

Inspector General

United States
Department of Defense



Information Security at the Fleet and Industrial Supply
Center, Sigonella, Detachment Bahrain

Report Documentation Page

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Acronyms and Abbreviations

CNO	Chief of Naval Operations
DASN (M&B)	Deputy Assistant Secretary of the Navy (Management and Budget)
FISCSI	Fleet and Industrial Supply Center, Sigonella
NOFORN	Not Releasable to Foreign Nationals



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

November 3, 2009

MEMORANDUM FOR NAVAL INSPECTOR GENERAL

SUBJECT: Information Security at the Fleet and Industrial Supply Center, Sigonella,
Detachment Bahrain (Report No. D-2010-005)

We are providing this report for review and comment. This is the first in a series of audits on Army and Navy ship maintenance contracts. We considered management comments on a draft of this report when preparing the final report.

DOD Directive 7650.3 requires that all recommendations be resolved promptly. We redirected draft Recommendation 1.a to the Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples and renumbered it as Recommendation 2.c. We added a new Recommendation 1.a, which is directed to the Special Assistant for Naval Investigative Matters and Security. We also revised Recommendation 1.b. We request that the Special Assistant for Naval Investigative Matters and Security respond to Recommendation 1.a and 1.b, and the Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples, respond to Recommendation 2.c by November 24, 2009.

If possible, please send a .pdf file containing your comments to audacm@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9071 (DSN 664-9071).

A handwritten signature in blue ink that reads "Bruce A. Burton".

Bruce A. Burton
Deputy Assistant Inspector General
Acquisition and Contract Management



Results in Brief: Information Security at the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain

What We Did

This is the first in a series of reports on Army and Navy ship maintenance contracts. The overall objective was to determine whether contracts providing ship repair and maintenance to the U.S. Army operations in Kuwait and Navy operations in Bahrain and United Arab Emirates were properly managed and administered. We are issuing this report in order to address an information security issue at the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain (FISCSI Det Bahrain). Subsequent reports will address the audit objective.

What We Found

We identified internal control weaknesses in controlling and securing classified information at FISCSI Det Bahrain.

U.S. Navy personnel did not follow DOD Regulations on handling classified documentation. Specifically, the Office of the Chief of Naval Operations (CNO) did not correctly mark the documents with a declassification date, and FISCSI Det Bahrain personnel stored classified documents in unclassified files that they did not safeguard or mark properly.

What We Recommend

The Special Assistant for Naval Investigative Matters and Security:

- determine who the original classification authority is and provide this information to FISCSI Det Bahrain and

- initiate corrective actions to ensure that all future classified documents are properly marked.

The Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples (FISCSI Det Naples) ensure that FISCSI Det Bahrain:

- provide training to personnel at FISCSI Det Bahrain on DOD and Navy information security policies to ensure that personnel know how to handle classified information,
- review all contract files to ensure that they do not contain classified information and documentation and take appropriate action to control and secure any classified information found, and
- investigate the compromise of classified information

Management Comments and Our Responses

The Deputy Assistant Secretary of the Navy (Management and Budget) responded for the Special Assistant for Naval Investigative Matters and Security, and the Director of Contracting, FISCSI Det Naples. We redirected and renumbered draft Recommendation 1.a to 2.c. We added a new Recommendation 1.a and revised draft Recommendation 1.b. We request that the Special Assistant for Naval Investigative Matters and Security and FISCSI Det Naples provide comments on the final report by November 24, 2009. See the recommendations table on page ii.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Special Assistant for Naval Investigative Matters and Security	1.a and 1.b	
Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples	2.c	2.a and 2.b

Please provide comments by November 24, 2009

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Introduction

Objectives

This is the first in a series of reports on Army and Navy ship maintenance contracts. The overall objective was to determine whether contracts providing ship repair and maintenance to the U.S. Army operations in Kuwait and Navy operations in Bahrain and United Arab Emirates were properly managed and administered. The audit series will include reports on the contracts we reviewed in the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain (FISCSI Det Bahrain); U.S. Naval Sea Systems Command; and the U.S. Army. See Appendix A for a discussion of our scope and methodology.

