Weapons Center and DLA. We also reviewed the Report of the Secretary of Defense Task Force on DoD Nuclear Weapons Management Phase I: The USAF's Nuclear Mission dated September 2008 and the DA 24 December 2008 DDC Vulnerability Assessment report which reinforced the need for establishing strong controls during the NWRM transfer.

(b)(3):10 U.S.C. 128 We also examined DSS documents to determine whether NWRM assets had been properly accounted for and transferred. (b)(3):10 U.S.C. 128 NSNs, and (b)(3) assets at (b)(3):10 U.S. NSNs and (b)(assets at (b)(3): . At both sites we relied on subject matter experts to ensure that each item was correctly identified[5].

For the (b)(NSNs at (b) , we:

- Examined the transfer control checklist documents to ensure warehouse personnel accurately and completely recorded what was transferred.
- Determined if appropriate personnel inspected the inventory and noted their review on the checklists.
- Verified that the appropriate DLA and USAF personnel co-signed the checklists noting joint agreement that the inventory was inspected and transferred.
- Interviewed key DLA and USAF personnel for clarification where necessary.

Because the (b) NWRM had only been bare-item inspected, but not transferred to USAF, we:

- Reviewed inventory still in the warehouse and the associated documentation.
- Interviewed key DLA and USAF personnel for clarification where necessary.

Since NWRM transfer activities will extend beyond the original completion timeframe of April 2009, we are issuing this interim report. This interim report provides senior leadership with information regarding our tentative results, findings and observations. Our recommendations will help ensure controls are in place during this transition period and provide procedures to be followed if DLA erroneously receive NWRM once all material has been transferred to the USAF.

[5] DLA DA auditors are trained to observe financial and operational processes and procedures and based on this work to identify potential weaknesses. We could not perform bare item inspections ourselves, since we do not have the expertise required to determine whether an asset is correctly identified.

Our objectives in the systems review was to assess the effectiveness of application security controls and business process controls related to the validity, completeness, accuracy, and confidentiality of transactions and data during application processing. Our evaluation was based on the Government Accountability Office (GAO), Federal Information System Controls Audit Manual, which contains guidance for reviewing application security controls and business process controls. Specifically, we performed a limited evaluation of application security controls and business process controls intended to (1) ensure adequate access controls are in place at the database and application level, (2) protect data and software from unauthorized access, and (3) ensure adequate controls exist at the application level.

We conducted this audit from January 2009 to April 2009 in accordance with generally accepted government auditing standards with the exception of meeting the peer review requirement. The DLA Internal Audit Offices have not been subject to an external peer review in over three years due to lack of a Quality Assurance Review Team. However, this has no effect on the quality of this report. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

D. Results

The transfer of NWRM assets at (b)(3):10 U.S.C. 128 , and was accomplished following the draft USAF/DLA MOA. During the first week of the transfer, the DLA and USAF teams worked closely to develop a process and determine rules of engagement for the transfer. During this first week at (b)(3): DLA auditors made several recommendations for improvement to the checklists being used and the process followed to help ensure the joint inspection steps were documented, consistent, and accountable. The NWRM management team concurred with the following improvements to the transfer process/procedures and took immediate corrective actions to:

- Improve accountability and audit trail. Personnel should pre-number the checklists and DLA Form 27 used to account for each NWRM asset. Further, we recommended that a label be affixed to each asset examined and inventoried, with the Form 27 number included, ensuring accountability with a visible marker showing an item has been completed.

- Add the item condition code to the item checklist, since each checklist corresponds to a unique serial-numbered item.

- Add a current copy of the DSS Quantity by Location (QBL) to item documentation to show that each item count equaled the real time DSS balance.

- Add the Equipment Specialist's signature to the item checklist, where applicable.

- Add all catalogue systems (WEBFLIS, Air Forces' D043) as criteria on item checklist.

- Add checklist step "Record any additional associated NSN and/or serial numbers on asset (if applicable)"

- Examine all NSNs and associated condition codes as a group and leave every item unpacked until the entire NSN group is completed. This will allow a more accurate determination that all NSNs are the same. We found an instance on the first visit where a condition code F item was different than a condition code A item even though they had the same NSN.

In addition to process improvements, our review identified documentation weaknesses that could be improved. The documentation is the key trail showing that the items were jointly inspected, and then transferred to the USAF. Therefore, it is critical that documentation is completed and maintained to ensure a complete audit trail of the transfer of the NWRM assets.

USAF/DLA Transfer Team Operations

1. Documentation Errors

As shown in Table 2, we found (b)(3):10 U.S.C. 128 (b)(3):10 U.S.C. 128 It is important that the documentation be accurate because these will be the record of agreement between DLA and the USAF for each NWRM asset transferred. For example, if there is a future question about whether an asset was transferred at all, or its condition, this record can be accessed to show that there was agreement by individuals at the operational level[6] to avoid such disputes. Documentation errors occurred because of human error and could be prevented by (b)(3):10 U. (b)(3):10 U.S.C. 128 Strengthening controls over NWRM transfers will avoid possible future disputes. Management concurred with our observations and took real-time actions during the audit to correct or mitigate concerns. Specifically, they corrected all problem documents and disseminated new and updated guidance. However, to ensure continued accountability, we recommend:

***Recommendation Number 1** (J-3/4 and DDC)*
J-3/4 and DDC should work together to emphasize to personnel working NWRM transfer the importance of current, accurate, and complete documents.

***Recommendation Number 2** (J-3/4 and DDC)*
J-3/4 and DDC should work together to develop a record retention procedure so that the co-signed checklists are maintained for at least 5 years after completing the transfer of all NWRM assets (classified and unclassified) and are scanned electronically.

[6] While never formalized in writing, tacit agreement was for USAF team lead (TSgt.) and DLA DDC team lead (GS 12).

***Recommendation Number 3** (J-3/4 and DDC)*
J-3/4 and DDC should work together to perform oversight of the NWRM transfer documentation process, for example by assigning personnel to randomly check documentation to ensure that it is current, accurate, and complete[7].

2. Missing NWRM Asset

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 This action does not comply with existing guidance. For example, the 16 October 2008 Under Secretary of Defense for Acquisition, Technology, and Logistics Memorandum for the Service Secretaries, Subject: Nuclear Weapons-Related Materiel, stated:

- "Causative research is required on any discrepancies found as a result of the inventory. Adjustments to the accountable record as a result of the causative research must be approved at the Flag Officer/Senior Executive Service level regardless of dollar value."

Further, in DDC informal guidance dated 12 February 2009 to all DDC NWRM centers servicing USAF operations.

- "Per guidance previously issued, if there are any discrepancies with NWRM, DDC must be notified immediately through the DDC Command Control Center (CCC). DDC Command approval must be obtained before taking any actions in DSS that will result in an inventory adjustment to a NWRM asset. When a discrepancy is identified, the attached form must be filled out as completely as possible and submitted to the DDC CCC immediately. At the same time, causative research must be initiated regardless of Controlled Inventory Item Codes (CIIC) or dollar value of the materiel. If causative research does not correct the discrepancy, a Financial Liability Investigations of Property (FLIPL) must be initiated. Daily updates are required to the DDC CCC until the cause of the discrepancy is identified or the FLIPL investigation is complete."

Audit Comment. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

[7] For example, a quality control check by someone outside the transfer process who reviews transfer support documentation for completeness and accuracy each day/week could add value to the process.

Recommendation Number 4 (J-3/4 and DDC)
J-3/4 and DDC should work together to remind and emphasize to the centers that they comply with existing guidance which directs any NWRM inventory discrepancy be reported to DDC immediately. Further, they should determine if contractor operated sites are in compliance with NWRM inventory variance reporting. If necessary, develop contract modifications to ensure NWRM inventory variance reporting complies with DLA NWRM policy.

3. Frustrated Inventory

(b)(3):10 U.S.C. 128

We recommended during the audit that (b)(3):10 only utilize DSS but also use an excel spreadsheet to include a reason and date frustrated along with the responsible party. DDHU management concurred and took action during the audit to manage frustrated inventory.

(b)(3):10 U.S.C. 128

(b)(3):10 records for each item and were utilizing DSS appropriately, but did not have a comprehensive listing by date to track aging, which would help with management of these assets. We recommended utilizing a spreadsheet like (b) and (b)(3): management concurred.

Recommendation Number 5 (J-3/4 and DDC)
J-3/4 and DDC should work together to direct the NWRM centers to manage its frustrated inventory utilizing DSS so that at any point in time management can be apprised of all the frustrated items and their location.

Recommendation Number 6 (J-3/4 and DDC)
Using (b)(3):10 model, J-3/4 and DDC should develop management reports indicating when items were frustrated, why they were frustrated, and who needs to take action by what date.

4. NWRM Demilitarization

The Under Secretary of Defense Memorandum for the Secretary's of the Navy and USAF, dated 16 October 2008 stated that "a schedule for NWRM demilitarization will be prepared within 30 days of the date of the memorandum and the actual demilitarization will be accomplished within a timeframe approved by my office". However, there have not been any demilitarization actions taken on NWRM assets. The USAF has not provided DLA an official list of NWRM assets requiring demilitarization or a demilitarization schedule as required by the memorandum.

(b)(3):10 U.S.C. 128

[8] Frustrated inventory include items that have not been transferred due to questions about item identification, condition, and/or packing requirements. Further, it should be noted that in DLA DA's 24 December 2008 VA Report we reported several instances of unclassified frustrated inventory and recommended increased controls to improve accountability and oversight.

(b)(3):10 U.S.C. 128

Recommendation Number 7 (J-3/4 and DDC)
Elevate through appropriate Senior level channels to request a final demilitarization list and schedule within 30 days or a waiver to the MOA so that all assets can be transferred to the USAF regardless if they expect to demilitarize the assets.

5. (b)(3):1 Bare Item Inspection

The signed MOA directs that all NWRM material (b)(3):10 U.S.C. 128
(b)(3):10 U.S.C. 128
personnel performing this work had no access to NWRM transfer guidance. This occurred because the joint DLA/USAF NWRM transfer team at Tinker AFB wanted to take advantage of available time and personnel resources prior to transfer. However, they did this without notifying DDC, or the DLA J-3/4 NWRM program office. As a result, NWRM inventory was bare-item inspected and documented unobserved by either DDC or DLA Internal Audit who had been assigned this responsibility. (b)(3):10 U.S.C. 128
(b)(3):10 U.S.C. 128 . (b)(3):10 U.S.C. 128
development, (b)(3):10 U.S.C. 1 personnel explained that there have been several mission incapable due to supply (MICAP) situations that have required shipment of NWRM material from the classified facility subsequent to bare-item inspection.

Recommendation Number 8 (J-3/4 and DDC)
J-3/4 and DDC should work together to write a policy letter to DDOO and a letter to the USAF stating that when the Tinker PIC facility is ready for transfer that the dual bare-item inspections be redone real-time prior to the transfer actions as done by DDHU and as directed by the signed MOA. Further, DDC should provide formal NWRM transfer guidance oversight to DDOO for the transfer.

6. Query Management Facility (QMF) Changes to Asset Balances with No Audit Trail

QMF is a query tool for interfacing with the relational database management system (i.e., DSS) that allows programmers and analysts to read, update, insert, and delete DSS data. (b)(3):10 U.S.
(b)(3):10 U.S.C. 128

DoD 4140.1-R, DoD Supply Chain Material Management Regulation, May 2003, states that transaction histories shall be maintained providing a complete audit trail of all transactions affecting the total item property record for a minimum of 2 years.

(b)(3):10 U.S.C. 128

***Recommendation Number 9** (J-6 and DDC)*
DLA J-6 should develop and implement a standardized procedure for reviewing update, insert, and delete actions within QMF to ensure the actions are appropriate and authorized.

***Recommendation Number 10** (J-6 and DDC)*
DLA J-6 should work with DDC to develop an auditable process for using QMF to update, delete, and insert DSS data.

7. Access to the QMF

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

(b)(3):1 As noted in the Final Vulnerability Assessment Report, AD-FY09-01, issued on 24 December 2008 recommendations 7 through 11 were made to J-6 regarding establishing and implementing access control procedures. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 However, J-6 needs to implement their procedures, as weaknesses were still identified during this audit.

DoD Instruction (DoDI) 8500.2, Information Assurance (IA) Implementation, dated 6 February 2003, section E3.4.7, states: "Privileged users and Information Assurance Officers shall access only that data, control information, software, hardware, and firmware for which they are authorized access and have a need-to-know, and assume only those roles and privileges for which they are authorized." Additionally, National Institute of Standards and Technology (NIST) 800-53, Recommended Security Controls for Information Technology Systems, states Control AC-2, "The organization manages information system accounts, including establishing, activating, modifying, reviewing, disabling, and removing accounts. The organization reviews information system accounts [at least yearly]".

(b)(3):10 U.S.C. 128

Recommendation Number 11 (J-6)
DLA J-6 should re-evaluate users with access to QMF to validate the number of users with read, update, insert and delete access to QMF.

Recommendation Number 12 (J-6)
DLA J-6 should develop and implement procedures requiring QMF user lists be reviewed periodically to identify and remove users that no longer work at DLA and those users that do not need update, insert, and delete access as part of their job function.

8. Movement of NWRM not Transferred to Date

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 For the period identified above, DSS was not configured to identify and restrict NWRM assets from being received and sent by DLA. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

The MOA states that there is risk to DLA if items that have already been transferred to the (b) are subsequently sent to the transferring DLA depot, thus the MOA precludes such action. However, USAF field and maintenance personnel continue to ship NWRM assets already transferred (b)(3):10 in non-compliance with the MOA[9]. This occurred because USAF field and maintenance personnel either do not realize the item has been fully transferred (b)(3):10 or they ignore USAF guidance that NWRM assets transferred to (b)(3): (b) facility should be sent only to the (b) Additionally, while DDC has sent guidance to its depots directing that NWRM assets be treated as classified inventory we believe that more specific working level guidance would be helpful if it explained what should be done upon receipt of NWRM. As a result, DLA continues to be at risk for mishandling NWRM.

Recommendation Number 13 (J-3/4 and DDC)
Develop an internal process to track NWRM misdirected shipment events and notify repeat offenders. Write a letter to the Air Force Materiel Command Directorate of Logistics, AFMC/A4, requesting assistance in getting USAF shippers to send NWRM to correct Defense Activity Address Code (DoDAAC) locations. Finally, develop procedures covering proper handling of NWRM inventory misdirected to and received by DLA warehouse personnel.
Audit Comment: DLA DA will provide a copy of the final report to the Air Force Audit Agency to advise them of our finding of misdirected NWRM.

