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ROUTING AND TRANSMITTAL SLIP

Date
12 SEPT 1986

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*cc: D/AS (for info) / dew 9-12-86
Boyle*

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THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-2000

8 September 1986

POLICY

Honorable William F. Donnelly
Deputy Director for Administration
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Donnelly:

The Armed Forces Courier Service (ARFCOS) provides a vital link in our security system. It is, of course, charged with the transportation of the nation's most vital classified information and material, including that which is Top Secret, cryptographic information, and Sensitive Compartmented Information. The service provided by ARFCOS is worldwide in its scope and extends to agencies outside of the Department of Defense.


We are in the process of redefining the ARFCOS mission, its organization, and its charter. The attached background paper provides additional information concerning this effort, to include its origins. Also attached is a copy of the summary of an 8 April 1986 U.S. Army Audit Agency report on ARFCOS; this document provides an overview of ARFCOS and its strengths and weaknesses.

Because the ARFCOS mission is important to both the Department of Defense and the Federal Government at large, it is important that any redefinition of ARFCOS consider fully the needs of all organizations which use this service. We therefore will hold a meeting at 0930 hours on 3 October 1986 in Room 3E869 in the Pentagon to discuss our concepts for the redefinition and your requirements for the organization. I wish to invite you or your representatives to attend this meeting and take part in the discussions.

During the meeting on 3 October, we will form working groups composed of DoD representatives to address subsequently the policy and organizational details of the redefinition. Observers from non-DoD organizations are welcome to attend any of the meetings of these working groups.

Mr. David E. Whitman of my staff is available to answer questions and he may be contacted on 695-2289 or 695-2686.

Sincerely,


Craig Alderman, Jr.
Deputy

Attachments

ARMED FORCES COURIER SERVICE (ARFCOS) - BACKGROUND PAPER - SEPTEMBER 1986

The ARFCOS organization began in 1953 to meet security and other concerns for the transportation of classified information, particularly that which is Top Secret. ARFCOS is a tri-Service organization operating under an Organization of the Joint Chiefs of Staff approved charter. The Chief of Staff, U.S. Army, is designated as the executive agent for ARFCOS. The Director, ARFCOS is an officer assigned for a 3-year tour of duty from the Army, Navy, and Air Force on a rotational basis. Beyond Top Secret information, ARFCOS transports Sensitive Compartmented Information, cryptographic keying material, and other material of a similarly sensitive nature.

One of the many recommendations of the 19 November 1985 report to the Secretary of Defense by the Commission to Review DoD Security Policies and Practices (also known as the Stilwell Commission) was to assess the adequacy of ARFCOS facilities, vehicles, aircraft, and distribution elements to protect the highly sensitive information which it transports. That recommendation was approved by Secretary of Defense Weinberger on 4 February 1986. Subsequently, a critical audit report (# HQ 86-708) by the U.S. Army Audit Agency was accepted as satisfaction of the immediate concerns of the Stilwell Commission. That report concludes, among other things, that the ARFCOS "was not organizationally aligned or structured to facilitate accomplishing its mission." The summary of the report is attached.

Coincidentally, and due to an ongoing reorganization within the Army staff, The Adjutant General will no longer be able to exercise staff cognizance of ARFCOS for the Chief of Staff, U.S. Army. Other concerns about the type of material being transported by ARFCOS and its schedules and service areas, coupled with the subsequent involvement of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Director of the National Security Agency, make this an auspicious moment for redefining the ARFCOS mission, its organization, and its charter.

Considerable staffing within the offices concerned has brought this process to the point where a new DoD Directive is being formulated that will give effect to the work accomplished to date. Because ARFCOS supports organizations outside of the Department of Defense, thorough coordination with all concerned is deemed essential prior to Secretary or Deputy Secretary of Defense decisions on a new ARFCOS.

Attachment

**U. S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596**

**AUDIT OF THE ARMED FORCES COURIER SERVICE
FORT MEADE, MARYLAND**

AUDIT REPORT: HQ 86-708

8 APRIL 1986

PART I

SUMMARY

OBJECTIVES AND SCOPE

The Armed Forces Courier Service provides for the secure and expeditious transportation and delivery of highly classified and extremely sensitive material requiring controlled handling by courier. The general objective of the audit was to evaluate the effectiveness and efficiency of these operations. The specific objectives were to determine whether:

- The organization was aligned and structured to facilitate accomplishing its mission.
- Resources were appropriate for meeting mission requirements.
- Controls over authorized materials were adequate.
- The most effective and economical methods for transporting authorized materials were used.
- The Courier Service had taken action to comply with the Army's Internal Control Program.

The audit, performed from January through December 1985, was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of internal controls as we considered necessary in the circumstances. Audit work was done at the U. S. Army Adjutant General Center; Office, Assistant Chief of Staff for Intelligence; the U. S. Army Intelligence and Security Command; Headquarters, Armed Forces Courier Service; and 16 courier stations in CONUS and overseas. The stations visited are listed in the Annex. Work was also done at the National Security Agency, the Defense Intelligence Agency, and the Department of State. The audit covered transactions which were representative of operations current at the time of the audit.

