

Audit

Report



UPDATING THE FOREIGN DISCLOSURE AND TECHNICAL
INFORMATION SYSTEM

Report Number 98-157

June 17, 1998

Office of the Inspector General
Department of Defense

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Acronyms

FORDTIS
SPAN

Foreign Disclosure and Technical Information System
Security Policy Automation Network



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

June 17, 1998

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR POLICY
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

**SUBJECT: Audit Report on Updating the Foreign Disclosure and Technical Information
System (Report No. 98-157)**

We are providing this report for review and comment. The Army did not respond to the draft report; however, comments from the Deputy Under Secretary of Defense for Policy Support, the Navy, and the Air Force were considered in preparing the final report. The complete text of the comments is in Part III.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Although comments were received from the Under Secretary of Defense for Policy Support, those comments did not address the recommendations of the report. We request that the Deputy Under Secretary of Defense for Policy Support and the Army provide comments by August 17, 1998.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Evelyn R. Klemstine at (703) 604-9172 (DSN 664-9172) (eklemstine@dodig.osd.mil) or Ms. Mary E. Geiger at (703) 604-9615 (DSN 664-9615) (mgeiger@dodig.osd.mil). See Appendix F for the report distribution. The audit team members are listed inside the back cover.

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Report No. 98-157
(Project No. 7LG-0040)

June 17, 1998

Updating the Foreign Disclosure and Technical Information System

Executive Summary

Introduction. The Secretaries of Defense and State have designated the National Military Information Disclosure Policy Committee as the central interagency authority within the Executive Branch of the U.S. Government responsible for formulating, promulgating, administering, and monitoring the National Disclosure Policy. The Security Policy Automation Network provides organizations the ability to communicate and coordinate with DoD organizations on foreign disclosure, export control, and international arms control and cooperation subjects. The Foreign Disclosure and Technical Information System (FORDTIS), which resides on the Security Policy Automation Network, assists the U.S. Government in meeting its national security objectives by providing a historical database. DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," and DoD Instruction 5230.18, "The DoD Foreign Disclosure and Technical Information System," require DoD personnel to record in FORDTIS releases of and denials of classified military information.

Audit Objectives. The overall audit objective was to determine whether technology transfer policies and procedures in DoD adequately prevent the unauthorized release of United States technical information. The specific audit objective for this segment was to determine whether the DoD Components entered in FORDTIS disclosures and denials of classified military information. We also reviewed the management control program as it related to the audit objective.

A future segment of the audit will determine whether technology transfer policies and procedures of the Military Departments are adequate to prevent the unauthorized release of technical information. The result of that objective will be discussed in a later report.

Audit Results. The Military Departments did not enter all disclosures and denials of classified military information into FORDTIS. As a result, the FORDTIS did not provide the National Military Information Disclosure Policy Committee and all FORDTIS users a complete database for making policy decisions concerning future releases of classified military information to foreign countries. For details of the audit results, see Part I. See Appendix A for details on the management control program.

Summary of Recommendations. We recommend that the Under Secretary of Defense for Policy and the Military Departments assign a high priority to the entry of disclosure decisions into the classified military information database and dedicate the necessary resources to meet the reporting requirements of DoD Directive 5230.11 and DoD Instruction 5230.18. We also recommend that the Under Secretary and the Military Departments monitor actions taken by subordinate commands to ensure that classified

military information reporting requirements are met. In addition, we recommend that the Under Secretary report the incomplete classified military information database as a material management control weakness.

Management Comments. Although the Office of the Under Secretary of Defense for Policy Support concurred with the report's finding, its comments did not address the report's recommendations. The Navy and the Air Force concurred with the report's recommendation and initiated corrective actions to include quarterly reporting requirements. The Army did not comment on the draft report. A discussion of management comments is in Part I and the complete text is in Part III.

Audit Response. We request that the Under Secretary of Defense for Policy Support and the Army provide comments to the final report by August 17, 1998.

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Part I - Audit Results

Audit Background

National Disclosure Policy-1. The National Disclosure Policy-1, "National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations," October 1, 1988, sets specific criteria and conditions that must be met before a decision is made to release classified military information to foreign governments and international organizations. The policy states that all departments and agencies responsible for implementing the National Disclosure Policy will report their disclosure actions to the National Military Information Disclosure Policy Committee (the Disclosure Committee). The National Disclosure Policy-1 was issued by the then Secretary of Defense with the concurrence of the then Secretaries of Energy and State and the Director of the Central Intelligence Agency.

Disclosure Committee. The Secretaries of Defense and State have designated the Disclosure Committee as the central interagency authority within the Executive Branch of the U.S. Government responsible for formulating, promulgating, administering, and monitoring the National Disclosure Policy. The Disclosure Committee is composed of general and special members. General members include representatives from the Offices of the Secretaries of Defense, State, Army, Navy, and Air Force and from the Office of the Chairman, Joint Chiefs of Staff. General members have a broad interest in all committee operations. Special members are those who have a significant interest in some, but not all aspects of committee operations. Special members include representatives of the Central Intelligence Agency, the Defense Intelligence Agency, and the Department of Energy.

Security Policy Automation Network. The Security Policy Automation Network (SPAN) provides DoD and non-DoD organizations the ability to communicate and coordinate with DoD organizations on foreign disclosure, export control, and international arms control and cooperation subjects. SPAN consists of DoD-wide communications classified as SECRET and separately supported unclassified communications. The classified network supports about 650 microcomputer workstations at over 120 organizations located throughout the Office of the Secretary of Defense, the Joint Staff, the Military Departments, Defense agencies, and selected organizations external to DoD. The unclassified network supports about 160 sites at foreign embassies in Washington, DC; defense industry; and U.S. embassies overseas. SPAN is managed by the Office of the Deputy Under Secretary of Defense for Policy Support, Policy Automation Directorate. In FY 1997, about \$1.6 million was expended to operate SPAN. SPAN provides connectivity to five operational systems: the Foreign Disclosure and Technical Information System (FORDTIS), the Foreign Visits System, the U.S. Visits System, the SPAN Decision Support System, and the National Disclosure Policy System. Appendix B includes a discussion on SPAN Year 2000 compliance.

