

Naval Audit Service



Audit Report



Management and Accountability of Nuclear Weapons-Related Materiel

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N2014-0033
22 July 2014

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MEMORANDUM FOR DIRECTOR, STRATEGIC SYSTEMS PROGRAMS

Subj: **MANAGEMENT AND ACCOUNTABILITY OF NUCLEAR WEAPONS-RELATED MATERIEL (AUDIT REPORT N2014-0033)**

Ref: (a) NAVAUDSVC memo 7510/2013-002, dated 14 January 2013
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

Encl: 1. Status of Recommendations
2. Pertinent Guidance
3. Scope and Methodology
4. Acronyms
5. Activities Visited
6. NWRM Administrative Error Charts
7. Management Responses from Director, Strategic Systems Programs

1. **Introduction.** Paragraph 7 provides a summary of audit results. Based on the results of our inventory testing, we have reasonable assurance that, for the activities reviewed, the Department of the Navy (DON) has proper control and accountability of Nuclear Weapons-Related Materiel (NWRM), which reflects positively on the Navy's stewardship of these sensitive items. However, we identified opportunities for improvement regarding the NWRM inventory tracking system (Serialized Item Management (SIM) System), administrative procedures, and oversight responsibilities.

2. **Reason for Audit.** The audit objective was to verify that selected DON activities are managing and controlling NWRM in accordance with applicable Department of Defense (DoD) and DON guidance. Classified Material Management was identified as a risk area in the DON Fiscal Year (FY) 2012 Risk and Opportunity Assessment Report.

3. **Background.** The highest levels of accountability and control are required for all NWRM. NWRM is defined as "classified or unclassified assemblies and subassemblies (containing no fissionable or fusionable material) identified by the Military Departments that comprise or could comprise a standardized war reserve nuclear weapon (including equivalent training devices) as it would exist once separated/removed from its intended

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delivery vehicle.”¹ Secretary of the Navy Instruction 8120.1A, “Department of the Navy Nuclear Weapons Responsibilities and Authorities,” dated 18 February 2010, designates the Director, Strategic Systems Programs (DIRSSP) with having the authority for the management and control of all DON NWRM.

4. Briefings with Management. Throughout the audit, we kept SSP officials informed of the conditions found during the audit. At the conclusion of each site visit conducted from March-May 2013, we provided preliminary results of the audit to management officials. Throughout the months of June-August 2013, we kept the Navy NWRM Program Manager informed of any issues and/or material weaknesses identified. Also, on 29 October 2013, we provided SSP officials with a point paper detailing our preliminary audit findings. In addition, on 21 April 2014, we held a conference call with SSP officials to address their suggested changes, areas of concern, and questions regarding our preliminary draft report.

5. Noteworthy Accomplishments. SSP officials informed us that, prior to the audit, they had begun working with the Defense Threat Reduction Agency on the development of an unclassified automated, Web-based NWRM tracking system. This system, which is currently being tested, is intended to reduce the likelihood of human error while conducting inventories and recording the shipment/receipt of NWRM items.

Throughout the audit, DON and contractor officials were cooperative and provided the information we requested in a timely manner.

6. Federal Managers’ Financial Integrity Act. The Federal Managers’ Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal Agency head to annually certify the effectiveness of their agency’s internal and accounting system controls. In our opinion, the conditions noted in this report do not warrant reporting in the Auditor General’s annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

7. Audit Results. We conducted this audit in accordance with references (a) and (b) above. We selected and reviewed a sample of 450 NWRM items for 4 selected DON activities, and found that each of the activities was managing and controlling NWRM in accordance with applicable DoD and DON guidance. Based on the results of our inventory testing, we have reasonable assurance that DON activities reviewed had proper control and accountability of NWRM, which reflects positively on the Navy’s stewardship of these sensitive items. However, opportunities existed for the SSP to more effectively manage NWRM in accordance with DoD and DON policy. Specifically, we identified the NWRM inventory tracking system (Serialized Item Management (SIM) System), administrative procedures, and oversight responsibilities as areas needing

¹ A delivery vehicle is the portion of a weapon system that delivers a nuclear weapon to its target.

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improvement. These conditions occurred because current internal controls to ensure full compliance with pertinent guidance by personnel who handle and provide oversight of NWRM were either not followed and/or were insufficient. We also noted that the SSP Ordnance Data (OD) 67841A [Instruction], "Nuclear Weapons Related Materiel," dated 24 August 2012, needs clarifications in some areas. As a result, DON NWRM items are susceptible to inaccurate inventory counts within the SIM System, which could reflect negatively on the Navy's stewardship of these sensitive items. Additionally, if administrative and oversight procedures are not consistently implemented and followed across the entire program, NWRM items become vulnerable to potential waste and mismanagement.

Inventory Results

Audit Universe and Sample Size

We requested from SSP officials an inventory listing of all DON NWRM items. The data provided by SSP in response to our request lists a total of 8,888² NWRM items, valued at approximately \$247 million, located at 14 different sites (both Navy- and contractor-controlled). The locations visited were selected based on their overall mission and associated number of NWRM items. We visited the following four locations, which contained 90 percent of the Navy's NWRM inventory.³

- Strategic Weapons Facility, Atlantic (SWFLANT)
- Strategic Weapons Facility, Pacific (SWFPAC)
- Lockheed Martin Space Systems Company (LMSSC)
- Naval Surface Warfare Center (NSWC) Corona Division, Detachment Seal Beach

Using the data provided and employing statistical sampling methods,⁴ we developed an audit sample of 404 items for Existence Testing. We also judgmentally selected an additional 46 items for Completeness Testing. See Enclosure 3 for details of our sampling plan.

Existence Testing

We tested the existence of inventory items by physically sighting equipment sample items in the possession of the command/contractor and determining the accuracy of the equipment serial numbers against inventory records we were provided.

