

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 18-41-IP Evaluation Report

Management and Oversight of Fuel in Afghanistan: DOD Is Taking Steps to Improve Accountability, but Additional Actions Are Needed



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SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

Since 2001, the U.S. military, along with its coalition and Afghan counterparts, has had to import, distribute, and consume fuel to support its operations. According to the Defense Logistics Agency–Energy (DLA-E), the agency supplied more than 2.8 billion gallons of fuel to support U.S. military operations in Afghanistan at a cost of more than \$13 billion from fiscal year (FY) 2008 through FY 2016.

Additionally, from FY 2010 through FY 2018, the Department of Defense (DOD) planned to spend \$3.2 billion to supply fuel for the Afghan National Defense and Security Forces (ANDSF). As of March 2017, DOD estimated that the ANDSF would require approximately 108 million gallons of fuel annually.

Beginning in 2012, SIGAR, the DOD Office of Inspector General (OIG), and the U.S. Army Audit Agency (USAAA) have issued nine reports concerning either U.S. or Afghan military fuel management and accountability efforts in Afghanistan. Additionally, SIGAR conducted 70 criminal investigations related to fuel theft in the country.

The objectives of this evaluation were to (1) review and summarize weaknesses identified in audits and evaluations completed prior to 2017 regarding efforts to procure, distribute, and account for fuel in Afghanistan, as well as SIGAR's investigations related to fuel theft; (2) assess current challenges associated with overseeing and accounting for fuel acquired for the ANDSF; and (3) evaluate DOD's planned initiatives to improve oversight and accountability of fuel acquired for the ANDSF.

April 2018

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WHAT SIGAR FOUND

Due to the amount of fuel needed for military operations, along with the highly transferable nature of this commodity, fuel theft has become a lucrative business in Afghanistan, with at least \$154.4 million in fuel stolen from either the U.S. military or the ANDSF. However, because U.S. officials usually detected that the fuel was being stolen only long after the theft began, it is likely that even more fuel has been stolen in Afghanistan. Corruption throughout the fuel industry and the country potentially benefits the Taliban and other insurgent or terrorist organizations by supplying needed funds and the fuel itself. SIGAR's prior audits and investigations, along with oversight work conducted by DOD OIG and USAAA, identified weaknesses in supplying and accounting for fuel in Afghanistan that may have allowed for theft and corruption. Specifically, SIGAR's investigations and USAAA's audits identified weaknesses associated with supplying fuel for U.S. military forces that involved a lack of contractor oversight, poor record keeping, and a lack of accurate fuel measurement procedures. Additionally, SIGAR's audits and investigations and DOD OIG's reports identified weaknesses associated with supplying fuel for the ANDSF, including falsified consumption data, lack of independently verified fuel deliveries, and corruption. SIGAR has conducted 70 investigations related to fuel theft in Afghanistan, many of which were conducted in partnership with other U.S. and Afghan government agencies. As of December 2017, these investigations had resulted in almost \$32 million in fines, restitutions, and forfeitures, and \$28.5 million in recoveries and savings. Additionally, the investigations led to 40 convictions that included sentences totaling more than 115 years in prison and 53 years of probation. The investigations also resulted in authorities barring 176 individuals from military installations.

The Combined Security Transition Command–Afghanistan (CSTC-A) has been the primary U.S. agency responsible for supplying fuel to the ANDSF. Prior to 2017, CSTC-A used both on-budget and off-budget mechanisms to supply fuel to the ANDSF. Under on-budget mechanisms, CSTC-A gives funds to the Afghan government for it to use to pay for its own fuel contracts. Under off-budget mechanisms, CSTC-A uses DOD-administered contracts to support ANDSF fuel needs. By February 2017, CSTC-A had moved all ANDSF ground fuel procurement off-budget due to concerns about corruption and contract mismanagement within the Ministries of Defense (MOD) and Interior (MOI). CSTC-A subsequently used a contract, awarded by the Expeditionary Contracting Command–Afghanistan (ECC-A), as the primary fuel supply contract for the ANDSF. This contract was initially intended to serve as a back-up to the Afghan government's on-budget fuel supply contracts.