Foreign Disclosure and Technical Information System. The Military Departments and Defense agencies are required to report disclosure decisions in accordance with the procedures published for FORDTIS. FORDTIS assists the U.S. Government in meeting its national security objectives by providing a historical database. FORDTIS consists of the following four functional databases.

- o The classified information database contains records of actions taken on proposals to disclose or deny classified military information to foreign governments and international organizations.

- o The National Disclosure Policy Exceptions database contains records of actions by the Disclosure Committee concerning approvals and denials of requests for exceptions to the National Disclosure Policy.

- o The Munitions License database contains records of actions taken by DoD to recommend approval, denial, or modification of license applications to export items or technical data on the U.S. Munitions List.

- o The Commodity Control List database supports the review of applications for exports controlled by the Export Administration Regulation.

The FORDTIS provides high-level decisionmakers and analysts a dedicated automated system to facilitate decisions on transfers of information, munitions, and technology to foreign governments and international organizations.

Audit Objectives

The overall audit objective was to determine whether technology transfer policies and procedures in DoD adequately prevent the unauthorized release of United States technical information. The specific audit objective for this report was to determine whether the DoD Components entered into FORDTIS disclosures and denials of classified military information. We also reviewed the management control program as it related to the audit objective.

A future segment of the audit will determine whether the Military Departments' technology transfer policies and procedures are adequate to prevent the unauthorized release of technical information. The result of that objective will be discussed in a later report. See Appendix A for a discussion of the scope and methodology, our review of the management control program, and a summary of prior coverage related to the audit objective.

* A list of articles, services, and related technical data designated as defense articles and defense services.

Classified Military Information Database

The Military Departments did not enter all disclosures and denials of classified military information into FORDTIS. The condition occurred because the Military Departments had not complied with DoD Directive 5230.11 and DoD Instruction 5230.18 because of insufficient management attention. As a result, the FORDTIS did not provide the Disclosure Committee and all FORDTIS users a complete database for making policy decisions concerning future releases of classified military information to foreign countries.

Policy Requirements

DoD Directive 5230.11. DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," June 16, 1992, establishes the responsibilities and procedures for the disclosure of classified information to foreign governments. The Directive defines which government officials are responsible for determining releasability, the assurances that must be met before release can occur, and reporting requirements for the releasing agency. The Directive also states that it is the responsibility of DoD Components to ensure that their disclosure decisions are entered into the FORDTIS.

DoD Instruction 5230.18. DoD Instruction 5230.18, "The DoD Foreign Disclosure and Technical Information System," November 6, 1984, provides policy, procedures, and responsibilities for the implementation of FORDTIS. The Instruction states that FORDTIS is to provide DoD with an automated system to assist decisionmakers and analysts in coordinating, reaching decisions, and reviewing proposals to release classified military information (classified information) and technology to other nations and international organizations. Classified information is defined as U.S. defense information or material that requires protection against unauthorized disclosure in the interests of national security and is limited to three security classifications: TOP SECRET, SECRET, and CONFIDENTIAL and can be subdivided into eight categories (see Appendix C). The Instruction defines a classified information case as a request received from a foreign government or international organization or proposed by a DoD Component. The cases are active in the FORDTIS tracking and assignment system until completed, when they are closed and entered in the classified information historical database. The Instruction requires the DoD Component that makes the disclosure decision to enter cases with the following types of classified information into FORDTIS:

- o classified information, documentation and material that is disclosed pursuant to a foreign military sale, a loan, or grant of equipment;
- o classified information disclosed or denied pursuant to a request from a foreign government or international organization;

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o classified information disclosed pursuant to a U.S. request and significant denials of U.S. requests; and

o significant disclosures and denials. Significant disclosures are defined as those containing TOP SECRET information, involving a first of its kind disclosure, establishing precedent, deriving from an exception to the National Disclosure Policy, or representing a noteworthy disclosure decision in the judgment of the reporting official.

DoD Manual 5230.18-M. DoD Manual 5230.18-M, "The Foreign Disclosure and Technical Information System User Manual," July 1985, assigns responsibilities and prescribes procedures for entering data, accessing data bases, and obtaining reports from FORDTIS. Classified information is reported to the database by creation of a new case on an interactive terminal or by submission of a DD Form 1822, "Report of Disclosures or Denial of U.S. Classified Military Information." Organizations having disclosure authority, but not having access to an interactive terminal use this form.

Reporting Disclosures and Denials

The Military Departments did not enter all disclosures and denials of classified information into FORDTIS. The Office of the Deputy Under Secretary of Defense for Policy Support, Policy Automation Directorate, provided an activity report showing the number of active or closed classified information cases that DoD organizations reported. The following table summarizes the DoD Components by calendar year.

<u>DoD Component¹</u>	<u>1995</u>	<u>1996</u>	<u>1997²</u>	<u>Percent Change 1995 to 1997</u>
Army	498	431	292	(41)
Navy	1,032	859	333	(68)
Air Force	211	219	180	(15)
Defense Intelligence Agency	635	589	705	11
Other	2	1	1	(50)
Total	2,378	2,099	1,511	

¹ A breakdown by DoD Component of the reported classified information cases is in Appendix D.

² Reported cases for 1997 are not final. As of December 30, 1997, not all activities had entered all 1997 cases.