The audit team identified an information security issue at FISCSI Det Bahrain. We issued a memorandum (Appendix B) identifying the seriousness of this issue and required action; however, FISCSI Det Bahrain personnel had not implemented the necessary improvements. Although the original objective did not include information security, we determined that further notification and reporting was warranted. The potential impacts of not protecting classified information on U.S. national security are severe. We are issuing this report to address the information security issues at FISCSI Det Bahrain in a timely manner.

Background

The Naval Supply Systems Command

The Naval Supply Systems Command manages supply chains that provide material for Navy aircraft, surface ships, submarines, and their associated weapons systems. The Commander, Fleet and Industrial Supply Centers reports to the Naval Supply Systems Command.

Commander, Fleet and Industrial Supply Centers

Under the Naval Supply Systems Command; the Commander, Fleet and Industrial Supply Centers, functions as a global provider of integrated supply and support services to fleet units and shore activities. The Commander, Fleet and Industrial Supply Centers, is responsible for establishing common policies and procedures of the worldwide network of the seven Fleet and Industrial Supply Centers, including the Fleet and Industrial Supply Center, Sigonella, Italy.

Fleet and Industrial Supply Center, Sigonella

The Fleet and Industrial Supply Center, Sigonella (FISCSI) is located at the Naval Air Station Sigonella, Italy, and provides logistics, business, and support services to the Navy, Coast Guard, and Military Sealift Command, as well as other joint forces. FISCSI delivers direct logistical support to various locations including Dubai and Jebel Ali within the Emirate of Dubai and Bahrain. FISCSI oversees the FISCSI, Detachment Naples (FISCSI Det Naples).

FISCSI Det Naples

FISCSI Det Naples has detachments in London, Bahrain, and the Emirate of Dubai to provide contracting support for U.S. forces throughout Europe, the Mediterranean, Africa, and Southwest Asia.

FISCSI Det Bahrain

FISCSI Det Bahrain is located at the Naval Support Activity in Manama, Bahrain. The mission of FISCSI Det Bahrain is to provide fleet support for U.S Navy, Military Sealift, and Coast Guards ships operating in the 5th Fleet area of responsibility as well as base support for naval installations in the Middle East. FISCSI Det Bahrain reports to FISCSI Det Naples. The workforce at FISCSI Det Bahrain consists of 3 military service members, 5 U.S. civilians, and 12 foreign nationals. FISCSI Det Bahrain administers some of the Navy contracts in our audit sample.

Review of Internal Controls

DOD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We determined that FISCSI Det Bahrain did not have adequate internal controls for controlling and securing classified information. Implementing the recommendations in the Finding will help to prevent compromising classified information at FISCSI Det Bahrain. We will provide a copy of the report to the senior official responsible for internal controls at Naval Supply Systems Command, FISCSI Det Naples, and to the Special Assistant for Naval Investigative Matters and Security.

Finding. Classified Information in the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain

FISCSI Det Bahrain personnel stored classified documents in unclassified files that they did not safeguard or mark properly because FISCSI Det Bahrain personnel did not follow DOD Regulations on handling classified information. In addition, Chief of Naval Operations (CNO) officials did not properly mark the documents with a declassification date. As a result, foreign nationals and other employees had access to classified information. Unauthorized access to classified documentation can compromise national security and increase risk to the warfighter.

Safeguarding of Classified Information

DOD Regulation 5200.1-R, "Information Security Program," January 1997 states that everyone granted access to classified information is responsible for properly protecting information in their possession or control. The Regulation states that we must protect classified information at all times by storing it in an approved device or facility or in the possession of an authorized individual.