² As of 25 January 2013

³ See Enclosure 3, "Scope & Methodology," for further details

⁴ Developed by Naval Audit Service Statistician

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The audit team physically sighted 399 of 404 NWRM sample items during the Existence Testing process and verified the items were appropriately marked, stored, and segregated as required by the SSP OD 67841A. While the remaining 5 of 404 NWRM items were not physically sighted, we obtained appropriate evidence (e.g., shipping documents, etc.) to verify the items were properly accounted for as being mated to a higher assembly, shipped, or no longer classified as NWRM. See Table 1 below:

Table 1

NWRM Existence Testing		
Location	Items Sighted	Sample Size
SWFLANT	19	20
SWFPAC	17	20
LMSSC	233	234
NSWC Corona Division, Detachment Seal Beach	130	130
Total	399	404

Completeness Testing

We developed Completeness Testing methodology to provide additional NWRM item coverage during our audit.⁵ Completeness Testing consisted of physically sighting 46 judgmentally selected NWRM items from on-hand inventory of serialized equipment and determining whether the items were listed in the local NWRM inventory and SSP-provided universe. We found that all 46 items were appropriately recorded in their inventory system; included in the universe SSP provided; and appropriately marked, stored, and segregated as required by the SSP OD 67841A. See Table 2 below:

Table 2

NWRM Completeness Testing		
Location	Completeness Sample	Inventory System
SWFLANT	5	5
SWFPAC	5	5
LMSSC	23	23
NSWC Corona Division, Detachment Seal Beach	13	13
Total	46	46

Serialized Item Management (SIM) System

The SIM System is the official tracking system for the Navy’s NWRM. The SIM System is an Excel spreadsheet tool into which NWRM tracking data are entered. Each site that has custody of NWRM is responsible for manually populating and maintaining a site-specific SIM System (tracking spreadsheet). Since command personnel are

⁵ See Enclosure 3, “Scope & Methodology,” for details

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responsible for managing the system via manual entries, the SIM System is susceptible to transposition and/or other user errors (e.g., inadvertently deleting an item, etc.).

SIM System Entry Error. We identified one instance where a NWRM item was not properly saved within the SIM System. Specifically, during a site visit in May 2013, we were unable to physically sight one of the NWRM items listed within our sample. Command personnel informed us that the NWRM item in question was installed into a higher assembly in December 2012; the transaction was entered (updated) in the SIM System; and, thus, the NWRM item was no longer listed in the NWRM inventory. According to the SSP OD 67841A, once an item is consumed (i.e., installed/mated to a higher assembly), it will no longer be actively maintained or tracked in the NWRM SIM System. However, the item was listed as part of our audit universe, which was provided on 25 January 2013, and, subsequently, part of our sample. During subsequent interviews with command personnel, we learned that during a SIM System refresh in January 2013, the manual update (from December 2012) was accidentally removed from the system, resulting in the item reappearing in the SIM System inventory as NWRM (not installed or mated), when in fact it was installed into a higher assembly. Command officials identified and corrected this error in April 2013 during a database review. The aforementioned error resulted in an overstatement in NWRM inventory at the command. We promptly brought this matter to the attention of the Navy NWRM Program Manager and Command Officials. The Navy NWRM Program Manager and local Command officials, along with appropriate Navy Contractor officials, conducted (11 June 2013) a “root cause analysis” (investigation) and concluded the discrepancy was the result of operator error, which occurred when uploading the local file to the SIM System.

We determined that the NWRM inventory tracking (i.e., SIM) system mishap occurred because formal (written) procedures (controls) were not in place to verify manual entries were 100 percent accurate and timely. Accounting for an NWRM item in the inventory tracking system, when in fact it is elsewhere could potentially put an item at risk of being misplaced, lost, or stolen. Having such controls in place would enable management to more quickly identify overstatement or understatement of NWRM items.

Timely and Accurate Data Entries. According to the SSP OD 67841A, all NWRM items received must be entered into the SIM System within 5 business days of their receipt. The prior version (SSP OD 67841), however, did not include the “5 business days” requirement. Even though some of our sample items were not held to the requirements in the SSP OD 67841A, we believe that a reasonable timeframe should be maintained for entering all shipments into the SIM System. Due to the large volume of items included in some shipments, meeting the 5-day requirement for entering a shipment into the SIM system may not be achievable, in which case SPF60 may grant an extension.

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Of the 450 NWRM sample items, 383 items were either not shipped or received by the commands since the implementation of the NWRM program in October 2008, or did not require shipping/receiving documentation.⁶ For the remaining 67 items that were either shipped and/or received, during our review of data manually entered into the SIM System for these items, we found that 9 of the items (13 percent) were not entered timely or accurately within the SIM System (5 days when SSP OD 67841A was applicable guidance). One item was entered into the SIM System 5 days prior to being received by the command, thus, prematurely indicating the command had custody of the item. The remaining 8 items were recorded in the SIM System 1 to 2 months after they were received, without evidence of a waiver for an extension. This occurred, in part, because large Department of Energy (DOE) shipments require additional time to process and enter items into the SIM System. DOE does not mark items as NWRM; therefore, all shipped items are commingled. As such, it takes additional time to identify and mark DOE NWRM items and assign/generate an Item Unique Identification. According to command officials, the completion of this process for large shipments can exceed the 5-day requirement. See Enclosure 6 for details.

Additionally, as part of our administrative documentation analysis, we reviewed Fiscal Years' 2011 and 2012 NWRM self assessments conducted by each of the four sites we visited. For one of the sites, a SIM System error was previously identified during an annual self-assessment. Specifically, the self-assessment coordinator identified, using a self-assessment checklist, that an NWRM item was not in the designated location listed in the SIM System. The command conducted an internal investigation and determined the error was caused by an individual who had saved manually updated information into the SIM System database incorrectly because proper procedures were not followed. However, since the item was not missing, accountability was sustained. As a result, the individual was scheduled for additional SIM System training.

Since the highest levels of accountability and control are paramount for NWRM items, the inventory tracking system must be 100 percent accurate. Accurate NWRM inventories are imperative to ensuring the integrity and safety of the nuclear mission aiding national security. Having a real-time, automated NWRM tracking database would potentially alleviate or lessen data entry errors. SSP officials informed us that, prior to the audit, they had begun working with the Defense Threat Reduction Agency on the development of an unclassified automated, Web-based NWRM tracking system. In our judgment, such a system would potentially alleviate or lessen data entry errors.

⁶ Of the 383 items, 366 were Original (Baseline) and did not require shipping/receiving documentation (e.g. mated, demated, etc.). Items mated to higher assembly are no longer considered NWRM and, subsequently, will no longer track within the SIM System. When items are demated from a higher assembly, they are added back into the NWRM inventory and, consequently, have no associated shipping/receiving documentation.