The activity report listing indicated that decisions reportable on requests for the disclosure of classified information by the Military Departments decreased from

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1995 through 1997. The largest decreases were for the Army and the Navy. Reported Army decisions on the requests for classified information decreased by 41 percent and the decisions reported by Navy decreased by 68 percent. The Air Force decreased 15 percent and the Defense Intelligence Agency increased 11 percent over the 3-year period. The decreases indicated by the activity report alone is not evidence of a problem.

Questionnaires. Foreign disclosure personnel in the Military Departments were not inputting all disclosures and denials of requests for classified information into the FORDTIS. The classified information requests entered into the FORDTIS by the Military Departments included requests related to foreign military sales as well as intelligence data. The jurisdiction over which a command has authority determines the type of classified information entered by that command. We sent questionnaires to foreign disclosure personnel identified by the Military Departments to determine whether those individuals provided input to FORDTIS. As of February 6, 1998, a total of 229 questionnaires were returned by the Army, Navy, and Air Force. Of the 229 questionnaires returned by Military Department personnel, 126 of the respondents indicated that they had foreign disclosure responsibilities. Of the 126 foreign disclosure personnel that completed questionnaires, only 70 (56 percent) indicated they provided input into FORDTIS. However, we were unable to determine whether those foreign disclosure personnel answering the questionnaire had a requirement to input into FORDTIS. If a foreign disclosure officer did not have the authority to release classified information, there was no reason to provide input into FORDTIS. We, therefore, visited eight sites and found that only two sites reported entering the required information into FORDTIS.

Army. The Army failed to enter all requests for classified information into the FORDTIS. We visited the U.S. Army Aviation and Missile Command and contacted the U.S. Army Training and Doctrine Command. Personnel at the U.S. Army Aviation and Missile Command stated that classified information releases and denials were entered into the FORDTIS. However, they indicated that entering the cases into FORDTIS after the disclosure decisions were made was time-consuming and as a result the entering of cases was not up to date. Personnel at the U.S. Army Training and Doctrine Command stated that requests for disclosures and decisions on requests for classified information were not entered into the database because of a lack of personnel resources. The office responsible for decisions on requests for classified information had been reduced from 12 individuals to 2, and updating the FORDTIS was only one of many duties performed.

Navy. The Navy failed to enter all decisions on the requests for classified information into the FORDTIS. We visited the Naval Air Systems Command, the Navy International Programs Office, and the Naval Sea Systems Command. Personnel at the Naval Air Systems Command stated that there were about 12 releases of classified information per month. Also, although they were aware of the reporting requirement, they did not enter decisions on the request for the release of classified information into the database because of a lack of personnel resources. The Naval Sea Systems Command stated that it forwarded decisions on requests for classified information to the Navy International Programs Office for entry into the FORDTIS. However, personnel at the Navy International Programs

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Office did not agree that they should be inputting Naval Sea Systems Command releases into the database. Rather, personnel stated that they entered decisions only on requests for which they rendered a decision, not decisions made by the other naval commands.

Air Force. The Air Force failed to enter all decisions on the requests for classified information into the FORDTIS. We visited the Aeronautical Systems Center and the Electronic Systems Center detachment at the Boeing Company. At the Aeronautical Systems Center, personnel stated that classified information cases were initiated by the Air Force Disclosure Office, Deputy Under Secretary of the Air Force (International Affairs) for input into the FORDTIS. Requests that originated at the Aeronautical Systems Center level were not entered into the database. Air Force Disclosure Office personnel stated that they had not entered any information into the FORDTIS for the Aeronautical Systems Center. Personnel at the Electronic Systems Center detachment at the Boeing Company were not recording decisions on the requests for classified information in the database. That office completed 21 releases of classified information relating to the sale of the Airborne Warning and Control System to Japan from January 1995 through July 1997 without entering those decisions into FORDTIS.

Defense Intelligence Agency. The Defense Intelligence Agency was entering decisions on requests for classified information. Personnel stated that cases were entered into the FORDTIS for historical purposes and as a system for tracking classified requests. In addition, the classified information database was used as a reference tool for expediting the decision process on requests for classified information by foreign countries. Disclosures and denials were strictly for intelligence documents. The Defense Intelligence Agency does not enter any document above SECRET into the database. All TOP SECRET releases are manually tracked. Personnel were dedicated by the Defense Intelligence Agency for the inputting of releases and denials.

Reporting Requirements

The Military Departments had not complied with DoD Directive 5230.11 and DoD Instruction 5230.18 because of insufficient management attention. Visits to various organizations disclosed that even though the organization knew of the requirement to enter classified information into the FORDTIS classified information database, the information was not entered. When creating a case within the FORDTIS classified information database, the entering official is required to enter specific information into the system (see Appendix E). Additional case information can be entered, but is not required when creating a case. The organizations indicated that updating the FORDTIS was one of many duties that were to be performed. U.S. Army Aviation and Missile Command foreign disclosure personnel stated that each disclosure and denial took from 15 to 20 minutes to enter into FORDTIS. We recognize that the amount of time will vary based on the amount of information to be processed. However, as a result of reduced staffing levels at U.S. Army Aviation and Missile Command and other organizations, the entry of releases of and denials of classified information was given a low priority. Further, personnel in the Office of the Deputy Under

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Secretary of Defense for Policy Support stated that when FORDTIS was established the Military Departments were given personnel to perform the data entry required. However, because of personnel reductions those positions were eliminated or redesignated by the Military Departments.

The Deputy Under Secretary of Defense for Policy Support recognized that decisions on requests for classified information were not entered into FORDTIS. In a December 6, 1996, memorandum addressed to the Military Departments, the Joint Staff, and the Defense Intelligence Agency, the Deputy Under Secretary of Defense for Policy Support stated that the foreign disclosure program is of vital importance in protecting classified information and in providing an efficient system to share classified information with friends and allies. The memorandum also reiterated that DoD Directive 5230.11 requires all DoD officials with disclosure authority to record their disclosure decisions in FORDTIS. That memorandum further explained that the objectives of the system can be met only if all disclosure officials comply with reporting requirements. The Military Departments still did not comply.

