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WEAPONS OF MASS DESTRUCTION

DOD Reporting on Cooperative Threat Reduction Assistance Has Improved



**National Security and
International Affairs Division**

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February 27, 1997

The Honorable Strom Thurmond
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Floyd Spence
Chairman
The Honorable Ronald Dellums
Ranking Minority Member
Committee on National Security
House of Representatives

Section 1206 of the National Defense Authorization Act for Fiscal Year 1996 requires the Department of Defense (DOD) to report annually on Cooperative Threat Reduction (CTR) assistance provided to the newly independent states (NIS).¹ According to the legislation, DOD's report is to include (1) a list of CTR assistance that has been provided, (2) a description of the current location and condition of the material and equipment provided, (3) a determination of whether the assistance has been used for the purposes intended, and (4) a description of CTR audit and examination activities to be carried out during the next fiscal year. DOD submitted its annual report for the year 1995 on December 31, 1996—nearly a year after its due date.²

The legislation also requires that we provide Congress an assessment of DOD's report within 30 days of the date that DOD issues its report. Accordingly, we reviewed DOD's report to determine whether it (1) contained current and complete data on CTR assistance deliveries, including their location and condition; (2) presented the best available sources of information to show what assistance was accounted for and how it was used; (3) provided an overall determination of assistance use; and (4) listed planned audit and examination activities for the coming

¹The NIS states of Belarus, Kazakstan, Russia, and Ukraine inherited the former Soviet Union's weapons of mass destruction.

²The legislation specifies that DOD report on CTR assistance deliveries no later than January 31 of each year until the program ends.

year. We also followed DOD's implementation of the recommendation we had previously made for DOD to improve its annual reports.³

Background

In 1991, Congress authorized DOD to provide assistance to NIS. As of February 1997, the CTR program has obligated over \$1 billion to help the states of Belarus, Kazakstan, Russia, and Ukraine (1) destroy their weapons of mass destruction, (2) safely store and transport the weapons in connection with their destruction, and (3) reduce the risk of weapons proliferation. CTR assistance deliveries include materials, equipment, and training. Specifically, the types of equipment being provided vary widely and include railcar conversion kits, computers, various cutting tools used for the destruction of nuclear delivery vehicles, fissile material containers, cranes, and manuals. DOD officials plan to discuss CTR assistance deliveries made during 1996 in their forthcoming annual report.⁴

In May 1995, DOD issued its first annual report on CTR assistance.⁵ In our assessment of that report, we identified several DOD deficiencies in meeting the legislative requirements, and we recommended several corrective actions to DOD.⁶ Specifically, we recommended that DOD reports (1) contain current and complete data on CTR deliveries, (2) integrate available sources of information on CTR assistance to show how it is used, (3) link such information to the determination that assistance is being used for the purposes intended, and (4) detail planned audit and examination activities for the coming year.

Results in Brief

DOD's recent report is an improvement over its May 1995 report and provides an overview of how DOD accounted for CTR-provided assistance through December 1995. Unlike its predecessor, this report

- contains comprehensive listings of equipment deliveries, including the location, dollar value, and delivery dates of the items provided, and comments on the condition of the assistance;

³Weapons of Mass Destruction: DOD Reporting on Cooperative Threat Reduction Assistance Can Be Improved (GAO/NSIAD-95-191, Sept. 29, 1995).

⁴As required by the legislation, DOD was to have submitted its next report accounting for CTR assistance by January 31, 1997. DOD officials hope to issue this report in March.

⁵Although DOD's first report on accounting for CTR assistance was dated January 5, 1995, it was not issued until May 1995.

⁶Weapons of Mass Destruction (GAO/NSIAD-95-191, Sept. 29, 1995).

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- integrates a variety of information sources in accounting for CTR assistance;
 - makes a determination on whether the assistance has been appropriately used; and
 - lists future audit and examination activities.

CTR Assistance Deliveries

Compared with the information in DOD's May 1995 report, the December 1996 DOD report includes more current and comprehensive data on CTR equipment deliveries. As of December 1995, DOD had delivered over \$165 million worth of CTR equipment to the recipient countries. Program officials stated that due to improvements in their computer database, they can more readily track assistance deliveries. As required, the report also contains information on the serviceability— that is, the condition—of the CTR-provided assistance. In those instances where equipment was inoperable or not being used, the report indicated what measures were being undertaken to correct the problems.

Sources of Information

DOD has improved its means of collecting and reporting information on CTR-provided assistance. DOD tracks CTR assistance through several means, including the use of audit and examination teams, observations by contractor logistics support teams and project managers, information collected from other government agencies, and intelligence sources.

Audit and Examination Teams

By the end of 1995, audit and examination teams had conducted 12 audits and examinations among the four recipient countries. The teams audited a variety of CTR-provided assistance, including rail car conversion kits, strategic nuclear arms elimination equipment, and environmental restoration equipment. With one exception, the audit teams found that the recipients were using the equipment for the purposes intended. Personnel from DOD's On-Site Inspection Agency, who lead the audit and examination teams,⁷ have developed flexible procedures for conducting the audits. Also, the Defense Special Weapons Agency has appointed a liaison to coordinate all audit and examination activities. The audit and examination teams provide briefings to the CTR program office on audit results and issue written reports summarizing the audits to the Deputy Assistant Secretary of Defense for Threat Reduction Policy.