Administrative Procedures

NWRM officials were at times not in compliance with administrative procedures and guidance. Internal controls governing the administrative procedures for training, semi-annual inventories, and report of shipment should be established and/or improved.

Training

According to SSP OD 67841A, NWRM Awareness Training shall be conducted for all employees at commands, facilities, or sites that receive, package, store, ship, process, and/or demilitarize NWRM. Initial Detailed Training and Annual Refresher Training shall be conducted for all personnel whose duties involve NWRM, including their supervisors and managers. NWRM training will be developed by the Navy NWRM Program Manager under the direction of SP27 (Missile Engineering Branch) and DIRSSP. Commanding Officers, Senior Managers, or equivalent, and Supervisors at all levels must ensure personnel are trained on NWRM for sites that receive, package, store, ship, process, and/or demilitarize NWRM. SSP OD 67841A addresses the different NWRM training categories, which include the following: (1) Awareness training, (2) Detailed training, and (3) Annual Refresher training. Awareness training provides a broad orientation and heightens awareness to the definition and requirements of NWRM. Detailed training (and Annual Refresher Training) are for management and supervisors, NWRM Accountable Officers/Contractor NWRM Program Managers, and personnel who receive, package, store, ship, process, demilitarize, and/or audit NWRM as part of their occupation.

We found that the NWRM training rosters maintained by the commands were not comprehensive enough to determine if everyone who handles NWRM has been properly trained. SSP OD 67841A does not include a requirement for site managers to provide the Navy NWRM Program Manager a master training list of all DON and contractor personnel who receive, package, store, ship, process, and/or demilitarize NWRM items. Although each site visited was able to provide a list of personnel who completed NWRM training, we regard the lack of a master list as an internal control weakness. Specifically, absent a "master list" to compare training rosters against, the potential exists for personnel to handle NWRM that have not had the required training. Creating a master list of personnel who handle NWRM and updating the list periodically would provide management and oversight officials reasonable assurance that all personnel required to take NWRM training are in fact receiving the required training.

Semi-Annual Inventories

According to the Director, Strategic Systems Programs (DIRSSP) letter U101910005, "DON Nuclear Weapons Related Materiel (NWRM) Semi-Annual Inventory," dated

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27 October 2010, all NWRM that are not tracked as part of an end item shall undergo a 100 percent physical count by Unique Item Identifier (UII) semi-annually. The DIRSSP has directed that activities holding NWRM conduct semi-annual inventories in the months of May and November. The inventory shall be conducted by an Inventory Officer and Verifying Officer who have been designated in writing by the Commanding Officer, Senior Manager, or equivalent. The Commanding Officer, Senior Manager, or equivalent of all sites will report inventory completion to SP27 by the 15th of the month following the inventory.

We found that for 2 of the 13⁷ sites that handled NWRM during Calendar Year 2011, semi-annual inventories were not conducted and/or reported within established timeframes. Specifically, one site conducted their semi-annual inventory on time (16 November 2011) and should have reported it by 15 December 2011, but did not do so until 5 January 2012. The second site's semi-annual inventory should have been conducted in May 2011 and reported by 15 June 2011. However, it was not conducted until 2 June 2011, and was not reported until 20 June 2011. The delays in conducting and/or reporting inventories at these two sites occurred because the primary official(s), who were assigned and carry out NWRM duties were not present and/or available to conduct and/or report the semi-annual inventories. NWRM duties (e.g., Program Manager/Accountable Officer, Inventory Officer, Verifying Officer, etc.) are considered collateral duties and at times have no designated alternates to provide continuity when a primary official is not present and/or available. In addition, Command officials did not provide SPF60 (Planning and Logistics Division) proof of their NWRM training for the Inventory and Verifying Officers in a timely manner prior to performing inventory duties as required by SSP OD 67841A, Section 9.3. Further, a delay in the Commanding Officer's approval of the inventory report also delayed submission of the semi-annual report to SP27 by the 15th of the month following the inventory as required. Prompt reporting of NWRM semi-annual inventories is essential to ensure the highest levels of accountability, control, and stewardship of these sensitive items.

Report of Shipment

Background. NWRM is held to the highest levels of accountability and control. As such, the shipping procedures should be strictly followed to safeguard these sensitive items. According to SSP OD 67841, "Nuclear Weapons Related Materiel (NWRM) Requirements," dated 24 August 2009, and SSP OD 67841A, "Nuclear Weapons Related Materiel (NWRM) Requirements," dated 23 August 2012, all external shipments and receipts between accountable activities shall have a 100 percent Report of Shipment (REPSHIP) confirmation utilizing auditable interchange.

⁷ During 2011, there were 13 different sites that handled NWRM.

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The NWRM items within our sample were shipped and/or received by U.S. Navy commands, contractors (having responsibility for custody or support operations), and/or DOE facilities. Our sample of 450 NWRM items consisted of 383 items that either were Baseline (i.e., Original) inventory or did not require shipping/receiving documentation.⁸ The remaining 67 of 450 items were shipped and/or received as part of 32 shipments. Of the 32 shipments, 14 (comprising 16 of 67 NWRM items) were between Navy Commands and/or Contractors' facilities. The remaining 18 of 32 shipments (comprising 51 of 67 items) were from DOE facilities. We reviewed 17 of the 18 DOE shipments (comprising 50 of 51 NWRM items). We excluded one of the 18 DOE shipments because it was shipped by DOE's Office of Secure Transportation. Office of Secure Transportation shipments are managed by the National Nuclear Security Administration within DOE and are not subject to SSP OD 67841 or Interim Agreement requirements.

The Navy Commands and Contractor facilities' NWRM shipments must follow SSP OD 67841A,⁹ "Nuclear Weapons Related Materiel (NWRM) Requirements," dated 23 August 2012. DOE shipments, with the exception of the Office of Secure Transportation, must follow the DIRSSP Letter U032610011, "Interim Agreement to Conduct Shipments Between DOE and DON," dated 22 April 2010. The date and by whom (e.g., Navy Commands, DOE, etc.) an item was shipped determined which criterion we used to determine compliance. For example, for Navy and/or Contractor facilities' NWRM shipments made prior to August 2012, we utilized the original SSP OD 67841 (dated August 2009). However, for items shipped during or after August 2012, we used SSP OD 67841A. For DOE shipments made prior to the DIRSSP Interim Agreement (dated 22 April 2010), we utilized the original SSP OD 67841 (dated August 2009). For DOE shipments made after the DIRSSP Interim Agreement, we utilized the agreement.