Users of the Database

The FORDTIS did not provide the Disclosure Committee and all FORDTIS users a complete database for making policy decisions concerning future releases of classified information to foreign countries.

Disclosure Committee. One of the primary functions of the Disclosure Committee is to monitor and oversee the implementation of the National Disclosure Policy. The National Disclosure Policy establishes a framework for the approval or denial of classified information to foreign governments. Further, the National Disclosure Policy defines the maximum level of information that can be released. The principal means that the Disclosure Committee has to monitor and oversee the implementation of the National Disclosure Policy is the FORDTIS. However, the incomplete database severely limited the committee in performing its oversight function. The reporting of disclosure actions also assists the Disclosure Committee in making its annual report to the National Security Council on, among other things, an assessment of the effectiveness of the National Disclosure Policy.

Other Users. One of the primary functions of the FORDTIS classified information database is to aid foreign disclosure officers in disclosure decisions. For example, a foreign disclosure officer can use the FORDTIS as a reference tool for a requested release of classified information from a country. Country X may request classified information on radar system Z. The foreign disclosure officer queries the FORDTIS to determine whether country X made any previous requests concerning that radar system. If the results of the query indicate that a request was previously made and denied, the classified information case, maintained in the historical database, would also show the reasons for that denial. The foreign disclosure officer can also query the database to determine whether disclosures involving the requested information on radar system Z had ever been made to any country and whether such requests were denied or granted. Consequently, the foreign disclosure officer considers the reasoning for the release or denial of

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requested information when the current request is considered; and in some cases, such consideration can expedite a disclosure decision on the current query. However, because the FORDTIS contains incomplete information, users of the system cannot receive the benefits of the system as intended.

Summary

The FORDTIS classified information database was not used to its full potential. By failing to enter disclosures and denials of requests for classified information into FORDTIS, decisionmakers did not have the required information to assist in making decisions on proposals to release classified information and technology. Past disclosures were the precedent governing future disclosures and decisions. In addition, the database was one of the only means the Disclosure Committee had to monitor the effectiveness of the National Disclosure Policy. If FORDTIS is to satisfy its purposes, then the reporting requirements of DoD Directive 5230.11 and DoD Instruction 5230.18 must be met. Reporting requirements will not be met unless sufficient management attention is provided to ensure database input. If in-house resources is the limiting factor, the use of contractor resources should be considered.

Management Comments on the Finding and Audit Response

Department of the Air Force Comments. The Air Force concurred that all Service decisions on the request and release of classified military information were not documented in FORDTIS. The Air Force nonconcurred that noncompliance with DoD Directive 5230.11 and DoD Instruction 5230.18 was because of insufficient management attention. The Air Force stated that the Chief, Disclosure Division, was responsible for prioritizing the division's assigned responsibilities and that a higher priority had been assigned to release decisions required to support operational requirements than administrative functions such as FORDTIS reporting.

Audit Response. While we agree that FORDTIS reporting was largely an administrative function, by failing to assign a higher priority with the reporting requirements of DoD Instruction 5230.18, the Air Force has indicated that compliance does not require management attention. DoD Instruction 5230.18 states that the purpose of FORDTIS was to provide the DoD with an automated system to assist decision makers and analysts in reviewing, coordinating and reaching decisions on proposals to release classified information. As such, when receiving requests forwarded from foreign disclosure officers the Office of the Under Secretary of the Air Force (International Affairs) can use the

historical files of FORDTIS to reach decisions on those requests for classified information. Failure to input release decisions into FORDTIS results in not including those decisions in the historical files on which future decisions could be based.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense for Policy; the Deputy Chief of Staff for Intelligence, U.S. Army; the Director, Navy International Programs Office; and the Deputy Under Secretary of the Air Force (International Affairs):

a. Assign a high priority to the entry of disclosure decisions into the classified military information database and dedicate the necessary in-house or contractor resources to meet the reporting requirements of DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," and DoD Instruction 5230.18, "The DoD Foreign Disclosure and Technical Information System."

b. Monitor actions taken by subordinate commands to ensure that the classified military information reporting requirements are being met.

Under Secretary of Defense for Policy Support Comments. The Deputy Under Secretary of Defense for Policy Support concurred with the finding. The Deputy Under Secretary stated that over the years a number of reinforcement notices were sent to the Military Departments reminding them of their reporting requirements. The Deputy Under Secretary requested the Office of the Inspector General make the reporting of disclosure approvals and denials in the FORDTIS system an item for review in future audits and inspections.

Army Comments. The Army did not comment on a draft of this report.

Navy Comments. The Navy concurred with the recommendation, and stated that the Navy International Programs Office will remind those Navy activities and individuals holding disclosure authority of the requirement to input disclosure decisions into the database. The Navy further stated that the Navy International Programs Office will obtain, on a quarterly basis, a report from the DoD FORDTIS office and conduct follow-up action as necessary.

Air Force Comments. The Air Force concurred with the recommendation, and stated that they were working with the software developers to ensure that meaningful capabilities were included in the software update. In addition, the Air Force stated that interim guidance will be discussed at a disclosure conference scheduled for August 1998 and the new software will be fielded by the fall of 1998. The Air Force also plans to establish a quarterly reporting requirement after the new software is fielded.

Audit Response. The Office of the Inspector General, DoD, does not do inspections and our audits are issue oriented and not broad based reviews at Defense activities. Except for an issue oriented audit such as this one, the lack of staff precludes review of the completeness of FORDTIS at DoD Components during other audits. We note that the Navy and Air Force are setting up quarterly reporting requirements related to the completeness of reporting information into FORDTIS. The Deputy Under Secretary should consider establishing a performance measure on the completeness of reporting information into the FORDTIS system and having the Military Departments report quarterly on the performance measure.