9. Weaknesses Surrounding Authorized Supervisor Table

As noted above, DLA continues to receive and send NWRM assets to the USAF bases and local depot maintenance shops. Once DSS prompts an operator that a dual inspection is required, a valid supervisor must sign on to approve the movement of the NWRM asset. The supervisor

[9] (b)(3):10 U.S.C. 128

must be on the "AOU Global Table - Authorized Supervisor Table", which lists all individuals who are able to approve movement of NWRM assets into the DLA depots. (b)(3):10 U.S.C. (b)(3):10 U.S.C. 128

- Six of 12 depots on the Eastern Region had ten or more authorizing "supervisors"
- Two of 13 depots on the Western Region had more than ten authorizing "supervisors"

(b)(3):10 U.S.C. 128

DoDI Number 8551.1, dated 13 August 2004, section E2.1.10 states: "Least Privilege. The principle requiring that each subject is granted the most restrictive set of privileges needed for the performance of authorized tasks. Application of this principle limits the damage that can result from accident, error or unauthorized use of an information system." Additionally, NIST SP 800-53 Recommended Security Controls for Federal Information Systems and Organizations states Control AC-6: "The information system enforces the most restrictive set of rights/privileges or accesses needed by users (or processes acting on behalf of users) for the performance of specified tasks."

The DLA depots may not have known of the quantity of NWRM assets that are going to be received and how many individuals would be required to approve these transactions. However, excessive access permissions can lead to an access control environment where users have unnecessary access to a system or greater access rights than required to perform their job function. This can lead to inappropriate actions within DSS and can cause NWRM assets to be erroneously inducted.

***Recommendation Number 14** (DDC)*
DDC should re-evaluate the list of approving "supervisors" for each depot and limit the list to a reasonable number of approving "supervisors" as determined by DDC. Additionally, periodic reviews should be done to identify and remove users that do not require access as part of their job function.

10. Duplicate Serial Numbers

(b)(3):10 U.S.C. 128

DLA Defense Distribution Center, Swarm – Distribution Operations Training Manual, Warehousing 8.2 states, "When a UII is used, no other Unique Item Tracking (UIT) asset can contain the same UII within its NSN or National Item Identification Number (NIIN)". Additionally, GAO Standards for Internal Control in the Federal Government states "A variety of control activities are used in information processing. Examples include edit checks of data

entered, accounting for transactions in numerical sequences, comparing file totals with control accounts, and controlling access to data, files, and programs."

(b)(3):10 U.S.C. 128

We will follow-up on the system change by testing it in the production environment to ensure it is operational and functional.

11. Other Observations

The following are issues that merit consideration. We will continue our work and where noted, perform additional work related to these areas and gather more information prior to our final report to be issued after the NWRM transfer is complete.

- Some actions and decisions by the USAF have increased the risks to DLA. For example, the lack of a final demilitarization list requiring DLA to possibly hold NWRM longer, the decision to develop an additional (b)(3):10 U.S.C. 128 also requiring DLA to hold NWRM longer, and an imbalance in the level of senior level involvement during day-to-day transfer operations. Specifically, (b)(3):10 DLA initially had a Colonel and later a GS 15 managing daily operations including personal visits to the warehouse while the USAF staffed the operation with a Chief Master Sergeant lead. (b)(3):10, daily responsibility resided with (b)(3):10 director (GS 15) while the USAF staffed the project with a YC02[10].

- Supporting testing documentation, including test plans and test results, were not documented and maintained. Specifically, we noted during a walkthrough of changes made to DSS, J-6 did not have a test plan and the test results were not captured and maintained. The DLA One Book – Collaborative Configuration Management (CM) Process, states "All test plans, results, and reports shall be collected, reviewed, and accepted through the assurance testing team. After final testing, the testing documentation and results shall be incorporated into the development package." We suggest J-6 comply with the DLA One Book – Collaborative CM Process and ensure all test plans, results and reports are maintained.

- (b)(3):10 U.S.C. 128

[10] In the National Security Personnel System, pay band YC02 for Logistics Managers falls within the previous GS 12-14 pay levels.

- (b)(3):10 U.S.C. 128
-

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 Office of Management and Budget Circular A-123, Management's Responsibility for Internal Control states, "Application control should be designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete. Controls should be established at an application's interfaces to verify inputs and outputs, such as edit checks." We suggest J-6 work with DDC (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

E. Interim Conclusion

While overall, (b)(3):10 U.S.C. 128 have so far performed the NWRM transfer well, process guidance and management oversight over NWRM inventory transfers and data processing could be improved. Additionally, because DLA will continue to handle NWRM for the foreseeable future, we strongly encourage DLA/DDC Management to develop detailed guidance for those handling NWRM. Furthermore, due to the sensitivity and visibility related to NWRM, we recommend DLA Senior Leadership consider the risks identified and take appropriate actions to reduce the risks to an acceptable level.

F. Summary of Recommendations

Number	Recommendation (NLT 30 days)	Office of Primary Responsibility	Date Corrective Action will be Completed
1	Emphasize to personnel working NWRM transfer the importance of current, accurate, and complete documents.	J-3/4/DDC	Action Complete
2	Develop a record retention procedure so that the co-signed checklists are maintained for at least 5 years after completing the transfer of all NWRM assets (classified and unclassified) and are scanned electronically.	J-3/4/DDC	30 September 2009
3	Perform oversight of the NWRM transfer documentation process, for example by assigning personnel to randomly check documentation to ensure that it is current, accurate, and complete.	J-3/4/DDC	Action Complete
4	Remind and emphasize to the centers that they comply with existing guidance which directs any NWRM inventory discrepancy	J-3/4/DDC	Action Complete

Number	Recommendation (NLT 30 days)	Office of Primary Responsibility	Date Corrective Action will be Completed
	be reported to DDC immediately. Further, they should determine if contractor operated sites are in compliance with NWRM inventory variance reporting. If necessary, develop contract modifications to ensure NWRM inventory variance reporting complies with DLA NWRM policy.		
5	Direct the NWRM centers to manage its frustrated inventory utilizing DSS so that at any point in time management can be apprised of all the frustrated items and where they are.	J-3/4/DDC	Action Complete
6	Using the (b)(3):10 U. , J-3/4 and DDC should develop management reports indicating when items were frustrated, why they were frustrated, and who needs to take action.	J-3/4/DDC	Action Complete
7	Elevate through appropriate Senior level channels to request a final demilitarization list and schedule within 30 days or a waiver to the MOA so that all assets can be transferred to the USAF regardless if they expect to demilitarize the assets.	J-3/4/DDC	30 June 2009
8	(b)(3):10 U.S.C. 128	J-3/4/DDC	1 November 2009
9	DLA J-6 should develop and implement a standardized procedure for review, update, insert, and delete actions within QMF to ensure the actions are appropriate and authorized.	J-6	31 August 2009
10	DLA J-6 should work with DDC to develop an auditable process for using QMF to update, delete, and insert DSS data.	J-6/DDC	Action complete with on-going quarterly reviews
11	DLA J-6 should re-evaluate users with access to QMF to validate the number of users with read, update, insert and delete access to QMF.	J-6	31 August 2009 with on-going quarterly reviews
12	DLA J-6 should develop and implement	J-6	31 August 2009

Number	Recommendation (NLT 30 days)	Office of Primary Responsibility	Date Corrective Action will be Completed
	procedures requiring QMF user lists be reviewed periodically to identify and remove users that do not need update, insert, and delete access as part of their job function.		with on-going quarterly reviews
13	Develop an internal process to track NWRM misdirected shipment events and notify repeat offenders. Write a letter to the Air Force Materiel Command Directorate of Logistics, AFMC/A4, requesting assistance in getting USAF shippers to send NWRM to correct DoDAAC locations. Finally, develop procedures covering proper handling of NWRM inventory misdirected to and received by DLA warehouse personnel.	J-3/4/DDC	Action Complete
14	DDC should re-evaluate the list of approving "supervisors" for each depot and limit the list to a reasonable number of approving "supervisors" as determined by DDC. Additionally, periodic reviews should be done to identify and remove users that do not require access as part of their job function.	DDC	31 August 2009 with on-going quarterly reviews

G. Management Comments

We provided a draft of this report to DDC, J-3/4, and J-6 for comment. DDC, J-3/4, and J-6 concurred with all of the recommendations addressed to them. All DDC written comments are included in their entirety in Appendix 3; J-3/4 written comments are included in their entirety in Appendix 4; and all J-6 written comments are included in their entirety in Appendix 5 of this report.

We appreciate the courtesies and cooperation extended to us by all staff involved in this audit. Please direct any questions to Mr. Steve Houlette, Audit Lead, DA Audit Division at (614) 692-9008; DSN 850-9008 or via email at steven.houlette@dla.mil; or Ms. Trang Ho, IT Audit Director, DA Audit Division at (703) 767-7482; DSN 427-7482 or via email at trang.ho@dla.mil.

Appendix 1
Acknowledgements

The NWRM site visits were completed by a team of DLA Internal Auditors.

Auditors:
Bridget Skjoldal, Staff Director, Audit Division, DLA Accountability Office
Trang Ho, Audit Director, Information Technology, DLA Accountability Office
(b)(6) Auditor, DLA Accountability Office
(b)(6) Auditor, DLA Accountability Office
Auditor, DLA Accountability Office
(b)(6) IT Auditor, DLA Accountability Office

Appendix 2
Acronyms

AFB	Air Force Base
CCC	Command Control Center
CGA	Continuing Government Activity
CIIC	Controlled Inventory Item Codes
CM	Configuration Management
DA	DLA Accountability Office
DDC	Defense Distribution Center
(b)(3):10 U.S.C. 128	
(b)(3):10 U.S.C. 128	
DLA	Defense Logistics Agency
DoD	Department of Defense
DoDAAC	Defense Activity Address Code
DoDI	Department of Defense Instruction
DSS	Defense Distribution System
(b)(3):10 U.S.C. 128	
FLIPL	Financial Liability Investigations of Property Loss
GAO	Government Accountability Office
IA	Information Assurance
IAO	Information Assurance Officer
MICAP	Mission Incapable due to Supply
MOA	Memorandum of Agreement
NIIN	National Item Identification Number
NIST	National Institute of Standards and Technology
NSN	National Stock Number
NWRM	Nuclear Weapons-Related Materiel
PIC	Positive Inventory Control
QBL	Quantity By Location
QMF	Query Management Facility
UII	Unique Item Identification
UIT	Unique Item Tracking
USAF	United States Air Force
SDR	Supply Discrepancy Reports
WEBFLIS	Federal Logistic Information System Web Inquiry

Appendix 3
DDC Management Comments

DEFENSE LOGISTICS AGENCY
DEFENSE DISTRIBUTION CENTER
2001 MISSION DRIVE
NEW CUMBERLAND, PA 17070-5000

JUL 10 2009

IN REPLY REFER TO DDC-DD

MEMORANDUM FOR DLA ACCOUNTABILITY OFFICE

SUBJECT: DDC Comments on Draft Interim Report, Transfer of Nuclear Weapons Related Material (NWRM) to the United States Air Force (USAF)

DDC has reviewed the Draft Interim Report on the transfer of NWRM to the USAF dated June 19, 2009. Our comments are provided on the attached and include our actions taken or planned in response to the recommendations provided.

If you have any questions or require further clarification, my point of contact is (b)(6) (b)(6) DSN (b)(6) commercial (b)(6) or via e-mail at (b)(6)

(b)(6)

WILLIAM H. BUDDEN, SES
Deputy Commander

Attachment

Appendix 3
DDC Management Commets

Number	Recommendation	OPR	Comments/Status
1	Emphasize to personnel working NWRM transfer of the importance of current, accurate, and complete documents.	J-3/4/DDC	DDC J-3 Comments: Concur. All personnel working the transfer of NWRM assets are aware of the importance of current, accurate, and complete documentation. When errors are identified, the personnel involved are notified and re-trained as necessary.
2	Develop a record retention procedure so that the co-signed checklists are carefully maintained for at least 5 years after completing the transfer of all NWRM assets (classified and unclassified) and are scanned electronically for utmost control.	J-3/4/DDC	DDC J-3 Comments: Concur. DDC has taken action to obtain all completed checklists used during the transfer of NWRM assets and will retain for at least five (5) years. We are exploring options to electronically scan the documents so they can be retained indefinitely. ECD: Completed checklists will be provided within two weeks of completion; ECD for method to electronically scan the documents is 30 September 2009.
3	Assign personnel to randomly check documentation to ensure that it is current, accurate, and complete.	J-3/4/DDC	DDC J-3 Comments: Concur. On 8 June 09, DDC directed sites with NWRM (and) to assign a person to randomly check documentation to ensure that it is current, accurate and complete. DDC action complete
4	Remind and emphasize to the centers working NWRM transfer actions to comply with existing guidance that directs that any NWRM discrepancy be reported to DDC immediately.	J-3/4/DDC	DDC J-3 Comments: Concur. DDC re-issued guidance on 8 June 09 to ensure that any NWRM discrepancy is reported to DDC immediately. DDC action complete
5	Direct the NWRM centers to manage its frustrated inventory utilizing DSS so that at any point in time management can be apprised of all the frustrated items and where they are.	J-3/4/DDC	DDC J-3 Comments: Concur. When this vulnerability was identified, immediate action was taken to ensure any frustrated NWRM assets were clearly identified as frustrated, placed in a segregated location and DSS record updated with the actual physical location. This is now standard practice for any frustrated NWRM asset. DDC action complete