Overall Results and Projections. Based on the results of the REPSHIP (inventory record) testing conducted on the applicable NWRM items within our sample universe, we can project that inventory records for 229 of 8,007 NWRM items have incomplete/inaccurate shipping documentation.¹⁰

Department of the Navy Commands and Contractor Facilities Shipments. SSP OD 67841A provides detailed shipping procedures for DON NWRM shipments. SSP OD 67841A has a listing of five NWRM shipping procedures which must occur in order to ship a NWRM item. The shipping procedures are as follows: (1) SPF60 provides approval to ship via Shipment of Material Form, (2) the shipper sends Intent to Ship to the receiver and SPF60, (3) the receiver sends acknowledgment of Intent to Ship to the

⁸ Of the 383 items, 366 were Original (Baseline) NWRM items and 17 did not require shipping/receiving documentation because the items were either mated or demated to/from a missile or internally transferred (with documentation).

⁹ Shipments made prior to August 2012 must follow OD 67841, dated August 2009

¹⁰ See Enclosure 3 (Scope and Methodology) for further details on the statistical sample and projections.

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shipper and SPF60, (4) the shipper sends Notice of Shipment to receiver and SPF60 (must be within 2 hours of shipment), and (5) the receiver sends Acknowledgment of Receipt to shipper and SPF 60 (must be within 2 hours of receiving).

Since we identified that 13 of 14 DON commands and contractor facilities NWRM shipments within our review occurred prior to the current SSP OD 67841A, we used SSP OD 67841 to determine whether proper REPSHIP requirements had been met. Specifically, for these 13 shipments, we reviewed the shipping records to determine if the Navy commands and/or Contractor facilities provided intent to ship (shipper) and acknowledgment of receipt (the notification of a NWRM received must be sent to the shipper within 2 hours of receiving an item). According to SSP OD 67841, a deadline of 2 hours for the acknowledgment of receipt shall be strictly enforced. The remaining 1 of 14 NWRM items was shipped under the current SSP OD 67841A, thus, we used the aforementioned five NWRM shipping requirements to determine whether appropriate shipping procedures were met.

We did not identify any errors regarding the 14 shipments between the Navy Commands and/or Contractors facilities' shipping documents. The following section focuses on the remaining 17 REPSHIPS (i.e., shipping documents) between DOE and DON.

DOE Shipments. According to SSP OD 67841A, all shipments to or from DOE (except those associated with the Office of Secure Transportation) will follow the DIRSSP letter U032610011, "Interim Agreement to Conduct Shipments Between DOE and DON," dated 22 April 2010. We reviewed DOE and DON agreed-upon shipping/receiving procedures and used the following four requirements listed in the Interim Agreement to determine whether both DOE and DON were adhering to them:

- (a) DOE shall provide a preliminary load sheet or equivalent information (via e-mail) to the DON at least 2 weeks prior to the shipment,
- (b) DOE shall provide DON with the packing list/shipping order at least 2 days before shipment takes place,
- (c) DOE shall provide DON notification of shipment the day of shipment, and
- (d) DON shall provide DOE notification of receipt within 2 hours of receipt for NWRM hardware.¹¹

DOE currently has in place policy, "Information Exchange and Material Management Procedures for W76-0/Mk4, W76-1/Mk4A and W88-0/Mk5 Reentry Systems," (i.e., "Gray Book") that establishes agreements for the exchange of information between agencies of the DON and DOE National Nuclear Security Administration (NNSA) for

¹¹ Requirement (d) is required in both the OD 67841 and Interim Agreement.

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matters pertaining to reentry systems. However, the detailed shipping procedures identified in the Interim Agreement are currently not incorporated into the “Gray Book.”

Since we identified that 4 of 17 DOE shipments occurred prior to the Interim Agreement, we used SSP OD 67841 to determine whether proper REPSHIP requirements were being met. Specifically, for these four shipments, we reviewed the shipping records to determine if the Navy and/or the Contractor facility provided DOE acknowledgment of receipt¹² within the established 2-hour timeframe as required. According to SSP OD 67841, a deadline of 2 hours for the acknowledgment of receipt shall be strictly enforced. We found two shipments where the 2-hour acknowledgment of receipt requirement was not met. Specifically, a NWRM shipment was received on 5 January 2010, at 1020 hours by a Contractor facility; however, they did not send an acknowledgment of receipt until 7 January 2010 at 1421 hours. The second shipment was received on 2 March 2010 at 1128 hours, and the acknowledgment of receipt was not sent until 1516 hours that day (over 3.5 hours later). While reviewing REPSHIP packages, we learned that officials were made aware of the two aforementioned errors during an internal review conducted by the command’s NWRM Custodian in March 2010. The contractor NWRM Custodian prepared a Memorandum for Record discussing the errors along with corrective actions (i.e., verbal warning and assigning a primary NWRM handler for future NWRM shipments) to mitigate the chances of reoccurrence. Subsequent to the actions that were taken, we did not identify any additional errors regarding the acknowledgment of receipt requirement at this location.

The remaining 13 DOE shipments occurred after the Interim Agreement was in place. We found 2 of 13 shipments did not fully comply with the Interim Agreement. Specifically, for one shipment, DOE did not provide to the DON a preliminary load sheet or equivalent at least 2 weeks prior to the shipment and the packing list/shipping at least 2 days before shipment took place. For the second shipment, DOE did not provide the DON with a packing list/shipping order at least 2 days before the shipment took place and a notification of shipment the day of shipment. See Table 3:

Table 3

DOE Shipments to DON ERRORS (Interim Agreement)			
Audit Sample Key Number(s)	A*	B*	C*
Site Alpha Key Number 79	N	N	Y
Site Bravo Key Numbers 36, 77, 126, 149, 171, 180, 201	Y	N	N
Totals	1	2	1

*A - DOE shall provide a preliminary load sheet or equivalent information (via-email) to the DON at least 2 weeks prior to the shipment.

B - DOE shall provide DON with the packing list/shipping order at least 2 days before shipment takes place.

C - DOE shall provide DON notification of shipment the day of shipment.