SIGAR found that this back-up contract had oversight and accountability weaknesses. For example, according to CSTC-A officials, under the contract, they had limited visibility into fuel deliveries, which was partially due to the contract only requiring fuel delivery reports from vendors on a weekly rather

than a daily basis. Additionally, CSTC-A has not reliably received fuel consumption data as required by its commitment letters with the MOD and the MOI. CSTC-A representatives also stated that they did not have detailed knowledge of ANDSF fuel site storage capacities, infrastructure, or personnel capabilities. Similarly, ECC-A contracting officials noted that under the back-up contract, vendors may have obtained fuel that was of poor quality or from prohibited sources, such as Iran, due to the fact the contract did not require the vendors to submit country-of-origin documentation for the fuel they delivered.

CSTC-A and ECC-A took some actions to mitigate weaknesses that existed in the back-up contract. Specifically, CSTC-A and ECC-A issued three new contracts after the back-up contract expired in August 2017 that, according to ECC-A officials, include additional oversight provisions and are meant to serve as a bridge until DOD can develop a long-term plan to supply fuel to the ANDSF. According to CSTC-A officials, these bridging contracts require contractors to submit daily fuel delivery reports and certified country-of-origin documentation from their fuel suppliers. Additionally, CSTC-A has started using U.S. military fuel specialists to train ANDSF personnel in basic fuel quality testing methods and fuel handling procedures. CSTC-A and ECC-A also implemented a third-party monitoring contract in an effort to ensure fuel quality and provide independent verification of deliveries and fuel inventories at ANDSF locations.

SIGAR found that, although CSTC-A's initiatives have addressed some weaknesses in its prior fuel procurement processes, several weaknesses remain. These include an inability to train ANDSF personnel below the corps level, a lack of a plan to address ANDSF fuel site infrastructure and accountability weaknesses, and an inability to remotely monitor and confirm ANDSF fuel deliveries or fuel storage tank levels. CSTC-A is exploring new options to supply fuel to the ANDSF for the next 5 years. This effort will attempt to provide better controls and improve accountability over the fuel the command supplies to the ANDSF. As part of these efforts, CSTC-A assessed three potential options to manage the supply of fuel to the ANDSF. These options include working with either: (1) the North Atlantic Treaty Organization Support and Procurement Agency (NSPA), (2) DLA-E, or (3) the Army Contracting Command. SIGAR reviewed preliminary documents regarding these planning efforts and determined that CSTC-A's plan does not incorporate any remote monitoring technology. In contrast, NSPA and ECC-A awarded contracts to deliver fuel in Afghanistan that incorporated various remote monitoring methods into their fuel delivery processes. For example, the NSPA and ECC-A contracts have integrated technology to provide visibility of shipments in-transit into their delivery systems, and NSPA has developed a fuel management system that has the ability to record transactions digitally, remotely monitor fuel inventories through remote metering, and remotely detect when fuel has been tampered with. Given the reduction in U.S. and coalition military forces in Afghanistan since 2014, implementing this type of technology could allow CSTC-A or other oversight officials to remotely monitor fuel and could enhance their visibility of fuel inventory levels. Additionally, although the preliminary documentation did include a requirement for potential contractors to develop a plan for an anti-corruption program, it did not include detailed requirements that should be specified in such a plan. According to DOD officials, the department has not made a final decision on the long-term plan and funding requirements needed to supply fuel to the ANDSF. In determining the path forward for supplying the ANDSF with fuel, CSTC-A has an opportunity to mitigate prior contract oversight weaknesses that have reduced its accountability of fuel in Afghanistan and potentially save millions of dollars by preventing fuel theft.