We request that the Under Secretary of Defense for Policy and the Deputy Chief of Staff U.S. Army provide comments on this recommendation in response to the final report.

2. We recommend that the Under Secretary of Defense for Policy report the incomplete classified military information database as a material management control weakness until reporting requirements are met.

Under Secretary of Defense for Policy Support Comments. The Office of the Under Secretary of Defense for Policy did not address this recommendation in response to the draft report. We request that the Deputy Under Secretary of Defense for Policy provide comments on this recommendation in response to the final report.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

We reviewed DoD policies and procedures related to the SPAN, the classified information database, and technology transfer. We reviewed the classified information activity report for calendar years 1995 through 1997 to aid in determining whether the Military Departments were entering information on decisions to release or deny requests for classified information, as required. The report was prepared as of December 30, 1997. We mailed questionnaires to foreign disclosure officers in the Military Departments to determine whether they had access to FORDTIS and whether they were providing input to FORDTIS. In addition, we evaluated the Military Departments' procedures to input decisions on requests for classified information. We also reviewed Year 2000 compliance issues for the SPAN, as discussed in Appendix B.

We visited or contacted eight sites to determine whether they had data that should have been entered but had not been entered. We interviewed personnel within the Office of the Deputy Under Secretary of Defense for Policy Support, the Defense Intelligence Agency, the Army Aviation and Missile Command, the Army Security Assistance Command, the Army Training and Doctrine Command, the Naval Air Systems Command, the Naval Sea Systems Command, the Navy International Programs Office, the Office of the Deputy Under Secretary of the Air Force (International Affairs), the Aeronautical System Center, the Electronic Systems Center and its detachment, and the F-16 System Program Office.

Use of Computer-Processed Data. We relied on FORDTIS, maintained by the Office of the Deputy Under Secretary of Defense for Policy Support, Policy Automation Directorate. Our review of the FORDTIS classified information database did not cast doubt on the reliability of information contained within the system. However, during the audit, we discovered problems concerning the entry of data into the system that cast doubt on the completeness of the data contained within FORDTIS. Those problems are discussed in the body of the report. We believe that the opinions, conclusions, and recommendations in this report are valid and will help correct the problem with the completeness of the data contained in the system.

Audit Type, Dates, and Standards. We performed this program results audit from May 1997 through February 1998, in accordance with auditing standards that the Comptroller General of the United States issued, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD. Further details are available upon request.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of controls.

Scope of Review of Management Controls. We reviewed the adequacy of the DoD and Military Departments' management controls to ensure that all decisions on the requests for classified information were entered into the FORDTIS. Specifically, we evaluated DoD and Military Department implementation of policies and procedures for the inputting of decisions on requests for classified information from foreign countries into the FORDTIS. We reviewed management's self-evaluations applicable to those controls.

Adequacy of Management Controls. We identified material management control weaknesses for the Military Departments as defined by DoD Directive 5010.38. The DoD and Military Departments' management controls were not in place to ensure that disclosures and denials of requested classified information were entered into FORDTIS as required by DoD Directive 5230.11 and DoD Instruction 5230.18. All recommendations in this report, if implemented, will provide adequate controls for reporting disclosures and denials of classified information. A copy of the report will be provided to the senior officials responsible for management controls in the Office of the Secretary of Defense and the Military Departments.

Adequacy of Management's Self-Evaluation. Officials within the Office of the Secretary of Defense and the Military Department did not identify the reporting of disclosures and denials of classified information as an assessable unit and, therefore, did not identify or report the material management control weakness identified by the audit. Command level compliance should be monitored on a continuing basis as part of command self-evaluations.

Appendix B. Year 2000 Compliance

SPAN Compliance

The Office of the Deputy Under Secretary of Defense for Policy Support, Policy Automation Directorate, has taken action to address Year 2000 compliance problems for the SPAN. In the Year 2000, automated information systems that are not Year 2000 compliant will have to be adjusted for the way dates are recorded and computed. For the past several decades, systems typically used two digits to represent the year, such as "97" representing 1997, to conserve electronic data storage and to reduce operating costs. With the two-digit format, however, the Year 2000 is indistinguishable from 1900. The calculation of dates is further complicated because the Year 2000 is a leap year, being divisible by 100 and 400, while the year 1900 is not. As a result of the ambiguity, system and application programs that use dates to calculate, compare, or sort could generate incorrect results when working with the years after 1999.

In April 1997, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) issued the "DoD Year 2000 Management Plan." According to the plan, DoD Components are responsible for renovating existing systems to fix the Year 2000 deficiency by December 1998. The Policy Automation Directorate has identified which SPAN systems are Year 2000 noncompliant and prepared assessments. It is estimated that \$2.3 million will be required to make the SPAN Year 2000 compliant. Compliance should be achieved by the end of FY 1998.

Appendix C. Categories of Classified Military Information

Category 1 - Organization, Training, and Employment of Military Forces. Information of a general nature pertaining to tactics, techniques, tactical doctrine, and intelligence and counterintelligence doctrine and techniques.

Category 2 - Military Material and Munitions. Information on specific items of equipment already in production, or in service, and the information necessary for the operation, maintenance, and training. This category does not pertain to equipment that is in research and development.

Category 3 - Applied Research and Development Information and Material. Information related to design, experimental investigation into possible military applications, and fundamental theories; the category includes engineering data, operational requirements, concepts, and military characteristics required to adopt the item for production.

Category 4 - Production Information. Information related to designs, manufacturing techniques, specifications, and such related information necessary to manufacture material and munitions.

