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April 8, 2003

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 2003 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 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 Department of Defense, however, submitted its CTR annual report for fiscal year 2003 to Congress on January 8, 2003, more than 11 months after the submission date mandated by law. The legislation also requires the Comptroller General to provide Congress with an assessment of the report's multiyear plan setting forth the amount and purpose of funding to be provided over the 5-year term of the plan and describing the department's efforts to ensure that CTR assistance is accounted for and used as intended.

As agreed with your staff, we reviewed the fiscal year 2003 annual CTR report and compared it with our assessment of the 2002 annual report. As with the 2002 report, we analyzed the 2003 report to determine whether it (1) provides a 5-year plan that sets forth the funding requirements for the program and includes key federal strategic planning elements and (2) describes the methods used to determine whether the assistance provided is used for the purposes intended. We also reviewed the 2003 report to determine if it addresses past open GAO recommendations. We did not assess the validity of the data contained in the 2003 annual CTR report because most of the information contained in the report was outdated due to its late submission to Congress.

In reviewing the CTR annual report submitted for fiscal year 2002, we found that it (1) did not clearly set forth the amount of CTR funding to be provided over the 5-year

term of its plan, (2) did not include key federal strategic planning elements in the 5-year plan, (3) described the procedures CTR officials used to account for the assistance provided but in some instances asserted a more rigorous methodology than what was actually used, and (4) incorporated some but not all prior GAO recommendations.[1]

When comparing the 2002 CTR annual report with the 2003 report, we found that the Department of Defense had corrected some of the weaknesses we had previously identified. Primarily, the 2003 report clearly provides the required funding information for each program objective through fiscal year 2007, the 5-year period covered by the plan. For fiscal years 2002 through 2007, the Department of Defense estimates that it may spend more than $2.3 billion.[2]

However, the 2003 report continues to omit key federal strategic planning elements contained in the Government Performance and Results Act. Such planning elements could help guide preparation of annual CTR budgets. The current report excludes (1) external factors that could impact program goals, (2) annual performance goals that are linked to long-term program goals, and (3) evaluation plans that could help determine or revise program goals. The Defense Threat Reduction Agency that oversees the implementation of the CTR program has begun including such federal planning elements in its internal strategic plan.

The 2003 annual CTR report describes the methods used by the Department of Defense to determine whether the assistance provided is used for the purposes intended. For example, the report explains the status of CTR-provided equipment and contracts, as well as the methods used to ensure the proper use of equipment. The 2003 annual report accurately describes the procedures used in accounting for CTR assistance.

In compiling the 2003 annual CTR report, the Department of Defense addresses open GAO recommendations regarding the program. We found that the current CTR report does list CTR-provided services and provide a cumulative listing of assistance as recommended in our 2000 report.[3] In addition, the 2003 CTR report incorporates a 2001 recommendation that the Department of Defense develop criteria for conducting audits and examinations of CTR-provided equipment. The 2003 CTR report does not address our 2001 recommendation that the Department of Defense expand the scope of its CTR audits and examinations from simply taking an inventory of equipment to assessing whether CTR-provided assistance is being used efficiently and effectively.[4] However, according to the 2003 annual report, the Department of Defense will include such an assessment in its 2004 CTR annual report.

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[1]U.S. General Accounting Office, *Cooperative Threat Reduction Annual Report*, GAO-03-341R (Washington, D.C.: Dec. 2, 2002).
[2]Since fiscal year 2001, the CTR program has obligated more than $3.5 billion.
[3]U.S. General Accounting Office, *Cooperative Threat Reduction: DOD's 1997-98 Reports on Accounting for Assistance Were Late and Incomplete*, GAO/NSIAD-00-40 (Washington, D.C.: Mar. 15, 2000).
[4]U.S. General Accounting Office, *Cooperative Threat Reduction: DOD Has Adequate Oversight of Assistance, but Procedural Limitations Remain*, GAO-01-694 (Washington, D.C.: June 19, 2001).

We performed our work in Washington, D.C., from January through April 2003 in accordance with generally accepted government auditing standards.

We provided a draft of this report to Department of Defense officials, but they had no comments.

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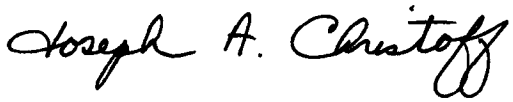
We are sending copies of this report to the Honorable Donald Rumsfeld, Secretary of Defense, and to interested congressional committees. The report will also be available at no charge on our Web site at http://www.gao.gov.

If you or your staff have any questions regarding this assessment, please contact me at (202) 512-8979. James Shafer, Beth Hoffman León, Hynek Kalkus, Pierre Toureille, and Lynn Cothern also made key contributions to this report.



Joseph A. Christoff
Director, International Affairs and Trade

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