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Accountability \* Integrity \* Reliability

United States General Accounting Office  
Washington, DC 20548

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July 9, 2004

The Honorable John Warner  
Chairman  
The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Duncan Hunter  
Chairman  
The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

Subject: *FY 2005 Annual Report on the Cooperative Threat Reduction Program*

Under section 1308 of the National Defense Authorization Act for Fiscal Year 2001 (P.L. 106-398), the Department of Defense (DOD) is to submit an annual report to Congress on its Cooperative Threat Reduction (CTR) program no later than the first Monday in February of each year. The report should include a 5-year plan that discusses the amount and purpose of funding needed over the term of the plan and a description of efforts conducted by the United States to ensure that CTR assistance is fully accounted for and used for its intended purposes. The act requires the Comptroller General to assess this 5-year plan and the description of efforts to account for CTR assistance within 90 days of the report's submission to Congress. The Department submitted its CTR annual report for fiscal year 2005 to Congress in early February 2004, and we briefed your staff on April 29, 2004.<sup>1</sup>

We analyzed the 2005 report to determine whether (1) the 5-year plan addresses legislative requirements and presents accurate information, (2) the accountability section addresses legislative requirements and presents accurate information, and (3) past GAO recommendations have been adopted. Enclosed is information provided to your staff presenting our assessment of the CTR annual report submitted for fiscal year 2005 (see enclosure).

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<sup>1</sup>We refer to the section of the CTR annual report for fiscal year 2004 titled "Cooperative Threat Reduction (CTR) program implementation plan for FY 2004" as the 5-year plan. We refer to the section titled "accounting for Cooperative Threat Reduction (CTR) program assistance to states of the former Soviet Union (FSU) conducted during FY 2002" as the accountability section. These sections were consolidated in the FY 2005 report at GAO's recommendation.

We found that the 5-year plan addressed the legislative requirements by setting forth funding information for the term of the plan and the purpose of those funds. We also confirmed with project managers that, for the eight projects we reviewed in detail, the information provided in the report was generally accurate. In addition, we examined the source documents that supported the data in the published report and found that the published data were generally well supported.

We found that the accountability section addressed all legislative requirements. It described the condition and location of CTR-furnished equipment, discussed the status of contracts and services and the methods used to ensure that CTR aid is used for the purposes intended, determined whether the assistance provided has been used effectively and efficiently, and described the audits and examinations planned for the next year. We found that the information was generally accurate and complete and included the concerns raised in project trip reports and audit and examinations.

We found that DOD has taken action on 13 of 14 GAO recommendations regarding the reporting of CTR program information over the last 9 years. For example, in our review of DOD's fiscal year 2004 annual report, we recommended that the Secretary of Defense integrate the 5-year plan and accountability sections of the report.<sup>2</sup> DOD modified the fiscal year 2005 annual report to comply with our recommendation. The report now integrates the information that was found separately in the 5-year plan and the accountability section. This presentation provides relevant project information in one location, making it easier to understand the progress and problems of each project.

DOD has not implemented our recommendation that the annual report incorporate key federal strategic planning elements. In July 2003, we found that DOD's fiscal year 2004 annual report lacked a discussion of key strategic planning elements that could help congressional decision makers in their annual CTR budget deliberations. Specifically, the report did not include annual performance goals linked to long-term goals, information on external factors that could affect the achievement of these goals, and plans for revising program goals, all of which had been developed by CTR program managers. However, in its response to our July 2003 report, DOD stated that the legislation does not require reporting on these elements in its annual CTR report. During our audit work for this report, DOD officials stated that the Department would not implement our recommendation without specific congressional direction to do so.

Since 1994, DOD has implemented all but one of GAO's recommendations regarding the reporting of CTR program information and in so doing has significantly improved the quality of its annual reporting to Congress on the CTR program. Based on the quality and timeliness of the fiscal year 2005 annual report, Congress may wish to rescind the requirement that GAO review the CTR report annually, provided that the fiscal year 2006 annual report is delivered on time and is reviewed favorably.

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<sup>2</sup>See U.S. General Accounting Office, *FY 2004 Annual Report on the Cooperative Threat Reduction Program*, GAO-03-1008R (Washington, D.C.: July 18, 2003).

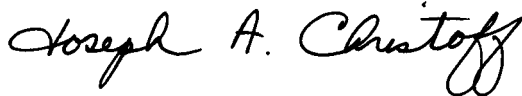
We performed our work in Washington, D.C., from February 2004 through May 2004 in accordance with generally accepted government auditing standards.

