



# governmentattic.org

*"Rummaging in the government's attic"*

Description of document: DLA Accountability Office Audit Report: DA0-10-07:  
Enterprise Audit Related to Nuclear Weapons Related  
Material (NWRM), September 30, 2010

Appeal date: 30-October-2012

Released date: 18-March-2013

Posted date: 20-May-2013

Source of document: Freedom of Information Act Request  
DLA Headquarters  
ATTN: DGA  
8725 John J. Kingman Road, Suite 1644  
Fort Belvoir, VA 22060-6221  
Fax: 703-767-6091  
Email: [hq-foia@dla.mil](mailto:hq-foia@dla.mil)

The governmentattic.org web site ("the site") is noncommercial and free to the public. The site and materials made available on the site, such as this file, are for reference only. The governmentattic.org web site and its principals have made every effort to make this information as complete and as accurate as possible, however, there may be mistakes and omissions, both typographical and in content. The governmentattic.org web site and its principals shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to have been caused, directly or indirectly, by the information provided on the governmentattic.org web site or in this file. The public records published on the site were obtained from government agencies using proper legal channels. Each document is identified as to the source. Any concerns about the contents of the site should be directed to the agency originating the document in question. GovernmentAttic.org is not responsible for the contents of documents published on the website.



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

**MAR 19 2013**

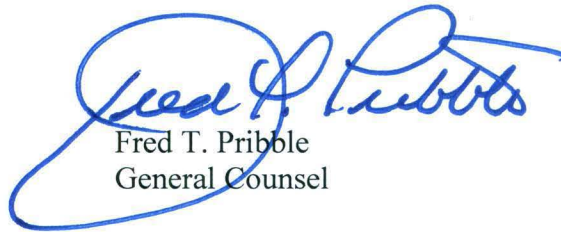
This is in response to your October 30, 2012 appeal of the Headquarters (HQ), Defense Logistics Agency (DLA), full denial of your April 22, 2012 FOIA request for a copy of DLA Audit DAO-10-07, "Enterprise Audit Related to Nuclear Weapons Related Material (NWRM)," (September 30, 2010). HQ DLA withheld DLA Audit DAO-10-07 in full under 5 U.S.C. §552(b)(3), federal statute (specifically 10 U.S.C. §128), with portions also withheld under 5 U.S.C. §552(b)(6), personal privacy, and 5 U.S.C. §552(b)(7)(E), techniques and procedures for law enforcement. Specifically, your appeal concerns the withholding in full under 5 U.S.C. §552(b)(3).

I have reviewed your appeal, the provisions of 10 U.S.C. §128 (which applies to special nuclear materials), and the records at issue. The contents of DLA Audit DAO-10-07 pertain to NWRM, which is a category of material that does not include special nuclear materials. Therefore, I have reversed the initial determination to withhold the document in full under 5 U.S.C. §552(b)(3) and 10 U.S.C. §128.

However, I am sustaining withholding portions of the audit pursuant to both 5 U.S.C. §552(b)(6), personal privacy, and 5 U.S.C. §552(b)(7)(E), techniques and procedures for law enforcement investigations. Exemption 6 protects information about individuals when disclosure of such information would constitute a clearly unwarranted invasion of personal privacy. Therefore, we have withheld the signatures of all DLA personnel and the names of DLA employees below the directorate level. See Yelder v. DOD, 577 F. Supp. 2d 342, 346 (D.D.C. 2008). Exemption (7)(E) protects information that would disclose guidelines or techniques for law enforcement investigations and/or prosecutions that could reasonably be expected to risk circumvention of the law. Exemption (7)(E) also allows for withholding "the names of databases" where the name of the database could be used to "facilitate improper access" to it. See Asian Law Caucus v. United States Dep't of Homeland Sec., 2008 U.S. Dist. LEXIS 98344 (N.D. Cal. Nov. 24, 2008). Further, exemption (7)(E) protects "information relating to an analysis of safety procedures." See Voinche v. FBI, 940 F. Supp. 323, 332 (D.D.C. 1996). Therefore, we have withheld information related to policies and procedures for sensitive property accountability (i.e., weapons), information related to analysis of safety procedures, and the names of databases used for NWRM product management.

This is the final decision of this Agency. If you disagree with this decision, you may seek judicial review in the United States District Court in the district where you are located, where the requested information is located, or in the United States District Court for the District of Columbia.

Sincerely,

A handwritten signature in blue ink, appearing to read "Fred T. Pribble", is written over the printed name and title. The signature is fluid and cursive, with a large loop at the beginning and a long horizontal stroke extending to the right.

Fred T. Pribble  
General Counsel

Enclosure:  
As stated



## *DLA Accountability Office*

---

# **Enterprise Audit Related to Nuclear Weapons Related Material (NWRM)**

---

**Audit Report: DAO-10-07**

**September 30, 2010**

---



# Executive Summary

Audit Report DAO-10-07  
September 30, 2010

## Enterprise Audit Related to Nuclear Weapons Related Material

### Results

#### What DA Found

The Report of the Secretary of Defense Task Force on DoD Nuclear Weapons Management Phase I: The Air Force's Nuclear Mission, September 2008, directed DLA to transfer wholesale distribution responsibilities for Nuclear Weapons Related Material (NWRM) assets to the United States Air Force (USAF). DLA conducted the initial transfer of NWRM assets to USAF from 5 January 2009 through 10 December 2009.

This audit examined the controls surrounding the transfer of NWRM assets to USAF from November 2009 through March 2010. We found that DLA successfully transferred all assets identified by USAF as NWRM as of 31 December 2009, to USAF NWRM Storage Facilities; however, controls were not always in-place to mitigate the risks associated with NWRM management. Specifically, we determined that:

- Agreements and instructions were in draft during the transfer of NWRM.
- DLA managers who were accountable for the NWRM transfer were not formally trained on proper handling and transfer procedures.
- Consistent guidance on NWRM transfer documentation was not distributed to distribution centers and employees handling NWRM.
- Policies for NWRM record retention were not developed.

(b)(7)(E)

- Systemic controls to monitor and archive data changes within Query Management Facility (QMF) are not in place.

Additionally, follow-up results showed that corrective actions have not been completed for all recommendations addressed to DLA in previous NWRM audit reports.

As additional National Stock Numbers (NSN) continue to be identified as NWRM, the deficiencies identified in this report will present significant risks to DLA.

#### Why DA Did this Review

The DLA Accountability Office's (DA) Final Interim Report on the DLA Transfer of NWRM to USAF and the DLA NWRM Red Team's Final Report identified areas where management oversight for the transfer of NWRM could be improved. Although corrective actions were taken for some of these recommendations, the accountability of NWRM stored in DLA facilities continues to be an area of risk for DLA.

As approved in the DLA DA FY10 Enterprise Audit Plan, we conducted an audit of controls over the process of receiving, handling, and transferring of NWRM and performed follow-up testing for corrective actions taken as a result of previous audit reports.

#### What DA Did

Our audit objectives were to determine whether: (1) adequate controls were in place to ensure positive inventory control and to document transfer of ownership from DLA to USAF, (2) newly identified NWRM was properly tracked, secured, and handled at all DLA depots, (3) risks around the shared copy of the DSS are limited, (4) corrective actions from DA's Transfer of NWRM to the USAF Audit Report and the DLA Red Team Report have been taken.

#### What DA Recommends

This report contains 12 recommendations addressed to DLA J-3/4, DLA J-6, and DLA Distribution. Our recommendations are intended to strengthen controls surrounding NWRM management within DLA and to develop NWRM document retention procedures that align with GAO standards.



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD  
FORT BELVOIR, VIRGINIA 20060-6221

September 30, 2010

MEMORANDUM FOR DIRECTOR, DLA LOGISTICS OPERATIONS (J-33);  
DIRECTOR, DLA INFORMATION OPERATIONS (J-6);  
DEPUTY DIRECTOR, DLA DISTRIBUTION

SUBJECT: DA Final Report: Enterprise Audit Related to Nuclear Weapons Related Material

This is the final report on the enterprise audit related to Nuclear Weapons Related Material (NWRM). It includes the results of our audit related to NWRM Management.

We examined the controls surrounding the transfer of NWRM assets to USAF from November 2009 through March 2010. We found that DLA successfully transferred all assets identified by USAF as NWRM as of 31 December 2009, to USAF NWRM Storage Facilities; however, controls were not always in-place to mitigate the risks associated with NWRM management.

Additionally, follow-up results showed that corrective actions have not been completed for all recommendations addressed to DLA in previous NWRM audit reports.

This report contains recommendations addressed to DLA senior leadership to strengthen controls for NWRM. We requested and obtained comments from Management. Management generally concurred with our recommendations and their comments are included throughout the report.

We appreciate the courtesies and cooperation extended to us during the audit. For additional information about this report, contact (b)(6) at (b)(6) or email at (b)(6)

(b)(6)

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

# CONTENTS

## Introduction

Objectives, Scope, and Methodology .....2

Background .....3

## Results, Recommendations, and Conclusions

Results and Recommendations .....5

Conclusion.....22

## Validation Results and Conclusions

Validation results .....23

Conclusion.....35

Appendix A: Summary of Recommendations.....37

Appendix B: Red Team Report Recommendation .....39

Appendix C: Abbreviations.....56

Appendix D: Prior NWRM Reports .....57

Appendix E: Management Comments .....58

Appendix F: Acknowledgments.....68

## INTRODUCTION

### OBJECTIVES, SCOPE, AND METHODOLOGY

---

The DLA Accountability Office (DA) conducted an enterprise audit to evaluate the internal controls over the process of receiving, handling, and transferring of Nuclear Weapons Related Material (NWRM). Our audit consisted of four audit objectives.

To determine whether adequate controls were in place to ensure positive inventory control and to document transfer of ownership from Defense Logistics Agency (DLA) to the United States Air Force (USAF), we:

- Obtained, reviewed, and analyzed current draft DLA and DLA Distribution agreements and instructions to gain an understanding of the NWRM transfer process.
- Interviewed personnel from DLA Distribution at Oklahoma City, Oklahoma, to determine the depot level transfer procedures.
- Reviewed and analyzed all transfer documentation for NWRM initially transferred from DLA Distribution at Oklahoma City, Oklahoma, to USAF from November 2009 to December 2009.

To ensure newly identified NWRM was properly tracked, secured, and handled at DLA depots, specifically DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, we:

- Obtained, reviewed, and analyzed current draft DLA and DLA Distribution agreements and instructions to gain an understanding of DLA's responsibilities for newly identified NWRM.
- Reviewed supporting documentation for DLA actions taken in response to newly identified NWRM.
- Reviewed and analyzed all transfer documentation for newly identified NWRM transferred from DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, from the newly identified NWRM lists published by USAF on 15 December 2009, and 31 December 2009.



To ensure risks around the shared copy of the Distribution Standard System (DSS) are limited, we:

- Interviewed DLA Information Operations (J-6) personnel to gain an understanding of the process for granting system access to USAF personnel and reviewing audit logs.
- Reviewed system access request forms to ensure that all DLA requirements for system access were met and that level of access granted was appropriate based on USAF job responsibilities.
- Reviewed USAF user profiles within DSS to determine if system access granted was relevant to their job responsibilities.

To perform follow-up testing to ensure corrective actions from the DLA DA Transfer of NWRM to the USAF Audit Report and the DLA Red Team Report have been taken, we:

- Obtained supporting documentation to verify that each corrective action was completed.
- Reviewed supporting documentation to ensure that the corrective action appropriately addressed the associated cause and mitigated the risk.

## BACKGROUND

---

On 20 March 2008, DLA learned that four MK-12 assemblies were incorrectly shipped to the Government of Taiwan. As a result of this incident, several reviews were conducted to improve controls of NWRM throughout the Department of Defense (DoD). The Report of the Secretary of Defense Task Force on DoD Nuclear Weapons Management Phase I: The Air Force's Nuclear Mission, September 2008, directed DLA to transfer wholesale distribution responsibilities for NWRM assets to the USAF.

As a result, DLA began the initial transfer of NWRM assets from DLA Distribution at Hill, Utah, to USAF on 5 January 2009. As approved in the FY09 Audit plan, DLA DA conducted an assessment of the initial NWRM transfer process and issued the Final Interim Report on the DLA Transfer of NWRM to USAF on 18 August 2009. This report contained 14 recommendations directed to DLA for corrective actions to improve the NWRM management<sup>1</sup> process.

---

<sup>1</sup> NWRM management refers to the receiving, handling, processing, and transferring of NWRM.

On 6 July 2009, NWRM was found in a USAF managed kit undergoing routine repackaging at the DLA Distribution at Barstow, California. In response to this discovery, the DLA Director established a DLA NWRM "Red Team" of subject matter experts to review NWRM guidance and identify potential risks in current DLA policies and procedures. The DLA Red Team issued a final report on 5 August 2009, with 39 recommendations to USAF and DLA for corrective actions to further improve NWRM management within DLA.