WHAT SIGAR RECOMMENDS

To enhance accountability of U.S.-funded fuel procured for the ANDSF, SIGAR recommends that the CSTC-A Commanding General:

1. **Evaluate and determine the feasibility of using remote monitoring methods or other technology-based solutions to provide visibility of fuel while in-transit, confirm fuel deliveries, and monitor fuel levels at ANDSF fuel storage locations.**
2. **Include detailed anti-corruption and oversight requirements in future contracts to supply fuel to the ANDSF.**
3. **Enforce commitment letter agreements that require the MOD and the MOI to regularly submit fuel consumption data to CSTC-A.**
4. **Evaluate and determine the feasibility of expanding the training on fuel quality testing methods and fuel handling procedures to ANDSF fuel personnel below the corps level.**

5. **Coordinate with the MOD and the MOI to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites.**
6. **Coordinate with the MOD and the MOI to develop and implement a plan to enhance accountability and oversight of fuel after it is delivered to ANDSF fuel sites.**

SIGAR received written comments on a draft of this report from CSTC-A. In its comments, CSTC-A neither agreed nor disagreed with our recommendations. Nonetheless, CSTC-A described several actions it is taking or plans to take in response to each recommendation. For example, CSTC-A stated that it intends to incorporate requirements for electronic metering of fuel dispensed from delivery trucks, as well as anti-corruption and oversight efforts, into its future contracts to supply fuel to the ANDSF. CSTC-A also stated that it uses commitment letter conditions and penalties to motivate MOD and MOI personnel to enforce fuel consumption data reporting requirements. Additionally, the command noted that it is assisting the MOD in creating a training base for its fuel handlers. It is also working with both the MOD and the MOI to develop plans to address deficiencies at ANDSF fuel sites and ensure that they have a fuel management program that incorporates accountability and oversight procedures.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

April 10, 2018

The Honorable James N. Mattis
Secretary of Defense

General Joseph L. Votel
Commander, U.S. Central Command

General John W. Nicholson, Jr.
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

Major General Robin L. Fontes
Commanding General, Combined Security Transition Command–Afghanistan

This report discusses the results of SIGAR’s evaluation of the Department of Defense’s (DOD) efforts to supply and account for fuel in Afghanistan. Our objectives were to (1) review and summarize weaknesses identified in audits and evaluations completed prior to 2017 regarding efforts to procure, distribute, and account for fuel in Afghanistan, as well as SIGAR’s investigations related to fuel theft; (2) assess current challenges associated with overseeing and accounting for fuel acquired for the Afghan National Defense and Security Forces (ANDSF); and (3) evaluate DOD’s planned initiatives to improve oversight and accountability of fuel acquired for the ANDSF. The facts and observations contained in this report are based on SIGAR’s, the DOD Office of Inspector General’s, and the U.S. Army Audit Agency’s prior oversight work on Afghanistan; the results of our criminal investigations; documentation we obtained from various DOD entities; and interviews with DOD and coalition officials.

We are making six recommendations to DOD to enhance accountability of U.S.-funded fuel procured for the ANDSF. Specifically, we recommend that the Combined Security Transition Command–Afghanistan (CSTC-A) Commanding General: (1) evaluate and determine the feasibility of using remote monitoring methods or other technology-based solutions to provide visibility of fuel while in-transit, confirm fuel deliveries, and monitor fuel levels at ANDSF fuel storage locations; (2) include detailed anti-corruption and oversight requirements in future contracts to supply fuel to the ANDSF; (3) enforce commitment letter agreements that require the Ministry of Defense (MOD) and the Ministry of Interior (MOI) to regularly submit fuel consumption data to CSTC-A; (4) evaluate and determine the feasibility of expanding the training on fuel quality testing methods and fuel handling procedures to ANDSF fuel personnel below the corps level; (5) coordinate with the MOD and the MOI to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites; and (6) coordinate with the MOD and the MOI to develop and implement a plan to enhance accountability and oversight of fuel after it is delivered to ANDSF fuel sites.

We received written comments on a draft of this report from CSTC-A, which we have reproduced in appendix IV. CSTC-A neither agreed nor disagreed with our recommendations. Nonetheless, CSTC-A described several actions it is taking or plans to take in response to each recommendation. Additionally, the Defense Logistics Agency and the Office of the Under Secretary of Defense for Policy provided technical comments, which we incorporated into this report as appropriate.