FISCSI Det Bahrain officials provided the contract files for contracts N49400-03-H-A005-5024 and N49400-04-H-A501-6098 on May 25, 2009. According to FISCSI Det Bahrain contracting officials, they retrieved the contract files from an unsecured storage facility and placed them in the unsecured conference room. The contract files provided to us were issued from FY 2004 through FY 2009. The Deputy Officer In Charge, FISCSI Det Bahrain, stated that none of the contract files were locked in an approved container or storage facility because the contracts were unclassified.

On May 28, 2009, we found a CNO memorandum and an e-mail classified Confidential/NOFORN (not releasable to foreign nationals) in contract file N49400-03-H-A005-5024. When we discovered the items, we attempted to inform the Officer in Charge, FISCSI Det Bahrain. However, he was not available, so we informed the FISCSI Det Bahrain legal counsel. The legal counsel stated that FISCSI Det Bahrain personnel would review the contract file page by page and start an investigation into the matter. FISCSI Det Bahrain officials secured the contract file N49400-03-H-A005-5024 in a safe.

On May 31, 2009, we discovered another CNO memorandum and an e-mail classified Confidential/NOFORN in contract file N49400-04-H-A501-6098. We again informed the FISCSI Det Bahrain legal counsel and the Officer in Charge, FISCSI Det Bahrain. We provided them with the entire contract file for their review. FISCSI Det Bahrain secured the classified documentation in contract file N49400-04-H-A501-6098 in a room with a lock on the door.

FISCSI Det Bahrain personnel stated that the documentation we discovered is old, may be declassified, and is public knowledge. We informed the FISCSI Det Bahrain Officer in Charge that FISCSI Det Bahrain should still treat the documents as classified information because there was not a date for declassification on the documents. Additionally, the FISCSI Det Bahrain Officer in Charge did not create the documents and does not have the authority to determine if the documents should be declassified. The processes and procedures FISCSI Det Bahrain personnel use to secure and protect classified information are ineffective. Unless Navy officials identify and correct the faults in those procedures, we believe that similar failures will happen in the future, which could jeopardize U.S. national security.

We obtained a copy of the memorandum and e-mails included in contract file N49400-04-H-A501-6098. Although we requested a copy of the classified documents in contract file N49400-03-H-A005-5024 several times, the FISCSI Det Bahrain Command Security Officer shredded the classified documents without providing us a copy for our audit documentation review and analysis.

Marking of Classified Information

The CNO issuing official and FISCSI Det Bahrain officials did not properly mark the classified memoranda and e-mails with a declassification date or identify the source of classification of the information in the document. DOD 5200.1-R requires markings that include a declassification date and identify the source of the classified information.

Because CNO officials issued the memoranda, they were responsible for correctly marking them. CNO officials did not mark the memoranda; therefore, we could not determine who the original classification authority was for declassifying the information. DOD 5200.1-R states that the Secretary of Defense, the Secretaries of the Military Departments, and the designated original classification authority are the only personnel that can declassify information.

We reviewed the e-mails included with the memorandum in contract file N49400-04-H-A501-6098 and determined that FISCSI Det Bahrain did not properly mark the e-mails. One e-mail contained “derived from” and “declassify on” information. However, Navy personnel did not properly mark the forwarding e-mails. In addition, we could not determine whether the Navy personnel on the e-mails sent them on a secure network.

Access to Classified Information

FISCSI Det Bahrain has many foreign nationals working in its contracting office. Because the documents we found were marked “Confidential/NOFORN,” foreign nationals should not have access to these documents. In the contract file for N49400-04-H-A501-6098, we found modifications signed by a contracting official that is a foreign national. We determined that because a foreign national signed the contract modifications, they had access to the classified documentation included in that file. Therefore, the classified information is potentially compromised.