Category 5 - Combined Military Operations, Planning, and Readiness. Information necessary to plan, ensure readiness for, and provide support to the achievement of mutual force development goals or participation in specific combined tactical operations and exercises. The category does not include strategic plans and guidance or North American defense information.

Category 6 - U.S. Order of Battle. Information pertaining to U.S. Forces in a specific area. In general, disclosures of this information are limited to those countries in which U.S. Forces are stationed or are in adjacent geographical areas.

Category 7 - North American Defense. Information related to plans, operations, programs, and projects, to include data and equipment, directly related to North American defense.

Category 8 - Military Intelligence. Information of a military character pertaining to foreign nations. The category of information does not include national intelligence or sensitive compartmented information under the purview of the Director of Central Intelligence.

Appendix D. Classified Military Information Cases Reported by Organization

	<u>1995</u>	<u>1996</u>	<u>1997</u>
<u>Army</u>			
Foreign Disclosure Office	114	140	153
Army Communications Electronic Command	1	0	0
Army Material Command	0	10	0
Army Material Systems Analysis Center	26	13	0
Army Missile Command	67	76	16
Army Research Lab	126	59	43
Army Security Affairs Command	3	1	1
Army Training and Doctrine Command	1	0	0
Chemical and Biological Defense Command	19	0	2
National Ground Intelligence Center	131	131	77
Strategic and Space Defense Command	<u>10</u>	<u>1</u>	<u>0</u>
Army Total	498	431	292
<u>Navy</u>			
Foreign Disclosure Office	626	505	284
Marine Corps Headquarters	0	0	1
Naval Air Systems Command	2	0	0
Naval Explosive Ordnance Disposal	307	162	0
Naval Sea Systems Command	1	1	1
Navy International Programs Office	0	74	0
Office of Naval Intelligence	<u>96</u>	<u>117</u>	<u>47</u>
Navy Total	1,032	859	333
<u>Air Force</u>			
Foreign Disclosure Office	96	131	68
National Air Intelligence Center	<u>115</u>	<u>88</u>	<u>112</u>
Air Force Total	211	219	180
<u>Defense Intelligence Agency</u>			
Foreign Disclosure Office	619	549	670
Foreign Visits Office	<u>16</u>	<u>40</u>	<u>35</u>
Defense Intelligence Agency Total	635	589	705
Other	<u>2</u>	<u>1</u>	<u>1</u>
Total	2,378	2,099	1,511

Appendix E. Sample of a Classified Military Information Case Form

The following is a sample of a DD Form 1822, used to input classified information cases into the FORDTIS.

CLASSIFICATION

REPORT OF DISCLOSURE OR DENIAL OF US CLASSIFIED MILITARY INFORMATION										PAGE NO.
1 SHORT TITLE ENTER A MEANINGFUL SHORT TITLE										2 CLAS
3 DECLASSIFICATION INSTRUCTIONS SEE DOD 5200.1-R										4 DATE OUT 0112185
5 REQUESTING COUNTRIES UR GB FR J A ES IS										
6 ACTION 7 DENIAL REASONS 8 WOP CODES 9 LOG NO										101-223-84
11 SIGNIFICANT 12 REPETITIVE 13 AGENCY 14 OFFICE										NICOM
15 DECOMP 16 FLAGS 17 LOCAL USE										MISSILE PROGRAM
18 SUBJECT COUNTRIES PG UR ICN										
19 CASE DESCRIPTION START THE CASE DESCRIPTION HERE. IT IS NOT NECESSARY TO DUPLICATE OTHER INFORMATION IN THE CASE. HOWEVER, YOU CAN INCLUDE WHAT THE REQUEST WAS RECEIVED AND THE PURPOSE FOR THE REQUEST ALONG WITH WHAT HAS BEEN REQUESTED. NOTICE HOW THE WORD BREAKS ARE MADE IN THIS EXAMPLE. REMEMBER, DO NOT ADJUST THE FORM ONCE YOU BEGIN TYPING.										
20 CROSS REFERENCE										21 KEYWORDS
22 TYPE A CROSS REFERENCE										THE FIRST KEYWORD
NDPE DD12-84										SECOND KEYWORD
CMI 5234-84										F-36
										AN/TPQ-36
23 REMARKS THE CASE REMARKS START HERE. IF THE CASE IS DENIED IN WHOLE OR IN PART, THEN THERE MUST BE A REASON HERE EXPLAINING WHY THE DENIAL WAS MADE. ANY SPECIAL REMARKS SHOULD BE ENTERED WHICH WILL MAKE THE CASE UNDERSTANDABLE TO SOMEONE UNFAMILIAR WITH THE DOCUMENT OR PROGRAM, OR ITS RELATIONSHIP WITH OTHER PROGRAMS. THE INFORMATION HERE IS VERY IMPORTANT IN ASSISTING OTHER ACTIVITIES THAT MAY BE MAKING DISCLOSURE DECISIONS THAT ARE RELATED TO YOU. YOU MAY USE A CONTINUATION SHEET FOR THIS ITEM, IF NECESSARY.										
24 LINE ITEMS										
25 ITEM NO. 26 TYPES 27 CLAS 28 ACTION 29 DENIAL REASONS										
30 DOCUMENT/EQUIPMENT NO. RFGG-1234-A3										
31 DOCUMENT/EQUIPMENT NAME PROCEEDINGS OF THE FIRST ANNUAL MEETING ON THE USE OF CONVENTIONAL CANNON ARTILLERY										
32 ITEM REMARKS THIS DOCUMENT MAY BE DISTRIBUTED WITHOUT RESTRICTIONS TO NATO MEMBER NATIONS.										
33 ITEM NO. 34 TYPES 35 CLAS 36 ACTION 37 DENIAL REASONS										
38 DOCUMENT/EQUIPMENT NO. AACC-2345-A3										
39 DOCUMENT/EQUIPMENT NAME MINUTES OF THE STEERING COMMITTEE - JUNE 82.										
40 ITEM REMARKS THIS DOCUMENT CONTAINS POLICY RECOMMENDATIONS WHICH HAVE NOT BEEN APPROVED. NO FOREIGN RELEASE IS PERMITTED.										
41 ITEM NO. 42 TYPES 43 CLAS 44 ACTION 45 DENIAL REASONS										
46 DOCUMENT/EQUIPMENT NO.										
47 DOCUMENT/EQUIPMENT NAME										
48 ITEM REMARKS										
49 ITEM NO. 50 TYPES 51 CLAS 52 ACTION 53 DENIAL REASONS										
54 DOCUMENT/EQUIPMENT NO.										
55 DOCUMENT/EQUIPMENT NAME										
56 ITEM REMARKS										