To complete the initial transfer of known NWRM assets as published by USAF on 5 February 2009, DLA began transferring assets from DLA Distribution at Oklahoma City, Oklahoma, to USAF on 2 November 2009. After the transfer of NWRM assets, as defined by USAF, was complete on 10 December 2009, USAF identified additional assets for transfer in updated NWRM lists created on 15 December 2009, and 31 December 2009. In response to these updated lists, DLA performed the management functions identified in the draft Memorandum of Agreement (MOA) between DLA, USAF, and the Defense Threat Reduction Agency (DTRA) on NWRM Management dated 12 January 2010, that were designed to ensure assets were properly communicated, tracked, secured, and handled.

As approved in the DLA DA FY10 Enterprise Audit Plan, we conducted an audit of controls over the process and design of receiving, handling, and transferring of NWRM and performed follow-up testing for corrective actions taken as a result of previous audit reports. This report includes recommendations, as appropriate, for DLA senior leadership to strengthen controls for NWRM.

## RESULTS, RECOMMENDATIONS, AND CONCLUSIONS

### RESULTS AND RECOMMENDATIONS

---

In this section, we discuss these seven areas related to NWRM:

- Agreements, Policies, and Procedures
- Training
- Transfer Documentation
- Responsive Actions for Newly Identified NWRM
- Distribution Standard System
- Query Management Facility
- Other Observations

### AGREEMENTS, POLICIES, AND PROCEDURES

Finalized guidance documenting controls for handling and transferring of NWRM was not available when personnel were conducting the transfer of NWRM from DLA storage facilities to USAF NWRM Storage Facilities. According to the Under Secretary of Defense Memorandum on NWRM dated 16 October 2008, defense agencies were required to include handling procedures for NWRM in their policies within 180 days of the date the memorandum was signed. Although DLA developed draft agreements and instructions to establish roles and responsibilities for the handling and processing of NWRM, we found that instructions and agreements were not available when personnel were conducting the transfer of NWRM to USAF. This occurred because of delays in the coordination process within DLA and between DLA, USAF, and DTRA. As a result, responsible DLA managers may not have completed all required steps for the NWRM transfer.

#### Memorandum of Agreement

The MOA between DLA, USAF, and DTRA was drafted to document the understanding of all functional areas related to the long-term management of NWRM. It was further intended to govern the major actions for the overall management of NWRM, including asset identification, visibility, physical inventory, and transportation.

During our audit, we reviewed the 11<sup>th</sup> revision of the draft MOA dated 12 January 2010. We found that the draft MOA established on-going NWRM management responsibilities for USAF, DLA, and DTRA. Additionally, the draft MOA provided high level guidance for the transfer of

NWRM from DLA storage locations to USAF NWRM Storage Facilities and established the requirement for a documented joint USAF/DLA bare item inspection/inventory to validate the National Stock Number (NSN) and serial number at the time of transfer.

After the conclusion of our fieldwork, the MOA remained in draft. This occurred because the coordination efforts and input required for the MOA from USAF and DTRA took longer than expected. As a result, the MOA was not finalized during the transfer of NWRM to USAF from November 2009 to January 2010 and DLA managers who were accountable for NWRM were unable to ensure that the NWRM transfer was conducted and completed in accordance with the applicable agreement.

#### **Recommendation 1 (I-3/4)**

Finalize and implement the MOA between the DLA, USAF, and DTRA that documents the process for handling and transferring NWRM.

#### **Management Comments**

The DLA Logistics Operations concurs with our recommendation and state that the MOA is being aggressively worked.

#### **Evaluation of Management Comments**

DLA Logistic Operations comments were responsive.

#### **DLA NWRM Instruction**

The DLA Instruction on NWRM Management was developed to incorporate NWRM management requirements identified in the Under Secretary of Defense Memorandum on NWRM dated 16 October 2008, into DLA policy.

We reviewed the draft DLA Instruction on NWRM Management dated January 2010, and found that this instruction:

- Outlines the communication process for USAF to provide updates to DLA on the NWRM list.
- Assigns DLA NWRM management responsibilities identified in the draft MOA to DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution.

- Tasks DLA Distribution to develop standard operating procedures, training programs, and concepts of operations for the identification, inspection, storage, transfer, and retention of records for NWRM transactions.
- Tasks DLA Disposition Services to develop standard operating procedures for the disposal of NWRM.

The DLA Instruction on NWRM Management was not finalized at the conclusion of our field work and did not reference the "joint AF/DLA checklist" identified as a requirement in the draft MOA between DLA, USAF, and DTRA. This occurred because DLA J-3/4 was tasked with coordinating the development of the MOA documenting NWRM management responsibilities and there have been delays in the coordination process. As a result, finalized DLA NWRM instructions were not available to DLA employees responsible for handling and processing NWRM.

#### **Recommendation 2 (I-3/4)**

Implement the DLA NWRM Instruction that establishes roles and responsibilities for procedures identified in the MOA between DLA, USAF, and DTRA for the management of NWRM.

#### **Management Comments**

Concur. The DLA Logistics Operations noted that the DLA Instruction 1501 was posted as guidance on April 4, 2010.

#### **Evaluation of Management Comments**

DLA Logistic Operations comments were responsive. The DLA Instruction 1501, NWRM Management, was finalized after the conclusion of the audit.

#### **Recommendation 3 (I-3/4)**

Reference the "joint AF/DLA checklist" in the finalized DLA Instruction on NWRM Management.

#### **Management Comments**

Concur. The DLA Logistics Operations will ensure a reference to the joint AF/DLA NWRM induction checklist will be included in the first annual revision of the Instruction.

## Evaluation of Management Comments

DLA Logistic Operations comments were responsive.

### DLA Distribution NWRM Instruction

The DLA Distribution Instruction on Handling and Processing NWRM was created to provide DLA Distribution personnel with a set of comprehensive instructions on processing and handling of NWRM within the distribution centers functional areas. Based on our review of the draft DLA Distribution Instruction on Handling and Processing NWRM, we found that the instruction contains procedural requirements identified in the Under Secretary of Defense Memorandum on NWRM dated 16 October 2008, and the draft DLA Instruction on NWRM Management dated 15 December 2009.

As required by the Under Secretary of Defense Memorandum, we found that the draft DLA Distribution instruction included procedural instructions for:

- Handling and processing of NWRM including transportation steps for a Report of Shipment (REPSHIP), receiving steps to positively identify suspected NWRM, packaging steps to verify NWRM prior to closure, and receipt steps to input a serial number.
- Providing training to DLA Distribution employees that could potentially handle NWRM to take awareness training within 60 days of assignment to DLA and annual refresher training.

As required by the draft DLA Instruction on NWRM Management, we found that the draft DLA Distribution instruction directed DLA Distribution employees to:

- Input NWRM NSNs in the DSS (b)(7)(E) table.
- Identify additions and deletions to updated NWRM lists.
- Research DSS for NWRM NSNs and notify distribution centers with NWRM assets in storage.
- Rewarehouse NWRM into classified storage facilities and freeze the warehouse location to prevent further movement.
- Coordinate with USAF to ensure a dual bare item verification of NSNs and serial number for NWRM prior to transfer.

However, DLA Distribution was waiting for the DLA Instruction on NWRM Management to be finalized and issued prior to issuing the DLA Distribution Instruction.

Although the draft DLA Distribution Instruction on Handling and Processing NWRM dated 24 September 2009 was aligned with applicable guidance, the instruction does not reference the "joint AF/DLA checklist" identified as a requirement in the draft MOA between DLA, USAF, and DTRA. This occurred because the draft DLA Distribution Instruction references the DLA Instruction on NWRM Management, which also does not specifically reference the required "joint AF/DLA checklist" and has not been finalized. As a result, the DLA Distribution Instruction on Handling and Processing NWRM has not been finalized and distributed to distribution centers.

#### **Recommendation 4 (DLA Distribution)**

Implement the DLA Distribution Instruction on Processing and Handling NWRM that documents the required actions at the functional level for NWRM. Implementation includes distributing the DLA Distribution Instruction to all depots.

#### **Management Comments**

Concur. The DLA Distribution issued the Instruction on Processing and Handling NWRM to all DLA Distribution locations on April 28, 2010.

#### **Evaluation of Management Comments**

DLA Distribution comments were responsive. DLA Distribution issued the final DLA Distribution Instruction on Processing and Handling NWRM after the conclusion of our audit.

#### **Recommendation 5 (DLA Distribution)**

Reference the "joint AF/DLA checklist" in the finalized DLA Distribution Instruction on Handling and Processing NWRM

#### **Management Comments**

Concur. The DLA Distribution Instruction on Processing and Handling NWRM includes actions to be taken when the USAF updates the official NWRM list and states that we will perform "a bare DLA-AD joint dual inspection of newly identified items to include completion of a NWRM Transfer Checklist for each asset."

#### **Evaluation of Management Comments**

DLA Distribution comments were responsive. However, the checklist needs to be included in the Instruction.

## TRAINING

DLA personnel performing NWRM transfer actions at DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma, were not provided formal training for handling and processing NWRM.

The Under Secretary of Defense Memorandum on NWRM dated 16 October 2008, requires that Defense Agencies develop training courses on the detailed procedures for NWRM and that employees handling NWRM receive refresher training at least annually.

During our audit, we interviewed personnel conducting NWRM transfer actions at DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma, and reviewed email correspondence between DLA Distribution and distribution centers storing NWRM. We determined that DLA Distribution directed distribution centers to treat NWRM as classified material and to jointly inspect NWRM assets with USAF as part of the transfer process; however, formal training was not provided.

Formal training was not developed because detailed instructions on NWRM transfer procedures were still in draft at the time of the transfer. In place of formal training, DLA Distribution relied on the experience of onsite DLA Distribution Program Managers to guide the transfer process. Onsite DLA Distribution Program Managers provided depot employees with on-the-job training that consisted of a high-level walk through of the NWRM transfer process prior to the initial NWRM transfer at both DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma. Additionally, personnel at DLA Distribution at Hill, Utah, were provided reference documents that detailed the systemic NWRM transfer and outlined the required documentation needed to successfully complete the transfer process. Reference documents were not provided to personnel at DLA Distribution at Oklahoma City, Oklahoma.

DLA Distribution personnel responsible for systemically transferring NWRM and documenting the transactions were not provided with the same level of guidance and were not completely aware of how to properly document the transfer process. As a result, transfer documentation was inconsistent. This could result in DLA not being able to provide appropriate documentation to support the transfer if an NWRM asset came into question.



### **Recommendation 6 (DLA Distribution)**

Develop and conduct annual formal training on the NWRM procedures after they are finalized. The training records should be documented and maintained.

### **Management Comments**

DLA Distribution does not routinely handle NWRM. Detailed Distribution Process training manual for the Storage and Handling of Classified Materiel has been developed and provided to employees that may handle classified material. The next version of the Classified Training will include an appendix identifying the proper handling procedures for NWRM.

### **Evaluation of Management Comments**

DA acknowledges that USAF is primarily handling NWRM and few NWRM assets are handled by DLA Distribution; however, DLA Distribution employees should be trained on how to handle the NWRM assets if any are mistakenly sent to DLA depots.

## **TRANSFER DOCUMENTATION**

As part of the transfer of NWRM assets from DLA to USAF, the distribution depot completed transfer documentation packages. The transfer documentation packets should include a DSS Active Unique Item Identifier (UII) by Owner/Location screen print, rewarehousing label, completed checklist with appropriate DLA and USAF signatures, UII identification sheet, and a signed DLA Form 27, which documents the chain of custody.

During the audit, we reviewed transfer documentation for all 2,200 NWRM assets initially identified by USAF for transfer at DLA Distribution at Oklahoma City, Oklahoma, and eight types of discrepancies were identified. Specifically, of the 2,200 assets transferred, we noted:

- 737 did not have the Active UIIs by Owner/Location DSS screen print indicating systemic transfer of the asset.
- 5 checklists missing a USAF signature/date.
- 4 checklists missing a DLA supervisor signature.
- 3 DLA Form 27's missing a rewarehousing control number.
- 1 unavailable checklist.

- 1 checklist with incomplete fields.
- 1 checklist with the incorrect date.
- 1 DLA Form 27 with a misstated quantity which affected 21 assets.

As a result of asset re-identification and the updated NWRM lists published by USAF on 15 December 2009, and 31 December 2009, 2 additional NWRM assets at DLA Distribution at Oklahoma City, Oklahoma, and 106 assets at DLA Distribution at Hill, Utah, were identified for transfer.

We reviewed the transfer documentation for the entire population of 108 newly identified NWRM assets. No further discrepancies were noted at DLA Distribution at Oklahoma City, Oklahoma; however, 2 types of discrepancies were identified for transfer documentation at DLA Distribution at Hill, Utah. Of the 106 assets transferred by DLA Distribution at Hill, Utah, we noted:

- 89 checklists were missing a DLA supervisor signature, however were signed by a USAF supervisor.
- 13 did not have the Active UIIs by Owner/Location or equivalent DSS screen print indicating systemic transfer of the asset.