Appendix 3
DDC Management Commets

Number	Recommendation	OPR	Comments/Status
6	Using the [redacted] model, J-3/4 and DDC should develop management reports indicating when items are frustrated, why they are frustrated, and who needs to take action.	J-3/4/DDC	DDC J-3 Comments: Concur. [redacted] frustrated NWRM assets are tracked as recommended, using the [redacted] model. DDC action complete
7	Elevate through appropriate Senior level channels to request a final demilitarization list within 30 days or a waiver to the MOA so that all assets can be transferred to the USAF regardless if they expect to demilitarize the assets.	J-3/4/DDC	DDC J-3 Comments: Concur. Through our weekly conference calls with the AF, DLA/DDC has requested a final demilitarization list and schedule be provided promptly. Current AF ECD for providing the list/schedule is 30 June 2009. Although we have not received an official DEMIL list or schedule, we have transferred the Hill material to AF control and custody by temporarily storing in a segregated, locked area. The AF will be responsible for all processing of this material. We received disposal orders for about 150 assets at [redacted] which were shipped direct to the DEMIL Center in Tucson. Disposal orders for the remaining DEMIL material at [redacted] are expected over the next month or so.
8	Write a policy letter to [redacted] and a letter to the USAF stating that when the Tinker PIC facility is ready for transfer that the dual bare-item inspection will be redone real-time prior to the transfer actions as done by DDHU and as directed by the signed MOA. Further, DDC should provide formal NWRM transfer guidance oversight to [redacted] for the transfer.	J-3/4/DDC	DDC J-3 Comments: Concur. DDC has made it clear to the AF that we expect the materiel to be jointly bare-item inspected when the material is transferred to the [redacted] facility. Formal NWRM transfer guidance (as well as any necessary additional training and oversight) will be provided to [redacted] prior to executing the final transfer of NWRM assets to the Tinker PIC Facility. J-3/4 and DDC, in conjunction with the AF, are developing a MOA to be used to document necessary actions for the final transfer of NWRM. This MOA includes the requirement to conduct a joint bare-item inspection prior to transferring. ECD: NLT 1 November 2009 (estimated Tinker PIC establishment date)

Appendix 3
DDC Management Commets

Number	Recommendation	OPR	Comments/Status
9	DLA J-6 should develop and implement a standardized procedure for review, update, insert, and delete actions within QMF to ensure the actions are appropriate and authorized.	J-6	DDC J-3 and J-8N Comments: Concur. DDC J-3 and J-8N have an informal process in place where written (i.e. e-mail) documentation is provided prior to any QMF action that will update, insert or delete DSS data. We will formalize this process within the next 90 days. ECD: 31 August 2009
10	DLA J-6 should work with DDC to develop a process for using QMF to update, delete, and insert DSS data.	J-6/DDC	DDC J-3 and J-8N Comments: Concur. DDC J-3 and J-8N have implemented a process where written documentation (i.e. e-mail) is provided, to include valid reason, for any QMF action that will update delete or insert DSS data. J8N will conduct a quarterly review of any QMF actions that updated, deleted or inserted DSS data to ensure back-up documentation was provided and is maintained for the action. ECD: Development of process is complete; on-going quarterly reviews will be conducted
11	DLA J-6 should re-evaluate users with access to QMF to validate the number of users with read update insert and delete access to QMF.	J-6	DDC J-3 and J8N Comments: Concur. ECD for re-evaluation of users with access is 31 August 2009; on-going quarterly reviews will be conducted
12	DLA J-6 should develop and implement a procedure requiring QMF user lists be reviewed periodically to identify and remove users that do not need update, insert, and delete access as part of their job function	J-6	DDC J-3 and J8N Comments: Concur. The DDC System Access Policy and Procedures was published January 2009. A review will be conducted to ensure site IAO(s)/TASO(s) are complying with policy. ECD for initial review is 31 August 2009; on-going quarterly reviews will be conducted

Appendix 3
DDC Management Commets

Number	Recommendation	OPR	Comments/Status
13	Develop an internal process to track NWRM misdirected shipment events and notify repeat offenders. Write a letter to the USAF Director, Nuclear Operations, Plans, & Requirements DCS/Operations, Plans & Requirements office requesting movement of NWRM to be slowed down or stopped except for mission essential actions.	J-3/4/DDC	DDC J-3 Comments: Concur. It is standard practice for DDC Distribution Centers to submit a Transportation Discrepancy Report (TDR) when materiel is mis-directed to the incorrect storage location. Repeat offenders are notified. It needs to be recognized that slowing down and/or stopping movement of NWRM could be detrimental to the AF as movement of the assets may be necessary to meet mission requirements. DDC action complete
14	DDC should re-evaluate the list of approving 'supervisors' for each depot and limit the list to a reasonable number of approving "supervisors" as determined by DDC. Additionally, periodic reviews should be done to identify and remove users that do not require access as part of their job function.	DDC	DDC J-3 Comments: Concur. DDC will re-evaluate the list of approving supervisors and limit to a reasonable number based on current workload. Periodic reviews will be conducted to ensure the list is updated as needed. ECD for initial review is 31 August 2009; on-going quarterly reviews will be conducted

Appendix 4
J-3/4 Management Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO
J-3/4

AUG 1 7 2009

MEMORANDUM FOR DLA ACCOUNTABILITY OFFICE

SUBJECT: Draft Interim Audit Report: Transfer of Nuclear Weapons Related Materiel (NWRM) to the United States Air Force (USAF)

J-3/4 has reviewed the Draft Interim Audit Report on NWRM Transfer, dated 19 Jun 08, and concurs with all recommendations. These recommendations were reviewed for progress during the July 2009 DLA Red Team effort, and open recommendations were included in the Red Team Final Report, dated 7 Aug 09, as well. The DLA NWRM Oversight Team, chaired by Col Richard Schwing, has captured all open recommendations from this Audit Report and will track to completion.

If you have additional questions, please contact Col Richard Schwing, 703-767-1319, or richard.schwing@dla.mil.

(b)(6)

PAUL D. PETERS, SES
Deputy Director
Logistics Operations & Readiness

Appendix 5
J-6 Management Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO J-65

JUL 21 2008

MEMORANDUM FOR DLA ACCOUNTABILITY OFFICE
ATTN: MS. TRANG HO

SUBJECT: Draft Interim Audit Report: Transfer of Nuclear Weapons Related Material (NWRM) to the United States Air Force (USAF)

The J-6 staff has reviewed the draft interim audit report on the transfer of NWRM to the USAF and all four of the recommendations pertaining to J-6 have been concurred by DDC, J-3/4, and J-6. The proposed corrective actions and timelines are identified in the comment matrix attached.

The technical point of contact is Mr. Jan Swinehart, J6N, (717) 770-7900, email: jan.swinehart@dla.mil. All administrative queries should be addressed to (b)(6) J-651, (b)(6)

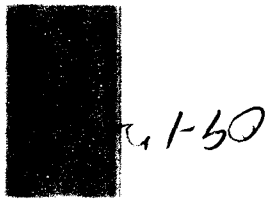
(b)(6)

MAE DE VINCENTIS
Director, Information Operations
Chief Information Officer

Attachment

Appendix 5
J-6 Management Comments

Number	Recommendation	OPR	Comments/Status
9	9. DLA J-6 should develop and implement a standardized procedure for review, update, insert, and delete actions within Query Management Facility (QMF) to ensure the actions are appropriate and authorized	J-6	DDC, J-3/4, and J6N Comments: Concur. DDC, J-3, and J-6N have an informal process in place where written (i.e., email) documentation is provided prior to any QMF action that will update, insert, or delete DSS data. We will formalize this process within the next 90 days. ECD: Aug 31, 09.
10	10. DLA J-6 should work with DDC to develop a process for using QMF to update, delete, and insert DSS data	J-6/DDC	DDC, J-3/4, and J6N Comments: Concur. DDC, J-3/4, and J6N have implemented a process where written documentation (i.e., email) is provided, to include valid reason, for any QMF action that will update, delete, or insert DSS data. J6N will conduct a quarterly review of any QMF actions that updated, deleted or inserted DSS data to ensure back-up documentation was provided and is maintained for the action. ECD: Development of process is complete; ongoing quarterly reviews will be conducted.
11	11. DLA J-6 should reevaluate users with access to QMF to validate the number of users with read, update, insert and delete access to QMF.	J-6	DDC, J-3/4, and J6N Comments: Concur. ECD for reevaluation of users with access is Aug 31, 09; ongoing quarterly reviews will be conducted.
12	12. DLA J-6 should develop and implement a procedure requiring QMF user lists be reviewed periodically to identify and remove users that do not need update, insert, and delete access as part of their job function.	J-6	DDC, J-3/4, and J6N Comments: Concur. The DDC System Access Policy and Procedures was published January 2009. A review will be conducted to ensure the Information Assurance Officers/Terminal Area Security Officers are complying with policy. ECD for initial review is Aug 31, 09; ongoing quarterly reviews will be conducted.



DLA Accountability Office

Audit of Military Construction Resulting from Base Realignment and Closure 2005

J-3/4 and DDC

Audit Report: DAO-09-12 January 27, 2010

Executive Summary

Audit Report DAO-09-12
January 27, 2010

Audit of Military Construction Resulting from BRAC 2005

J-3/4 and DDC

Results

The DLA Accountability Office audited the adequacy and management of documentation required to support the 2005 Base Realignment and Closure (BRAC) conclusions, construction requirements, and BRAC funding. Our audit covered the DLA military construction (MILCON) projects that resulted from the 2005 BRAC decision number 177. The BRAC MILCON projects that were subject of this audit were the General Purpose Warehouse (GPW) and the Consolidation, Containerization, and Palletization (CCP) warehouses located at Distribution Depot Susquehanna Pennsylvania (DDSP), Distribution Depot Warner-Robins Georgia (DDWG), and Distribution Depot Oklahoma City Oklahoma (DDOO).

As a result of our audit, we found that the BRAC MILCON construction requirements were generally valid and supported. The BRAC 2005 Decision Memorandum justifies the GPW MILCON project DDSP and the CCP MILCON projects at DDWG and DDOO, and details the expected benefits. Because the supply, storage, and distribution management reconfiguration decisions were authorized by the Secretary of Defense, the President, and Congress, there was sufficient approval of the projects.

We also found that the BRAC funding provided to DLA for the construction of these MILCON projects was being used appropriately.

The construction requirements for the BRAC MILCONs were valid; however, DLA supporting documentation on all three projects needed to be consolidated and improved. We did not find a clearly defined audit trail of documentation and methodology supporting the progression from the original BRAC recommendation to the specific construction projects.

We determined that DLA did not have any space or volume utilization metrics for bulk storage; which accounts for about 70 percent of all DDC stock. We also determined the methodologies used in the measurement of bulk stock are highly subjective and rely on self reporting by warehouse personnel. Each distribution depot is responsible for performing their own bulk storage utilization study and reporting the results to DDC with limited validation.

Why DA Did this Review

The FY 09 DLA Accountability Office Annual Audit Plan included an audit of BRAC SS&D sites; however, due to the timing of SS&D implementation (and at the request of the DLA BRAC Office), we conducted an audit of the BRAC MILCON program. This audit provided a comprehensive assessment of the program and practical recommendations, as appropriate, for DLA senior leadership.

What DA Did

The overall objective of the audit was to evaluate the DLA BRAC MILCON program administration. Specifically, the audit determined whether: (1) the BRAC funding is being used appropriately, and (2) the construction requirements were valid and supported.

What DA Recommends

This report contains two recommendations addressed jointly to J-3/4 and DDC, three recommendations addressed to the DDC Commander, and two recommendations to the Director of DES. Our recommendations address opportunities for DLA to further develop their processes and procedures for BRAC MILCON project supporting documentation files and for further development in storage space assessment, measurement, and management.

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO DA

January 27, 2010

MEMORANDUM FOR COMMANDER, DEFENSE DISTRIBUTION CENTER
DIRECTOR, LOGISTICS OPERATIONS AND READINESS
DIRECTOR, DLA ENTERPRISE SUPPORT

SUBJECT: DLA Military Construction Projects

This is our report on the audit of the DLA military construction projects initiated as a result of the 2005 Base Realignment and Closure decisions. It includes our review and conclusion of the overall BRAC MILCON program administration.

We conducted this audit from January 2009 to October 2009 in accordance with generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States, with the exception of meeting the peer review requirement. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The DLA Accountability Office has not been subject to an external peer review in over three years due to a lack of a Quality Assurance Review Team. However, this has no effect on the quality of this report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report contains seven recommendations to improve the operations of the BRAC MILCON program and the associated management comments. There are two recommendations addressed jointly to J-3/4 and DDC, three recommendations addressed to the Commander of DDC, and two recommendations to the Director of DES.

I appreciate the courtesies and cooperation extended to us during the audit. For additional information about this report, please contact Jonathan Gallinger at (804) 279-3570.

(b)(6)

BRIDGET SKJOLDAL
Staff Director, Audit Division
DLA Accountability Office

CONTENTS

INTRODUCTION

OBJECTIVES

The objective of this audit was to evaluate the DLA Base Realignment and Closure (BRAC) Military Construction (MILCON) program administration. Specifically, we determined whether the:

- BRAC funding was used appropriately.
- Construction requirements were valid and supported.

WHAT WE AUDITED

Our audit covered the DLA MILCON projects that resulted from DLA enacting the supply, storage, and distribution management reconfiguration decisions within BRAC 2005 decision number 177. This decision created:

- A general purpose warehouse at Defense Distribution Depot Susquehanna (DDSP).
- A consolidation, containerization and palletization warehouse at Distribution Depot Warner-Robins (DDWG) and Distribution Depot Oklahoma City (DDOO).

We also reviewed funding documentation from DLA to the U.S. Army Corps of Engineers (USACE). We did not evaluate these projects for their use of green technology.

BACKGROUND

On January 4, 2005, the Secretary of Defense released selection criteria to guide the BRAC process. The DOD, Congress, and the BRAC commission adhered to a predetermined set of criteria to guide them through the process. While many of the criteria are similar to those used in past BRAC rounds, some were updated to reflect new DOD objectives. These new criteria were critical to a process that produces the maximum savings and efficiency for the taxpayer.

The BRAC 2005 data call used fiscal year 2003 data to estimate potential costs using the Cost of Base Realignment (COBRA) model. After an in-depth look at the missions and functions, as well as other workload changes, DLA identified a variance between the original and the current

COBRA estimate. This variance resulted in a reduction to the number of transfers-in-place to support the industrial supply and distribution functions.

BRAC commission recommendations became law November 9, 2005; DOD has until September 15, 2011 to complete the implementation of recommendations. The DOD BRAC business plan serves as the foundation for the complex program management necessary to ensure BRAC 2005 recommendations are implemented efficiently and effectively. The BRAC Supply, Storage and Distribution Management Reconfiguration (COMM-177 I S&S-0051) recommendation created four regional Strategic Distribution Platforms (SDP) and realigned the remaining distribution depots into Forward Distribution Platforms (FDP). Once implemented, the recommendation will change DLA's wholesale storage and distribution infrastructure into four hub-and-spoke geographical regions within the continental United States. Each region will have one hub, known as a SDP, and multiple spokes, known as FDPs. Each strategic distribution platform is designed to have state-of-the-art capabilities for packaging and shipping supplies to its designated customers. The four SDPs are located at:

- Warner Robins Air Force Base, Georgia.
- Tinker Air Force Base, Oklahoma.
- Distribution Depot Susquehanna, Pennsylvania.
- Distribution Depot San Joaquin, California.