DOD did not comment on a draft of this report that we provided.

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We are sending copies of this report to the Honorable Donald Rumsfeld, Secretary of Defense, and to interested congressional committees. We also will make copies available to others upon request. This report will also be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please contact me at (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov). David Maurer, Claude Adrien, Hynek Kalkus, Beth Hoffman León, and Josie Sigl also made key contributions to this report.

A handwritten signature in black ink that reads "Joseph A. Christoff". The signature is written in a cursive style with a large, stylized "J" and "C".

Joseph A. Christoff  
Director, International Affairs and Trade

Enclosure



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# **Cooperative Threat Reduction Annual Report for FY 2005**

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**Briefing to the Staffs of the Armed Services  
Committees  
April 29, 2004**

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## Background

- The National Defense and Authorization Act (NDAA) for fiscal year 2001 requires the Department of Defense to submit an annual CTR report that sets forth
  - the amount and purpose of funding needed over the next 5 years, and
  - a description of the audit and examinations (A&E) and other efforts conducted by the United States to ensure that CTR assistance is fully accounted for and used for its intended purposes.
- NDAA requires GAO to assess the five-year plan and the accountability section within 90 days of the annual report's submission.

## Objectives

- Determine whether the five-year plan addresses legislative requirements and presents accurate information
- Determine whether the accountability section addresses legislative requirements and presents accurate information
- Determine whether past GAO recommendations have been adopted



## Scope & Methodology: Five-year plan

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To determine whether the five-year plan addresses legislative requirements and presents accurate information:

- We assessed the plan to determine if it included the amount of funds and resources proposed to be provided over the term of the plan and a description of how those resources will be used.
  - We selected eight projects accounting for 50% of the future funding and compared the information presented in the plan with information from project managers to determine the accuracy of the data.
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## Scope & Methodology: Accountability section

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To determine whether the accountability section addresses legislative requirements and presents accurate information:

- We assessed the section to determine if it included a description of the condition and location of CTR-furnished equipment, a discussion of the status of contracts and services and the methods used to ensure CTR aid is used for purposes intended, a description of whether assistance provided has been used effectively and efficiently, and a description of the audits and examinations planned for the next year.
  - We reviewed all 19 A&Es and 162 project management trip reports for FY 2003 to determine if the section accurately presents concerns raised in these reports.
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## Scope & Methodology: CTR annual report presentation

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To determine whether past GAO recommendations have been adopted:

- We compared prior GAO assessments of the CTR Annual Report with the subsequent CTR Annual Reports.
  - We interviewed knowledgeable DOD officials about the status of our past recommendations.
  - We conducted our review from February 2004 through April 2004 in accordance with generally accepted government auditing standards.
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## Results in Brief

- FY 2005 five-year plan
  - All legislative requirements were addressed.
  - Information provided in eight sample projects was generally accurate.
- Accountability section
  - All legislative requirements were addressed.
  - Information provided was generally accurate and complete.
- Status of past recommendations
  - DOD has taken action on all but one of the past GAO recommendations.
  - The sole exception is not a legal requirement.



## Principal Findings: DOD Has Implemented All but One of GAO's Recommendations.

- Since 1994, GAO has developed 14 recommendations on DOD's annual CTR reports.
- To date, DOD has taken action on 13 of 14 of GAO's past recommendations.
- Examples:
  - Consolidate presentation (2003)
  - Including planned audit and examination activities (1995)
  - Including significant cost, schedule, or scope changes (1996)
- DOD has not implemented our 2003 recommendation to incorporate key federal planning elements into the report.



## Principal Findings: CTR annual report did not include key strategic planning elements.

- The report does not incorporate key federal strategic planning elements that could help congressional decision makers in their annual CTR budget deliberation, including
  - annual performance goals based on objective measures of results and linked to long-term goals,
  - a description of external factors beyond the agency's control that could affect achievement of program goals, and
  - plans for revising program goals.
- GAO reports cite these factors as important planning elements that could provide a useful context for understanding how project and budget plans might be affected in the future.
- The report's five-year plan does not provide these planning elements; however, they are included in CTR project management planning documents.

## Conclusion

- The CTR report meets the legislative requirements.
- DOD has taken action on all but one of GAO's past recommendations.

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