DOD 5200.1-R states that when an actual or potential compromise of classified information occurs, the head of the activity or activity security manager should promptly initiate an inquiry into the incident. According to the Secretary of the Navy Manual 5510.36, "Department of the Navy Information Security Program," June 2006, when a compromise of classified information occurs, the commanding officer or security manager should initiate a preliminary inquiry within 72 hours of the incident. If it is determined during the preliminary inquiry that a compromise of classified information occurred, the commanding officer or security manager should contact the local Naval Criminal Investigative Service office in a timely manner. Once we notified the Officer in Charge, FISCSI Det Bahrain that we found the classified information, he should have initiated an inquiry into the incident and informed the Naval Criminal Investigative Service. However, FISCSI Det Bahrain officials did not initiate an inquiry into the incident and did not notify the Naval Criminal Investigative Service.

During our exit briefing on June 4, 2009, we again informed the Officer in Charge, FISCSI Det Bahrain, that he needed to take action to secure this information and to reduce the risk of future security issues.

On July 17, 2009, we issued an action memorandum to FISCSI Det Naples with a copy to the Special Assistant for Naval Investigative Matters and Security (Appendix B). We recommended that FISCSI Det Naples personnel initiate an inquiry into this issue in accordance with DOD Regulation 5200.1-R and that they inform us of the actions taken to address the issue.

On July 28, 2009, we received a memorandum from the FISCSI Det Bahrain Command Security Officer stating that the Regional Security Director in Sigonella gave him permission to destroy the documents because the documents were nearly 4 years old and all of the information contained in each document is now public knowledge. The Command Security Officer stated in the memorandum that the documents were destroyed on July 7, 2009, in accordance with the instructions of the Regional Security Director.

Management Actions

FISCSI Det Bahrain officials took minimal action to train personnel on the proper handling of classified information. According to the FISCSI Det Bahrain Officer in Charge, FISCSI Det Bahrain officials are developing a policy on handling classified information but have not scheduled any corrective training. The Officer in Charge stated that they reviewed the two contract files containing the documents to ensure that they did not contain classified documentation but did not check the other contract files in storage.

After we issued the action memorandum, the Special Assistant for Naval Investigative Matters and Security, CNO, ordered a preliminary inquiry into this compromise of information. The Special Assistant for Naval Investigative Matters and Security determined that the preliminary inquiry completed by the FISCSI Det Bahrain Command Security Officer was insufficient and asked the Security Officer to complete it again.

Conclusion

We discovered classified documents that FISCO Det Bahrain did not safeguard, which included e-mails FISCO Det Bahrain officials did not mark. We determined that foreign national(s) had access to the classified documents, which constitutes a possible compromise of classified information. FISCO Det Bahrain must investigate this compromise. In addition, FISCO Det Bahrain officials should provide training on the handling of classified information. In order to ensure that other FISCO Det Bahrain contract files do not contain classified documentation, FISCO Det Bahrain personnel should review all files that are under their control. The classified documentation we discovered includes memoranda that CNO officials did not mark. As a result, the Special Assistant for Naval Investigative Matters and Security needs to investigate the lack of markings on the CNO memoranda to determine why they were not marked to keep it from happening in the future.

Management Comments on the Finding and Our Response

Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples Comments

The Deputy Assistant Secretary of the Navy (Management and Budget) (DASN [M&B]), responding for the Director of Contracting, FISCO Det Naples, agreed with the Finding. He stated that the classified information in the contract file was stored incorrectly and was unnecessarily included in the contract file. The DASN (M&B) also explained that FISCO Det Bahrain does not award or work with classified contracts.

Our Response

We commend the DASN (M&B) for acknowledging that the classified information in the contract file was stored incorrectly and was unnecessarily included in the contract file. We appreciate his explanation that FISCO Det Bahrain does not award or work with classified documents.

Recommendations, Management Comments, and Our Response

Revised, Redirected, Renumbered, and Added Recommendations. As a result of comments from the DASN (M&B), we revised, redirected, and renumbered draft Recommendation 1.a. to Recommendation 2.c. We directed Recommendation 2.c to the Director of Contracting, FISCO Det Naples, to reflect who is responsible for performing the investigation. We added new Recommendation 1.a directed to the Special Assistant for Naval Investigative Matters and Security to determine the original classification authority for the memoranda so that the original classification authority can perform a damage assessment. In addition, because CNO issued classified memoranda, we revised Recommendation 1.b to the Special Assistant for Naval Investigative Matters and

Security to initiate corrective actions that will ensure that all classified information is properly marked.