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SIGAR conducted this work under the authority of Public Law No. 110-181, as amended; the Inspector General Act of 1978, as amended; and in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

ACC	Army Contracting Command
ANA	Afghan National Army
ANDSF	Afghan National Defense and Security Forces
ANP	Afghan National Police
AROC	Afghanistan Resources Oversight Council
ASFF	Afghanistan Security Forces Fund
CSTC-A	Combined Security Transition Command–Afghanistan
DLA	Defense Logistics Agency
DLA-E	DLA–Energy
DOD	Department of Defense
ECC-A	U.S. Army Expeditionary Contracting Command–Afghanistan
FY	fiscal year
IDIQ	indefinite delivery, indefinite quantity
MOD	Ministry of Defense
MOI	Ministry of Interior
NAT	National Afghan Trucking
NATO	North Atlantic Treaty Organization
NSPA	NATO Support and Procurement Agency
OIG	Office of Inspector General
USAAA	U.S. Army Audit Agency

Since its arrival in Afghanistan in 2001, the U.S. military, along with its coalition and Afghan counterparts, has required fuel to support its operations. Unfortunately, although the processes for acquiring fuel have varied over time, they have been plagued by corruption, fraud, and accountability issues. Due to the large amount of fuel needed for military operations, along with the highly transferable nature of the commodity, fuel theft has become a lucrative business in Afghanistan. SIGAR and other oversight agencies have identified at least \$154.4 million in fuel stolen from either the U.S. military or the Afghan National Defense and Security Forces (ANDSF).¹ However, because U.S. officials have usually detected fuel theft long after the theft began, it is likely that even more fuel has been stolen in Afghanistan. Corruption throughout the Afghan fuel industry and the country more broadly may even benefit the Taliban and other insurgent or terrorist organizations by supplying funds and fuel to those organizations.² Additionally, we reported in September 2016 that the Department of State and a former commander of the international military forces in the country had identified corruption as a significant threat to developing a stable Afghanistan.³

U.S. military operations in Afghanistan used more than 2.8 billion gallons of fuel at a cost of more than \$13 billion from fiscal year (FY) 2008 through FY 2016 according to the Defense Logistics Agency (DLA). Even with the current reduced personnel levels, the DLA logistics supply chain annually delivers approximately 115 million gallons of fuel to serve U.S. needs in Afghanistan. Additionally, this fuel is augmented by fuel from the North Atlantic Treaty Organization (NATO) Support and Procurement Agency (NSPA).

To train, equip, and sustain the ANDSF, Congress appropriated almost \$73 billion to the Department of Defense (DOD) from FY 2002 through FY 2018. DOD budget justification documents stated that the department planned to spend \$3.2 billion from FY 2010 through FY 2018 to supply fuel for the ANDSF. As of March 2017, DOD estimated that the ANDSF would require approximately 108 million gallons of fuel annually.

The objectives of this evaluation were to (1) review and summarize weaknesses identified in audits and evaluations completed prior to 2017 regarding efforts to procure, distribute, and account for fuel in Afghanistan, as well as SIGAR's investigations related to fuel theft; (2) assess current challenges associated with overseeing and accounting for fuel acquired for the ANDSF; and (3) evaluate DOD's planned initiatives to improve oversight and accountability of fuel acquired for the ANDSF.

To accomplish these objectives, we reviewed our prior audit and evaluation reports, as well as those from the DOD Office of Inspector General (OIG) and the U.S. Army Audit Agency (USAAA), that addressed U.S. military and ANDSF fuel management and accountability issues in Afghanistan. Additionally, we reviewed our investigative cases related to fuel theft in Afghanistan, many of which were conducted jointly with other investigative offices. We also reviewed contract documentation related to fuel procurement and delivery in Afghanistan. We interviewed officials from various components of DOD and the NATO Resolute Support Mission, as well as officials from NSPA and the agency's fuel service contractor in Afghanistan. We conducted our work in Washington, D.C.; Capellen, Luxembourg; and Bagram Airfield and Kabul, Afghanistan; from April 2017 through April 2018 in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. A more detailed discussion of our scope and methodology is in appendix I.