The recommendation required the FDPs to relocate their remaining wholesale storage and distribution functions and related inventories to their regional SDP. The recommendation also requires DDSP to receive supply, storage, and distribution functions and associated inventories from Defense Supply Center Columbus, Tobyhanna Army Depot, Naval Station Norfolk, and Defense Supply Center Richmond. The recommendation is intended to reconfigure DLA's distribution depot network to save money and enhance the effectiveness of logistics support to operational forces.

DDC and DLA management proceeded with the development and construction of three new buildings in order to fully implement the BRAC decision. The original baseline number and the revised baseline number resulted in total construction requirements of 584,000 square feet. This includes two general purpose warehouses (one with 407,000 and a second with 163,500 square feet) and administrative supporting facilities measuring 13,500 square feet. The construction projects were approved in February 2006.

RESULTS, RECOMMENDATIONS AND CONCLUSIONS

RESULTS AND RECOMMENDATIONS

In this section, we discuss these four areas:

- Use of BRAC Funds.
- Space Management.
- Inventory Management.
- Policies and Procedures.

USE OF BRAC FUNDS

The expenditure of BRAC funds is progressing appropriately and in accordance with BRAC guidance. We reviewed funding documentation sent from DOD to DLA and then from DLA to the USACE, and verified that the appropriate BRAC funds were transferred. We also reviewed BRAC funding documentation to verify USACE was using BRAC funds appropriately. We found no evidence that the funds were used for non-BRAC construction or that DLA supplemented the BRAC funding.

SPACE MANAGEMENT

We found that DDC has the ability to manage space utilization; however, the ratio of actual cubic storage space available to the actual cubic space used is not currently being measured. DDC manages space utilization as the overall storage spaces or locations utilized. Currently the distribution depots are reporting both cubic storage space vacant and occupied in bin, rack, and bulk storage; however, there are no minimum standards on an acceptable occupancy to availability rate within the storage spaces utilized.

We identified the lack of storage space utilization metrics while reviewing the DD Form 805 (DoD Storage Space Management Report). The DD Form 805 report does identify total cubic feet available and occupied in bin, rack, and bulk storage areas; however, there is no identified

minimum standard or metric. Volume utilization statistics would provide management with additional valuable information in the effective management of warehouse space.

Overall space requirements standards are identified within the Joint Services Manual for Storage and Materials Handling (DLAM 4145.12). However, this manual does not include any storage space volume utilization standards. The most recent version of this manual was released in 1994. An update is underway to more effectively address current storage and material handling situations. DDC Storage Program Manager informed us that DDC has proposed a 40 percent volume utilization rate. This proposal was not accepted by DDC management and was not implemented. The use of such metrics would also provide a clearer justification for the need for additional warehouse space.

Recommendation 1 ***(J-33 and DDC)***

Develop and implement a realistic and reportable space/volume utilization metric that will have "buy-in" from the distribution depots and provide DDC and DLA management with oversight of space/volume utilization metrics.

Management Comments

Partially concur. In the absence of established DOD space utilization goals, DDC currently utilizes metrics to measure occupancy and storage density. The occupancy goal for bin and rack storage is 85% and bulk storage is 70%. The storage density goal is 40%. These goals are in place to measure efficient use of storage space within the DDC distribution network. J-33 agrees with these internal DLA standards established to measure space and volume utilization. DDC will publish these goals to the distribution centers.

Additionally, J-33 and DDC will work together to promote establishing DOD standards and ensure goals are documented in the updated version of the Joint Services Manual for Storage and Materials Handling (DLAM 4145.12).

Our Response

The comments were partially responsive. Although the comments received from management addressed the occupancy rates in rack and storage density goals. The management comments have not addressed the spirit of the recommendation in providing/reporting to DDC and DLA management with realistic, timely, and measurable space/volume utilization metrics. We have clarified our recommendation to ensure that these metrics are agreed upon by the distribution depots and ultimately reported to DDC and DLA management ultimately ensuring strong management oversight.

INVENTORY MANAGEMENT

DDC has worked extensively with the Services on eliminating duplicative, dormant, excess, and slow-moving (zero activity) inventories. However, the Services have not identified the minimum and necessary storage and distribution quantities as required in the BRAC decision. As a result, DDC had to estimate what they anticipated the Services will transfer to DLA as well as the associated space requirements. BRAC initially estimated that about 22 million square feet of storage space would be relocated. Because DDC has improved data reliability and integrity due to standardizing assessment methodology across the distribution depots, the storage space relocation calculation provided by DDC dropped to 15 million square feet.

In order for us to validate whether the DDSP GPW construction requirements were valid and supported, we attempted to verify the current storage space availability to compare to the total storage space requirements of the incoming stock. Since the original estimates were based on the Services implementing drastic reductions of stock, which hasn't occurred, as well as the issues we identified with space and inventory management, the DDSP BRAC MILCON may not be large enough to adequately house all incoming stock.

According to DDC management, bulk storage comprises 70 percent of all DDC stock. We observed that bulk stock measurement was highly subjective and relies on self-reporting by the distribution depots. Distribution depot personnel completing bulk storage space measurements utilize visual estimations and judgmental observations of stored material within open storage areas. Secondly, each distribution depot is responsible for performing their own bulk storage utilization study and reporting the results to DDC. By each depot self measuring and reporting, there is added potential for variance from each distribution depot. Without the availability of accurate measurements of storage volume space available and utilized for approximately 70 percent of all storage, management is limited in their ability to determine the true need for and overall amount of additional storage space.

Recommendation 2 *(DDC)*

Determine if the general purpose warehouse planned for DDSP is going to provide adequate storage type and space to effectively warehouse incoming items. Potential study parameters could include the evolving item transfer data to date, the overall storage space plan for DDSP and corresponding distribution depots, item overflow, and rental space mitigation plan.

Management Comments

Concur - action completed. The planned general purpose warehouse will provide the right mix and amount of storage space required to store stock moved from associated FDPs to DDSP.

The DDC has developed a BRAC execution plan to include the estimated amount of stock required to move from FDPs to the SDPs and the corresponding amount of GSF required to store that stock.

DDC is also implementing a storage optimization plan at DDSP. The plan includes improved utilization of existing warehouse space, consideration for the space that will be provided by the MILCON, and the estimated impact of the DDC BRAC execution plan, including materiel movements. DDC considered acquiring temporary storage capacity but analysis indicated that a modified materiel movement plan would achieve BRAC goals without the requirement for temporary storage space.

Our Response

The management comments provided were responsive and addressed the recommendation; however, management did not provide the referred 'BRAC execution plan' or the referred 'storage optimization plan' for our review and assessment. We are unable to assess whether the actions taken adequately address the recommendation; this will be determined during Internal Audit Follow-ups.

Recommendation 3 *(DDC)*

Report the results and recommendations from recommendation 2 to J-3/4 and DDC senior leadership to ensure adequate oversight.

Management Comments

Concur - action completed. The plan was previously briefed to the DLA Alignment Group on December 2, 2009 and the Service Materiel Readiness Project Office (MRPO) representatives on December 9, 2009.

Our Response

The management comments provided were responsive and addressed the recommendation; however, management did not provide the referred 'BRAC execution plan' or the referred 'storage optimization plan' for our review and assessment. We are unable to assess whether the actions taken adequately address the recommendation; this will be determined during Internal Audit Follow-ups.

Recommendation 4 *(DDC)*

Perform semi-annual random validations and verifications of distribution depot bulk storage space utilization data reported by independent teams.

Management Comments

Concur. As a management practice, DDC routinely sends operationally focused teams to visit and assess the distribution centers. While the data reported via the 805 report is specific to a particular date, DDC will ensure that these teams visually validate the bulk space utilized at the distribution center and compare to utilization reported by the center via the 805 report.

Our Response

The management comments provided were responsive and addressed the recommendation. Internal Audit Follow-ups will be performed to assess the effectiveness of the actions performed.

POLICIES AND PROCEDURES

BRAC MILCON construction projects did not follow the standard MILCON process as detailed by the DLA One Book. There is not a sufficient historical record documenting changes. This is complicated by the fact that there is not a clearly defined central documentation point for the BRAC MILCONs; the multiple document storage locations increase the probability that some documents may be lost. Currently portions of the supporting documentation reside in several different offices. For example, we found some supporting information for the original DLA BRAC Team construction requirements with J-39, updated construction requirements at DDC, and DLA communications and project updates to USACE within the DES Project Manager's electronically stored email files.

BRAC MILCON project historical records were incomplete for two main reasons; highly structured BRAC deadlines, and the geographical and organizational separation of DLA offices involved in the provision of supporting data. Subsequently, progressive changes to the original BRAC decisions were made and supported with updated DDC data. However, the audit team found gaps within the overall agency's documentation and supporting methodology behind the use of more recent DD Form 805 report data. In one instance it was discovered that the business plan incorrectly referred to the use of DD Form 805 data from December 2004 instead of from June 2005. As a result, the BRAC MILCON projects have a great deal of documentation related to the overall decision of requirements that is not consolidated in the MILCON folder.

Recommendation 5 *(DES)*

Develop a single project folder that includes all documentation relating to the BRAC Decision, and the progression and evolution of the resulting MILCON. This file should be managed by DES as part of the overall MILCON documentation and reside in e-workplace so that all parties have real-time access to the overall project file.

Command Comments

Concur - completed action. DES has consolidated all of the necessary files into a single folder that supports the BRAC MILCON's size, scope, cost, methodology, and implementation. However, these files will continue to be managed in a manual fashion as opposed to an e-file construct. Due to the vast size and volume of documents an e-file construct will be unmanageable.

Our Response

The management comments provided were responsive and addressed the recommendation. Internal Audit Follow-ups will be performed to assess the effectiveness of the actions performed.

Recommendation 6 *(DES)*

Include within the project folder from recommendation 5; a full description of the methodology as well as necessary supporting documentation of decisions, changes, and special circumstances that have ultimately affected the MILCON size, scope, cost, methodology, and implementation.

Command Comments

Concur - completed action. DES has consolidated all of the necessary files into a single folder that supports the BRAC MILCON's size, scope, cost, methodology, and implementation. DES methodology for control and management of files for BRAC MILCON's adheres to OSD's policies and procedures and is not different from traditional MILCON projects.

Our Response

The management comments provided were responsive and addressed the recommendation. Internal Audit Follow-ups will be performed to assess the effectiveness of the actions performed.

Recommendation 7 *(J-39 and DDC)*

Incorporate copies of all documentation of decisions, changes, and special circumstances that have ultimately affected the MILCON size, scope, cost, methodology, and implementation, in the single project folder.

Command Comments

Concur - completed action. DES has consolidated documentation into a single project folder.

Our Response

The management comments provided were responsive and addressed the recommendation. Internal Audit Follow-ups will be performed to assess the effectiveness of the actions performed.

CONCLUSION

We concluded the construction requirements for the BRAC MILCONs were valid; however, DLA supporting documentation on all three projects needed to be consolidated and improved. We could not identify a clearly defined audit trail of documentation and methodology supporting the progression from the original BRAC Recommendation #177 to the current DDSP GPW MILCON. A single project folder that includes all documents relating to the BRAC Decision, and the progression and evolution of the resulting MILCON should be kept and maintained within e-workplace. With the main MILCON project folder residing within e-workplace, all appropriate DLA personnel will have instant access to all uploaded project documentation.

Overall, DDC has made significant advances in assessing and forecasting storage space requirements. However; without the availability of a true and accurate measurement of storage volume space available and utilized, management is limited in their ability to determine the actual requirements for additional GPW storage space.

We found that DDC has the ability to manage space utilization; however, the ratio of cubic storage space available to the amount of cubic space used is not currently being measured. Overall space requirements standards are identified within the Joint Services Manual for Storage and Materials Handling (DLAM 4145.12). However, this manual does not include any storage space volume utilization standards. Volume utilization statistics would provide

management with additional valuable information in the effective management of warehouse space.

The distribution depots are reporting both cubic storage space vacant and occupied. The DD Form 805 report identifies total cubic feet available and occupied in bin, rack, and bulk storage areas; however, there is no identified minimum standard or managing metric. DDC Storage Program Manager informed us that DDC has proposed a 40 percent volume utilization rate. This proposal was not accepted by the distribution depots and was not implemented. The use of such metrics would also provide a clearer justification for the need for additional warehouse space.

The overall size requirements for the DDSP GPW MILCON that were generated to accommodate stored inventory moving from DDTP, DDNV, DDRV, and DDCO to DDSP was based on DDC's stock level calculations and projections. We determined that there are no cubic space or volume utilization standards for available storage space, and that bulk storage comprises 70 percent of all DDC stock. We also determined that the measurement of bulk stock was highly subjective and relies on self-reporting by warehouse personnel. Each distribution depot is responsible for performing their own bulk storage utilization study and reporting the results to DDC.

By each depot self measuring and reporting, there is added potential for variances from each distribution depot. Without the availability of accurate measurements of storage volume space available and utilized for approximately 70 percent of all storage, management is limited in their ability to determine the true need for and overall amount of additional storage space. The use of teams that are highly trained, experienced, and independent of local distribution depot management to perform semi-annual reviews and validation of self-reported bulk inventory would provide independent verification of actual bulk storage inventory levels.

As for the proper use of BRAC funds, we concluded that the BRAC funding provided to DLA that is being utilized for the construction of the MILCON projects referred to within this report, is being used appropriately. As of the time of our site visits, the expenditure of BRAC funds is progressing appropriately and in accordance with BRAC guidance. All financial documentation provided by DLA J-8 and the USACE showed the transfer and expenditure of the correct BRAC funding. We found no evidence that the funds were used for non-BRAC construction or that DLA supplemented the BRAC funding.

ACKNOWLEDGMENTS

The following auditors contributed to this audit:

- (b)(6),(b)(7)(C), DSCR-DI
- (b)(6),(b)(7)(C), DSCR-DI
- (b)(6) Management Analyst, DSCP-DI
- (b)(6),(b)(7)(C) DDC-D

APPENDIX A

SCOPE, METHODOLOGY AND CRITERIA

SCOPE AND METHODOLOGY

We focused on determining if the need and requirements for the new construction of the CCPs at DDWG and DDOO, and the GPW at DDSP were adequately supported and documented. The BRAC business plan serves as the foundation for the complex program management necessary to ensure BRAC 2005 recommendations are implemented efficiently and effectively. The BRAC Commission Supply, Storage and Distribution Management Reconfiguration (COMM-177 I S&S-0051) Recommendation created the requirement for four regional Strategic Distribution Platforms (SDP) at Robins AFB, Tinker AFB, Distribution Depot Susquehanna, and Distribution Depot San Joaquin. These plans within the BRAC business plan were authorized by the Secretary of Defense, the President and Congress decisions made had sufficient reasons to recommend the project.