¹² Acknowledgment of receipt is defined as confirmation [to the shipper] that NWRM listed on a scheduled shipment arrived at the receiving facility and that there are no obvious discrepancies

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These conditions occurred because officials responsible for providing oversight of NWRM shipping procedures did not always verify that the established NWRM shipping requirements were properly performed and did not ensure that documentation retention requirements for shipments/receipts of NWRM items were always met as required by SSP OD 67841 and Interim Agreement. Another contributing factor was the Interim Agreement currently is not promulgated within the "Information Exchange and Material Management Procedures for W76-0/Mk4, W76-1/Mk4A and W88-0/Mk5 Reentry Systems" (i.e., "Gray Book"). In our opinion, incorporating the Interim Agreement into the Gray Book would assist in applying consistent shipping procedures. Even though we identified administrative errors regarding DOE shipments to DON, we did not identify any instances within our sample where an item was shipped from DOE without the Navy's knowledge.

8. Recommendations and Corrective Actions. Our recommendations, summarized management responses, and our comments on the responses follow. The complete text of management responses is in Enclosure 7.

We recommend the Director, Strategic Systems Programs (SSP):

Recommendation 1. Develop and implement internal control procedures that require:

- a. Accountable Officers, Program Managers, or designated personnel to verify data entered into the Serialized Item Management (SIM) System is timely and accurate.
- b. SPF60 to provide, on a case-by-case basis, written extensions for additional time to process and enter items into the SIM System for large shipments before exceeding the 5-day entry requirement. The duration of the extension should be determined with input from command officials.

SSP response to Recommendation 1. Concur. SSP Ordnance Data (OD) 67841, Nuclear Weapons Related Material (NWRM) Requirements will be updated to include this recommendation. Upon promulgation of the updated OD, SSP will conduct training for staff on requirement changes and compliance with those requirement changes will be evaluated through SSP's ongoing internal Assessment Program. In addition, the new unclassified automated, Web-based NWRM tracking system will be implemented to ensure data system accuracy is maintained. Target completion date is 31 December 2014.

Recommendation 2. Develop and implement internal control procedures in the Strategic Systems Programs Ordnance Data 67841A, directing site managers to provide a master training list of personnel who handle, package, store, ship, process,

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and/or demilitarize Nuclear Weapons-Related Materiel items to their respective Accountable Officers, Program Managers, alternate Accountable Officers, or alternate Program Managers, with a copy to the Navy Nuclear Weapons-Related Materiel Program Manager and SPF60, at least semiannually or on a more frequent basis as determined by Strategic Systems Programs.

SSP response to Recommendation 2. Concur. SSP OD 67841, NWRM requirements will be updated to include this recommendation. Upon promulgation of the updated OD, SSP will conduct training for staff on the requirement changes and compliance. The requirement changes will be evaluated through SSP's ongoing internal Assessment Program. Target completion date is 31 December 2014.

Recommendation 3. Issue a memorandum to reemphasize implementation of established procedures to ensure officials/personnel conduct and document inventories, and forward the semi-annual reports to the Navy Nuclear Weapons-Related Materiel Project Manager and SPF60, within the established timelines.

SSP response to Recommendation 3. Concur. A memorandum will be issued as recommended. SSP identified the late submissions through its self-assessment process and took action in 2012 to re-emphasize the semi-annual reporting requirements. Upon promulgation of the updated OD, SSP will again re-emphasize reporting timeline requirements. In addition, compliance will be evaluated through SSP's ongoing internal Assessment Program. Target completion date is 31 August 2014.

Recommendation 4. Revise Strategic Systems Programs Ordnance Data 67841A to establish the following requirements:

- a. At a minimum, an alternate Program Manager/Accountable Officer, and Inventory and Verifying Officer must be appointed in the event the primary official(s) are not present or available; and
- b. Require Nuclear Weapons-Related Materiel Program Managers/Accountable Officers or designated personnel to verify that established Nuclear Weapons-Related Materiel shipping procedures and administrative requirements are performed prior to submitting Report of Shipment packages to SPF60.

SSP response to Recommendation 4. Concur. SSP OD 67841, NWRM Requirements will be updated to include this recommendation. Upon promulgation of the updated OD, SSP will conduct training for staff on requirement changes and compliance. Those requirement changes will be

Subj: **MANAGEMENT AND ACCOUNTABILITY OF NUCLEAR WEAPONS-RELATED MATERIEL (AUDIT REPORT N2014-0033)**

evaluated through SSP's ongoing internal Assessment Program. Target completion date is 31 December 2014.

Recommendation 5. Issue a memorandum to reemphasize implementation of established procedures to ensure Nuclear Weapons-Related Materiel Program Managers/Accountable Officers or designated personnel meet documentation retention requirements for shipments/receipts of NWRM items as was required by SSP OD 67841 and is currently required by SSP OD 67841A.

SSP response to Recommendation 5. Concur. A memorandum will be issued as recommended. SSP identified most errors associated with documentation retention requirements through its self-assessment process, and will work to improve that assessment process. Compliance will continue to be evaluated through SSP's ongoing internal Assessment Program. Target completion date is 31 August 2014.

Naval Audit Service comments on the responses to Recommendations 1 through 5. Actions planned meet the intent of the recommendations. These recommendations are considered open.

Recommendation 6. Coordinate with Department of Energy officials to incorporate established procedures from the "Interim Agreement to Conduct Shipments between DOE and DON" into the "Information Exchange and Material Management Procedures for W76-0/Mk4, W76-1/Mk4A and W88-0/Mk5 Reentry Systems" (a.k.a. "Gray Book").

SSP response to Recommendation 6. Concur. The "Information Exchange and Material Management Procedures for W76-0/Mk4, W76-1/Mk4A, and W88-0/Mk5 Reentry Systems" was signed on 27 March 2014, and includes the requirements of the "Interim Agreement to Conduct Shipments between DOE and DON." Action is completed.

Naval Audit Service comment on the response to Recommendation 6. Actions taken by SSP satisfy the intent of the recommendation, which is considered closed.

9. Guidelines for Followup Correspondence.

a. Actions planned by SSP meet the intent of Recommendations 1 through 6. Recommendations 1 through 5 are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Recommendation 6 is considered closed. Management should provide a written status report on the open recommendations within 30 days after target completion dates.

Subj: **MANAGEMENT AND ACCOUNTABILITY OF NUCLEAR WEAPONS-RELATED MATERIEL (AUDIT REPORT N2014-0033)**

b. Please provide all correspondence to the Assistant Auditor General for Research, Development, Acquisition, and Logistics Audits, [REDACTED] with a copy to the Director of Policy and Oversight, [REDACTED]

[REDACTED] Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.