¹ SIGAR's investigations have identified at least \$73.9 million in stolen fuel. Additionally, the U.S. Army Audit Agency reported in February 2013 that \$80.5 million in fuel was stolen from the U.S. Army from September 2011 through February 2012 (see USAAA, *Audit of Contract Administration of the National Afghan Trucking Contract*, A-2013-0051-MTE, February 7, 2013).

² For example, our investigators uncovered a situation where the owner of an Afghan trucking company that supplied fuel to a U.S. military base paid a local Taliban commander to refrain from attacking his trucks. Additionally, our investigators found that the company's drivers would steal fuel to sell at a local bazaar, whose owner also paid insurgents.

³ SIGAR, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, SIGAR 16-58-LL, September 2016.

BACKGROUND

There are separate processes for distributing fuel to U.S. military forces, coalition military forces, and the ANDSF. Each process has evolved over time as DOD and NATO have made efforts to improve accountability and reduce opportunities for corruption and theft.

Fuel Distribution Processes for U.S. Military Forces in Afghanistan

DLA-Energy (DLA-E) serves as the primary fuel provider for the U.S. military in Afghanistan.⁴ As of November 2017, DLA-E delivered fuel to 13 locations in Afghanistan using three suppliers through competitive procurements. According to DLA-E documentation, the agency delivers approximately 115 million gallons of fuel annually to these sites. U.S. military forces, as part of the international coalition, also receive fuel from NSPA in Herat, Kandahar, and Kabul. Figure 1 shows those locations where U.S. forces receive fuel from either DLA-E or NSPA.

Figure 1 - Locations in Afghanistan Where U.S. Military Forces Receive Fuel



Sources: DLA and NSPA

Notes: U.S. forces receive fuel at multiple sites within some of the locations, as indicated. Locations are approximate.

⁴ DLA-E is the entity within DOD charged with acquiring, storing, distributing, and selling energy to customers within DOD. In addition, DLA-E sells fuel to foreign governments and other federal agencies. For example, DLA-E supplies fuel to support the Department of State's operations in Afghanistan.

DLA-E uses two types of fuel contracts in Afghanistan: (1) direct delivery contracts and (2) transportation contracts. A DLA-E official overseeing the agency's fuel delivery programs told us that under the direct delivery contracts, the contractor retains ownership of the fuel until it is delivered to its final destination. As part of this process, the contractor also retains responsibility for any fuel lost until the fuel is delivered. The DLA-E official further stated that DLA-E's fuel transportation contracts differ from its direct delivery contracts in that the contractor is transporting DLA-owned fuel. Under DLA-E's transportation contracts, if the contractor loses more than 0.5 percent of the fuel as a result of normal operations, it is required to report these fuel losses to the agency. DLA-E charges the contractor at a rate of \$15 per gallon for any fuel losses above the 0.5 percent threshold and any fuel losses below the threshold where there is evidence of theft or tampering. This rate is much greater than the average contract price of \$0.12 per gallon that DLA-E pays the contractor to transport the fuel. The DLA-E official told us that the agency relies on these financial deterrents to prevent fuel theft during transit and does not require its contractors to monitor the fuel or use any other fuel theft prevention mechanisms, such as remotely monitoring fuel truck locations and the amount of fuel in the trucks' storage tanks.

In addition to DLA-operated fuel supply mechanisms, U.S. military forces can receive fuel through the U.S. Army Expeditionary Contracting Command–Afghanistan's (ECC-A) National Afghan Trucking (NAT) contract.⁵ The number of fuel shipments occurring under the NAT contract has decreased over time. For example, according to ECC-A officials, 16 fuel transport missions were completed under the NAT contract from March 2017 through June 2017. By comparison, USAAA reported in February 2013 that approximately 5,000 fuel missions took place under the contract from September 2011 through January 2012.⁶ The ECC-A officials stated that they took steps to improve controls over the NAT contract, including decreasing the acceptable fuel loss rate from 5 percent to 1 percent and enhancing requirements for vehicle inspections and invoicing. Additionally, ECC-A representatives told us that trucks delivering goods under the NAT contract are required to have transponders installed that track their movements and allow real-time monitoring of their positions.