According to the United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government publication in November 1999, the section on Appropriate Documentation of Transactions and Internal Control states, "all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination."

Discrepancies in NWRM transfer documentation occurred because formal training was not provided to personnel conducting the NWRM transfer at DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah. Additionally, although desktop procedures were created and provided to DLA Distribution at Hill, Utah, these procedures were not provided to DLA Distribution at Oklahoma City, Oklahoma, because DLA Distribution left the handling process at the discretion of each depot and an onsite DLA Distribution Program Manager.

As discrepancies were identified at DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, supervisors were notified and actions were taken to correct the discrepancy where appropriate; however, not all discrepancies could be corrected at DLA

Distribution at Hill, Utah. Evidence of the Active UIIs by Owner/Location or equivalent DSS screen print indicating systemic transfer of the assets was not provided for 13 assets. Without proper documentation, DLA may be held accountable for these assets.

#### **Recommendation 7 (DLA Distribution)**

Finalize and implement NWRM instructions that include procedures to clearly document the physical and systemic shipment/transfer of NWRM assets to USAF for any future transfers. In addition, they should provide consistent instructions to all depots for handling and processing NWRM.

#### **Management Comments**

The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes actions necessary when shipping and/or transferring NWRM assets to the USAF.

#### **Evaluation of Management Comments**

The DLA Distribution comments were responsive. The DLA Distribution Instruction on Processing and Handling NWRM was published after the conclusion of fieldwork.

### **RESPONSIVE ACTIONS FOR NEWLY IDENTIFIED NWRM**

The draft DLA Instruction on NWRM Management dated January 2010, assigns DLA NWRM management responsibilities as identified in the draft MOA on NWRM Management dated 12 January 2010, to DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution. Although the DLA Instruction is in draft, DLA J-33 sent in an email, detailed instructions on required actions identified in the draft instruction to DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution in response to the 15 December 2009 update of the NWRM list by USAF. The email sent to DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution contained action items required to be completed in response to USAF publishing an updated list of NWRM NSNs.

Once an updated NWRM list is sent to DLA from USAF, the draft DLA instruction and DLA J-33 email both identify 11 required actions for DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution and 1 action for J-33 to complete. For example, these required actions include DLA Distribution running a query of all NWRM storage locations and quantities, DLA Logistics Information Service performing interchangeability and substitute

check, applying an NWRM indicator in Federal Logistics Information System (FLIS) to all identified NWRM NSNs, and DRMS running a query of the Management Information Distribution and Access System (MIDAS). Of these 11 required actions for DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution, 2 are contingent upon NWRM being stored at DLA facilities and 1 is contingent upon DLA Logistics Service receiving requests from DLA J-3/4, DLA Distribution, and DLA Disposition Services for a data pull from FLIS on NWRM NSNs.

During the audit, we reviewed email correspondence and interviewed personnel responsible for completing the 11 DLA NWRM management actions for DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution. Although DLA personnel stated that actions were taken and completed in accordance with DLA J-33 instruction, system generated data was not consistently maintained to support the stated actions. DLA personnel relied on email correspondence to provide the deliverable actions, which included summaries of system-generated data in the text of email without always retaining source documentation.

According to the United States GAO Standards for Internal Control in the Federal Government publication in November 1999, the section on Appropriate Documentation of Transactions and Internal Control states, "all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination."

Of the 11 possible actions taken by DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution in response to the NWRM list published on 15 December 2009, we were only provided with adequate supporting documentation for 2 of the 11 actions. Additionally, adequate supporting documentation was not available from DLA Logistics Information Service, DLA Disposition Services, or DLA Distribution for any of the 11 actions taken in response to the NWRM list published by USAF on 31 December 2009. As a result, we were unable to validate that all required actions for a newly published list were executed and completed.

This occurred because a NWRM record retention policy has not been developed by DLA J-3/4 as recommended in Recommendation 14 of the DLA NWRM Red Team Report issued on 5 August 2009. As a result, DLA Logistics Information Service, DLA Disposition Services, and DLA Distribution did not retain supporting documentation for their actions. Therefore, DLA does not have a complete audit trail of the required actions taken for NWRM.

#### **Recommendation 8 (J-3/4)**

Develop and implement a DLA NWRM record management policy that requires the retention of all supporting documentation for NWRM actions as noted in the Red Team Report, recommendation 14.

## Management Comments

The DLA Logistics Operations concurs with our recommendation and will coordinate with J-1 to ensure the records management policy is updated.

## Evaluation of Management Comments

DLA Logistic Operations comments were responsive.

## DSS

The draft MOA between DLA, USAF, and DTRA version 11 dated 12 January 2010, states that USAF will operate under a shared copy of DSS to manage NWRM inventory at DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, until a separate USAF copy of DSS is established. The draft MOA further states that USAF will assume all accountability for NWRM;

(b)(7)(E)

## System Access

USAF personnel are granted access and have user accounts established within DSS to perform their job functions including receipting, stowing, and shipping NWRM assets. Within the shared copy of DSS, USAF personnel have the ability to edit and update DLA data within DSS. The USAF accounts are created by DLA Information Operations, J-6N.

(b)(7)(E)

For an account to be established in DSS, a DD Form 2875, System Authorization Access Request (SAAR) is required to be completed and include appropriate signatures prior to the creation of an account. (b)(7)(E)

(b)(7)(E)

The DLA Distribution System Access Policy and Procedures, dated January 2009, states in section 4.1.1.1 Access Requirements, "Personnel requiring access to a system or network must submit a DD Form 2875 for each system or application required, to the appropriate Information Assurance Officer (IAO)/Terminal Area Security Officer (TASO) for validation and forwarding to J-6N Access Managers: Requestor's name, Supervisor or, for non-DLA Distribution users, data owner signature, Access permissions requested-request must be specific, generic requests for access will be returned unprocessed." Section 4.1.2 states, "The data owner for DSS is the DLA Distribution J-3."

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Recommended Security Controls for Federal Information Systems and Organizations, states Control AC-6, "The organization employs the concept of least privilege, allowing only authorized accesses for users (and processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions."

This occurred because USAF DSS user profiles

(b)(7)(E)

(b)(7)(E)

If there are an excess number of USAF accounts created without proper approval it can lead to an access control environment where users have unnecessary access to DSS or greater access rights than required to perform their job function.

(b)(7)(E)

#### **Recommendation 9 (J-6 and DLA Distribution J-3)**

Ensure that USAF DSS accounts are created in accordance with the DLA Distribution System Access Policy and Procedure.

## Management Comments

J-6 noted that the USAF is responsible for creating DSS accounts for the DSS standalone copies implemented in June/July 2010. USAF DSS accounts established on DLA DSS copies are approved and routed in accordance with DLA Distribution System Access Policy and Procedure.

DLA Distribution noted that all USAF requests for DSS are routed through and approved by DLA Distribution J3 prior to J6 providing requested access. USAF DSS (separate copy) has been established and the USAF will now be responsible for creating all user accounts.

## Evaluation of Management Comments

The DLA Information Operations comments were responsive.

## Transportation Accountability

Although DLA has transferred all known NWRM assets identified by USAF as of 31 December 2009 to USAF NWRM Storage Facilities, DLA may retain accountability for NWRM shipped under a shared copy of DSS.

During the audit, we interviewed DSS subject matter experts and reviewed the Defense Transportation Regulation (DTR) - Part II and the draft MOA between DLA, USAF, and DTRA version 11 dated 12 January 2010.

(b)(7)(E)

According to the DTR - Part II, Chapter 201, "the TO will provide efficient, responsive, and quality transportation services within the assigned Area of Responsibility (AOR) and ensure compliance with governing laws, directives, systems or programs, and regulations for cargo, passenger, personal property, and unit moves." Additionally, DTR - Part II, Chapter 205 requires that NWRM be transported under Transportation Protective Service and addressed the responsibilities of the TO in regards to NWRM shipments. For NWRM shipments, the TO is responsible for conducting advance shipment planning, notifying the consignee in advance of shipment, routing shipments, releasing shipments, and receiving shipments.

The draft MOA requires that USAF will assume accountability for NWRM. Under the shared copy of DSS currently in use at DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, all NWRM functions are performed by USAF personnel at a USAF

NWRM Storage Facility. To transport NWRM, [REDACTED]

(b)(7)(E)

This occurred because the draft MOA between DLA, USAF, and DTRA for NWRM Management version 11 dated January 12, 2010, was intended to be a long-term agreement between DLA, USAF, and DTRA and it designates long-term NWRM management responsibilities. [REDACTED]

(b)(7)(E)

#### Recommendation 10 (I-6)

Implement a separate copy of DSS for USAF to manage NWRM.

#### **Management Comments**

The USAF standalone copy of DSS was implemented [REDACTED] (b)(7)(E) [REDACTED] June 28, 2010 and July 11, 2010, respectively.

#### **Evaluation of Management Comments**

The DLA Information Operations comments were responsive.

### **QUERY MANAGEMENT FACILITY**

Query Management Facility (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. Currently, when changes are required to be made to NWRM or classified data (i.e., Inventory balances), there is a policy and manual process in place. The implementation of the policy was tested and appears to be working; however, systemically there is nothing in place that captures the changes that are being made or to systemically archive the changes. Testing of the implementation included looking at changes



that had been made to QMF and ensuring adequate documentation was completed in accordance with the policy and was being maintained.

J-6N has been researching available options for systemically capturing QMF changes. J-6N had researched a product (b)(7)(E) however that was providing more of a Systems Management Facilities (SMF) type log that includes actions tracked by (b)(7)(E) it potentially included too much additional information for J-6N to capture and analyze. Currently, J-6N is working with (b)(7)(E) a pilot project for an additional (b)(7)(E) Query Monitor (b)(7)(E) (b)(7)(E) Based on information J-6N has received (b)(7)(E) show all actions performed and it collects trace data, specifically who made changes to the data as well as where and when the changes were made. (b)(7)(E) track, analyze, and report on access and changes made (b)(7)(E) data.

Department of Defense Instruction (DODI) Number 8500.2, dated February 6, 2003 on page 58, section ECCD-2 Changes to data states, "Access and changes to the data are recorded in transaction logs that are reviewed periodically or immediately upon system security events."

J-6 has implemented a QMF Policy that must be followed for NWRM and Classified data changes, which mitigates the risk; however, due to the fact that this is manually performed there may still be risks without a systemic tool in place. J-6 is in the process of researching available options for systemically monitoring and archiving data changes within QMF; however, a tool was not selected and implemented.

Without a tool in place to systemically monitor the changes, there is an increased risk of unauthorized modification, destruction, or disclosure of DSS data stored within the database.

#### Recommendation 11 (J-6)

Obtain and implement a systemic audit tool to capture and archive QMF changes.

#### **Management Comments**

The DLA Information Operations concurs with intent. Analysis led to pilot (b)(7)(E) Query Monitor is currently being utilized to capture and archive QMF activity. (b)(7)(E)

(b)(7)(E) on May 20, 2010, and June 18, 2010, respectively.

#### **Evaluation of Management Comments**

The DLA Information Operations comments were responsive.

### Recommendation 12 (J-6)

Ensure there is a monitoring and review process in place to monitor the QMF changes after implementation of the systemic tool.

#### **Management Comments**

The DLA Information Operations concur with our recommendation.

#### **Evaluation of Management Comments**

The DLA Information Operations comments were responsive.

### **OTHER OBSERVATIONS**

Throughout the course of the audit, additional areas of risk were identified. Some of these risks had been previously identified in the Red Team Report and continue to remain an area of concern.

#### **Item Identification**

According to the Red Team Report, there remains a risk around accurate identification of an item as NWRM, including proper Controlled Item Inventory Code (CIIC) and Demilitarization (DEMIL) code. This had been the root cause for the incident at DLA Distribution at (b)(7)(E) (b)(7)(E)

During our fieldwork, there were instances where NWRM assets were identified in courtesy storage and NWRM that had been assigned local stock numbers. When updated NWRM lists were published by the USAF, assets with these conditions were not identified as NWRM assets within DLA custody as they were not systemically systematically recorded in DSS by proper NSN. The assets were later identified and special situation reports (SITREPS) had been completed and issued. Additionally, USAF has issued two additional lists of newly identified NWRM after the 15 December 2009 was published.

DA suggests that an inventory be performed at depots that historically had custody of NWRM assets as this may identify additional NWRM assets that are maintained in courtesy storage or under local stock numbers.

## Dual Cataloging

According to the Red Team Report, "Master item information for NWRM resides in two different catalogs; the DLA Federal Logistics Information System (FLIS), and the DTRA Nuclear Inventory Management and Catalog System (NIMACS)." As noted in the Red Team Report, "DLA employees and systems do not have appropriate access to the data in the NIMACS catalog. Minimum data required are: NSN, Source of Supply (actual), Unit of Issue, CIIC, DEMIL, and Item Name (actual). Lack of this data prevents DLA personnel from properly identifying items as NWRM and processing them in accordance with the appropriate stringent controls. This issue will continue for the USAF running DSS as well as for DLA when the DLA Disposition Services moves from the DLA Disposition Services Automated Information System (DAISY) automated information system to the Enterprise Business System (EBS)/DSS architecture."