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c. Any request for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

10. We appreciate the cooperation and courtesies extended to our auditors.

[REDACTED]

[REDACTED]

Assistant Auditor General
Research, Development, Acquisition, and
Logistics Audits

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OGC
ASSTSECNAV FMC (FMO)
ASSTSECNAV EIE
ASSTSECNAV MRA
ASSTSECNAV RDA
CNO (VCNO, DNS-33, N40, N41)
CMC (DMCS, APMC)
DON CIO
NAVSUP (SUP-91A)
NAVINGEN (NAVIG-14)
AFAA-DO

Enclosure 1:

Status of Recommendations

Rec. No.	Page No.	Subject	Status ¹³	Action Command	Target or Actual Completion Date
1	12	Develop and implement internal control procedures that require: a. Accountable Officers, Program Managers, or designated personnel to verify data entered into the Serialized Item Management (SIM) System is timely and accurate. b. SPF60 to provide, on a case-by-case basis, written extensions for additional time to process and enter items into the SIM System for large shipments before exceeding the 5-day entry requirement. The duration of the extension should be determined with input from command officials.	O	SSP	31 December 2014
2	12	Develop and implement internal control procedures in the Strategic Systems Programs Ordnance Data 67841A, directing site managers to provide a master training list of personnel who handle, package, store, ship, process, and/or demilitarize Nuclear Weapons-Related Materiel items to their respective Accountable Officers, Program Managers, alternate Accountable Officers, or alternate Program Managers, with a copy to the Navy Nuclear Weapons-Related Materiel Program Manager and SPF60, at least semiannually or on a more frequent basis as determined by Strategic Systems Programs.	O	SSP	31 December 2014

¹³ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

Rec. No.	Page No.	Subject	Status ¹³	Action Command	Target or Actual Completion Date
3	13	Issue a memorandum to reemphasize implementation of established procedures to ensure officials/personnel conduct and document inventories, and forward the semi-annual reports to the Navy Nuclear Weapons-Related Materiel Project Manager and SPF60, within the established timelines.	O	SSP	31 August 2014
4	13	Revise Strategic Systems Programs Ordnance Data 67841A to establish the following requirements: a. At a minimum, an alternate Program Manager/Accountable Officer, and Inventory and Verifying Officer must be appointed in the event the primary official(s) are not present or available; and b. Require Nuclear Weapons-Related Materiel Program Managers/Accountable Officers or designated personnel to verify that established Nuclear Weapons-Related Materiel shipping procedures and administrative requirements are performed prior to submitting Report of Shipment packages to SPF60.	O	SSP	31 December 2014
5	14	Issue a memorandum to reemphasize implementation of established procedures to ensure Nuclear Weapons-Related Materiel Program Managers/Accountable Officers or designated personnel meet documentation retention requirements for shipments/receipts of NWRM items as was required by SSP OD 67841 and is currently required by SSP OD 67841A.	O	SSP	31 August 2014
6	14	Coordinate with Department of Energy officials to incorporate established procedures from the "Interim Agreement to Conduct Shipments between DOE and DON" into the "Information Exchange and Materiel Management Procedures for W76-0/Mk4, W76-1/Mk4A and W88-0/Mk5 Reentry Systems" (a.k.a. "Gray Book").	C	SSP	27 March 2014

Pertinent Guidance

In October 2008, the Under Secretary of Defense for Acquisition, Technology and Logistics issued a memorandum establishing and outlining policies for Nuclear Weapons-Related Materiel (NWRM). Subsequent to that memorandum, Director, Strategic Systems Programs (DIRSSP) issued SSP Ordnance Data (OD) 67841 on 24 August 2009, to define NWRM requirements and methods of compliance. On 23 August 2012, Director SSP issued an updated and revised version of the SSP OD 67841 that further defines the requirements and policies for the Navy's NWRM.

In February 2010, the Office of the Secretary of the Navy (SECNAV) issued SECNAV Instruction (SECNAVINST) 8120.1 that established the overarching requirements for Nuclear Weapons (NW) and NW systems. This instruction assigns the DIRSSP as the program manager and technical authority for technical operations, safety, security, and maintenance of Department of the Navy NW and NW systems. In February 2013, SECNAVINST 8120.1 was updated and replaced by SECNAVINST 8120.1A. DIRSSP was designated as the authority for management and control of all Department of the Navy NWRM.

In August 2012, DIRSSP issued SSPINST 5510.18, which establishes the roles and responsibilities for SSP for NWRM. As such, the DIRSSP is responsible for developing policy, and managing and controlling program execution of Navy NWRM. Additionally, as noted in SSPINST 5510.18, Commanding Officers (or their equivalents) are responsible for ensuring their staff are trained in NWRM requirements, designating NWRM Program Managers or Accountable Officers, and directing and approving annual Self-Assessments of the NWRM program.

Enclosure 3:

Scope and Methodology

The Naval Audit Service conducted this audit of the Management and Accountability of Nuclear Weapons-Related Materiel (NWRM) from 11 February 2013 to 5 June 2014. In support of the audit, we visited Strategic Systems Programs (SSP) Command Headquarters; Strategic Weapons Facility, Atlantic (SWFLANT); Strategic Weapons Facility, Pacific (SWFPAC); Lockheed Martin Space Systems Company (LMSSC); Program Management Office Strategic Systems Programs Flight Systems, Sunnyvale, CA; and Naval Surface Warfare Center (NSWC) Corona Division, Detachment Seal Beach.

As part of our audit, we requested from SSP officials an inventory of all NWRM items and their associated costs. SSP provided a universe of 8,888¹⁴ NWRM items with a value of approximately \$247 million¹⁵ located at 14 locations. The data provided encompasses all identified NWRM items from January 2009 through January 2013. Using the data obtained from SSP, we selected four audit sites to conduct inventory testing and administrative reviews. Due to the limited audit resources, these four sites were chosen based on the importance of their overall mission to the Navy's NWRM program and the number of NWRM items in their inventory.

Statistical Sample and Projections

Existence Testing. We conducted inventory Existence Testing at each of the four selected audit locations. Existence Testing entailed validating the inventory by physically sighting equipment sample items in the command's possession and verifying the accuracy of serial numbers against inventory records. A stratified statistical sample of Existence Testing items was developed by the Naval Audit Service statistician (see Table 1 below for strata details).