OBSERVATIONS AND CONCLUSIONS

The Courier Service generally accomplished its mission in an effective manner. Materials were usually safeguarded from wrongful access and processed

promptly. However, improvements could be made that would increase the overall effectiveness and efficiency of courier operations.

The Courier Service was not organizationally aligned or structured to facilitate accomplishing its mission. The Adjutant General was designated by the Chief of Staff, Army to act as the executive agent for the Courier Service; however, The Adjutant General's organization did not have the intelligence or communications security background necessary for effective oversight of courier operations. As a result, management reviews of courier operations were not performed and high-level security issues had to be resolved by the director of the Courier Service. Also, the director of the Courier Service had only limited control of courier operations because, under the tri-Service organization, the Courier Service received funding and personnel resources from the Army, Navy, and Air Force. Since FY 83 the Office of the Chief of Staff has made two studies that have questioned the organizational alignment of the Courier Service. With a possible conversion of the service to civilian or contractor performance, effective oversight could best be provided by an organization with an indepth knowledge of the nature of the materials processed by the Courier Service.

Funding resources furnished by the three Services were sufficient for meeting the day-to-day mission requirements. However, other resources—facilities, vehicles, and equipment at courier stations—were less than desired because the Courier Service did not develop and control its own budget. Inadequate facilities, vehicles, or equipment were identified at 11 of 16 courier stations visited. Additionally, staffing guides which could be used for determining personnel requirements at courier stations had not been developed. The lack of guides caused some stations to be overstaffed while others were understaffed.

Controls over authorized materials were generally adequate, but increased emphasis on operations security was needed. Courier personnel reported 115 security incidents for the 7 months ended 31 July 1985, and our reviews identified operational weaknesses at 14 of the 16 courier stations visited. More intensified training of courier station personnel in operations security and expanded security inspections were needed to reduce the number of incidents and weaknesses identified. Additionally, courier stations often did not take appropriate actions when facilities had security weaknesses or when security systems were inadequate, and the stations did not promptly update forms used to identify authorized customers of the Courier Service.

Methods for transporting authorized materials could be more effective and economical. A uniform system for making transportation and routing evaluations and documenting their results had not been established and data in existing routing guides needed correction to reduce unnecessary expenditures of travel funds and inefficient use of courier personnel. Costs for transporting materials by air were paid without adequate verification that the services were actually received. Written procedures needed to be established to adequately verify air transportation billings and contractors' invoices for commercial air services. Further, the Courier Service did not have plans for delivering materials during mobilization and had incomplete plans for contingencies. Without complete plans, the service might not be able to adequately support mobilization or contingency operations.

Establishment of an integrated Courier Service data management system would improve the effectiveness of courier operations. Plans for acquiring such a system needed to be revised to prevent the unnecessary expenditure of at least \$2.4 million. The initial determination of the requirement for 36 minicomputers was made without completing and testing software for the system and, as a result, the requirement was overstated. Additionally, security requirements for the system had not been determined even though it was recommended that the system comply with DOD data processing security directives. Also, the justification for productivity investment funding required revision to accurately reflect workload requirements and substantiate the anticipated return on the investment.

The Washington station, the Courier Service's largest station, needed to improve the effectiveness of its methods for handling and transporting authorized materials. Station personnel should encourage customers to make direct shipments to the ultimate users and to consolidate their materials into larger packages. Station personnel also needed to pack items for shipment when storage areas became full and to process items on a first-in basis. In addition, the station needed a plan to minimize the disruption of its operations resulting from a failure of its computer system.

The Courier Service had not taken actions to fully implement the Army's Internal Control Program. The service had developed internal control review checklists covering the 17 major areas of courier operations. Courier Service personnel used these checklists to evaluate internal controls and found no control weaknesses. Our audit found, however, that the effectiveness of some controls in 4 of the 17 areas could be improved. The effects of these control weaknesses are described at Part II of our report in findings on operations security, air transportation costs, and movement of materials.

MISSION AND RESOURCES

The Courier Service is a tri-Service activity of the Joint Chiefs of Staff. The Chief of Staff, Army has been designated by the Joint Chiefs as the executive agent for the Courier Service and in turn has delegated this responsibility to The Adjutant General. The Courier Service provides for the secure and expeditious transportation and delivery of highly classified and extremely sensitive material requiring controlled handling by courier escort. Materials qualified for transportation and delivery by courier include top secret and sensitive compartmented information; classified cryptographic, cryptologic, imagery, and communications security material; and cryptographic material marked "controlled COMSEC item." The Courier Service moves materials for the three military services, the National Security Agency, the Defense Intelligence Agency, the Department of State, various other DOD and Federal agencies, North Atlantic Treaty Organization countries, and other customers such as government contractors. During FY 85 the Courier Service processed about 530,000 items of qualified material, weighing about 13 million pounds. These services were furnished through a network of 35 courier stations located worldwide. The Courier Service is authorized a total of 454 persons: 135 Army, 190 Air Force, and 129 Navy. The Courier Service's FY 85 operating budget, generally shared equally by the three Services, was \$14.8 million.