During fieldwork, it was noted that when a new NWRM list is published, only FLIS can be updated appropriately and not all NWRM assets will be included, thus creating a risk that a total population is not included between FLIS and NIMACS.

## Inventory Adjustments

After the USAF published the updated NWRM list on 15 December 2009, while DLA Distribution at Hill, Utah, was performing their bare item inspection prior to transferring identified NWRM to the USAF NWRM Storage Facility, two storage crates were opened and were missing the appropriate assets.

A SITREP was created and included details that personnel would be conducting research to better understand the cause of the empty crates. According to the transaction histories and inventories performed, the assets should have been bare item inspected during inventory performed in August 2008. According to the requirements of the inventory that was performed by a contractor, these assets should have been opened and bare item inspected. The conclusion was that the USAF item manager believed the assets had been used in an USAF Glory Mission and the crates shipped to DLA empty and could be removed from the inventory of DLA and NWRM assets.

The end result was that the receipt transaction from 2006 was then cancelled to bring the balance of assets to zero. There was no supporting documentation to support the Item Manager's conclusion. The bill of lading and shipping documents were provided and the dates do not match to when DLA received the assets.

DA suggests that further research be performed, including a formal causative research package and appropriate approval be obtained prior to transactions being cancelled to mitigate the risk of transactions being cancelled or inventory being adjusted without proper supporting research being performed.

DLA continues to face additional risks while continuing to handle NWRM, especially each time USAF publishes an updated list. DLA has taken actions to establish controls to handle NWRM assets now after a new list is published, however there remains a risk of the assets not being identified as new lists are published. Specifically, as noted previously, when local stock numbers and courtesy storage are utilized at the depots this increases the risk of NWRM being maintained by DLA when it should be transferred to USAF.

Additionally, kits which include multiple assets, are identified as a single NSN, but the contents of the kits are not clearly documented within DSS. As new NWRM is identified, it is difficult for DLA to identify if any NWRM assets exist within the kits, thus a risk remains with DLA that these assets will not be removed timely and transferred to USAF.

## CONCLUSION

---

DLA successfully transferred all known NWRM assets as of 31 December 2009, to USAF NWRM Storage Facilities; however, internal controls were not always in-place to mitigate the risks associated with NWRM management. During our audit, we determined that:

- Agreements and instructions were in draft during the transfer of NWRM at DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah.
- DLA managers who were accountable for NWRM were not formally trained on proper handling and transfer procedures.
- Consistent guidance on NWRM transfer documentation was not distributed to distribution centers.
- Policies for NWRM record retention were not developed.

- (b)(7)(E)

- Systemic controls to monitor and archive data changes within QMF are not in place.

Although DLA has successfully transferred all known NWRM as identified by USAF on 31 December 2009, additional NSNs continue to be identified as NWRM by USAF. As a result, the deficiencies identified in this report will present significant risks to DLA as newly identified NWRM items are transferred to USAF.

DA has made 12 recommendations directed to DLA J-3/4, DLA J-6, and DLA Distribution in order to improve NWRM management. A summary of these recommendations can be found in Appendix A.

## **VALIDATION RESULTS AND CONCLUSIONS**

### **VALIDATION RESULTS**

---

In this section, we discuss validation results for corrective actions taken in response to the following reports:

- Final Interim Report on the DLA Transfer of NWRM to USAF, DAO-09-10
- DLA NWRM Red Team Final Report

Objective four of the NWRM Transfer Audit was to perform follow-up testing on recommendations made to DLA J-3/4, DLA J-6, DLA Disposition Services and DLA Distribution that were originally issued as part of the DA Final Interim Report, Defense Logistics Agency Transfer of Nuclear Weapons Related Material to the United States Air Force, dated 18 August 2009 and the Defense Logistics Agency NWRM Red Team Final Report, dated 5 August 2009.

Testing was performed to ensure corrective actions had been fully implemented and the associated risks had been mitigated. We validated corrective actions on 14 recommendations from the DA Final Interim Report related to policies, management and systemic weaknesses surrounding the transfer process of NWRM assets from DLA to USAF. We validated corrective actions on 29 recommendations from the Red Team Report related to policies, memorandums of agreement with the USAF, and systemic weaknesses related to the transfer and future handling of NWRM by DLA.

#### **Final Interim Report on the DLA Transfer of NWRM to USAF**

From January 2009 through April 2009 DLA DA performed an audit of the interim NWRM transfer process at DLA Distribution, Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma. The objectives of the audit were to:

- Determine whether controls ensured that all NWRM assets stored in DLA Distribution warehouses were identified and transferred timely to USAF.
- Observe the transfer process to ensure there was an agreement between DLA and USAF over material physically transferred and that the corresponding documentation was current, accurate, and complete.

Although DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma, successfully transferred NWRM as identified by USAF on 5 February 2009 to USAF, DA found instances where process guidance and management oversight for the NWRM inventory transfer could have been improved. Management agreed and where possible took responsive actions during the course of the audit.

At the conclusion of fieldwork, known NWRM assets were scheduled to remain in DLA storage facilities until the completion of an NWRM Storage Facility at Tinker Air Force Base, Oklahoma City, Oklahoma. As a result, DA made 14 recommendations to improve the management of NWRM within DLA and reduce identified risks.

Results were reported to DLA in the Final Interim Report on the DLA Transfer of NWRM to USAF, DAO-09-10, issued on 18 August 2009.

#### **Recommendation 1**

Emphasize to personnel working NWRM transfer the importance of current, accurate, and complete documents.

#### **Follow-up Results**

DLA Distribution addressed this recommendation by sending an email to the Commanders of DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma, on 8 June 2009. This email emphasized the importance of ensuring that NWRM checklists were accurate and requested that a person be assigned to randomly review the completed checklists for accuracy and completeness. This met the intent of the initial recommendation.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 1 as DLA Distribution has emphasized to personnel handling NWRM the importance of complete documentation. However, additional documentation errors were identified during testing. Refer to Recommendation 7, in Results and Recommendations above.

#### **Recommendation 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.

### **Follow-up Results**

An MOA was developed between DLA Distribution and the DLA Document Services which is what DLA Distribution is utilizing as procedures for NWRM documentation retention and ensuring that it is maintained electronically.

Under the terms of the MOA, DLA Document Services is responsible for developing and maintaining a DLA Distribution NWRM Electronic Document Management System in its initial configuration indefinitely and ensuring that DLA Distribution will have access to the system via the Internet for the storage and retrieval of its documents. DLA Document Services is also responsible for the pickup, scanning, Quality Assurance (QA), and indexing of all DLA Distribution NWRM documents to a digital format.

DLA Distribution is responsible for providing DLA Document Services with funding and providing files so that documents can be scanned and indexed properly.

Although this plan satisfies the intent of the recommendation, NWRM documentation was not scanned and available electronically at the conclusion of our fieldwork. Therefore, DLA DA recommends leaving NWRM Final Interim Report Recommendation 2 open until the current plan is implemented.

### **Management Comments**

DAPS completed the scanning of documentation and establishment of the web site for retrieving after conclusion of the audit. The DLA Distribution considers this action closed.

### **Evaluation of Management Comments**

The DLA Distribution comments were responsive.

### **Recommendation 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.

### **Follow-up Results**

DLA Distribution issued a requirement on 8 June 2009, to both DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, to have someone assigned to randomly review completed checklists for completeness and accuracy during NWRM transfers.

During a site visit to DLA Distribution at Oklahoma City, Oklahoma, the week of 7 December 2009, we observed a DLA Distribution at Oklahoma City, Oklahoma, supervisor reviewing



NWRM transfer documentation for completeness and accuracy as assets were transferred to USAF. Version 6 of the NWRM transfer checklist was used for the transfer of NWRM and contained an area for a DLA Depot Supervisor signature. Of the 2,200 checklist examined at Distribution at Oklahoma City, Oklahoma, 2,196 checklists were signed confirming that a review had occurred.

In addition, we reviewed 106 DLA Distribution at Hill, Utah, transfer documentation packets, including checklists associated with the NWRM transfer at DLA Distribution at Hill, Utah.

All 106 checklists at DLA Distribution at Hill, Utah, were completed and signed by a supervisor from either the USAF or DLA Distribution at Hill, Utah, to indicate that a review of the documentation had been performed. A DLA Supervisor did not sign 89 of the checklists; however, the USAF supervisor that reviewed the documentation ensured all transfer documentation was complete.

As a result, we conclude that oversight of the NWRM transfer documentation process was performed at both DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma, satisfying the intent of the recommendation.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 3.

#### **Recommendation 4**

Remind and emphasize to the centers that they comply with existing guidance which directs any NWRM inventory discrepancy be reported to DLA Distribution immediately. Further, they should determine if contractor operated sites are in compliance with NWRM inventory variance reporting. If necessary, develop contract modification to ensure NWRM inventory variance reporting complies with DLA NWRM policy.

#### **Follow-up Results**

DLA Distribution addressed this recommendation in a 8 June 2009 email to the Commanders of DLA Distribution at Hill, Utah, and DLA Distribution at Oklahoma City, Oklahoma. This email reminded Commanders that all NWRM discrepancies need to be reported immediately to DLA Distribution as stated in the Office of Secretary of Defense (OSD) Memorandum on NWRM that requires approval for any NWRM adjustment regardless of classification or dollar value.

During the course of this audit, two potential inventory discrepancies were identified at DLA Distribution at Hill, Utah. DLA Distribution at Hill, Utah, communicated these potential inventory discrepancies through SITREPS to the DLA Distribution Command Control Center.

As a result, we conclude that DLA Distribution reminded DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, of the requirement to notify DLA Distribution of potential NWRM inventory discrepancies and DLA Distribution at Hill, Utah, appropriately notified DLA Distribution of potential discrepancies as they were identified.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 4.

## **Recommendation 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.

### **Follow-up Results**

In their initial comments to Recommendation 5, DLA Distribution J-3 stated, "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."

During a site visit to DLA Distribution at Oklahoma City, Oklahoma, the week of 7 December 2009, we observed the frustrated inventory process for NWRM. During this process, frustrated NWRM was rewarehoused into a designated frustrated location and tracked in a spreadsheet. The spreadsheet noted the NSN, comments, quantity, condition code, NWRM number, date the asset became frustrated, date notified, date resolved, and the current location of the asset. After the spreadsheet was updated, the location of each asset was updated in DSS and subsequently frozen to prevent further movement.

To validate the frustrated material process at DLA Distribution at Hill, Utah, we interviewed the DLA supervisor overseeing the transfer process and reviewed supporting documentation. DLA Distribution at Hill, Utah, stated that frustrated material was rewarehoused into a frustrated location within DSS and tracked in a spreadsheet. The DLA Distribution at Hill, Utah, spreadsheet notes the local NSN, nomenclature, quantity to be transferred, the actual NSNs, and the frustrated status of the item. DLA Distribution was able to provide supporting documentation for individual assets that were frustrated and managed in DSS; however, we were not able to observe the process due to the expedited time frame of the transfer of newly identified NWRM at DLA Distribution at Hill, Utah.

Additionally, the DLA Distribution Instruction on Handling and Processing NWRM does not include details on the how to systemically manage frustrated inventory.

As a result, we were unable to definitively conclude that frustrated NWRM was managed appropriately in DSS at DLA Distribution at Hill, Utah.

DLA DA recommends that NWRM Transfer Interim Report Recommendation 5 remain open until DLA Distribution has updated and implemented their instruction to include the process for handling frustrated inventory.

### **Management Comments**

The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes procedures for handling frustrated materiel.

### **Evaluation of Management Comments**

The DLA Distribution comments were responsive. The DLA Distribution Instruction on Processing and Handling NWRM was finalized after the conclusion of the audit.

### **Recommendation 6**

Using the DLA Distribution at Hill, Utah, model, J-3/4 and DLA Distribution should develop management reports indicating when items were frustrated, why they were frustrated, and who needs to take action.

### **Follow-up Results**

For the NWRM transfers that DA reviewed during this audit, both the DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, utilized an excel spreadsheet to track frustrated material.

DLA Distribution at Oklahoma City, Oklahoma's, tracking spreadsheet noted the NSN, comments, quantity, condition code, the NWRM number, date the asset became frustrated, date notified, date resolved, and the current location of the asset.

DLA Distribution at Hill, Utah's, tracking spreadsheet noted the local NSN, Nomenclature, quantity to be transferred, the actual NSNS, and the frustrated status of the item.

Although DLA Distribution at Hill, Utah's, tracking spreadsheet contains less information than DLA Distribution at Oklahoma City, Oklahoma's, tracking spreadsheet and does not include a field for the date the item was frustrated, we conclude that the excel spreadsheets used by both DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, satisfy the

intent of the recommendation to appropriately track the status of frustrated inventory and recommend closing the NWRM Final Interim Report Recommendation 6.