Table 1

NWRM Existence Testing		
AUDIT SITE	Sample Size	Total Inventory
SWFLANT	20	355
SWFPAC	20	58
LMSSC	234	4,887
NSWC Corona Division, Detachment Seal Beach	130	2,707
Total	404	8,007

¹⁴ As of 25 January 2013.

¹⁵ NWRM items are not listed in inventory at current dollar values. Hence, this total comprises the cost at which each of the 8,888 items was initially procured.

Completeness Testing. We conducted inventory Completeness Testing at each of the four selected audit locations. Completeness Testing entailed judgmentally selecting items within physical proximity to the items within the NWRM existence testing sample. Completeness testing enabled the audit team to further verify the accuracy and completeness of the NWRM inventory by comparing on-hand inventory of serialized equipment against the local NWRM inventory and SSP-provided NWRM universe records. We ensured that the item was not included in the Existence Testing sample. For our Completeness Testing sample, we judgmentally selected 10 percent of the number of sample NWRM items used for Existence testing or a minimum of five items (whichever was greater) (see Table 2 below).¹⁶

Table 2

NWRM Completeness Testing		
AUDIT SITE	Existence	Completeness
SWFLANT	20	5
SWFPAC	20	5
LMSSC	234	23
NSWC Corona Division, Detachment Seal Beach	130	13
Total	404	46

Sample Universe Projections. We projected the number of Report of Shipment documentation errors across the sample universe of 8,007 based on the results of the Report of Shipment documentation analysis conducted for shipped/received NWRM items within our sample at each of the 4 audit locations (see Table 3 below for projections). Intervals calculated at the 95 percent confidence level have a 5 percent risk of not containing the target population value of interest.

Table 3

REPSHIP ERRORS PROJECTION		
Confidence Level	Percent Projection	Count Projection
95% Lower Bound	12%	127
Point Estimate	19%	229
95% Upper Bound	28%	408

Managers' Internal Control Program. We reviewed the Managers' Internal Control (MIC) Program for SSP. NWRM is not included in their review of assessable units within their MIC program, although SP27, which is an assessable unit, is responsible for the Navy's NWRM program. As such, the self-reporting that SP27 performs as part of the SSP MIC includes NWRM. Additionally, each command that maintains/stores NWRM must perform an annual self-assessment of the NWRM program and conduct/report semi-annual inventory reports in accordance with SSP OD 67841 requirements.

¹⁶ Items were arbitrarily selected.

We reviewed compliance with the Department of Defense, Department of the Navy, and local command instructions and guidance applicable to NWRM. We evaluated the internal controls regarding NWRM inventory, inventory tracking system, and administrative procedures.

We assessed the reliability of the computer processed data provided by SSP by: (1) interviewing agency officials knowledgeable about the data; (2) tracing a sample of data records to source documents; (3) testing for missing/blank data elements; and (4) looking for duplicate records. We determined that the data were sufficiently reliable for the purpose of this report.

We conducted this performance audit 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.

Prior Audit Coverage. There were no previous audits of Nuclear Weapons-Related Materiel during the last 5 years by the Naval Audit Service, the Department of Defense Inspector General, or the Government Accountability Office. Consequently, there was no need to perform audit followup.

Enclosure 4:

Acronyms

Department of Energy	DOE
Department of the Navy	DON
Lockheed Martin Space Systems Company	LMSSC
Naval Audit Service	NAVAUDSVC
Naval Surface Warfare Center	NSWC
Nuclear Weapons-Related Materiel	NWRM
Ordnance Data	OD
Program Management Office Strategic Systems Programs Flight Systems, Planning and Logistics Division	SPF60
Serialized Item Management System	SIM
Strategic Systems Programs	SSP
Strategic Weapons Facility, Atlantic	SWFLANT
Strategic Weapons Facility, Pacific	SWFPAC
Unique Item Identifier	UII

Enclosure 5:

Activities Visited

Strategic Systems Programs Headquarters, Washington Navy Yard, Washington, DC

Lockheed Martin Space Systems Company, Sunnyvale and Santa Cruz, CA
Program Management Office Strategic Systems Programs Flight Systems,
Sunnyvale, CA

Naval Surface Warfare Center Corona Division Detachment Seal Beach, Seal Beach, CA

Strategic Weapons Facility, Atlantic, Naval Submarine Base Kings Bay, Kings Bay, GA

Strategic Weapons Facility, Pacific, Naval Submarine Base Kitsap, Bremerton, WA

Enclosure 6:

NWRM Administrative Error Charts

Actual Shipping/Receiving Date v. SIM Date
Shipped/Received

Site and Item #	Date	SIM Date	Observations
Site 1 Item 11	30-Aug-10	25-Aug-10	Recorded in SIM prior to being received
Site 4 Item 17	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 19	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 30	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 46	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 68	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 70	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 122	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt
Site 4 Item 126	31-Oct-12	4-Dec-12	Recorded a Month or more after Receipt

Report of Shipments Errors Per Audit Site by Shipment

Audit Site	Shipment of Material Form	Intent to Ship	Reply to Intent to Ship	Notice of Shipment	Acknowledgement of Receipt (Within 2 Hours)
Site 3					
Shipment 1	N/A	Y	Y	Y	N
Item 109					
Item 234					
Shipment 2	N/A	Y	Y	Y	N
Item 200					
Site 3 "N" Total	0	0	0	0	2
Site 4					
Shipment 1	N	N/A	N/A	Y	Y
Item 17					
Item 19					
Item 30					
Item 46					
Item 68					
Item 70					
Item 122					
Item 126					
Shipment 2	N	N/A	N/A	Y	Y
Item 141					
Site 4 "N" Total	2	0	0	0	0

Enclosure 7:

Management Responses From Director, Strategic Systems Programs



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DEPARTMENT OF THE NAVY
DIRECTOR STRATEGIC SYSTEMS PROGRAMS
1250 10TH STREET SE, SUITE 3600
WASHINGTON NAVY YARD, DC 20374-6127

8120 IN REPLY REFER TO:
Ser SP27431/062614002
1 Jul 14

From: Director, Strategic Systems Programs
To: Assistant Auditor General for Research, Development,
Acquisition, and Logistics Audits, Naval Audit Service
Ref: (a) NAVAUSVC Memo 7510 2013-002 of 5 Jun 14
Encl: (1) NAVAUSVC Management and Accountability of Nuclear
Weapons-Related Materiel Audit Report
Recommendations and Planned SSP Corrective Actions
Subj: MANAGEMENT AND ACCOUNTABILITY OF NUCLEAR WEAPONS-RELATED
MATERIEL (DRAFT AUDIT REPORT 2013-002)

1. Strategic Systems Programs (SSP) appreciates Naval Audit Service (NAVAUSVC) objective and thorough audit of the Department of the Navy (DON) Nuclear Weapons-Related Materiel (NWRM) Program. Your staff's evaluation of the DON NWRM Program provided useful recommendations on program administration. NAVAUSVC recommendations will be used to enhance the management of DON NWRM.