To ensure the scope and size GPW MILCON project at DDSP was supported, we reviewed the determining factors used by DDC management; these determining factors included:

- The current storage space utilization rate.
- Dormant and inactive stock identification and calculations.
- Projected FDP stock level requirements.
- The DDSP Master Plan for site availability.

During our review of the supporting data and calculation we looked at both the quantification and qualification of the supporting and source data; this included reviewing:

- How the DD Form 805 report is generated and on what data it is based.
- Reviewing the calculation storage space and space utilization.
- Reviewing the identification and calculation of dormant and inactive stock.

We visited the USACE District Office for each of the three corresponding MILCON projects to verify the existence and review the contents of the official project file. We also performed site visits to all locations that MILCONs were either currently or soon to be underway in order to

verify their physical existence. At both of the CCP MILCON sites, the USACE Site Project Manager provided us with a brief tour and provided us the original site plans for review. We visited the GPW MILCON site during the survey phase of the audit and were provided with a brief view of the construction sites of the two GPWs.

We reviewed the Funding Authorization Documents (FADs) that were within the official Project File and compared funding documentation provided by DLA J-8. We also identified the appropriate and acceptable use of the various funding lines to ensure the funding was being used in accordance with BRAC guidance.

We conducted this audit from January 2009 to October 2009 in accordance with generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States, with the exception of meeting the peer review requirement. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The DA Audit Division has not been subject to an external peer review in over three years due to a lack of a Quality Assurance Review team; however, this has no effect on the quality of this report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CRITERIA

To determine adequate support of the construction requirements we reviewed the:

- BRAC 2005 Decision Memorandum - August 2008 (Business Plan #177).
- DD Form 1391 (FY07 & FY08 Military Construction Project Data) for the three MILCON projects (as submitted within the above Business Plan).
- Project file representing a complete historical record of each project.
- DLA One Book Chapter on Military Construction dated April 22, 2008.
- GAO Standards for Internal Controls in the Federal Government.
- DLAM 4145.12, Joint Services Manual for Storage and Materials Handling, April 1994.

APPENDIX B

SUMMARY OF RECOMMENDATIONS

	Recommendation Text	Addressee	Status of Corrective Action	Estimated Completion Date
1	Develop and implement a realistic space/volume utilization metric that will have "buy-in" from the Distribution Depots.	J-3/4 and DDC		
2	Determine if the general purpose warehouse planned for DDSP is going to provide adequate storage type and space to effectively warehouse incoming items.	DDC		
3	Report the results and recommendations from recommendation 2 to DLA and DDC senior leadership to ensure adequate oversight.	DDC		
4	Perform semi-annual random validations and verifications of distribution depot bulk storage space utilization data reported by independent teams.	DDC		
5	Develop a single project folder that includes all documentation relating to the BRAC Decision, and the progression and evolution of the resulting MILCON.	DES		
6	Include within the project folder from recommendation 5; a full description of the methodology as well as necessary supporting documentation of decisions, changes, and special circumstances that have ultimately affected the MILCON size, scope, cost, methodology, and implementation.	DES		

	Recommendation Text	Addressee	Status of Corrective Action	Estimated Completion Date
7	J-39 and DDC should work with DES-IM, to ensure that all BRAC Decisions resulting in a DLA managed MILCON, is included as part of the e-workplace BRAC MILCON Project Files as implemented within recommendation 5.	J-3/4 and DDC		

APPENDIX C

SUPPLEMENTAL INFORMATION

During this audit we performed site visits at the following DLA and USACE locations:

DLA:

- BRAC Business Manager, DLA Headquarters
- DES Installation Program Division, DLA Headquarters
- J-30 Distribution Operations, DDC
- DES New Cumberland, DDC
- DDSP

USACE:

- Savannah District Office
- Baltimore District Office
- Tulsa District Office
- Robins Air Force Base Site Office
- Tinker Air Force Base Site Office

APPENDIX D

ABBREVIATIONS USED IN THIS REPORT

BRAC	Base Realignment and Closure
CCP	Consolidation, Containerization, and Palletization
COBRA	Cost of Base Re-Alignment
DA	DLA Accountability Office
DDC	Defense Distribution Center
DDCO	Distribution Depot Columbus Ohio
DDNV	Distribution Depot Norfolk Virginia
DDOO	Distribution Depot Oklahoma City Oklahoma
DDSP	Distribution Depot Susquehanna Pennsylvania
DDTP	Distribution Depot Tobyhanna Pennsylvania
DDRV	Distribution Depot Richmond Virginia
DDWG	Distribution Depot Warner-Robins Georgia
DLA	Defense Logistics Agency
FAD	Funding Authorization Document
FDP	Forward Distribution Platforms
GPW	General Purpose Warehouse
MILCON	Military Construction
MOA	Memorandum of Agreement
SDP	Strategic Distribution Platforms
SecDef	Secretary of Defense
SOP	Standard Operating Procedure
SS&D	Supply Storage and Distribution
USACE	US Army Corp of Engineers
USD	Under Secretary of Defense

MANAGEMENT COMMENTS

STAFF SUMMARY SHEET

	TO	ACTION	SIGNATURE, GRADE AND DATE		TO	ACTION	SIGNATURE, GRADE AND DATE
1	DDC	Coord	(b)(6) Jan 12 10	6	J-39	Appr	(b)(6) 15/01/10
2	DES	Coord	Col Thomas Laffey Jan 7 10				
3	J-33	Coord	(b)(6) Jan 13 10				
4	DG	Coord	(b)(6) Jan 14 10				
5	J-39 DEP	Coord	(b)(6) COS 15 15 Jan 2010				

ACTION OFFICER (Name and Grade)	OFC SYMBOL	PHONE	TRACKING #	SUSPENSE DATE
(b)(6)	J-39	(b)(6)	J-3/4-0322-2009	Jan 15 10

SUBJECT: Draft Report: Audit of Military Construction Resulting from Base Realignment and Closure (BRAC) 2005 — DATE: Jan 12 10

SUMMARY

1. Draft report contains the results of a DLA DA audit of the overall BRAC MILCON program administration. (Tab 3) J-39 tasked to consolidate responses to the recommendations as well as general comments on the report from DDC, J-33 and DES, and submit to DLA DA.

2. BACKGROUND. Objective of the audit was to determine if 1) BRAC funding was appropriately used and 2) if construction requirements were valid and supported for the DLA MILCON projects associated with BRAC 2005 recommendation 177 - Supply, Storage and Distribution Management Reconfiguration. The three MILCON projects are a general purpose warehouse at Defense Distribution Depot Susquehanna (DDSP), a consolidation, containerization and palletization (CCP) warehouse at Distribution Depot Warner-Robins (DDWG) and a CCP at Distribution Depot Oklahoma City (DDOO).

3. DISCUSSION. Audit findings were favorable. The team found that BRAC MILCON requirements were valid/ supported and that BRAC funding was used appropriately. Report recommendations focus on improving our administrative practices for filing and retrieval of supporting documentation and improving our bulk storage metrics.

4. RECOMMENDATION. Recommend J-39 approve sending consolidated management comments at Tab 1 to DLA DA action officer.

(b)(6)

DEANNA L. COOPER, Col, USAF
Chief, BRAC MRPO

3 Tabs
1. Management Comments
2. HQ J-3/4 Tasker E-mail
3. DRAFT Report

DLA FORM 1891, JAN 2008 — PDF (DLA)

Management Comments
DRAFT Report
Audit of Military Construction Resulting from Base Realignment and Closure 2005

General comments *(DDC)*

There are two instances where the draft report has incorrect information.

1. An incorrect statement was published on Page 6 under the Space Management heading: This proposal was not accepted by the distribution depots and was not implemented. DDC did not request input from the distribution depots on this recommendation. The coordination on the proposal was internal to DDC HQ.

2. An incorrect statement was published on Page 6 under the Inventory Management heading: The incorrect statement is in regards to the 22M and 15M square foot estimates. This number does not represent the square feet of storage space required but represents the facility reduction number. The 22M represents the original GSF COBRA facility reduction value. The 15M represents the Nov 05 GSF FDP facility reduction number provided by the DDC.

Recommendation 1 *(J-33 and DDC)*

Develop and implement a realistic space/volume utilization metric that will have "buy-in" from the distribution depots.

Management Comments

Partially concur. In the absence of established DOD space utilization goals, DDC currently utilizes metrics to measure occupancy and storage density. The occupancy goal for bin and rack storage is 85% and bulk storage is 70%. The storage density goal is 40%. These goals are in place to measure efficient use of storage space within the DDC distribution network. J-33 agrees with these internal DLA standards established to measure space and volume utilization. DDC will publish these goals to the distribution centers.

Additionally, J-33 and DDC will work together to promote establishing DOD standards and ensure goals are documented in the updated version of the Joint Services Manual for Storage and Materials Handling (DLAM 4145.12).

Recommendation 2 *(DDC)*

Determine if the general purpose warehouse planned for DDSP is going to provide adequate storage type and space to effectively warehouse incoming items. Potential

Attachment

study parameters could include the evolving item transfer data to date, the overall storage space plan for DDSP and corresponding distribution depots, item overflow, and rental space mitigation plan.

Management Comments

Concur - action completed. The planned general purpose warehouse will provide the right mix and amount of storage space required to store stock moved from associated FDPs to DDSP.

The DDC has developed a BRAC execution plan to include the estimated amount of stock required to move from FDPs to the SDPs and the corresponding amount of GSF required to store that stock.

DDC is also implementing a storage optimization plan at DDSP. The plan includes improved utilization of existing warehouse space, consideration for the space that will be provided by the MILCON, and the estimated impact of the DDC BRAC execution plan, including materiel movements. DDC considered acquiring temporary storage capacity but analysis indicated that a modified materiel movement plan would achieve BRAC goals without the requirement for temporary storage space.

Recommendation 3 *(DDC)*

Report the results and recommendations from recommendation 2 to J-3/4 and DDC senior leadership to ensure adequate oversight.

Management Comments

Concur - action completed. The plan was previously briefed to the DLA Alignment Group on December 2, 2009 and the Service Materiel Readiness Project Office (MRPO) representatives on December 9, 2009.

Recommendation 4 *(DDC)*

Perform semi-annual random validations and verifications of distribution depot bulk storage space utilization data reported by independent teams.

Attachment

Management Comments
DRAFT Report
Audit of Military Construction Resulting from Base Realignment and Closure 2005

Management Comments

Concur. As a management practice, DDC routinely sends operationally focused teams to visit and assess the distribution centers. While the data reported via the 805 report is specific to a particular date, DDC will ensure that these teams visually validate the bulk space utilized at the distribution center and compare to utilization reported by the center via the 805 report.

Recommendation 5 *(DES)*

Develop a single project folder that includes all documentation relating to the BRAC Decision, and the progression and evolution of the resulting MILCON. This file should be managed by DES as part of the overall MILCON documentation and reside in e-workplace so that all parties have real-time access to the overall project file.

Command Comments

Concur - completed action. DES has consolidated all of the necessary files into a single folder that supports the BRAC MILCON's size, scope, cost, methodology, and implementation. However, these files will continue to be managed in a manual fashion as opposed to an e-file construct. Due to the vast size and volume of documents an e-file construct will be unmanageable.

Recommendation 6 *(DES)*

Include within the project folder from recommendation 5; a full description of the methodology as well as necessary supporting documentation of decisions, changes, and special circumstances that have ultimately affected the MILCON size, scope, cost, methodology, and implementation.

Command Comments

Concur - completed action. DES has consolidated all of the necessary files into a single folder that supports the BRAC MILCON's size, scope, cost, methodology, and implementation. DES methodology for control and management of files for BRAC MILCON's adheres to OSD's policies and procedures and is not different from traditional MILCON projects.

Attachment

Management Comments
DRAFT Report
Audit of Military Construction Resulting from Base Realignment and Closure 2005

Recommendation 7 *(J-39 and DDC)*

Incorporate copies of all documentation of decisions, changes, and special circumstances that have ultimately affected the MILCON size, scope, cost, methodology, and implementation, in the single project folder.

Command Comments

Concur - completed action. DES has consolidated documentation into a single project folder.

Attachment

APPENDIX F

OUR RESPONSE TO THE MANAGEMENT COMMENTS

General Comments (DDC)

In response to the two instances where the draft report has incorrect information, we have reviewed and revised the following statements:

1. An incorrect statement was published on Page 6 under the **Space Management** heading: *This proposal was not accepted by the distribution depots and was not implemented.* DDC did not request input from the distribution depots on this recommendation. The coordination on the proposal was internal to DDC HQ. The statement has been changed to: *This proposal was not accepted by DDC management and was not implemented.*

2. An incorrect statement was published on Page 6 under the **Inventory Management** heading: The incorrect statement is in regards to the 22M and 15M square foot estimates. This number does not represent the square feet of storage space required but represents the facility reduction number. The 22M represents the original GSF COBRA facility reduction value. The 15M represents the Nov 05 GSF FDP facility reduction number provided by the DDC.

   The original statements within the draft report were: *DDC initially estimated that about 22 million square feet of storage space would be required. Because DDC has improved data reliability and integrity due to standardizing assessment methodology across the distribution depots, the additional space requirement dropped to 15 million square feet.*

   The original statements have been changed to: *BRAC initially estimated that about 22 million square feet of storage space would be relocated. Because DDC has improved data reliability and integrity due to standardizing assessment methodology across the distribution depots, the storage space relocation calculation provided by DDC dropped to 15 million square feet.*

Additional management comments, including our responses, directly associated with recommendations within this Audit Report have been included within the body of the report.

Overall, the management comments were responsive and addressed the audit findings recommendations adequately. Internal Audit Follow-ups will be performed to assess the effectiveness of the actions performed.