1. We recommend that the Special Assistant for Naval Investigative Matters and Security:

a. Determine who the original classification authority for the unmarked Chief of Naval Operations memoranda is and coordinate with the Fleet and Industrial Supply Center, Sigonella, Detachment Naples so the original classification authority can conduct the damage assessment.

b. When Recommendation 1.a is complete, initiate corrective actions to ensure that all future classified documents are properly marked.

Special Assistant for Naval Investigative Matters and Security Comments

The DASN (M&B), responding for the Special Assistant for Naval Investigative Matters and Security, agreed with Recommendations 1.a and 1.b. However, the DASN (M&B) stated that CNO provides implementing policy in the Department of the Navy. He further stated that CNO is not responsible for conducting an investigation into the potential compromise of classified material and determining its effect on national security. The DASN (M&B) also stated that the original classification authority should conduct the damage assessment.

The DASN (M&B) stated that CNO agrees with the Finding that the documents were incorrectly marked. He further stated that CNO conducted a preliminary review of the classified documents in question. The DASN (M&B) also stated that CNO asserted that the classified documents in question were declassified as soon as the host nation was notified in September 2005. In addition, he stated that on May 7, 2009, CNO generated interim guidance across the Department of the Navy commands regarding the proper marking of classified documents and instructed them to conduct a random sampling of originally and derivatively generated documents. Finally, the DASN (M&B) stated that the CNO annual Security Manager's Seminar emphasizes proper marking of classified documents, including e-mails.

Our Response

We could not determine the original classification authority for the information. According to DOD 5200.1-R, the original classification authority is responsible for performing a damage assessment. Because CNO issued the memoranda that were not marked, we are asking the Special Assistant for Naval Investigative Matters and Security to determine who the original classification authority for the memoranda was so the original classification authority can perform a damage assessment. We revised Recommendation 1.b to initiate corrective actions once Recommendation 1.a is complete. We request that the Special Assistant for Naval Investigative Matters and Security provide comments on the new Recommendation 1.a and revised Recommendation 1.b.

2. We recommend that the Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples ensure that the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain:

a. Provide training to personnel in the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain on DOD and Navy information security policies to ensure that personnel know how to handle classified information.

b. Review all contract files to ensure that they do not contain classified information.

c. Investigate this potential compromise of classified information.

Director of Contracting, Fleet and Industrial Supply Center, Sigonella, Detachment Naples Comments

The DASN (M&B), responding for the Director of Contracting FISCSI Det Naples, agreed with Recommendations 2.a and 2.b. The DASN (M&B) stated that the FISCSI Assistant Security Officer conducted training on the proper handling of classified information and DOD and Department of the Navy information security policies on August 10, 2009. In addition, the DASN (M&B) stated that the FISCSI Det Bahrain Security Manager provided training on the proper handling of sensitive information on September 15, 2009. He further stated that FISCSI Det Bahrain schedules security training monthly and holds a security discussion during weekly meetings.

The DASN (M&B) stated that U.S. Government staff with appropriate clearances began reviewing contract files starting with the ship repair and military exercise contracts because they have the most potential to contain classified documentation. The DASN (M&B) also stated that they will review all contracts starting with the most recent. He further stated that historic contract files are properly stored and only authorized individuals can access the files. The DASN (M&B) stated that FISCSI Det Bahrain has two Navy reservists reviewing the contract files and requested additional support. He also stated that FISCSI Det Bahrain target completion date for reviewing all contract files is February 28, 2010.