#### **Recommendation 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.

#### **Follow-up Results**

DLA Distribution received disposal orders for the remaining NWRM requiring demilitarization and shipped the material to the Consolidated Demilitarization Facility, Tucson, Arizona, in October 2009. DA examined the NWRM process for demilitarization at DLA Distribution at Oklahoma City, Oklahoma, as part of the DA audit of NWRM Demilitarization Process and Controls, DAO 10-02. As a result, we conclude that all disposal orders for NWRM were processed prior to the announcement of this audit and that identified NWRM items would be transferred to a USAF NWRM Storage Facility.

We reviewed NWRM transfer documentation for all assets initially identified as NWRM as of 5 February 2009 at DLA Distribution at Oklahoma City, Oklahoma, and for assets identified as NWRM on the 15 December 2009, and 31 December 2009, NWRM lists provided to DLA by USAF to confirm that identified assets were appropriately transferred from DLA to an Air Force NWRM Storage Facility.

Following the transfer of known assets identified as NWRM as of 31 December 2009, we obtained a QMF listing of all known NWRM assets at DLA Distribution at Oklahoma City, Oklahoma, and DLA Distribution at Hill, Utah, to confirm that all of these assets were transferred.

As a result, based on the review of the QMF report, we conclude that all known NWRM assets as of 31 December 2009, were transferred to USAF and the intent of the recommendation was satisfied.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 7.

#### **Recommendation 8**

Write a policy letter to DLA Distribution at Oklahoma City, Oklahoma, and a letter to the USAF stating that when the Tinker Positive Inventory Control (PIC) facility is ready for transfer that the dual bare-item inspections be redone real-time prior to the transfer actions as done by DLA

Distribution at Hill, Utah, and as directed by the signed MOA. Further, DLA Distribution should provide formal NWRM transfer guidance oversight to DLA Distribution at Oklahoma City, Oklahoma, for the transfer.

#### **Follow-up Results**

An MOA between DLA, USAF, and DTRA was drafted to document the understanding of all functional areas related to the long-term management of NWRM. The draft MOA provided high level guidance for the transfer of NWRM from DLA storage locations to USAF and established the requirement for a documented joint USAF/DLA bare item inspection/inventory to validate the NSN and serial number at the time of transfer.

Although this MOA was drafted during the NWRM transfer at DLA Distribution at Oklahoma City, Oklahoma, DLA Distribution appointed an onsite Program Manager to oversee the transfer process and bare item inspection of NWRM.

During our onsite fieldwork at DLA Distribution at Oklahoma City, Oklahoma, the week of 7 December 2009, we observed USAF and DLA Distribution personnel performing bare-item inspections as part of the transfer process.

Following the transfer of NWRM assets, we reviewed all NWRM transfer documentation at DLA Distribution at Oklahoma City, Oklahoma, to verify that personnel documented the dual bare-item inspection and found no exceptions.

Therefore, we conclude that dual bare-item inspections occurred during the transfer process at DLA Distribution at Oklahoma City, Oklahoma, meeting the intent of the recommendation and recommend closing the NWRM Final Interim Report Recommendation 8.

#### **Recommendation 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.

#### **Follow-up Results**

The DLA Information Operations, J-6N QMF Policy and Procedure dated July 2009 was distributed to DLA Distribution Commanders on 26 October 2009.

We reviewed the procedure and determined that QMF actions for NWRM assets require a complete NWRM Record Adjustment via Query Management Facility Request Form signed by the Commander or Deputy Commander, DLA Distribution. The procedure further states that approved request forms and supporting screen shots of QMF actions should be signed a DLA Distribution J-3 and DLA J-6N personnel to indicate that QMF actions are complete.

Additionally, the procedure requires that a hard copy of all documentation, including supporting screenshots signed by DLA Distribution J-3 and DLA J-6N personnel, be maintained in an audit file for a minimum of two years.

During our audit, we obtained supporting documentation for the two NWRM QMF changes that were submitted. Within each of the packets of supporting documentation, we noted:

- Complete NWRM Record Adjustment via Query Management Facility Request Forms with approval signatures from J-3 and the DLA Distribution Commander/Deputy.
- Notation indicating that QMF actions were complete with signatures from DLA J-6N and DLA Distribution J-3.
- Screenshots with signatures of the appropriate DLA Distribution J-3 and DLA J-6N personnel.

As a result, we conclude that DLA J-6N has developed and implemented a QMF policy and procedure which was distributed to DLA Distribution Commanders, Directors, and Deputies at the DLA Distribution depots.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 9.

## **Recommendation 10**

DLA J-6 should work with DLA Distribution to develop an auditable process for using QMF to update, delete, and insert DSS data.

### **Follow-up Results**

The DLA Information Operations, J-6N QMF Policy and Procedure dated July 2009 was distributed to DLA Distribution Commanders on 26 October 2009.

We reviewed the procedure and noted that all requests for QMF changes of DSS records require a Classified or NWRM Record Adjustment via Query Management Facility Request Form with the approval of the Commander or Deputy Commander, DLA Distribution. The procedure states that all supporting documents for QMF adjustments must be maintained in an audit file for a minimum of two years. DLA J-6N and DLA Distribution rely on the QMF Record Adjustment Request Form as their auditable records for adjustments made using QMF.

During onsite fieldwork at DLA Distribution on 20 January 2010, QMF Adjustment Request Forms for each QMF adjustment were made available. To ensure that the J-6N analysts responsible for conducting QMF adjustments were aware of the requirements of the QMF Policy

and Procedure, the policy was posted on the DLA Distribution Internal intranet on 18 August 2009, and follow-up email guidance was distributed from the J-6N Division Chief.

To ensure that J-6N analysts were aware of the requirements for QMF adjustments, we selected a sample of J-6N analysts responsible for making QMF adjustments and interviewed them to assess their understanding of the policy. We found that each J-6N analyst interviewed was aware of the requirements for NWRM QMF adjustments.

As a result, we conclude that DLA J-6N has developed and documented a process for ensuring that Record Adjustment Request Forms are used and approvals are obtained by the DLA Distribution Commander/Deputy to ensure changes within QMF are authorized and approved.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 10.

#### **Recommendation 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.

#### **Follow-up Results**

During onsite fieldwork at DLA Distribution on 20 January 2010, we interviewed the J-6N Division Chief to determine if the list of QMF users with read, update, insert, and delete access had been reviewed.

The J-6N Division Chief re-evaluated the QMF access list during the first quarter FY10 to ensure that only users with job functions requiring read, update, insert, and delete access were granted the appropriate QMF privileges.

During our audit, we reviewed the supporting documentation for the first quarter FY10 QMF user access re-certification. Supporting documentation showed that a list of QMF users was created for the quarterly review and that the J-6N Division Chief requested that QMF users with unnecessary access be removed from the QMF access list.

On 20 January 2010, we reviewed an updated list of QMF users and determined that requests to remove QMF users had been complete.

As a result, we conclude that DLA J-6N has re-evaluated the users with update, insert, and delete access to QMF. DLA J-6N has determined that performing a quarterly review provides assurance that users who no longer need access are being removed or downgraded to read only.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 11.

#### **Recommendation 12**

DLA J-6 should develop and implement 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.

#### **Follow-up Results**

The DLA Information Operations, J-6N QMF Policy and Procedure dated July 2009 requires that the DSS Operations Chief perform a review of QMF user access to ensure that access to update, insert, and delete functions in QMF is only granted to users that require access to perform their job responsibilities.

The J-6N Division Chief recertifies user access to QMF on a quarterly basis by requesting a QMF access listing for users with update, insert, and delete privileges from the Defense Information System Agency (DISA). J-6N analysts and DISA personnel are the only users with a requirement for update, insert, and delete privileges. To complete the re-evaluation, the J-6N Division Chief reviews the QMF access list and determines if identified users still require update, insert, and delete privileges to complete their job functions. Requests are then made to remove all users without a direct need for update, insert, and delete access.

During our audit, we reviewed the supporting documentation for the first quarter FY10 QMF user access recertification. Supporting documentation showed that a list of QMF users was created for the quarterly review and that the J-6N Division Chief requested that QMF users with unnecessary access be removed from the QMF access list.

On 20 January 2010, we reviewed an updated list of QMF users and determined that requests to remove QMF users had been complete.

As a result, we conclude that DLA J-6N has developed and implemented a procedure requiring QMF users with update, insert and delete privileges to be reviewed and updated quarterly.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 12.

#### **Recommendation 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.

#### **Follow-up Results**

In their initial comments to Recommendation 13, DLA Distribution J-3 stated that it is standard practice for DLA Distribution depots to track misdirected shipments and notify offenders through a Transportation Discrepancy Report (TDR).

During our audit, DSS records show that DLA Distribution depots did not receive misdirected NWRM.

As a result, we were unable to conclude whether TDRs were filed for misdirected NWRM; however, DLA Distribution previously issued instructions to distribution centers on 6 February 2009, indicating that NWRM should be handled in accordance with the policies and procedures for classified material. DLA Distribution classified instructions state that shipment discrepancies should be reported using a TDR during the Off Load and Tally process for receipts. Additionally, the draft DLA Distribution NWRM Instruction, restates that NWRM should be handled in accordance with classified procedures and further instructs employees to process TDRs for material inappropriately shipped to DLA.

Supporting documentation for TDRs confirms that TDRs are currently being submitted and maintained on file by DLA Distribution employees working in classified warehouses.

As a result, we conclude that an internal process is in place to track misdirected shipments through TDRs. Because DLA Distribution issued instructions for depots to treat NWRM as classified material and classified instructions direct employees to document shipment discrepancies by using the TDR, we conclude that the intent of the recommendation was met.

DLA DA recommends closing the NWRM Final Interim Report Recommendation 13.

#### **Recommendation 14**

DLA Distribution 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 DLA Distribution. Additionally, periodic reviews should be done to identify and remove users that do not require access as part of their job function

#### **Follow-up Results**

During onsite fieldwork at DLA Distribution on 20 January 2010, DLA Distribution stated that a list of approving supervisors for each depot was received from J-6N and reviewed in December 2009. DLA Distribution, however, was unable to provide DA with a copy of the approving

supervisor list that was reviewed or documentation indicating that a review of the list was performed as required by the Appropriate Documentation of Transactions and Internal Control Section of the GAO Standards for Internal Controls in the Federal Government, November 1999 publication.

As a result, we were unable to conclude that a periodic review was conducted.

This occurred because a policy documenting the DLA record management schedule for NWRM documentation for significant events has not been developed.

DLA DA recommends that NWRM Transfer Interim Report Recommendation 14 remain open until periodic reviews of the approving supervisor lists are appropriately documented.

### **Management Comments**

The review was conducted however documentation was not retained and available to provide to the DA Audit Team. ICW J6, J3 conducts periodic reviews of system access and removes access that has not been used for six months therefore, we believe this risk is satisfactorily mitigated.

### **Evaluation of Management Comments**

The DLA Distribution comments were responsive.

## **Defense Logistics Agency NWRM Red Team Report**

The DLA Chief of Staff, under the direction of the DLA Director established a NWRM Red Team that was comprised of senior level subject matter experts (SME) from all relevant function and technical organizations at DLA HQ, DLA Distribution, DLA Disposition Services, DLA Logistics Information Service, and an AF/A4/7 SME. As a result of a NWRM incident reported to DLA on 06 July 2009, the Red Team was tasked to identify any gaps in the current processes where NWRM items could be lost or misplaced. Significant risks were identified and 39 recommendations were made. Recommendations were made to DLA Distribution, DLA Disposition Services, DA, DLA Installation Support, DLA J-3/4, DLA J-6, AF/A4L, and AFMC/A4 and included recommendations on policies, agreements with the USAF and systemic procedures on transferring and the future handling of NWRM.

DLA DA followed up on recommendations that were addressed to DLA Disposition Services, DLA Distribution, DLA J-3/4, DLA J-6, and DLA Installation Support. Based on the scope of the audit DA did not perform follow up testing on any recommendations made to the USAF. As the Red Team Report was not produced by DA, DA can only make recommendations to

DLA J-3/4, as to whether the corrective actions have been performed and if DA recommends closing the recommendation or having it remain open. Recommendations were tested to identify if the corrective action had been put in place and the risk had been mitigated. For recommendations addressed to DA, DA documented the corrective actions performed; however, DA could not independently evaluate the quality of the corrective actions taken. Refer to Appendix B for the 39 recommendations, associated corrective actions taken and the DA recommendation.

## CONCLUSION

---

From the follow up testing that was performed on the Red Team Report, DA recommends closing 12 recommendations, leaving open 19 recommendations and 8 recommendations were directed to the USAF, therefore DA will not provide comments on the status of those recommendations. From the Interim Final NWRM Report, DA recommends closing 11 recommendations and leaving 3 recommendations open.