Fuel Distribution Process for Coalition Military Forces in Afghanistan

NSPA supplies fuel to coalition military forces in Afghanistan. According to the NSPA official serving as the project lead for fuel, the agency delivers fuel to 21 coalition sites across Afghanistan and the Afghan Special Mission Wing.⁷ Another NSPA official who oversees the agency's fuel supply operations in Afghanistan told us that the agency's fuel distribution process includes several controls. For example, the official told us that the agency requires a government representative of a NATO member country to sign for any fuel delivered to coalition forces. Additionally, the official stated that NSPA's contractors retain ownership of the fuel, and, as a result, are responsible for any fuel loss until the fuel is delivered to its destination, similar to DLA-E's direct delivery contracts.

According to NSPA's fuel project lead, the agency's fuel program has contracting officers and logistical, technical, and financial staff as all part of the same administrative structure. The official stated that this enables NSPA to execute the entire fuel distribution process from import through delivery and storage, including quality testing at various stages. Beyond this, NSPA officials and personnel from the agency's fuel service contractor in Afghanistan told us that they use or have access to technological solutions to improve NSPA's monitoring and oversight of fuel. These technological solutions include remote monitoring devices to

⁵ The U.S. Army Expeditionary Contracting Command was a subordinate command of the U.S. Army Contracting Command that provided contracting support for Army and joint operations, and contracting support for operations at overseas installations. In October 2017, the Army discontinued the Expeditionary Contracting Command and merged its functions with those of the Army Contracting Command.

⁶ USAAA, National Afghan Trucking Contract, A-2013-0051-MTE.

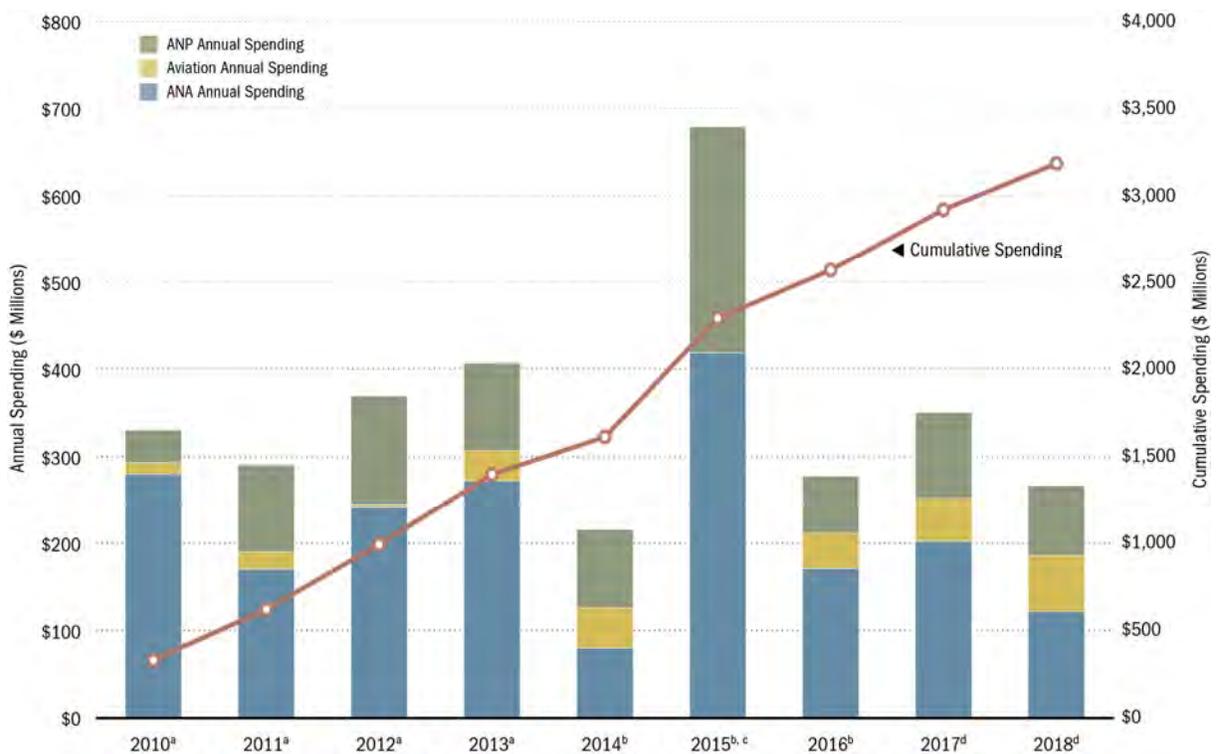
⁷ In July 2012, the Afghan government commissioned the Special Mission Wing to provide operational reach and manned intelligence, surveillance, and reconnaissance capability to support the government's counter-narcotics and counterterrorism missions. According to a NSPA official, the agency supplies fuel to the Special Mission Wing through U.S. military forces.