In additional comments, the DASN (M&B) stated that the contracts containing the classified memoranda were immediately stored in an approved storage location. The DASN (M&B) also stated that FISCSI is unable to respond to the assertion that CNO incorrectly marked the classified documentation and that the FISCSI Det Bahrain ongoing investigation will attempt to determine at what point these documents were stored in the unclassified contract files.

Our Response

FISCSI Det Naples should provide the results of its review of all contract files to the DOD Office of Inspector General upon completion in February 2010. As a result of the

DASN (M&B) comments; we revised and renumbered draft Recommendation 1.a to 2.c. We also redirected Recommendation 2.c to FISCSI Det Naples because it is the command's responsibility to investigate the compromise of information. FISCSI should also expand its investigation to include how and when the classified documentation ended up in the contract file. We request that FISCSI Det Naples personnel provide us the results of their investigation. We request that the Director of Contracting, FISCSI Det Naples provide comments on Recommendation 2.c.

Appendix A. Scope and Methodology

We conducted this performance audit from March 2009 through September 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This is the first in a series of reports on Army and Navy ship maintenance contracts. We announced this audit in March 2009 and judgmentally selected 17 FISCSI Det Bahrain contracts, 15 Army contracts, and 7 Naval Sea Systems Command technical instructions, valued at \$96,839,887. We selected this sample from a universe of 2,934 contracts valued at \$171,901,765. We visited FISCSI Det Bahrain in Manama, Bahrain, from May 25 to June 4, 2009. The results of the review of these contracts are not included in this report, but follow on reports will address issues regarding these contracts.

We intend to meet the stated objective in the follow on audit projects. The scope of this project is limited to the information security issues we discovered at FISCSI Det Bahrain. We will issue a separate report on our review of the contract files at FISCSI Det Bahrain in Project No. D2009-D000AS-163.002.

For this report, we reviewed classified guidelines contained in DOD Regulation 5200.1-R and the Secretary of the Navy Manual 5510.36. We also interviewed officials at FISCSI Det Bahrain, officials at FISCSI Det Naples, and the Special Assistant for Naval Investigative Matters and Security.

Use of Computer-Processed Data

We used computer-processed data from the Federal Procurement Data System-Next Generation to help choose our judgmental sample of task orders for the audit. However, we did not rely on this data to support this Finding. Therefore, we did not perform a reliability assessment of the computer-processed data.

Prior Coverage

No prior coverage has been conducted on classification issues in FISCSI Det Bahrain during the last 5 years.

Appendix B. Action Memorandum to Fleet and Industrial Supply Center, Sigonella, Detachment Naples



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

JUL 17 2009

MEMORANDUM FOR DIRECTOR, FLEET AND INDUSTRIAL SUPPLY CENTER
SIGONELLA, NAVAL REGIONAL CONTRACTING
DETACHMENT, NAPLES

SUBJECT: Information Security Issue Identified During the Audit of Army and Navy Small Boats Maintenance Projects (Project No. D2009-D000AS-0163.000) (U)

██████████ In accordance with DoD Regulation 5200.1-R "Information Security Program," dated January 1997, chapter 10, we are notifying Fleet and Industrial Supply Center (FISC) Sigonella Naval Regional Contracting Detachment Naples about a potential compromise of classified information. This could present a threat to national security.

██████████ During fieldwork in Manama, Bahrain, from May 22 to June 5, 2009, we visited FISC, Bahrain to review a sample of contracting files and found classified documentation in two contracting files. In one file, we found an Office of the Chief of Naval Operations (CNO) memorandum, dated June 21, 2005, which is classified "Confidential/NOFORN" with an e-mail attached with the same marking. The other file also contained a CNO memorandum. FISC provided the files to us in an unsecure conference room and had stored them in an unsecure facility. In addition, third-country nationals had access to this documentation, as they had signed off on information in the contracting files. The Navy did not properly mark the document with a declassification date. We informed the Commander, FISC, Bahrain of the release of this information; we were not satisfied that he took appropriate action to immediately secure the information. DoD Regulation 5200.1-R provides guidance on proper storage, marking, and investigation of the possible compromise of classified information.