09-10 [redacted]

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO DA

January 15, 2010

MEMORANDUM FOR COMMANDER, DEFENSE DISTRIBUTION CENTER
DIRECTOR, LOGISTICS OPERATIONS AND READINESS

SUBJECT: Final Audit Report: Nuclear Weapons Related Material (NWRM) Worldwide Inventory, Defense Distribution Center Oklahoma City, Oklahoma (DDOO)

Attached is a copy of our final report to document the results of our audit related to the NWRM Worldwide Inventory conducted at (b)(3): during the week of July 13, 2009. This audit was request by DDC personnel. In accordance with the Defense Logistics Agency (DLA) Internal Audit Process, the DLA Accountability Office Audit Division supports DLA management in achieving improvements in the efficiency and effectiveness of DLA activities by conducting audits and providing advisory services. This is a memorandum to document the results of our audit.

It is our opinion that overall the internal controls for NWRM at (b)(3): were adequate. We provided one recommendation where discrepancy reports could be used to improve internal controls and increase material accountability.

Management provided comments and concurred with the recommendation. Management comments are included in this report. No further comments are required.

We appreciate the courtesies and cooperation extended to us by staff involved in this audit. Please direct any questions to (b)(6) DLA Accountability Office, at (b)(6) or via e-mail at (b)(6)

(b)(6)

BRIDGET A. SKJOLDAL
Staff Director, Audit Division
DLA Accountability Office

Defense Logistics Agency

DLA Accountability Office
Audit Division

Final Audit Report

Audit of Nuclear Weapons Related Material Worldwide Inventory, Defense Distribution Depot, Oklahoma City, Oklahoma

January 15, 2009
DAO-09-10b

DAO-09-10b January 15, 2009

FINAL AUDIT REPORT

Nuclear Weapons Related Material Worldwide Inventory, Defense Distribution Depot (b)(3):10 U.S.C. 128

A. Results in Brief

During July 2009, we observed Defense Distribution Depot (b)(3):10 U.S.C. 128 (b) personnel as they took a physical inventory of all Nuclear Weapon Related Materiel (NWRM) recorded on DLA's Distribution Standard System (DSS) logistics records. We found that overall (b)(3):1 internal controls over NWRM were effective. (b)(3):10 U.S.C. 12 (b)(3):10 U.S.C. 128

To strengthen internal controls over these assets, we recommended (b)(3):1 personnel suspend them in DSS and send a Supply Discrepancy Report (SDR) to the USAF item manager in accordance with the instructions in the NWRM Memorandum dated October 16, 2008, and Defense Distribution Center's (DDC) Stock Readiness Swarm Manual 8.2.

B. Background

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 As a result of this incident, several reviews were conducted. In particular, the subsequent Report of the Secretary of Defense Task Force on Department of Defense (DoD) Nuclear Weapons Management Phase I: The Air Force's Nuclear Mission, September 2008, stated that the United States Air Force (USAF) is implementing Positive Inventory Control (PIC) for NWRM. Further, wholesale distribution responsibilities for NWRM assets were transferred from DLA to USAF organization. DLA is in the process of transferring all NWRM to the USAF. In the meantime, in accordance with OSD Memorandum dated 16 Oct 2008, Subject Nuclear Weapons Related Materiel (NWRM) (b) (b)(3):10 U.S.C. 128 Personnel at DDC requested that we observe the inventory team at (b)(3): take July 13 - 16, 2009 counts to ensure that all NWRM was completely and accurately counted and reported. A similar worldwide audit was performed by USAF Audit Agency (AFAA) of NWRM assets on USAF logistics records. We continue to work jointly with and share information with AFAA.

C. Objectives, Scope, and Methodology

The overall objective of the audit was to evaluate DLA's internal controls over DDOO's NWRM[1] physical inventory process and procedures. To accomplish this, we evaluated guidance, interviewed personnel, and observed the physical inventory to determine whether (b)

- Adequately reviewed all areas where inventory was kept to ensure all NWRM assets were accounted for by NSN and condition code
- Took appropriate action to ensure all assets counted were reconciled with the accountable record in DSS, with any discrepancies timely posted, and
- Reported all potential adjustments to the (b) Accountable Officer within (b)(3):10 and conducted causative research for assets with discrepancies to provide for Flag Officer/Senior Executive Service approval

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 The QA was performed by a two person team, separate from the team performing the first count. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

We conducted our work during July 2009, in accordance with generally accepted government auditing standards with the exception of meeting the peer review requirement. Our office has not been subject to an external peer review in over three years due to a lack of a Quality Assurance Review Team; however, this has no effect on the quality of this report. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

D. Findings and Recommendations

Findings

(b)(3):10 U.S.C. 128

[1] The NWRM inventory was conducted using the list of NSN's identified as NWRM by the USAF. DLA did not independently determine what NSN's were NWRM.

Incorrect NSN and Condition Code

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 As a result, DDC and (b)(3):1 are at risk of an unintended requisition being processed against these assets.

Marking Discrepancies

(b)(3):10 U.S.C. 128

According to the DDC Swarm Manual, when an item is not marked properly, it should be corrected.

(b)(3):10 U.S.C. 128

Recommendation 1 (DDC)

DDC should direct (b)(3): to suspend these assets in DSS and send an SDR to the USAF item manager in accordance with the instructions in the NWRM Memorandum dated October 16, 2008, and Defense Distribution Center's (DDC) Stock Readiness Swarm Manual 8.2.

F. Conclusion

Based on the results of our audit, we concluded that overall the internal controls for NWRM at DDOO were adequate. There were zero quantity and location errors identified during the counts.

(b)(3):10 U.S.C. 128

Warehouse personnel at (b)(3) were aware of the reported findings but, at the time of our audit, they had not received DDC authorization to make the necessary corrections. Correspondence between DDC and (b)(3) personnel and the item manager indicates USAF is also aware of the situation and working towards a resolution. However, we believe that the assets should be suspended and a SDR submitted to the Item Manager to create an audit trail in DSS that documents the current state of the assets prior to an asset transfer to the PIC facility.

G. Management Comments

DDC concurred with the recommendation to suspend the assets and submit an SDR to the Item Manager. DDC stated that corrective actions have been completed for incorrect NSN/Condition Codes and SDRs were issued for the marking discrepancies.

We appreciate the courtesies and cooperation extended to us by all staff involved in this review. DDC's verbatim management comments are attached in Appendix A. For additional information about this report, please contact (b)(6), DLA Accountability Office, at (b)(6); DSN (b)(6) or via e-mail at (b)(6)

APPENDIX A

VERBATIM MANAGEMENT COMMENTS

DEFENSE LOGISTICS AGENCY
DEFENSE DISTRIBUTION CENTER
2001 MISSION DRIVE
NEW CUMBERLAND, PA 17070-5000

IN REPLY REFER TO DDC-J3

OCT 2 0 2009

MEMORANDUM FOR DLA ACCOUNTABILITY OFFICE

SUBJECT: Draft Report: Nuclear Weapons Related Material (NWRM) Worldwide Inventory, Defense Distribution Center Oklahoma City, Oklahoma (DDOO)

DDC has reviewed subject report and concurs with the recommendation to suspend the assets in DSS and send a SDR as appropriate. Corrective actions were completed for incorrect NSN/Condition Codes and Supply Discrepancy Reports (SDR) were issued for the minor marking discrepancies.

If you have any questions, they can be addressed to Ms. Patty Myers, DDC J3-O, at patty.myers@dla.mil, DSN 771-5820, or commercial 717-770-5820.

(b)(6)

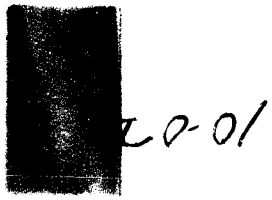
WILLIAM H. BUDDEN, SES
Deputy Commander

[redacted]

DAO-09-14

Three Pages

Withheld in Its Entirety pursuant to Exemption b(5).



Defense Logistics Agency

DLA Accountability Office
Audit Division

Draft Audit Report

Audit of Nuclear Weapons Related Material Demilitarization Process and Controls

March 8, 2010
DAO-10-02

DEFENSE LOGISTICS AGENCY (DLA)
Audit Division

DAO-10-02 **March 8, 2010**

DISCUSSION DRAFT AUDIT REPORT

Audit of Nuclear Weapons Related Material Demilitarization Process and Controls

A. Results in Brief

The Memorandum on Nuclear Weapons Related Material (NWRM) from the Under Secretary of Defense dated October 16, 2008, requires the Military Departments and the DLA to develop specific policies and procedures on the proper handling of NWRM. During our audit, we found that both the Defense Distribution Center (DDC) and the Defense Reutilization and Marking Service (DRMS) addressed this guidance in principle.

Specifically, DDC issued instructions that required all DDC personnel to handle NWRM in accordance with DDC's Swarm Manual for Storage and Handling of Classified Material; and DRMS issued two separate NWRM specific Standard Operating Procedures (SOPs). However, DRMS NWRM procedures were conflicting and did not provide references to applicable demilitarization guidance. Additionally, NWRM transactions processed at (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

B. Background

On July 6, 2009, NWRM was found in a United States Air Force managed kit undergoing routine repackaging at (b)(3):10 U.S.C. 128 In response to this discovery, the DLA Director established a NWRM "Red Team" of subject matter experts to review NWRM guidance and identify potential risks in current DLA policies and procedures. At the request of the DLA NWRM Red Team, the DLA Accountability Office (DA) Audit Division performed an audit of the NWRM Demilitarization Process and Controls, to provide a comprehensive assessment of the process and make practical recommendations, as appropriate, to strengthen internal controls.

C. Objective, Scope and Methodology

Our objective for this audit was to determine whether SOPs were followed and internal controls were implemented to ensure 100-percent accountability of all NWRM items. To answer our objective, we:

- Obtained, reviewed, and analyzed applicable DOD, DDC, and DRMS guidance to gain an understanding of required procedures and DLA best practices for NWRM.
- Observed 100-percent of the NWRM physical transactions processed for disposal from (b)(3):10 U.S.C. 128 on October 26, 2009, to assess their level of compliance with applicable guidance.

We conducted our audit in accordance with generally accepted government auditing standards with the exception of meeting the peer review requirement. DA has not been subject to an external peer review in over three years due to a lack of a Quality Assurance Review Team. However, this has no effect on the quality of this report. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

D. Policies and Procedure Results and Recommendations

DDC

DDC's Swarm Manuals are a set of instructions in a single source that contain both high level guidance and detailed step-by-step processing instructions for functional areas. We found that the Swarm Manual for Storage and Handling of Classified Material addressed both fully successful transactions and transactions containing discrepancies. Additionally, the Swarm Manual incorporated internal controls throughout the processes and instructed employees to perform (b)(3):10 U.S.C. 128 verifications.

This occurred because DDC had experience handling assets that require special controls, and issued policies and procedures for classified material issued prior to the heightened security requirements for NWRM. When additional NWRM controls were mandated, DDC issued guidance that required employees to handle (b)(3):10 U.S.C. 128 As a result, DDC procedures have internal controls in place that should provide reasonable assurance of (b)(3):10 U.S.C. 128

DRMS

In contrast to DDC's consolidated instruction, DRMS relied on two SOPs to process NWRM – joint policy issued with the Air Force and DRMS policy. We found that the:

- Joint Air Force Materiel Command (AFMC)/DRMS Procedures for NWRM Demilitarization provided high level guidance for both Air Force and DRMS Tucson Demil Center personnel for processing scheduled Air Force shipments of NWRM property.

- DRMS SOP for NWRM (revised September 1, 2009) provided more detailed processing steps for DRMO's discovering NWRM items as part of normal receipts.

Although both DRMS procedures contained similar processing steps, conflicts were evident in steps to inspect NWRM, report discrepancies, systemically process material, and references to applicable DOD and DRMS demilitarization instructions were absent. We found:

- Both procedures required DRMS staff to inspect the material and perform (b)(3):10 U.S.C. 128

- (b)(3):10 U.S.C. 128

- (b)(3):10 U.S.C. 128

- Although both procedures required the Air Force representative to perform the demilitarization certifier role, (b)(3):10 U.S.C. 128 (b)(3):10 U.S.C. 128 4160.22-M and DRMS Instruction 4160.14 Section 2 requires the (b)(3):10 U.S.C. 128 the certification credentials of each certifier and verifier, appoint them in writing, and ensure that the demilitarization verifier, who countersigns for the demilitarization (b)(3):10 U.S.C. 128 Additionally, DOD Manual 4160.22-M states the demil verifier should be at least in the next higher management or technical level.

These conditions occurred because NWRM SOPs were issued separately without the appropriate checks for completeness, accuracy, and validity. As a result, DLA does not have policies in place to maintain (b)(3):10 U.S.C. 128
(b)(3):10

Recommendation 1: (DRMS)
Issue, after appropriate coordination, a single consolidated policy or SOP that covers NWRM inspection, discrepancy reporting, and system processing. This policy/SOP should include:

- Who should conduct bare item inspections for NWRM and more closely align DRMS NWRM procedures to DDC procedures and the J-3/4 NWRM Red Team Report.
- Specific steps to be followed when physical receipts do not match associated paperwork.
- References to all applicable demilitarization guidance.
- Timeframes for entering sensitive material receipts into DAISY to determine if special handling instructions exist prior to demilitarization.
- Instructions on how to handle exceptions to the procedure.

Management Comments:
Concur. DRMS updated the AFMC/DRMS procedures to more closely align with DDC procedures. Specifically, the procedures now include: (1) references to applicable demilitarization guidance, (2) a requirement to research the property through the NIIN research tool, which contains special demil requirements, and (3) instructions on handling exceptions.

Recommendation 2: (DRMS)
Conduct appropriate training on the new consolidated NWRM SOP to ensure that operational personnel know to follow the new policy, regardless of how the NWRM is identified.

Management Comments:
Concur. After DRMS issued the updated AFMC/DRMS procedures, DRMS also released a mandatory study period for all employees.

E. Transaction Processing Results and Recommendations

DDC
The DDC Swarm Manual for Storage and Handling of Classified Material instructs employees to follow a general process flow that incorporates internal controls without differentiating between transactions destined for customers and those destined for disposal. This "as-instructed" process flow is outlined in Appendix A and results in a final output where material is subject (b)(3):10
(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

NWRM transactions processed (b)(3):10 on October 26, 2009, did not comply with the "as-instructed" process flow. The process was altered by combining process steps and performing steps out of sequence. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

We observed 100-percent of (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

- (b)(3):10 U.S.C. 128
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-
-
-
- (b)(3):10 U.S.C. 128
- (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. An on-site DDC Supply Management Specialist made the decision to modify the established procedures for NWRM components destined for disposal. Although (b)(3):10 personnel were knowledgeable of the process, they did not have the training or experience necessary to overrule a subject matter expert. (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

Recommendation 3: (DDC)
Develop and publish specific policy for the handling and disposal of NWRM.