⁷DOD technical and policy experts may also serve on audit and examination teams.

Logistics Support Teams and Project Managers

DOD also collected information on how assistance is being used through contractor logistics support teams observations. These contractor personnel witness the transfer of CTR-provided equipment to the recipient countries, conduct inventories of the equipment, and provide technical assistance for installation and training to facilitate the proper use of the equipment. For example, during 1995, logistics support teams observed 9 CTR projects in 21 locations throughout Russia. In Ukraine, teams observed equipment provided for seven CTR projects at four different locations.

In addition, CTR project managers often travel to the recipient countries to monitor the status of their projects and observe how CTR assistance is being used. For example, in 1995, project managers and contract officials visited 10 sites across the 4 recipient countries to review defense conversion projects and 3 sites for housing projects in Belarus and Ukraine.

Information Obtained From Other Government Agencies

In late 1995, DOD transferred management and oversight responsibilities for the CTR effort involving the International Science and Technology Center⁸ to the Department of State and the nuclear material protection, control, and accountability (MPC&A) projects to the Department of Energy. Nonetheless, DOD obtained information on how the use of this CTR assistance was monitored from the Departments of State and Energy and included it in its report. Moreover, the Defense Contract Audit Agency (DCAA)⁹ audited projects at the 2 Russian institutions—Arzamas-16 and Chelyabinsk-70—that were managing most Science and Technology Center projects and reviewed 10 additional projects through its annual financial audit.

DOD's report also states that the Energy Department is developing internal procedures for conducting audits of MPC&A projects. Because the Department of Energy has not yet implemented these procedures, the report cites the results of "preliminary measures," which indicate that MPC&A assistance provided to the four recipient countries is being used for the purposes intended.

⁸In 1992, the United States, European Community, Japan, and Russia, established the International Science and Technology Center to provide peaceful employment opportunities to weapons scientists and engineers, especially those experts involved with producing weapons of mass destruction.

⁹U.S. officials stated that the State Department used DCAA because DOD funded the U.S. contribution to the Center through fiscal year 1995. Through a reimbursable arrangement, State has continued to request that DCAA perform audits.

Intelligence Sources

In developing its report, DOD indicated that it also used intelligence sources to help it account for CTR-provided assistance. According to these sources, CTR assistance was not diverted during 1995. However, because the detailed information is classified, we cannot discuss it in this report.

Determination of Assistance Use

DOD acknowledges in the report that it did not have sufficient resources to routinely examine all of the assistance provided since the CTR program began deliveries in 1993. Instead, DOD stated that it based its determination on a random sampling from a variety of sources, across the spectrum of CTR projects. Through December 1995, DOD had provided assistance in support of 27 CTR projects. The report cites information on 88 percent of these projects to support its determination that assistance provided under the CTR program had been properly accounted for and was being used for the purposes intended.

DOD officials believe that the working relationships they have developed with recipient countries' officials reinforce their assessment that CTR assistance is being used for the purposes intended. Even if significant diversions of CTR assistance were to occur, DOD is reasonably confident that such diversions would be readily detected, given its sources of information.

Future Audit and Examination Activities

As required by the legislation, DOD's report lists 16 planned audit and examination activities for 1996. Although not required, DOD also lists its 17 planned activities for 1997. These lists provide a breakdown of how many audits and examinations DOD will conduct per month for the entire year. Our work shows that during 1996, DOD completed all of its planned audits and examinations.

DOD reports that its efforts to account for CTR assistance have increased in intensity since December 1995. For example, DOD conducted more audits and examinations in 1996 than during 1995. According to DOD officials, as more CTR equipment is delivered, they intend to increase the use of input from technical teams, project managers, and intelligence sources to determine how CTR assistance is being used in the recipient countries.

Agency Comments

DOD concurred with a draft of this report.

Scope and Methodology

To accomplish our review objectives, we reviewed DOD's December 1996 report accounting for CTR-provided assistance, DOD's audit and examination reports, and other DOD documents to determine whether DOD had met the legislative requirements and implemented our previous recommendation. We also reviewed DCAA audit reports and the 1995 International Science and Technology Center's annual report. We met with officials from the Office of the Secretary of Defense, the Defense Special Weapons Agency, the On-Site Inspection Agency, and the State Department. In addition, we reviewed DOD's classified annex to its report. Due to the limited time allowed for us to assess DOD's report, we could not travel to the CTR recipient countries of Belarus, Kazakstan, Russia, and Ukraine and meet with recipient countries' officials to corroborate information contained in DOD's report.

We conducted our review during January 1997 in accordance with generally accepted government auditing standards.

We plan to send copies of this report to the Secretary of Defense and other interested congressional committees. We will also make copies available to others upon request.

Please contact me on (202) 512-4128 if you or your staff have any questions concerning this report. The major contributors were F. James Shafer, Beth Hoffman León, and Jo Ann Geoghan.



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