██████████ On at least two subsequent occasions, we have requested the status of actions taken and have not received satisfactory answers. We recommend that FISC Sigonella Naval Regional Contracting Detachment Naples initiate an inquiry into this issue in accordance with DoD Regulation 5200.1-R. We request that FISC Sigonella Naval Regional Contracting Detachment Naples inform us of the actions taken to address the issue.

We appreciate your immediate action on this matter. Please respond to ██████████
██████████ on the actions taken to
address the issue.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

cc: Special Assistant For Naval Investigative Matters And Security

Office of the Assistant Secretary of the Navy (Research, Development and Acquisition) Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000


October 6, 2009

MEMORANDUM FOR DEPARTMENT OF DEFENSE-INSPECTOR GENERAL
ARLINGTON, VIRGINIA

SUBJECT: Department of Defense Inspector General Draft Report Information Security
at the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain
(Project No. D2009-D000AS-0163.000)

The Department of the Navy (DoN) hereby endorses and forwards the attached Naval Supply Systems Command response to subject draft report. The response provides detailed comments regarding the findings and recommendations contained in the subject draft report. The Navy's response should be incorporated into the final DODIG report.

If you have any questions pertaining to this memo or its attachments, please refer them to [REDACTED] or at [REDACTED]


Gary A. Broadwell
CAPT, SC, USN
Deputy Assistant Secretary of the Navy
(Management and Budget)

Attachments:
As stated

NAVY COMMENTS TO DODIG DRAFT REPORT OF 10 SEPTEMBER 2009
ON INFORMATION SECURITY AT THE FLEET AND INDUSTRIAL SUPPLY
CENTER, SIGONELLA DETACHMENT BAHRAIN
(D2009-D000AS-0163.000)

**Finding 1: Classified Information in the Fleet and
Industrial Supply Center, Detachment Bahrain**

Fleet and Industrial Supply Center, Sigonella (FISCSI), Detachment Bahrain personnel stored classified documents in unclassified files that they did not safeguard or mark properly because FISCSI Detachment Bahrain personnel did not follow DOD Regulations on handling classified information. In addition, Chief of Naval Operations (CNO) officials did not properly mark the documents with a declassification date. As a result, foreign nationals and other employees had access to classified information. Unauthorized access to classified documentation can compromise national security and increase risk to the war fighter.

DON Response: Concur. The classified memorandum was incorrectly filed in the contract file. This classified memorandum was not necessary for the specific contract and did not need to be kept in the contract file. FISCSI Detachment Bahrain does not award classified contracts, nor do they work with any classified contracts.

Recommendations:

2. We recommended that the Director of Contracting, Fleet and Industrial Supply Center Sigonella Regional Naval Regional Contracting Detachment Naples ensure that the Fleet and Industrial Supply Center Sigonella Detachment Bahrain:

a. Provide training to personnel in the Fleet and Industrial Supply Center Bahrain on DOD and Navy information security policies to ensure that personnel know how to handle classified information.

DON Response: Concur. The Fleet and Industrial Supply Center, Sigonella (FISCSI) Assistant Security Officer conducted training on 10 August 2009, on the proper handling of classified information and DOD/DON information security policies. The FISCSI Detachment Bahrain Security Manager conducted training on 15 September 2009, on the proper handling of sensitive information. Security training is scheduled monthly to stress

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the importance of safeguarding classified information. In addition, a security reminder/discussion is provided during weekly Work-In-Process (WIP) meetings. Action is considered complete for reporting purposes.

b. Review all contract files to ensure that they do not contain classified information.

DON Response: Concur. United States Government staff (with appropriate clearance) have started reviewing the contract files, beginning with those with the greatest potential of containing misfiled classified documents - ship repair contracts and contracts supporting military exercises. Contracts awarded most recently will be reviewed first, followed by older contracts, until all have been reviewed.