DD FORM 1822

EDITION OF NOV 70 IS OBSOLETE

CLASSIFIED BY

CLASSIFICATION

U.S. GPO: 1983-414-996

Appendix E. Sample of a Classified Military Information Case Form

The preceding form contains all information that can be entered on the DD Form 1822. The following items are required to be entered into FORDTIS as part of a classified information case.

- o Item 1 - a one-line summary of the case.
- o Item 2 - the classification of the case.
- o Item 4 - the date of case closure.
- o Item 5 - the requesting country.
- o Item 6 - the release decision.
- o Item 8 - the National Disclosure Policy Category Code.
- o Item 10 - whether the disclosure is significant or not.
- o Items 12 and 13 - the processing agency and office.
- o Item 14 - whether any decompartmented intelligence information is contained in the case.
- o Item 18 - a description of the case (no more than five lines).
- o Item 20 - keywords.
- o Item 21 - remarks (only if case was a denial).
- o Item 22 - a line item entry describing each item or document covered by the case.

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Deputy Under Secretary of Defense (International and Commercial Programs)
Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Policy
Deputy Under Secretary of Defense for Policy Support
Assistant Secretary of Defense (Public Affairs)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Deputy Chief of Staff for Intelligence
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Director, Navy International Programs Office
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Under Secretary of the Air Force (International Affairs)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, Defense Information Systems Agency
Director, National Security Agency
Inspector General, National Security Agency
Director, Defense Security Assistance Agency
Inspector General, Defense Intelligence Agency

Appendix F. Report Distribution

Non-Defense Federal Organizations and Individuals

**Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center
Inspector General, Department of State**

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

**Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Select Committee on Intelligence
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform and Oversight
House Subcommittee on National Security, International affairs, and Criminal Justice,
Committee on Government Reform and Oversight
House Committee on National Security
House Permanent Select Committee on Intelligence**

Part III - Management Comments

Office of the Under Secretary of Defense (Policy Support) Comments



POLICY

OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000



18 May 1998

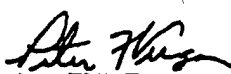
MEMORANDUM FOR DIRECTOR, READINESS AND LOGISTICS SUPPORT
DIRECTORATE, OFFICE OF THE DOD INSPECTOR
GENERAL

SUBJECT: Audit Report on Updating the Foreign Disclosure and Technical
Information System (Project No. 7LG-0040)

Reference: Your memorandum, dated 18 March 1998, subject as above

We appreciate the opportunity to comment on subject draft audit report
concerning the Foreign Disclosure and Technical Information System (FORDTIS).

Attached is the Policy response to the draft report.


Linton Wells II
Deputy Under Secretary of Defense
(Policy Support)

Attachment
As stated



ODUSD(PS) Response
to
DoD IG Findings and Recommendations
Project No. 7LG-0040

Finding. Concur with the finding that the DoD Components are not reporting all disclosure decisions into the Foreign Disclosure and Technical Information System (FORDTIS).

- The FORDTIS system is designed to record all decisions to approve or deny disclosures of classified military information to foreign governments and international organizations. DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," dated 16 June 1992 and DoD Instruction 5230.18, "The DoD Foreign Disclosure and Technical Information System (FORDTIS)," dated 6 November 1984 require the reporting of all approvals and denials of classified military information to foreign entities. The Directive and the Instruction create the priority needed for the recording of disclosure decisions in FORDTIS. Compliance is expected since the cited DoD issuances are directive in nature. Over the years, a number of reinforcement notices have been forwarded to the Military Services reminding them of their reporting responsibilities.

- Several times in the recent past, this office has suggested, to no avail, that the DoD Inspector General make the FORDTIS system an item for coverage during audits and inspections of DoD Components. With downsizing of both personnel and budgets, our ability to reinforce the importance of reporting disclosures in the FORDTIS system becomes more difficult unless we use all available assets in DoD.

Recommendation. Recommend that the recording of disclosure approvals and denials in the FORDTIS system be an item for inclusion in future DoD IG audits and inspections. This should be done for a test period of two years in order to get a proper evaluation of this recommendation.

Department of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
WASHINGTON DC 20380-1000

20 May 1998

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR
GENERAL FOR AUDITING

SUBJECT: DODIG Draft Report: Updating The Foreign
Disclosure And Technical Information System
(Report No. 7LG-0040) - Information Memorandum

REFERENCE: (a) DODIG Report 7LG-0040 of 18 March 1997

We have reviewed reference (a) and concur with the findings and recommendations. We have implemented management controls to correct the situation by instructing Navy IPO to remind those Navy activities and individuals holding Disclosure authority of the requirement to input disclosure decisions into the database. Navy IPO will obtain a report from the DOD FORDTIS Office on all CMI data entered on a quarterly basis. Navy IPO will conduct follow-up action with the field activities as necessary based on that report.

A handwritten signature in cursive script, appearing to read "Will Schaefer".