Overall, DLA J-6 has taken actions to mitigate the risks around QMF users modifying NWRM data and controlling the number of users with update, insert, and delete access to QMF. This includes developing and implementing procedures that require NWRM adjustments to be approved in writing by the DLA Distribution Commander or Deputy Commander prior to changes being made. DLA Distribution has issued guidance in the forms of email communication emphasizing the importance of complete and accurate documentation as well as guidance reminding distribution depots of existing guidance for handling NWRM. Corrective actions have been taken to better manage frustrated NWRM inventory, including use of a spreadsheet that easily identifies the location of the asset and required actions to unfrustrate the asset. TDRs have been implemented in the process for handling misdirected shipments.

However, many recommendations included developing or updating policy and procedures which have been updated; however, they have not been finalized or implemented by DLA Distribution and DLA J-3/4. Additionally, some corrective actions could not be adequately tested and concluded on because supporting documentation could not be obtained and only inquiry was able to be performed.

## APPENDIX A

## SUMMARY OF RECOMMENDATIONS

|   | Recommendation  | Addressee        | Status of<br>Corrective Action | Estimated<br>Completion Date |
|---|---|------------------|--------------------------------|------------------------------|
| 1 | Finalize and implement the MOA between the DLA, USAF, and DTRA that documents the process for handling and transferring NWRM.   | DLA J-3/4        | Open                           | 9/30/10                      |
| 2 | Implement the DLA NWRM Instruction that establishes roles and responsibilities for procedures identified in the MOA between DLA, USAF, and DTRA for the management of NWRM.   | DLA J-3/4        | Open                           | Completed                    |
| 3 | Reference the "joint AF/DLA checklist" in the finalized DLA Instruction on NWRM Management.   | DLA J-3/4        | Open                           | 9/30/11                      |
| 4 | Implement the DLA Distribution Instruction on Processing and Handling NWRM that documents the required actions at the functional level for NWRM.  | DLA Distribution | Open                           | Completed                    |
| 5 | Reference the "joint AF/DLA checklist" in the finalized DLA Distribution Instruction on Handling and Processing NWRM.   | DLA Distribution | Open                           |                              |
| 6 | Once DLA Distribution J-3 has finalized NWRM procedures, formal training courses should be developed and annually provided to employees that may handle NWRM. The training records should be documented and maintained. | DLA Distribution | Open                           | 6/30/11                      |

# APPENDIX A

|    | Recommendation   | Addressee                           | Status of<br>Corrective Action | Estimated<br>Completion Date |
|----|--|-------------------------------------|--------------------------------|------------------------------|
| 7  | Finalize and implement NWRM instructions that include procedures to clearly document the physical and systemic shipment/transfer of NWRM assets to USAF for any future transfers. DDC should provide consistent instructions to all depots for handling and processing NWRM. | DDC                                 | Open                           | Completed                    |
| 8  | Develop and implement a DLA NWRM record management policy that requires the retention of all supporting documentation for NWRM actions.  | DLA J-3/4                           | Open                           | 9/30/11                      |
| 9  | Ensure that USAF DSS accounts are created in accordance with the DLA Distribution System Access Policy and Procedure.  | DLA J-6,<br>DLA Distribution<br>J-3 | Open                           | Complete                     |
| 10 | Implement a separate copy of DSS for USAF to manage NWRM.  | DLA J-6                             | Open                           | Complete                     |
| 11 | Obtain and implement a systemic audit tool to capture and archive QMF changes.   | DLA J-6                             | Open                           | Ongoing                      |
| 12 | After implementation of the systemic tool, ensure there is a monitoring and review process in place to monitor the QMF changes.  | DLA J-6                             | Open                           | Ongoing                      |

## RED TEAM REPORT RECOMMENDATIONS

| Recommendations  | Office of Primary Responsibility | ECD <sup>2</sup> | Corrective Actions Taken and Results  | DA Recommendation <sup>3</sup> |
|--|----------------------------------|------------------|---|--------------------------------|
| <b>Recommendation 1:</b><br>Create a DLA central repository of all of the known NWRM Related audits, investigations, reports, FRAGOs, Task Orders, etc. and develop a consolidated list of all of the findings and DLA action items contained therein. Provide monthly briefings on the entire list of open items to the Director DLA. | DLA J-3/4                        | Complete         | DLA J-3/4 has created a collaboration site on eWorkplace for NWRM items and has begun loading the information. Updated to ECD of 31 March 2010.                         | Open                           |
| <b>Recommendation 2:</b><br>Ensure the consolidated list of findings and action items includes initial baselined ECDs, as well as revised ECDs and current status.   | DLA J-3/4                        | Complete         | DLA J-3/4 has created a collaboration site on eWorkplace for NWRM items and has begun loading the information. Updated to ECD of 31 March 2010.                         | Open                           |
| <b>Recommendation 3:</b><br>Develop and Implement a <span style="border: 1px solid black; padding: 2px;">(b)(7)(E)</span> template for roles and responsibilities in DSS since DISA is now competing the security package.   | DLA J-6                          | 8/15/09          | DLA J-6 has created a <span style="border: 1px solid black; padding: 2px;">(b)(7)(E)</span> however DA was not able to test the implementation of the updated template. | Open                           |

<sup>2</sup> This ECD was provided on the Final Red Team Report as of 05 August, 2009.

<sup>3</sup> The Red Team Report was not a report issued by DA, therefore any recommendations made by DA are recommendations being made to DLA J-3/4 as the Red Team Report was issued by DLA J-3/4.

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD      | Corrective Actions Taken and Results   | DA Recommendation |
|---|----------------------------------|----------|--|-------------------|
| <b>Recommendation 4:</b><br>Determine feasibility of capturing QMF updates (b)(7)(E) or a similar facility for a permanent archive of these activities. | DLA J-6                          | 8/30/09  | DLA J-6 has been researching available options for capturing QMF updates. Complete   | Close             |
| <b>Recommendation 5*4:</b><br>Review the set of existing authorized users of QMF and restrict update authorization to as few personnel as possible.     | DLA J-6                          | 8/15/09  | DLA J-6 has reviewed the set of authorized users of QMF and has started performing quarterly reviews of users. Complete  | Close             |
| <b>Recommendation 6:</b><br>Institute a "two person rule" any time updates are made to classified or NWRM material through QMF.                         | DLA J-6                          | Complete | DLA J-6 has implemented a two person rule when updates are made using QMF to NWRM or classified material and this requirement is documented in the QMF Policy and Procedures. Complete. The two-person rule includes a representative from DLA Distribution J-3 and a representative from DLA J-6. | Close             |

\*4 Represents repeat findings that had been noted in previous audits.

## Appendix B

| Recommendations  | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results   | DA Recommendation  |
|--|----------------------------------|---------|--|--|
| <p><b>Recommendation 7:</b><br/>DLA partner with the AF to form a tiger team to re-evaluate the AF Analysis of Alternatives that was done when the original request to use DSS was made. The team should analyze all available COTS and GOTS software packages and formulate a plan of action and milestones and cost estimate for the eventual implementation of a solution wholly owned and operated by the AF in the most expedited timeline possible. Cost and schedule should be provided for all alternatives.</p> | DLA J-6                          | 8/15/09 | DLA J-6 and the USAF have performed analysis, and presented that information to relevant parties. Based on the analysis performed a shared copy will be utilized until the stand-alone copy of DSS can be implemented by the USAF. | Close  |
| <p><b>Recommendation 8:</b><br/>DLA request that the AF provide their most expedited timeline for the implementation of a standalone copy of DSS at the <span style="border: 1px solid black; padding: 2px;">(b)(7)(E)</span></p>  | AFMC/A4                          | 8/15/09 | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |



## Appendix B

| Recommendations  | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results  | DA Recommendation |
|--|----------------------------------|---------|---|-------------------|
| <b>Recommendation 9:</b><br>Develop a single AF/DLA MOA which addresses the roles, responsibilities, and agreements with respect to NWRM.                                    | DLA J-3/4                        | TBD     | The MOA between DTRA, DLA, and USAF has not been finalized as of the end of fieldwork, 24 March 2010 and now has an ECD of June 2010.   | Open              |
| <b>Recommendation 10:</b><br>DA should look at the existing and draft AF/DLA MOAs to see if the procedures contained therein incorporate best practices and audit standards. | DLA DA                           | 8/30/09 | DA auditors cannot independently evaluate the quality of any comments that were made by DA. DA auditors can only document if the draft was reviewed and comments were made. As the MOA is still being reviewed additional comments may need to be provided. | Open              |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results   | DA Recommendation |
|---|----------------------------------|---------|--|-------------------|
| <b>Recommendation 11:</b><br>DLA develop a policy specifically for the handling and disposal of NWRM.   | DLA J-3/4                        | 9/1/09  | DLA J-3/4 has developed a policy for the handling of NWRM, however at the end of fieldwork the policy was not finalized or implemented. The Instructions were finalized and signed as of 4/14/2010; however DA did not perform an additional review to determine if all requirements are included. | Open              |
| <b>Recommendation 12:</b><br>Update the Classified SOP with an appendix that reflects systemic, procedural, and DLA and OSD AT&L policy changes, or create a new SOP specifically for processing and handling NWRM. | DLA Distribution                 | 10/1/09 | DLA Distribution has developed a new SOP for processing and handling NWRM; however at the conclusion of fieldwork, the SOP remained in draft.  | Open              |

## Appendix B

| Recommendations   | Office of Primary Responsibility                      | ECD     | Corrective Actions Taken and Results  | DA Recommendation  |
|---|---|---------|---|--|
| <b>Recommendation 13:</b><br>Add the process for Open/Unconfirmed MROs to the SOP for classified material.  | DLA Distribution                                      | 10/1/09 | DLA Distribution has developed a new Instruction for processing and handling NWRM and has included in Section IV, Force Closure the process for Open/Unconfirmed MROs, however at the conclusion of fieldwork, the SOP remained in draft. | Open   |
| <b>Recommendation 14*:</b><br>Develop a DLA record management schedule for NWRM documentation.  | DLA J-3/4   | 9/1/09  | A DLA record management schedule has not been identified or implemented. An updated ECD could not be identified.  | Open   |
| <b>Recommendation 15:</b><br>AF should notify DLA of any impacts that the AF Material Control Plan and Policy on QA might have on DLA operations. | AFMC/AFGLSC (AFGLSC/448 Supply Chain Management Wing) | 9/30/09 | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.  | DA cannot recommend on the status of the recommendation due to the scope of the audit. |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD      | Corrective Actions Taken and Results   | DA Recommendation  |
|---|----------------------------------|----------|--|--|
| <b>Recommendation 16:</b><br>DES review the "Storage and Handling of Classified Material," dated 30 January 2009, and clarify its purpose, intent, and applicability across all of DLA, and specifically to NWRM. | DLA Installation Support         | 9/15/09  | DLA J-3/4 noted they had reviewed the document in conjunction with DES last year and ensured its applicability to NWRM, however, DA was not able to obtain evidence of a review. | Open   |
| <b>Recommendation 17*:</b><br>Brief AF/DLA senior management on status of AF efforts to improve accuracy of condition tags at the next AF/DLA NWRM update.  | AF/NLST                          | Complete | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |
| <b>Recommendation 18:</b><br>Ensure that all parts and local stock numbers included in the NWRM program have a NSN.   | AF/A4L                           | 12/1/09  | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD    | Corrective Actions Taken and Results   | DA Recommendation  |
|---|----------------------------------|--------|--|--|
| <b>Recommendation 19:</b><br>Modify the policy and procedures for updating and communicating the contents of the NWRM list so that it is coordinated on by all affected players. If submitted via email, it should be a single worksheet and should be accompanied by a scanned copy of a transmittal letter that has been physically signed by the AF/A4L and addressed to the DLA J-3/4. If transmitted via email, it should be digitally signed and encrypted. | AF/A4L                           | 9/1/09 | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |
| <b>Recommendation 20:</b><br>DLA should include in its NWRM policy a requirement for the periodic review of the official AF NWRM list against the (b)(7)(E) in DSS, FLIS, the (b)(7)(E) (b)(7)(E), and any applicable DRMS/DAISY control files to ensure that the system tables are accurate.   | DLA J-3/4                        | 9/1/09 | DLA J-3/4 has developed a policy for the handling of NWRM, however at the end of fieldwork the policy was not finalized or implemented. The Instructions were finalized and signed as of 14 April 2010; however DA did not perform an additional review to determine if all requirements are included. | Open   |