Historic contract files in storage have been properly secured and can only be accessed by individuals with appropriate clearance. As required, contract files needing to be removed from storage will be reviewed by cleared individuals for classified material before release to uncleared entities or individuals.

FISCSI Detachment Bahrain currently has two U.S. Navy Reservists assisting in the review of the contract files, and has requested additional Reserve support for the upcoming months. Based on workload and the quantity of contract files in inventory, our estimated target completion date for reviewing all contract files is 28 February 2010.

Additional Comments:

Upon discovery of the classified memos, the contract files were immediately secured in an approved storage location, FISCSI Detachment Bahrain's Secure Internet Protocol Router Network (SIPRNET) room, which is certified to store documents up to SECRET classification.

FISC Signonella is unable to respond to the assertions that CNO mismarked the classified documents, as FISCSI is not the Original Classifying Authority, (OCA). The FISCSI Detachment Bahrain ongoing investigation will attempt to determine at what point these classified documents were stowed in the unclassified contract files.

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DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

October 7, 2009

MEMORANDUM FOR DEPARTMENT OF DEFENSE-INSPECTOR GENERAL
ARLINGTON, VIRGINIA

SUBJECT: Department of Defense Inspector General Draft Report Information Security
at the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain
(Project No. D2009-D000AS-0163.000)

The Department of the Navy (DoN) hereby endorses and forwards the attached Special Assistant for Naval Investigative Matters & Security response to subject draft report for recommendations 1a and 1b. This response is in addition to the Naval Supply Systems Command response provided by memorandum on 6 October 2009 which addressed recommendations 2a and 2b. Together, these two responses provide detailed comments regarding the findings and recommendations contained in the subject draft report. The Navy's response should be incorporated into the final DODIG report.

If you have any questions pertaining to this memo or its attachments, please refer them to [REDACTED] or at [REDACTED]

Gary A. Broadwell
CAPT, SC, USN
Deputy Assistant Secretary of the Navy
(Management and Budget)

Attachments:
As stated

Special Assistant for Naval Investigative Matters and Security
COMMENTS TO DODIG DRAFT REPORT OF 10 SEPTEMBER 2009
ON INFORMATION SECURITY AT THE FLEET AND INDUSTRIAL SUPPLY
CENTER, SIGONELLA DETACHMENT BAHRAIN
(D2009-D000AS-0163.000)

Recommendations:

1. ~~(FOUO)~~ We recommend that the Special Assistant for Naval Investigative Matters and Security:

a. ~~(FOUO)~~ Investigate this potential compromise of information and determine its effect on national security.

DON Response: CNO (N09N) provides implementing policy within the Department of the Navy. N09N is not an operational command. It is the responsibility of the cognizant command to conduct the investigation into the potential compromise of classified material and determine its effect on national security, not CNO (N09N). Additionally, any damage assessment is to be conducted by the Original Classification Authority vice CNO (N09N).

b. ~~(FOUO)~~ Determine why the Chief of Naval Operations memoranda were incorrectly marked and initiate corrective actions.

DON Response: CNO (N09N) concurs with the finding that the documents were incorrectly marked however, upon receipt of the Preliminary Inquiry from the cognizant command, the originators are obligated to initiate corrective actions. We conducted a preliminary review of the documents in question that were provided by DOD IG and it is our assertion they were declassified as soon as notification of host nation was made in September 2005.

Additional Comments:

We have, as recently as 7 May 2009, generated interim guidance to all Department of the Navy commands regarding the proper marking of classified documents and instructed them to conduct a random sampling of originally and derivatively generated documents. The proper marking of classified documents, to include email, is emphasized during our annual Security Manager's Seminar.

The recommended findings should be redirected to the Fleet and Industrial Supply Center, Sigonella Detachment Bahrain with oversight by Headquarters, Naval Supply Systems Command.

Enclosure (1)

Revised,
Redirected, and
Renumbered
Recommendation
as 2.c.

Revised



Inspector General Department of Defense