WILLIAM J. SCHAEFER
Deputy Assistant Secretary
of the Navy
Planning, Programming, and
Resources

Copy to:

FMO (31)
NAVINSGEN (02)

**SUBJECT: DODIG Draft Report: Updating The Foreign
Disclosure And Technical Information System
(Report No. 7LC-0040) - Information Memorandum**

**Blind Copy to:
COMNAVAIRSYSCOM, Patuxent River MD
COMNAVSEASYSOM, Washington, DC
COMSPANARSYSOM, San Diego, CA
NAVICP, Philadelphia, PA
COMNAVEODTECHDIV, Indian Head, MD
Navy IPO, Washington, DC**

Department of the Air Force Comments



Office of the Under Secretary

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

15 MAY 1998

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: SAF/IA

SUBJECT: Updating the Foreign Disclosure and Technical Information System, 18 March
1998; Project No. 7LG-0040

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force
(Financial Management and Comptroller) to provide Air Force comments on subject report.

As directed, we have commented on the two findings and three recommendations which
our office identified in the subject report. These comments are found in the attachment to this
memorandum. None of these findings or recommendations had an associated estimated
monetary benefit which required coordination with SAP/FMPP. As the Air Force office of
primary responsibility, SAF/IAD concluded that no additional coordination within the Air Force
is required for this response.

ROBERT D. BAUERLEIN
Deputy Under Secretary of the Air Force
International Affairs

Attachment:
Air Force Responses to DOD IG Findings and
Recommendations

Air Force Responses

Air Force Responses
to
DOD IG Findings and Recommendations
Project No. 7LG-0040

Finding. Air Force concurs with the finding that all Service decisions on the requests for classified information are not documented in the Foreign Disclosure and Technical Information System (FORDTIS) Classified Military Information (CMI) database. While the lack of reporting may have impacted the National Disclosure Policy Committee's (NDPC) ability to monitor and oversee the implementation of the National Disclosure Policy (NDP), Air Force believes the negative impact on decision making attributed to the other FORDTIS users is overstated for three reasons.

a. First, Air Force policy, consistent with DoD Directive 5230.11, is to document classified release authority in a delegation of disclosure authority letter (DDL). Air Force disclosure officers that do not possess this documented release authority are not permitted to approve classified releases whether a precedent exists in the CMI database or not. In this situation, the disclosure officer would forward the request to SAF/IAD where the policy decision would be made based on our historical files and Service policies.

b. Second, non-Air Force FORDTIS users would not be authorized to make releases of Air Force classified information based on CMI cases. In accordance with the NDP, the responsibility for decisions to disclose classified military information belongs in the first instance to the head of the department or agency originating the information. Non-Air Force agencies proposing release of Air Force classified information must obtain specific release approval from SAF/IAD.

c. Third, we believe the technical limitations of the FORDTIS presented a challenge to be resolved in order to make the system as effective as possible for the Air Force. The current software is based on the DOS operating system. Users querying the database for information were, initially, limited to exactly matching data entered into specific fields. A turboquery capability has been added which permits "wildcard" searches of data. This concept means that searches for words/phrases similar to a string of letters can be accomplished. In our opinion, either type of search or use of the keyword as a search engine will be successful only if the creator of the file and the user of the database are familiar with the same words or concepts. Any differences at all will not result in a match, even though a pertinent case may have been created in the database. As an example, we offer the problems that can be encountered when searching for information on the Internet.

Recommendation. Air Force concurs with the recommendation to assign a higher priority to the entry of disclosure decisions into the CMI database. Our office has been actively engaged with the CMI database software developers to have the capability for a meaningful subject indexing scheme included in the software update. SAF/IAD has also included the use of the CMI database as an agenda item for our upcoming disclosure conference scheduled for 4-6 Aug 98. We have also solicited pre-conference inputs from disclosure offices in the field to help determine the structure for a subject index. SAF/IAD intends to discuss interim guidance related

to the CMI database and have the Air Force ready to begin dataentry with the fielding of the new CMI software in the fall of 1998.

Finding. Air Force non-concurs that non-compliance with DoD Directive 5230.11 and DoD Instruction 5230.18 is due to insufficient management attention. The Chief, Disclosure Division is responsible for prioritizing the division's assigned responsibilities to first meet Air Force operational requirements. He must respond to operational requirements which have changed significantly given the restructuring of the military security environment. To date, a higher priority has been assigned to release decisions required to support such initiatives than the priority assigned to administrative functions such as the FORDTIS reporting.

Recommendation. On a continuous basis, the Chief, Disclosure Division re-evaluates the success of the division on its ability to accomplish both short and long term goals and objectives. In July 1996, he initiated a realignment of resources within the disclosure division to review and update business related aspects of the Service disclosure program. This alignment has enabled the Air Force to establish a formal disclosure training program, begin updating various processes and concentrate on business related requirements. Having accomplished a positive first step, he is engaged in a second effort to further realign the resources engaged in these activities with an estimated completion date of 1 Sep 98.

Recommendation. Air Force concurs that a systematic plan to monitor compliance with reporting requirements within the Air Force is necessary. Our proposed plan is to establish a quarterly report requirement with the Office of the Deputy Under Secretary of Defense for Policy Support, Policy Automation Directorate, beginning the second CY quarter after the fielding of the updated software, to document the use of the CMI database by individual Air Force disclosure offices.

Audit Team Members

**This report was prepared by the Readiness and Logistics Support Directorate,
Office of the Assistant Inspector General for Auditing, DoD.**

**Shelton Young
Evelyn R. Klemstine
Mary E. Geiger
Robert Kieritz
Kathryn Wilfong
David Michehl
Sean Keaney**

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Updating the Foreign Disclosure and Technical Information System

B. DATE Report Downloaded From the Internet: 09/15/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):
OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ Preparation Date 09/15/99

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