## Appendix B

| Recommendations  | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results   | DA Recommendation  |
|--|----------------------------------|---------|--|--|
| <b>Recommendation 21*:</b><br>Modify existing procedures to include requirements on how to physically control material until it has been identified, specify who is responsible for further research, what further research is required, timeframes for completing the research, and who is authorized to formally identify the material. Procedures need to clarify who assigns and where the mandatory research code of "M" is assigned. | DLA Distribution                 | 9/30/09 | DLA Distribution has developed an Instruction for handling frustrated inventory; however it does not specify a time frame for completing research and formally identifying physical control requirements. Additionally, the SOP is in draft and has not been finalized or implemented. | Open   |
| <b>Recommendation 22:</b><br>Identify what if any analysis was done by the AF to generate the recommendation that DLA should establish a technical expert/material handler at DDWG, and provide status or documentation on the final acceptance of this by DLA.  | AFMC/A4                          | 9/30/09 | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results   | DA Recommendation  |
|---|----------------------------------|---------|--|--|
| <b>Recommendation 23:</b><br>Remove NWRM components from sets, kits, outfits or next higher assemblies or reclassify the sets, kits, outfits or next higher assemblies as NWRM.                     | AF/A4/7                          | 9/1/09  | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |
| <b>Recommendation 24:</b><br>Develop a formally documented, routine and systemic transfer procedure for ongoing maintenance of the NWRM list, to include inventory scans and transaction histories. | DLA Distribution                 | 9/30/09 | DLA Distribution has created an Instruction that includes procedures for the transfer of NWRM and the maintenance of the NWRM list; however, the Instruction does not include a reference to the Joint AF/DLA checklist that is used during the transfer and identifies all actions to be taken during the dual bare item inspection. Additionally, the Instruction is in draft. | Open   |

## Appendix B

| Recommendations  | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results  | DA Recommendation |
|--|----------------------------------|---------|---|-------------------|
| <b>Recommendation 25:</b><br>Develop a formally documented, routine and systemic transfer procedure for material positively identified as NWRM but still located at a DLA facility.  | DLA Distribution                 | 9/30/09 | DLA Distribution has created an Instruction that includes procedures for the transfer of NWRM and the maintenance of the NWRM list, however the Instruction does not include a reference to the Joint AF/DLA checklist that is used during the transfer and identifies all actions to be taken during the dual bare item inspection. Additionally, the Instruction is in draft. | Open              |
| <b>Recommendation 26*:</b><br>Add a requirement for supervisor's signature on the Item Transfer checklist.   | DLA Distribution                 | 8/30/09 | The Joint AF/DLA checklist has been updated to include a supervisor's signature. This field is being utilized for the transfer process.   | Close             |
| <b>Recommendation 27:</b><br>All DLA activities use the SF 364 (SDR) to notify shipping activities of the discrepant shipment. Activities should keep a "repeat offenders" list that can be escalated up through the chain of command. | DLA J-3/4                        | 8/30/09 | Transportation Discrepancy Reports (TDRs) are being filed as part of the DLA Distribution receiving process, but it could not be confirmed for all DLA activities, such as DLA Disposition Services if TDRs are used as part of the process.  | Open              |



## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD      | Corrective Actions Taken and Results   | DA Recommendation |
|---|----------------------------------|----------|--|-------------------|
| <b>Recommendation 28*:</b><br>DLA Transportation SME follows up with the Defense Transportation Electronic Business Committee, chaired by USTC, J-6. The purpose is to obtain the status of, and if possible expedite, the final DoD wide EDI implementation date for the automated REPSHIP process. Tracking for concurrent EDI REPSHIP deployment should specifically be tracked for DSS and AF Cargo Movement and Operations (CMOS). | DLA J-3/4                        | Complete | DLA J-3/4 has actively been performing follow up actions to identify the status of the implementation of the automated REPSHIP process. At this time, the process has not been automated; however, the intent of the recommendation was met. | Close             |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD     | Corrective Actions Taken and Results   | DA Recommendation |
|---|----------------------------------|---------|--|-------------------|
| <b>Recommendation 29:</b><br>Develop a written procedure that requires the signature of DLA Distribution Commander or Deputy Commander for all NWRM inventory adjustments made via QMF. As the AF Guidance Memo on NWRM (27.3.1) requires an AF GO/SES to approve any such adjustments, written approval must be received from the AF for any QMF adjustments requested to AF controlled materiel records. Such requests will be submitted through the DLA JLOC for appropriate dissemination and action. | DLA Distribution                 | 8/30/09 | DLA J-6 and DLA Distribution have developed and implemented a procedure that requires the signature of DLA Distribution Commander or Deputy Commander for all NWRM inventory adjustments made via QMF. | Close             |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD   | Corrective Actions Taken and Results   | DA Recommendation  |
|---|----------------------------------|---|--|--|
| <p><b>Recommendation 30:</b><br/> NWRM Material whether stored at an <span style="border: 1px solid black; padding: 0 5px;"> </span> or temporarily at a DLA facility must meet DoD requirements for segregation of classified and unclassified storage.</p>                                    | DLA Installation Support; AF/A4L | DLA Installation Support Complete; AF 8/15/09 | DLA J-3/4 has reviewed all storage policy and processes for their facilities to ensure compliance with DoD requirements for segregation of classified and unclassified storage. DLA Distribution has issued guidance to distribution centers for the handling and temporary storage of NWRM assets. Observations by DA were made at DLA Distribution at Oklahoma City, Oklahoma, that showed proper storage of NWRM. | Close  |
| <p><b>Recommendation 31:</b><br/> AF develop procedures to reconcile inventory records as prescribed by DOD 4000.25-2-M. AF should classify, analyze, and evaluate supply transaction errors to determine and correct the underlying system or operational deficiencies causing the errors.</p> | AF/A4L                           | 4/30/10                                       | Due to the scope of the audit, DA did not follow up with the AF to assess their implementation of suggested recommendations.   | DA cannot recommend on the status of the recommendation due to the scope of the audit. |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD    | Corrective Actions Taken and Results  | DA Recommendation |
|---|----------------------------------|--------|---|-------------------|
| <b>Recommendation 32:</b><br>Develop a standard operating procedure for local delivery of NWRM which includes the same rigor that is applied for off-base shipments, or include local delivery of NWRM in the SOP for classified material.<br>Note: Some DSS changes may be required. | DLA Distribution                 | 9/1/09 | DLA Distribution has developed an Instruction for handling and processing NWRM, however this Instruction is in draft and does not include details for specific procedures for local delivery of NWRM.   | Open              |
| <b>Recommendation 33:</b><br>DLA develop a policy that requires a periodic review of the official State Department list of embargoed countries, along with any status of forces exceptions, against the DSS restricted country tables   | DLA J-3/4                        | 9/1/09 | DLA J-3/4 had noted that the DLA NWRM Instruction would include details on the periodic review of the embargoed country list, however upon review of the DLA Instruction, this information is not included.                                   | Open              |
| <b>Recommendation 34:</b><br>DLA Distribution should require systemic verification of dual inspection for classified material and FMS shipments as well as NWRM. Note: If this is adopted, DSS will need to be modified to use other than the Dual Inspection Table.                  | DLA Distribution                 | TBD    | DLA Distribution had submitted a system change request to modify DSS to perform a systemic verification for dual inspection of classified material, FMS shipments and NWRM; however the SCR had not been completed and is still under review. | Open              |

## Appendix B

| Recommendations   | Office of Primary Responsibility | ECD      | Corrective Actions Taken and Results  | DA Recommendation |
|---|----------------------------------|----------|---|-------------------|
| <b>Recommendation 35:</b><br>DA send audit team out to the CDC the next time there is a shipment of NWRM for disposal to conduct an audit of the process and ensure adequate controls are in place and the disposal is completed in accordance with current policy. | DLA DA                           | TBD      | DA can document that an audit was performed on the disposal of NWRM and a draft report was issued in December 2009; however, DA cannot independently evaluate the quality of the audit.   | Close             |
| <b>Recommendation 36:</b><br>DLA Disposition Services develop and implement appropriate SOPs in the event that NWRM is mistakenly turned into a DRMO.   | DLA Disposition Services         | 9/30/09  | DLA Disposition Services had received a similar finding during the DA Audit, NWRM Demilitarization Process and Controls Audit, and DRMS Procedures were updated and implemented.  | Close             |
| <b>Recommendation 37:</b><br>DLA Distribution issue guidance that NWRM shipments cannot be force closed in DSS without written approval and rationale from the Distribution Center Commander or Director.   | DLA Distribution                 | Complete | DLA Distribution issued guidance to DLA Distribution Commanders and Deputies in an email in July 2009 identifying that all force closures of NWRM, controlled or FMS shipments can not be processed without written approval of the Distribution Center Commander or Director | Close             |

## Appendix B

| Recommendations  | Office of Primary Responsibility              | ECD      | Corrective Actions Taken and Results  | DA Recommendation |
|--|---|----------|---|-------------------|
| <b>Recommendation 38:</b><br>DLA Distribution issue guidance directing all Distribution Centers immediately visually bare item inspect all NWRM materiel staged for shipment and waiting for transportation to DLA Disposition Services older than 2 February 2009 to validate its identity. | DLA Distribution                              | Complete | DLA Distribution issued guidance to DLA Distribution Commanders and Deputies in an email in July 2009 to visually bare item inspect all NWRM staged for shipping and waiting for transportation to DLA Disposition Services older than February 6, 2009. However, DA suggests to DLA J-3/4 to include a required action for DLA Distribution to perform inspection of items waiting for transportation to DLA Disposition Services when new NWRM lists are published by USAF in the DLA NWRM Instruction. | Close             |
| <b>Recommendation 39:</b><br>DLA Distribution and DLA Disposition Services review, reconcile, and resolve all NWRM items "force closed" or identified as not received at DLA Disposition Service offices.  | DLA Distribution and DLA Disposition Services | 8/30/09  | DLA Distribution and DLA Disposition Services performed a review and reconciliation, however, DA was not able to obtain evidence of the actions taken to evaluate the recommendation.   | Open              |

## ABBREVIATIONS USED IN THIS REPORT

|         |  |
|---------|--|
| AOR     | Area of Responsibility   |
| CIIC    | Controlled Inventory Item Code                                   |
| DA      | Defense Logistics Agency Accountability Office                   |
| DAO     | Defense Logistics Agency Accountability Office Operational Audit |
| DEMIL   | Demilitarization   |
| DIN     | Dual Inspection Notification Table                               |
| DISA    | Defense Information System Agency                                |
| DLA     | Defense Logistics Agency   |
| DoD     | Department of Defense  |
| DODAAC  | Defense Activity Address Code                                    |
| DoDI    | Department of Defense Instruction                                |
| DSS     | Distribution Standard System                                     |
| DTR     | Defense Transportation Regulation                                |
| DTRA    | Defense Threat Reduction Agency                                  |
| FLIS    | Federal Logistics Information System                             |
| GAO     | Government Accountability Office                                 |
| IAO     | Information Assurance Officer                                    |
| MIDAS   | Management Information Distribution and Access System            |
| MOA     | Memorandum of Agreement  |
| NIST    | National Institute of Standards and Technology                   |
| NSN     | National Stock Number  |
| NWRM    | Nuclear Weapons Related Material                                 |
| PIC     | Positive Inventory Control                                       |
| QA      | Quality Assurance  |
| QMF     | Query Management Facility  |
| REPSHIP | Report of Shipment   |
| SAAR    | System Access Authorization Request                              |
| SDR     | Supply Discrepancy Report  |
| SITREP  | Special Situation Report   |
| SME     | Subject Matter Expert  |
| SP      | Special Publication  |
| TASO    | Terminal Area Security Officer                                   |
| TDR     | Transportation Discrepancy Report                                |
| TO      | Transportation Officer   |
| UII     | Unique Item Identifier   |
| USAF    | United States Air Force  |

## Prior NWRM Reports

There have been multiple NWRM audits completed since 2008.

- 1.DLA Distribution Vulnerability Assessment, issued 24 December 2008
- 2.DLA NWRM Red Team, issued 5 August 2009
- 3.DA Audit on DLA Transfer of NWRM to the USAF, DAO-09-10, issued 18 August 2009
- 4.DA Audit on NWRM Demilitarization Process and Controls, DAO0-10-02, issued 22 December 2009
- 5.DA Audit of NWRM Worldwide Inventory at DLA Distribution at Oklahoma City, Oklahoma, DAO-09-10b, issued 15 January 2009



## MANAGEMENT COMMENTS



DEFENSE  
MEMORANDUM J-3 OP

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

AUG 27 2010

MEMORANDUM FOR DLA-DA

SUBJECT: Enterprise Audit Related to Nuclear Weapons Related Materiel (NWRM)

We have reviewed subject report and provide management comments for recommendations directed to DLA Distribution on attachment 1. My POC for further questions is (b)(6) at (b)(6) commercial (b)(6) or via e-mail at (b)(6)

(b)(6)

WILLIAM H. HUSSEN, SES  
Deputy Commander

Attachment

Attachment 1

Recommendation

Management Comments

- |   |   |  |
|---|---|--|
| 4 | Implement the DLA Distribution Instruction on Processing and Handling NWRM that documents the required actions at the functional level for NWRM. Implementation includes distributing the DLA Distribution Instruction to all depots.   | DLA Distribution issued the Instruction on Processing and Handling NWRM to all DLA Distribution locations on April 28, 2010.   |
| 5 | Reference the "joint AF/DLA checklist" in the finalized DLA Distribution Instruction on Handling and Processing NWRM.   | The DLA Distribution Instruction on Processing and Handling NWRM includes actions to be taken when the USAF updates the official NWRM list and states that we will perform "a bare DLA-AD joint dual inspection of newly identified items to include completion of a NWRM Transfer Checklist for each asset."  |
| 6 | Develop and conduct annual training on the NWRM procedures after they are finalized. The training records should be documented and maintained.  | DLA Distribution does not routinely handle NWRM. Detailed Distribution Process training manual for the Storage and Handling of Classified Materiel has been developed and provided to employees that may handle classified materiel. The next version of the Classified Training will include an appendix identifying the proper handling procedures for NWRM. |
| 7 | Finalize and implement NWRM instructions that include procedures to clearly document the physical and systemic shipment/transfer of NWRM assets to USAF for any future transfers. In addition, they should provide consistent instructions to all depots handling and processing NWRM | The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes actions necessary when shipping and/or transferring NWRM assets to the USAF.  |

- 9 Ensure that USAF DSS accounts are created in accordance with the DLA Distribution System Access Policy and Procedure

All USAF requests for DSS are routed through and approved by DLA Distribution J3 prior to J6 providing requested access. USAF DSS (separate copy) has been established and the USAF will now be responsible for creating all user accounts.