Management Comments:
Management comments and proposed implementation dates will be summarized in this section when they are received. Verbatim management comments will also be added as appendix C when they are received.

DRMS
Although DRMS issued conflicting guidance, DRMS employees at (b)((b)(3): exercised sound judgment in processing NWRM transactions for demilitarization.

(b)(3):10 U.S.C. 128

(b)((b)(3): employee exercised sound judgment in processing NWRM for demilitarization because they followed local procedures that directed employees to (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128

F. Additional Observations

We noted the following additional observations while performing our audit:

- Contracted transportation carried NWRM material in accordance with applicable Defense Transportation Regulations for Cargo Movement.
- (b)(3):10 U.S.C. 128

- (b)(3):10 U.S.C. 128

(b)(3):10 U.S.C. 128 Although this is not a violation of any transportation regulations, it may not be the best practice to continue shipping NWRM in this manner because the material cannot be easily verified through a visual inspection during the receipt process.

- NWRM items were individually inspected at (b)(3):10 U.S.C. 128 and demilitarized in bulk at a contracted site without an additional verification.

Because these additional observations were outside the scope of the audit, we are providing suggested actions for management consideration that do not require management comments and are not subject to follow-up.

Suggested Actions:

(b)(3):10 U.S.C. 128

G. Management Comments

This report contains three recommendations – one addressed to DDC and two addressed to DRMS. We are providing this draft report for your review and comment. We request that management provide comments on this draft report as they deem appropriate for inclusion in the final report. Management comments should indicate concurrence or non-concurrence with the draft findings and recommendations. Comments should describe actions taken or planned in response to agreed-upon recommendations and provide the completion dates of the actions. Please state specific reasons for any non-concurrence and proper alternative actions, if appropriate. We would also like for you to review the report and determine what, if any, security markings should be applied to the report. We would like to receive your response by the close of business on January 19, 2010.

We acknowledge and appreciate the courtesies and cooperation extended to us by all DDC, DRMS, (b)(3):10 U.S.C. 128 staff involved in this validation. Please direct any questions to Mr. Steven Pigott, Deputy Staff Director, DLA Accountability Office Audit Division, at (703) 767-6282; DSN 427-6282; or via e-mail at steven.pigott@dla.mil.

APPENDIX C

MANAGEMENT COMMENTS

DEFENSE REUTILIZATION AND MARKETING SERVICE
74 WASHINGTON AVENUE NORTH
BATTLE CREEK, MICHIGAN 49037-3092

IN REPLY REFER TO DRMS-D

APR 9 9 2010

MEMORANDUM FOR DLA ACCOUNTABILITY OFFICE, MR. STEVEN PIGOTT

SUBJECT: DRMS Response to DAO-10-02, Draft Audit Report, Audit of Nuclear Weapons Related Material Demilitarization Process and Controls, March 8, 2010

My staff has reviewed the draft audit report and below are our responses:

Page 5, Recommendation 1: Issue, after appropriate coordination, a single consolidated policy or SOP that covers NWRM inspection, discrepancy reporting, and system processing. This policy/SOP should include:

- Who should conduct bare item inspections for NWRM and more closely align DRMS NWRM procedures to DDC procedures and the J-3/4 NWRM Red Team Report.
- Specific steps to be followed when physical receipts do not match associated paperwork.
- References to all applicable demilitarization guidance.
- Timeframes for entering sensitive material receipts into DAISY to determine if special handling instructions exist prior to demilitarization.
- Instructions on how to handle exceptions to the procedure.

DRMS Response: Concur. The AFMC/DRMS procedures were updated February 24, 2010, to more closely align the procedures to DDC, where applicable. References were added to the AFMC/DRMS procedures. The AFMC/DRMS procedures require the Demil Center to run the list of NSNs provided by the Air Force prior to shipment through the NIIN Research Tool. This tool identifies any special demil requirements (i.e., classified, hazardous item, etc.). Also added were instructions on how to handle exceptions to the procedure.

Page 5, Recommendation 2: Conduct appropriate training on the new consolidated NWRM SOP to ensure that operational personnel know to follow the new policy, regardless of how the NWRM is identified.

DRMS Response: Concur. DRMS published a mandatory study period; it was released on March 26, 2010.

Page 8, Suggested Action 3: Consider developing a final demilitarization property check (e.g. weight, individual counts) on property demilitarized by the hammer shredder by comparing the material demiled at the contractor site with the information on the bill of lading.

DRMS Response: Concur. The property remains under constant Government surveillance. However, the AFMC/DRMS procedures for demilitarization were updated to clearly identify a final property check. Once items have been inventoried and shipment is verified, the Demil Center will load the property onto the Government conveyance for shipment to the Demil Center. The property will be under constant Government surveillance. The Demil Center employee will accompany the shipment to the Demil facility and will maintain surveillance until the property is destroyed. If the property cannot be destroyed the same day of shipment, the Demil Center will secure the property in the designated NWRM storage area. The property will be inventoried again prior to shipment to the Demil facility and the same surveillance requirements will apply.

If you have any questions or comments regarding our responses, please contact Ms. Nina Bagi, DRMS J-322, at DSN 661-7173.

(b)(6)

TWILA C. GONZALES, SES
Director

0-50

DLA Accountability Office

Audit of the Procurement Technical Assistance Program

DLA Office of Small Business Program

Audit Report: DAO-09-02 September 29, 2010

Executive Summary

Audit Report DAO-09-02
September 29, 2010

Audit of Procurement Technical Assistance Program Oversight

DLA Office of Small Business Programs

Results

What DA Found

The DLA Office of Small Business Programs was delegated the responsibility to administer the Procurement Technical Assistance Program (PTAP), a program established to provide eligible entities with DoD assistance so they in turn may provide specialized and professional technical assistance to individuals and businesses seeking to pursue contracting opportunities with DoD, and other Federal agencies. The DoD PTAP provides DoD assistance (in the form of matching funds) to state and local governments and other nonprofit organizations by sharing the cost of establishing new and/or maintaining existing Procurement Technical Assistance Centers (PTACs).

The DLA Director, Office of Small Business Programs is responsible for the management of the PTAP and is primarily involved with the pre-award of the Cooperative Agreements used to support the program. In accordance with the Department of Defense Grant and Agreement Regulation (DoDGARS), the DLA Office of Small Business Programs delegated the responsibility of performing field administration services for grants and cooperative agreements to the Defense Contract Management (DCMA) Agency and the Office of Naval Research (ONR).

As a result of our audit, we found PTAP had systemic issues that led to weaknesses in the oversight, administration and execution of program mission and goals. These issues included:

- A lack of financial and operational processes at all levels (DLA Office of Small Business Programs, Administrative Grants Officer and PTAC), limiting DLA's ability to adequately assess the effectiveness of PTAP.

- AGOs were not always aware of DLA's expectations for grant management, decreasing DLA's assurance that post-award administration was executed in accordance with established guidance and fulfilled its desired expectations.

Although DLA Office of Small Business Programs has made significant improvements to improve oversight and management of the program, significant risks still remain that must be mitigated to improve the accountability over program administrators and recipients, as well as the overall management of Federal funds.

Why DA Did this Review

As approved in the FY 09 DLA Annual Audit Plan, we conducted an audit of PTAP to provide a comprehensive assessment of the program. The audit was initiated, in part, as a result of significant deficiencies identified during a joint DA/DCMA review of an individual PTAC in November 2008.

What DA Did

We conducted fieldwork at the DLA Office of Small Business Programs (DLA HQ) and at ten Administrative Grants Officer and PTAC locations throughout the U.S. Our audit objectives were to determine whether: (1) financial and operational processes of the program were adequately assessed, and (2) grant administration offices were aware of DLA's expectations regarding contract management of PTAP.

What DA Recommends

This report contains ten recommendations addressed to the DLA Office of Small Business Programs. The office fully or partially concurred with six of the recommendations to improve the management and administration of PTAP, as well as the monitoring and execution of the individual PTAC awards. The Office of Small Business Programs non-concurred with four recommendations, but is taking corrective actions.

CONTENTS

INTRODUCTION

OBJECTIVES

The overall objective of the audit was to determine whether the DLA Office of Small Business Programs has policies and procedures to adequately address the terms and conditions in the Solicitation for Cooperative Agreement Application (SCAA) and the Office of Management and Budget (OMB) Circular A-102. Specifically, the audit determined whether:

- Financial and operational processes of the program were adequately assessed.
- Grant administration offices were aware of DLA's expectations regarding management of the Procurement Technical Assistance Program (PTAP).

We also evaluated internal controls and whether they were operating as they related to these two areas. The original audit objectives were modified during the audit to include AGOs awareness of the DLA's expectations of the contract managements of the PTAP.

WHAT WE AUDITED

The DLA Accountability Office audited the general management, administration and execution of PTAP and cooperative agreements awarded for the last option year. We focused our audit on the Office of Small Business Program's program management of PTAP. Additionally, we reviewed specific grant administrators and recipients that represented the highest risks to both DoD and DLA (participants with total program costs over $1 million and previous identified program deficiencies reported during performance reviews). Our audit began with the approved budget of the solicitation of the cooperative agreements to post-award grant administration.

BACKGROUND

The PTAP was authorized under Title 10 U.S. Code, Chapter 142, titled "Procurement Technical Assistance Cooperative Agreement Program" to assist businesses in obtaining contracts with local and state government as well as DoD and other federal agencies. The legislation gave the Secretary of Defense, acting through the Director of DLA, authorization to enter into cost sharing cooperative agreements to provide DoD assistance to state and local governments and other nonprofit organizations by sharing the cost of establishing new and/or maintaining

existing Procurement Technical Assistance Centers (PTACs). The PTACs provide specialized and professional technical assistance to individuals and businesses seeking to pursue contracting opportunities with DoD, and other Federal agencies.

The Director, Office of Small Business Programs is responsible for the management of PTAP, which includes issuing the SCAA, evaluating applications received from potential recipients, and awarding the cooperative agreements. To conduct post-award administration of all cooperative agreements, the Office of Small Business Programs delegated 24 Administrative Grant Officer (AGO) responsibilities (through the DLA Office of Small Business Programs Delegation Letter) to both the Defense Contract Management Agency (DCMA) and the Office of Naval Research (ONR). One of primary AGO responsibilities is to conduct performance assessment at the end of the cooperative agreement performance period. The DLA Office of Small Business Programs requires that AGOs use a DLA-developed Performance Review Template to provide consistency when conducting reviews.

Between September 2008 through February 2009, the Office of Small Business Programs awarded cooperative agreements to 89 different PTACs throughout the U.S. and territories with a DoD cost-share of about $54 million which a DoD cost - share of about $30 million. Of the 89 cooperative agreements awarded, 51 agreements were administered by DCMA, while the remaining 38 agreements were administered by ONR.

As approved in the FY 09 DLA Annual Audit Plan, we conducted an audit of PTAP to provide a comprehensive assessment of the program. The audit was initiated, in part, as a result of significant deficiencies identified during a joint DA/DCMA review of an individual PTAC in November 2008.

RESULTS, RECOMMENDATIONS AND CONCLUSIONS

RESULTS AND RECOMMENDATIONS

In this section, we discuss these two areas:

- Financial and Operational Processes.
- DLA Expectations.

FINANCIAL AND OPERATIONAL PROCESSES

The DLA Office of Small Business Programs, AGOs and PTACs lacked financial and operational processes to adequately assess the effectiveness of PTAP. We found that the Office of Small Business Programs did not develop and implement performance metrics to measure overall PTAC performance. Secondly, the AGOs did not provide adequate oversight of PTAP cooperative agreements—specifically, none of the AGOs adhered to the 24 responsibilities outlined in the DLA Office of Small Business Programs Delegation Letter that defined financial and operational processes. And lastly, some PTAC managers did not adhere to the terms and conditions of the SCAA, which outlined their financial and operational responsibilities. This occurred because the DLA Office of Small Business Program provided limited oversight of and guidance to AGOs and PTACs to ensure compliance with policies and procedures. In addition, there was no formalized training program in place. As a result, DoD had limited accountability over program managers, administrators and recipients which could lead to the mismanagement of Federal funds.

DLA Performance Metrics.
During the audit, we found that the DLA Office of Small Business Programs did not develop and implement any performance metrics to measure the effectiveness of overall PTAC performance.

Although the DLA Office of Small Business Programs had a mechanism in place to obtain performance-to-goals data from individual PTACs, the data was insufficient to measure the operational effectiveness of PTAP. The SCAA states that the DLA Office of Small Business Programs management will evaluated each applicant on its managements approach to implement a PTA Program. The evaluation will include as assessment of the overall strength

and soundness of the organization. Specific, one of the management areas to be reviewed will be procedures for identifying and resolving problems that impact the program.

This occurred because the DLA Office of Small Business Program's primary mission was focused on awarding cooperative agreements, rather than performing post-award monitoring. As a result, the DLA Office of Small Business Programs did not have reasonable assurance that the program was executed in accordance with established guidance nor did they have mechanisms to measure success of the program.

During the course of our audit, the DLA Office of Small Business Programs began developing performance metrics to measure PTACs; however, these metrics were not finalized. Examples of the measurement categories that the DLA Office of Small Business Programs planned to track for each PTAC included:

- *Financial Status:* used to track if PTACs had any funding issues with their share of the total approved budget.
- *Status of Achievement to Goals:* used to measure if PTACs were meeting established goals for performance (i.e. the number of outreach events sponsored).
- *Return on Investment – Prime Contract Dollars/Estimated Total Program Value:* used to measure if PTACs were successful in meeting client goals for prime contracts.
- *Return on Investment – Sub-Contract Dollars/Estimated Total Program Value:* used to measure if PTACs were successful in meeting client goals for sub-contracts.
- *Average Costs of Counseling:* used to measure if PTACs were successful in meeting the number of initial and follow-up counseling sessions held with all small business categories (e.g. Small Disadvantaged Businesses, Historically Underutilized Business Zone, etc.)

While these performance metrics were a valid start, additional metrics need to be developed to measure the performance of program recipients. Additionally, once the Office of Small Business Programs has several years of performance metric history, procedures should be developed to gradually improve grantee performance so that Federal funds are used in the most efficient manner.

Recommendation 1 *(PTAP Program Office)*

Continue to review PTAP and individual PTAC performance metrics to ensure the program goals are achieved, and develop performance metrics for administrative grants officers.