2. As requested, SSP reviewed reference (a) and concurs with the audit recommendations.

a. Enclosure (1) describes planned corrective actions and target completion dates.

b. Reference (a), page 2, paragraph 5 addressed SSP's efforts with the Defense Threat Reduction Agency on the development of an unclassified automated, Web-based NWRM tracking system. It should be noted that the new system will reduce the likelihood of human errors while recording NWRM shipments/receipts. Although the new system will be more robust, it will not change the inventory methodology or effect its accuracy. We will continue to rely on trained personnel complying with established procedures to conduct inventories and maintain inventory precision.



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SP28

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Management marked their responses "For Official Use Only" subsequently, it was agreed that not all of the pages require such markings.

NAVAUDSVC MANAGEMENT AND ACCOUNTABILITY AND ACCOUNTABILITY OF
NUCLEAR WEAPONS-RELATED MATERIAL (NWRM) AUDIT REPORT
RECOMMENDATIONS AND PLANNED SSP CORRECTIVE ACTIONS

Recommendation 1. Develop and implement internal control procedures that require:

a. Accountable Officers, Program Managers, or designated personnel to verify data entered into the Serialized Item Management (SIM) System is timely and accurate.

b. SPF60 to provide, on a case-by-case basis, written extensions for additional time to process and enter items into the SIM System for large shipments before exceeding the five day entry requirement. The duration of the extension should be determined with input from command officials.

SSP Response. Concur.

Corrective Action. SSP Ordnance Data (OD) 67841, NWRM Requirements will be updated to include this recommendation.

Clarifying Remarks. Upon promulgation of the updated OD, SSP will conduct training for staff on requirement changes and compliance with those requirement changes will be evaluated through SSP's ongoing internal Assessment Program. In addition, the new unclassified automated, Web-based NWRM tracking system will be implemented to ensure data system accuracy is maintained.

Target Completion Date. SSP OD 67841 Revision B promulgation date of 31 December 2014.

Recommendation 2. Develop and implement internal control procedures in the SSP OD 67841A, directing site managers to provide a master training list of personnel who handle, package, store, shipping, processing, and/or demilitarize NWRM items to their respective Accountable Officers, Program Managers, alternate Accountable Officers, or alternate Program Managers, with a copy to the Navy NWRM Program Manager and SPF60. This is to be done at least semiannually or on a more frequent basis as determined by SSP.

SSP Response. Concur.

Enclosure (1)

[REDACTED]

Corrective Action. SSP OD 67841, NWRM Requirements will be updated to include this recommendation.

Clarifying Remarks. Upon promulgation of the updated OD, SSP will conduct training for staff on requirement changes and compliance. The requirement changes will be evaluated through SSP's ongoing internal Assessment Program.

Target Completion Date. SSP OD 67841 Revision B promulgation date of 31 December 2014.

Recommendation 3. Issue a memorandum to reemphasize implementation of established procedures to ensure officials/personnel conduct and document inventories, and forward the semi-annual reports to the Navy NWRM Project Manager and SPF60, within the established timelines.

SSP Response. Concur.

Corrective Action. A memorandum will be issued as recommended.

Clarifying Remarks. SSP identified the late submissions through its self-assessment process and took action in 2012 to re-emphasize the semi-annual reporting requirements. Upon promulgation of the updated OD, SSP will again re-emphasize reporting timeline requirements. In addition, compliance will be evaluated through SSP's ongoing internal Assessment Program.

Target Completion Date. 31 August 2014

Recommendation 4. Revise SSP OD 67841A to establish the following requirements:

a. At a minimum, an alternate Program Manager/Accountable Officer, and Inventory and Verifying Officer must be appointed in the event the primary official(s) are not present or available.

b. Require NWRM Program Managers/Accountable Officers or designated personnel to verify established NWRM shipping procedures and administrative requirements are performed prior to submitting the Report of Shipment packages to SPF60.

SSP Response. Concur.

[REDACTED]

Corrective Action. SSP OD 67841, NWRM Requirements will be updated to include this recommendation.

Clarifying Remarks. Upon promulgation of the updated OD, SSP will conduct training for staff on requirement changes and compliance. Those requirement changes will be evaluated through SSP's ongoing internal Assessment Program.

Target Completion Date. SSP OD 67841 Revision B promulgation date of 31 December 2014.

Recommendation 5. Issue a memorandum to reemphasize implementation of established procedures to ensure NWRM Program Managers/Accountable Officers or designated personnel meet documentation retention requirements for shipments/receipts of NWRM items as required by SSP OD 67841, and is currently required by SSP OD 67841A.

SSP Response. Concur.

Corrective Action. A memorandum will be issued as recommended.

Clarifying Remarks. SSP identified most errors associated with documentation retention requirements through its self-assessment process, and will work to improve that assessment process. Compliance will continue to be evaluated through SSP's ongoing internal Assessment Program.

Target Completion Date. 31 August 2014

Recommendation 6. Coordinate with Department of Energy (DOE) officials to incorporate established procedures from the "Interim Agreement to Conduct Shipments between DOE and DON" into the "Information Exchange and Material Management Procedures for W76-0/Mk4, W76-1/Mk4A, and W88-0/Mk5 Reentry Systems" (a.k.a. "Gray Book").

SSP Response. Concur.

Corrective Action. The "Information Exchange and Material Management Procedures for W76-0/Mk4, W76-1/Mk4A, and W88-0/Mk5 Reentry Systems" was signed on 27 March 2014 and includes the requirements of the "Interim Agreement to Conduct Shipments between DOE and DON".

Target Completion Date. Complete.

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