Other Observations

Item Identification: DA suggests that an inventory be performed at depots that historically had custody of NWRM assets as this may identify additional NWRM assets that are maintained in courtesy storage or under local stock numbers

All local stock numbers recorded in DSS under a USAF RIC have been provided to the USAF Nuclear Weapons Center (AFNWC) to determine if they may be NWRM. DLA Distribution locations were directed to review items in courtesy storage to positively identify and notify owners to pick up the materiel. DLA Distribution no longer recognizes courtesy storage and all items in the locations must be properly identified and recorded in DSS

Dual Cataloging: Master information for NWRM resides on two different catalogs: the DLA Federal Logistics Information System (FLIS) and the DTRA Nuclear Inventory Management and Catalog System (NIMACS). DLA employees and systems do not have appropriate access to the data in the NIMACS catalog

All known NWRM NSNs are properly coded in DSS with alerts in place to notify the user when attempting to take action against a NWRM NSN. When the USAF updates their official NWRM list, the NSNs are provided to DLA to ensure they are properly identified in DSS. Since DLA will not routinely handle NWRM, the USAF is continuing discussions with DTRA on sharing of appropriate logistical item data information.

Inventory Adjustments: DA suggest that further research be performed, including a formal causative research package and appropriate approval be obtained prior to transactions being cancelled

DoD 4000.25-M and DLA Distribution guidance requires that all classified or sensitive potential inventory adjustments undergo causative research to identify the reason for making the adjustment. If causative research does not resolve the cause of the adjustment or source of the error, a Financial Liability Investigation or Property Loss (FLIPL) is initiated. The incident identified in the audit report was jointly investigated by DLA Distribution and USAF personnel. The USAF conclusion was that the items were never shipped to DLA Distribution Hill and requested that we reverse the receipt initially processed. Prior to reversing the receipt, appropriate approval was obtained from both the USAF and DLA Distribution.

#### DAO-09-10 Open Recommendations

Recommendation 2 – DA was unable to validate that a record retention procedure was in place so the co-signed checklists are maintained for at least five years

DAPS completed the scanning of documentation and establishment of the web site for retrieving after conclusion of the audit. Action complete

Recommendation 5 – DA was unable to validate proper handling of frustrated materiel at DDHU and recommends DDC update the Handling and Processing of NWRM Instruction to include procedures for handling frustrated NWRM

The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes procedures for handling frustrated materiel

Recommendation 14 – Unable to validate that DDC performed a review of DSS access that allows Supervisors to approve and release NWRM (and classified) shipments

The review was conducted however documentation was not retained and available to provide to the DA Audit Team. ICW J6, J-3 conducts periodic reviews of system access and removes access that has not been used for six months therefore, we believe this risk is satisfactorily mitigated

DLA NWRM Red Team Report

|  |   |
|--|---|
| Recommendation 12 – Update the classified SOP with an appendix that reflects systemic, procedural, and DLA and OSD AT&L policy changes, or create a new SOP specifically for processing and handling NWRM. DDC drafted an instruction for Processing and Handling NWRM however, it remained in draft at the conclusion of the audit. | DLA Distribution issued the Instruction on Processing and Handling NWRM to all DLA Distribution locations on April 28, 2010.  |
| Recommendation 13 – Add the process of opened/unconfirmed MROs to the SOP for classified materiel  | The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes procedures for handling opened/unconfirmed MROs                              |
| Recommendation 21 – modify existing procedures for handling frustrated materiel  | The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes procedures for handling frustrated materiel                                  |
| Recommendation 24 – Develop a formally documented, routine and systemic transfer procedure for on-going maintenance of the NWRM list, to include inventory scans and transaction histories   | The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes procedures for the on-going maintenance of the NWRM list                     |
| Recommendation 25 – Develop a documented, routine and systemic transfer procedure for materiel identified as NWRM but still located in a DLA facility  | The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes actions necessary when shipping and/or transferring NWRM assets to the USAF. |
| Recommendation 32 – Develop a standard operating procedure for local delivery of NWRM which includes the same rigor that is applied for off-base shipments, or include local delivery of NWRM in the SOP for classified materiel.  | The DLA Distribution Instruction on Processing and Handling NWRM was issued to all DLA Distribution locations on April 28, 2010 and includes procedures for local delivery of NWRM  |

Recommendation 34 – DLA Distribution should require systemic verification of dual inspection for classified materiel and FMS shipments as well as NWRM. Note: If this is adopted, DSS will need to be modified to use other than the Dual Inspection Table.

DLA Distribution has submitted a system change request to modify DSS to perform systemic verification for dual inspection of classified materiel, FMS shipments and NWRM. This SCR is still under review; J-3 continues to work with J-6 to identify the means to allow for dual systemic verification.

Recommendation 39 – DLA Distribution and DLA Disposition Services review, reconcile and resolve all NWRM items "force closed" or identified as not received at DLA Disposition Services.

DLA Distribution and DLA Disposition Services performed a review while on the Red Team however we did not retain documentation that could be used as evidence the action took place. Since the documentation is not available and we are unable to recreate, suggest closing this action.

DLA Distribution and DLA Disposition Services performed a review and reconciliation however, DA was not able to obtain evidence of the actions taken to evaluate to recommendation.

-----Original Message-----

From: Unklesbay, Beth A CIV DLA J-3/4

Sent: Thursday, August 26, 2010 5:59 PM

To: Skjoldal, Bridget A CIV DLA DA-AD; (b)(6)

(b)(6)

Cc: Hall, John E SES DLA J-3/4 Deputy Director; Scott, Michael SES DLA J-33; Van House, Michael R CIV DLA J-31; (b)(6)

Subject: RE: FOUO: Suspense, August 23, 2010, Draft Report: Enterprise Audit Related to Nuclear Weapons Related Material

Bridget,

The following is offered as J-3's response to the subject draft report.

Recommendation 1 (J-3)

Finalize and implement the MOA between the DLA, USAF, and DTRA that documents the process for handling and transferring NWRM.

COMMENT: J-3 concurs. The MOA is being aggressively worked. ECD is Sep 30.

\*\*\*\*\*

Recommendation 2 (J-3)

Implement the DLA NWRM Instruction that establishes roles and responsibilities for procedures identified in the MOA between DLA, USAF, and DTRA for the management of NWRM.

COMMENT: J-3 concurs and recommends closure. DLA INSTRUCTION 1501 (NWRM Management) was posted Apr 4, 2010.

\*\*\*\*\*

Recommendation 3 (J-3)

Reference the "Joint AF /DLA checklist" in the finalized DLA Instruction on NWRM Management.

COMMENT: J-3 concurs. A reference to the joint AF/DLA NWRM induction checklist will be included during the first annual revision of the instruction.

\*\*\*\*\*

Recommendation 8 (J-3)

Develop and implement a DLA NWRM record management policy that requires the retention of all supporting documentation for NWRM actions as noted in the Red Team Report, recommendation 14.

COMMENT: J-3 concurs. J-3 will coordinate with J-1 to ensure records management policy is updated.



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
3725 JOHN J. KINGMAN ROAD  
FORT BELVOIR, VIRGINIA 22060-6221

SEP 20 2010

Re: to DLA Information Operations, New Cumberland

MEMORANDUM FOR DLA DA

SUBJECT: Enterprise Audit Related to Nuclear Weapons Related Material, DAO-10-07

DLA Information Operations has reviewed subject report. Management comments for recommendations directed to DLA Information Operations are provided as attachment 1. Further questions may be directed to the point of contact, (b)(6) DLA Information Operations, New Cumberland, (b)(6) or email: (b)(6)

(b)(6)

THOMAS P. MICHELLI  
Executive Director, Enterprise Solutions  
DLA Information Operations

Attachment



DLA Information Operations  
Management Comments

The DLA-Accountable Office (DAO) Enterprise Audit Related to Nuclear Weapons Related Material (NWRM), Audit Report: DAO-10-07, July 26, 2010, reference pg. 17, para. 2, Query Management Facility, states "J-6N had researched a product called ArcSight; however, that was providing more of a Systems Management Facilities (SMF) type log which includes actions tracked by User ID, but it potentially included too much additional information for J-6N to capture and analyze."

The following clarification is provided, DLA Information Operations, New Cumberland performed research (b)(7)(E) System Management Facility (SMF) and Query Monitor. The assessment of these tools identified substandard results (b)(7)(E)

(b)(7)(E) DLA Information

Operations conducted a cursory review of (b)(7)(E) and (b)(7)(E)

(b)(7)(E) Therefore, DLA Information Operations, New Cumberland has elected to conduct (b)(7)(E) pilot with Defense Information Systems Agency (DISA). The pilot is anticipated to begin August 23, 2010 with results and analysis completed in early October.

The following is provided in response to the DLA-DA Recommendations:

| DA Recommendation<br>Audit Report: DAO-10-07   | Management Comments  | Status of<br>Corrective<br>Action | Estimated<br>Completion<br>Date                                      |
|--|--|-----------------------------------|--|
| Recommendation 9:<br>Ensure that USAF DSS<br>accounts are created in<br>accordance with the DLA<br>Distribution System Access<br>Policy and Procedure. | The USAF is responsible for creating DSS accounts for the DSS standalone copies implemented in June/July 2010. USAF DSS accounts established on DLA DSS copies are approved and routed in accordance with DLA Distribution System Access Policy and Procedure.               | Complete                          | N/A  |
| Recommendation 10:<br>Implement a separate copy<br>of DSS for USAF to manage<br>NWRM.  | The USAF standalone copy of DSS was implemented (b)(7)(E) on June 28, 2010 and July 11, 2010, respectively.  | Complete                          | N/A  |
| Recommendation 11:<br>Obtain and implement a<br>systemic audit tool to<br>capture and archive QMF<br>changes.  | Concur with intent. Analysis led to pilot of (b)(7)(E) Query Monitor is currently begun utilized to capture QMF activity. Query Monitor is an interim solution until a comprehensive audit tool is in place. Query Monitor was activated at the Defense Enterprise Computing | Open                              | (b)(7) pilot start Aug 2010; anticipate results and action Oct 2010. |

DLA Information Operations, Management Comments, August 19, 2010.  
Reference: DAO-10-07

|   |  |  |            |
|---|--|--|------------|
|   | (b)(7)(E)<br>(b)(7)(E) on May 20, 2010, and June 18, 2010, respectively. |  |            |
| Recommendation 12:<br>After implementation of the systemic tool, ensure there is a monitoring and review process in place to monitor the QMF changes. | Concur.  |  | See above. |

The following Management Comments are provided in response to the DA recommendation regarding the Red Team Report:

| Red Team Recommendations<br>August 5, 2009  | Corrective Actions Taken and Results  | DA Recommendation <sup>1</sup> | Management Comments   |
|---|---|--------------------------------|---|
| Recommendation 3:<br>Develop and implement a (b)(7)(E) template for roles and responsibilities in DSS since DISA is now competing the security package. | DLA J-6 has created a (b)(7)(E) (b)(7)(E) however DA was not able to test the implementation of the updated template. | Open                           | The (b)(7)(E) template was created and distributed to appropriate personnel on August 29, 2009. DISA conducted an assessment of the (b)(7)(E) (b)(7)(E) packages. DLA requested and has funded the implementation of the (b)(7)(E) as the enterprise solution at (b)(7)(E) (b)(7)(E) This is a major DLA/DISA project effort and SESs from both will be updated on status/progress each month until fully implemented. The transition from (b)(7)(E) (b)(7)(E) scheduled in FY2011. |

DLA Information Operations, Management Comments, August 19, 2010.  
Reference: DAO-10-07

## ACKNOWLEDGMENTS

**Auditors:**

Bridget Skjoldal, Staff Director, DLA Accountability Office

Trang Ho, Audit Director, Information Technology, DLA Accountability Office

(b)(6)

A rectangular box with a black border, used to redact information. It is positioned below the list of auditors.

**FOUO: Predecisional**

Page 73 of 73