Management Comments

Partially Concur. The DLA Office of Small Business Programs determined that the definitions in the previous SCAAs related to the DLA Form 1806 were ambiguous and may have led to multiple interpretations by PTACs, resulting in potentially erroneous data. With the issuance of new SACC in July 2010, DLA Form 1806 definitions were revised to ensure all PTACs are reporting on a more consistent basis and therefore providing more accurate data with which to measures performance. The DLA Office of Small Business Programs anticipates completing development of the performance metrics by February 2011. Although the DLA Office of Small Business Programs partially agreed with the recommendation, their proposed actions meet the intent of our recommendation.

AGO Performance.

The AGOs lacked oversight of their designated PTAC cooperative agreements. Of the four administrative offices that we visited during the audit (see Appendix C for complete list of site visits), we found that none of the AGOs completed all designated responsibilities delegated by DLA.

The DLA Office of Small Business Programs Delegation Letter, which is sent to the AGOs after grant award, designated 24 AGO administrative responsibilities for PTAP cooperative agreements (see Appendix C for all AGO responsibilities cited in the delegation letter). These responsibilities included, but were not limited to, the following:

- *Conduct performance reviews*: These performance reviews evaluated the quality of the recipient's performance against the cooperative agreement requirements on an annual basis, which the DLA Office of Small Business Programs needs to assess overall PTAP effectiveness. Although the DLA Office of Small Business Programs delegation letter required a performance review, this was not included in the SCCA until April 2008.

- *Conduct Post-Award Orientation Conferences:* These conferences were essential to provide a clear and mutual understanding all of contract requirements to both the AGOs and PTAP recipients.

- *Review and approve/disapprove the recipients request for reimbursement or Standard Form 270 (Request for Advance or Reimbursement)*: Certification of the Standard Form (SF) 270 provided assurance that all periodic submitted costs were reasonable and allowable—without this certification, the PTAC may be reimbursed for expenses that were not allowable, applicable or reasonable.

- *Ensure timely submission of the correct and proper SF 269 (Financial Status Report):* This review of the SF 269 provided a snapshot of the PTAPs' quarterly financial status.

- *Ensure timely submission of the correct and proper DLA Form 1806 (PTAC Cooperative Agreement Performance Report):* The AGOs' semi-annual review of the 1806 provided the Office of Small Business Programs with a detailed look at individual PTAC performance. (The SCAA dated March 2003 and April 2008 states semi-annual and quarterly submission respectively).

During the audit, we visited four different AGOs to determine if they complied with selected responsibilities outlined in the DLA Office of Small Business Programs delegation letter. Based on our analysis, we found that the AGOs inconsistently adhered to the delegated responsibilities, while none of the AGOs completed all of the selected responsibilities. The following chart summarizes our results:

	AGOs Visited			
AGO Review Areas	AGO #1	AGO #2	AGO #3	AGO #4
Conducted Performance Reviews			✓	
Conducted Post-Award Orientation Conferences			✓	
Certified SF 270			✓	✓
Certified SF 269		✓		✓
Certified DLA Form 1806		✓	✓	

LEGEND: √ - Denotes completion of responsibility in area and compliance with the DLA Office of Small Business Programs Delegation Letter.

- *Performance Reviews:* We found that AGOs 1 and 2 conducted their delegated performance reviews; however, these reviews were ineffective because they were limited in scope and detail, and were not conducted using the DLA Office of Small Business Programs Performance Review Template. Although AGOs 3 and 4 used the review template, we found that AGO 4 did not conduct their delegated performance reviews; instead these reviews were performed by personnel other than the AGO from both the Defense Contract Audit Agency and DCMA's Small Business Office.

- *Post-Award Orientation Conferences:* We found that AGOs 1, 2 and 4 did not conduct the required post-award conferences. The AGOs 1 and 2 stated the reviews weren't conducted because their designated PTACs were well established, had extensive knowledge about the program and didn't require a post-award conference. The AGO 4 didn't conduct the conferences due to limited budget and resources.

- *SF 270:* We found that both AGOs 1 and 2 did not adequately review and approve the SFs 270. The AGO 1 certified the PTAC's SF 270, however, the amounts billed for reimbursement were incorrect (the PTAC billed expenses incurred in FY07 while in Performance Period 2008), which caused accounting errors and funding issues with future reimbursement payments that remains unresolved to date. The AGO 2 did not certify all of the SFs 270 for the performance period. Since the issuance of this report, AGO 1 was in the process of correcting the accounting errors and funding issues, however, the concerns remained unresolved.

- *SF 269:* We found that AGO 1 did not review any of the SFs 269 during the performance period. During our visit, we identified and reported this discrepancy to the AGO, at which time the AGO then submitted the forms a year later than originally due. We also found that AGO 3 did not review a SF 269 timely—the form was submitted later than required.

- *DLA Form 1806:* We found that AGOs 1 and 4 did not review their respective PTACs' Forms 1806 for accuracy. In all cases, we determined that PTAC performance-to-goals were understated or not supported.

The AGOs did not fulfill their delegated responsibilities because there was no standardized training program in place for AGOs—they received general grant training to obtain their official delegation, but there was no follow-on or refresher training to ensure the AGOs were up-to-date on changes in the administration of cooperative agreements). We also found that the Office of Small Business Programs did not require AGOs to report to DLA their accomplishment of all required responsibilities.

In addition, the DLA Office of Small Business Programs did not provide adequate feedback to AGOs that periodically reinforced DLA expectations and addressed grant officer performance issues. In some instances, we found that AGOs provided inadequate post-award administration without any feedback of performance provided by the DLA Office of Small Business Programs. Feedback is a mechanism/control that helps to ensure delegated responsibilities are executed in an effective manner. By providing feedback that is valuable and timely, all parties are aware of strengths and weaknesses and have a mutual understanding of future performance expectations.

DLA
AUDIT
[redacted]

Number	Project Code	Project Title	Issue Date
1	IA-FY07-01	Audit Follow-up of Completed Corrective Actions Related to Internal Controls for Federal Employee Compensation Act	6/13/2007
2	IA-07-03	Validation on DLA's Working Capital Fund Budget Resource Distribution Process	12/20/2007
3	IA-FY07-01	Audit Follow-up of Corrective Actions Related to Federal Employees Compensation Act	4/4/2008
4	IA-07-05	Audit of Property, Plant and Equipment Baseline Efforts	4/30/2008
5	IA-07-04	Audit of Property, Plant and Equipment Baseline Efforts	4/30/2008
6	IAFA-FY08-01	Sustainment Audit of Contingent Legal Liabilities	6/13/2008
7	IAFA-FY08-02	Validation of Global War on Terror, Cost of War Data, 2nd Quarter 2008	7/16/2008
8	OA-FA-FY08-05	Internal Control Testing Related to Accounts Payable Vendor Set-up	8/8/2008
9	IAFA-FY08-03	Validation of DESC End of Month Accounts Receivable Budgetary Resources Journal Vouchers	9/30/2008
10	DSCC-DI 08-40	Validation of the Corrective Action Plan for DLA Energy Unbilled Receivables	11/14/2008
11	DAO-09-06	Vulnerability Assessment - DLA Distribution	12/24/2008
12	DSCC-DI 06-66	Validation of Missile Fuels D022D Posting of Bad Debts/Direct Write Off Procedure	12/31/2008
13	OAFA-FY08-06	Validation of Defense Logistics Agency's 3rd Quarter FY08 Costs Related to the Global War on Terror	1/23/2009
14	OA-CFO-08-45	Review of Contract Close-Out Procedures in the Enterprise Business System	3/26/2009
15	DAO-09-05	Vulnerability Assessment - DLA Disposition Services	4/23/2009
16	DESC-08-04	Validation of Corrective Action Taken for Plan of Actions and Milestones 28, Cash Sales Processing	5/11/2009
17	DESC-08-13	Validation of Corrective Action Taken for Plan of Actions and Milestone 20, Related to Oilers, Carries and L-Decks	5/12/2009
18	DSCC-DI 08-41	Validation of Enterprise Business System Dunning Procedures	5/15/2009
19	OA-DSCR-FY08	Audit of Contracts Paid Using Fast Payment Procedures	7/2/2009
20	DSCC-DI 09-43	Validation of Defense Logistics Agency Financial Improvement Plan Fund Balance with Treasury Working Capital Fund Pre-Columbus Cash Accounting System	7/15/2009

21	DAF-09-16	Internal Control Testing Related to the Budget to Execute Business Cycle as Required by OMB A-123, Appendix A	7/31/2009
22	DAI-09-03	Validation of Corrective Actions Taken Related to the Deficiency of System Specific Configuration Management Plans and Change Controls for DLA Energy Systems	8/4/2009
23	DAO-09-10	Transfer of Nuclear Weapons Related Materiel from Defense Logistics Agency to the United States Air Force	8/18/2009
24	DAF-09-17	Internal Control Testing Related to the Hire to Retire Business Cycle as Required by OMB A-123, Appendix A	8/31/2009
25	DAF-09-15	FY 2009 Plan to Stock Quantity Distribution Operations Internal Control Testing as Required by OMB A-123, Appendix A	11/17/2009
26	DAF-09-21	Validation of Resolution of Fund Balance with Treasury Material Weakness Related to Evidential Documentation for Undistributed Disbursement and Collection Items	12/4/2009
27	DAO-09-07	DLA Distribution San Joaquin Process and Compliance Review	12/29/2009
28	DAO-09-13	DLA Distribution Susquehanna Process and Compliance Review	12/30/2009
29	DAI-09-28	Validation of Notice of Deficiency 6 - Corrective Actions Taken Related to Deficiency of Access Controls for Base Level Application	12/30/2009
30	DAO-09-10b	Nuclear Weapons Related Material Worldwide Inventory	1/15/2010
31	DAI-09-29	Validation of Notice of Deficiency 10 - Corrective Actions Taken Related to Deficiency of Configuration and Segregation of Duties over the Requirements Manager Windows Server	1/25/2010
32	DAI-09-33	Validation of Notice of Deficiency 13, 14 and 15 - Corrective Actions Taken Related to Deficiency of RACF Security Settings, Recertification of DFAMS Privileged Accounts, DFAMS Audit Logs and System Software Change Control Weaknesses	1/26/2010
33	DAO-09-12	Military Construction Resulting from Base Realignment and Closure Decision of 2005	1/27/2010
34	DAF-10-06	Follow-up Internal Control Testing Related FY 2009 Hire to Retire as Required by OMB A-123, Appendix A	1/29/2010

35	DAF-09-19	Validation of the Defense Logistics Agency Financial Improvement and Audit Readiness Capital Fund Step 8.3 and General Fund Step 7.5, Annual Statement of Assurance Tab D-2-6 Milestone 1 Statement Transactions	2/12/2010
36	DAF-09-25	Validation of Corrective Actions Taken Related to Plan of Actions and Milestones 40, Base Level Operations	2/12/2010
37	DAO-09-01	Law Enforcement Support Office	3/1/2010
38	DAF-09-18	Validation of the Defense Logistics Financial Improvement and Audit Readiness Plan Fund Balance with Treasury Working Capital Fund Step 8.2 and General Fund Step 7.3 Statement of Differences	3/1/2010
39	DAO-10-02	Nuclear Weapons Related Material Demilitarization Process and Controls	3/8/2010
40	DAF-09-22	Validation of Correctie Action Taken for Plan of Action and Milestone 23, Maritime Prepositioned Ships Vessel Transactions	3/26/2010
41	DAF-09-24	Validation of Corrective Action Taken for Plan of Action and Milestone 39, Processing Claims for Losses on Commercial Pipelines	4/2/2010
42	DAF-09-27	Validation of Corrective Action Taken for Plan of Action and Milestone 24, Utility Code Account Processing	6/18/2010
43	DAF-09-30	Validation of Correctie Action Taken for Plan of Action and Milestone 5, Timely Reporting of Transactions at Defense Fuel Support Points	6/30/2010
44	DAF-09-23	Validation of Corrective Action Taken for Plan of Action and Milestone 22, Contingency Processing	7/1/2010
45	DAO-09-14	Defense Commisary Agency Peer Review	8/3/2010
46	DAO-10-08	Defense Finance and Accounting Service Peer Review	8/5/2010
47	DAF-10-31	FY 2010 Internal Control Testing Related to Hire to Retire as Required by OMB A-123, Appendix A	8/12/2010
48	DAF-10-30	Internal Control Testing Related to the Budget to Execute Business Cycle as Required by OMB A-123, Appendix A	8/27/2010
49	DAO-09-11	DLA Disposition Services Small Arms	9/9/2010
50	DAF-10-32	FY 2010 Internal Control Testing Related to the Plan to Stock Business Cycle as Required by OMB A-123, Appendix A	9/16/2010
51	DAF-10-12	Validations of Intermediate Documents Order Fulfillment -55 Error Standard Operating Procedures and Controls	9/27/2010

52	DAF-10-35	Internal Control Testing Related to the Order to Cash Business Cycle as Required by OMB A-123, Appendix A	9/27/2010
53	DAO-09-02	Procurement Technical Assistance Program	9/29/2010
54	DAO-10-07	Enterprise Audit Related to Nuclear Weapons Related Material	9/30/2010
55	DAO-09-11	DLA Distribution Small Arms	9/30/2010
56	DAI-10-29	Validation of Notice of Deficiency 24 - Corrective Actions Taken Related to System Documentation for Edit Checks and Error Validations for DLA Energy Financial Systems	10/7/2010
57	DAO-09-20	DLA Distribution Contract Oversight	10/21/2010
58	DAO-10-01	DLA Distribution Compliance Assessments	12/9/2010
59	DAO-10-09	Drawdown and Reset in Iraq	12/29/2010
60	DAI-10-05	Validation of Notice of Deficiency 16 - Corrective Actions Taken Related to the Implementation of Application Level Configuration Management Controls over BSM-E Subsystems (OED, OGF and FES), RM, PORTS and DFAMS/AVEDS	1/5/2011
61	DAI-10-03	Validation of Notice of Deficiency 17 - Corrective Actions Taken Related to Deficiency of System Specific Script Configuration Management Procedure	1/10/2011
62	DAF-10-34	Internal Control Testing Related to the Procure to Pay Business Cycle as Required by OMB A-123, Appendix A	1/13/2011
63	DAF-10-36	Validation of Corrective Actions Taken for Plan of Action and Milestones 7, Financial Reconciliation of Energy Inventory	3/16/2011