gauge the level of fuel in storage tanks, cards to track when individuals access fuel, handheld devices for fuel delivery drivers and receiving officials to transmit fuel receipt and delivery data, and an online fuel inventory management system that enables remote visibility into a fuel site's status. Additionally, the agency uses a system that allows for visibility into the status of a fuel delivery truck, including its current location, location history, volume of fuel in the truck's tank, and the chemical composition of the product within the tank. According to a NSPA official, this system will help the agency to remotely detect fuel theft and tampering.

Fuel Distribution Processes for the ANDSF

The Combined Security Transition Command–Afghanistan (CSTC-A) is the DOD entity responsible for supplying security assistance to the ANDSF, which consists primarily of the Afghan National Police (ANP) and Afghan National Army (ANA). As part of this mission, CSTC-A annually uses a portion of the Afghanistan Security Forces Fund (ASFF) to purchase fuel for the ANDSF.⁸ For FY 2018, DOD has requested to use \$267 million of ASFF funds for ANDSF fuel needs, resulting in cumulative planned spending of \$3.2 billion since FY 2010, as shown in figure 2.⁹

Figure 2 - Planned ASFF Spending on Fuel for the ANDSF, by Fiscal Year



Source: DOD

Notes:

^a Amounts for FY 2010 through FY 2013 reflect the amounts DOD planned to spend.

^b Amounts for FY 2014 through FY 2016 reflect congressional appropriations.

^c ANA funding for FY 2015 includes funding for aviation fuel. Unlike in other years, DOD did not disaggregate the amount spent on aviation fuel from ANA fuel.

^d Amounts for FY 2017 and FY 2018 reflect what DOD requested.

⁸ The ASFF consists of funds appropriated by Congress for DOD to use to provide the ANDSF equipment, supplies, services, training, and funding, and to repair, renovate, and construct ANDSF facilities and infrastructure.

⁹ The earliest year examined by the prior oversight reports we reviewed was 2010. Appendix II contains additional details about these reports.

Since January 2015, the international military mission in Afghanistan has been to train, advise, and assist the Afghan Ministries of Defense (MOD) and Interior (MOI) at the ministerial and operational levels.¹⁰ CSTC-A advisors are aligned with Afghan components in an effort to improve the ability of the MOD and the MOI to execute functions such as planning, programming, and budgeting processes; resource management; and procurement. For example, CSTC-A supports the ministries through assistance with fuel procurement and updating oversight procedures. CSTC-A has used two different methods to fund the acquisition of fuel for use by the ANDSF: (1) using the ASFF to fund DOD-administered contracts, also referred to as off-budget assistance, and (2) giving ASFF funds directly to the Afghan government for it to use to pay for its own contracts, also referred to as on-budget assistance.

Off-Budget Fuel Support

Through off-budget support, international donors fund assistance projects without any funds flowing through the Afghan government's internal financial systems. CSTC-A has funded ANDSF fuel needs through a series of off-budget DOD-administered contracts. Prior to 2013, CSTC-A handled the entire fuel procurement and payment process for the ANDSF. From August 2015 through August 2017, CSTC-A supported ANDSF fuel requirements through an off-budget indefinite delivery, indefinite quantity (IDIQ) contract awarded by ECC-A.¹¹ Currently, CSTC-A orders ground and aviation fuel for the ANDSF through 1-year, off-budget contracts intended to bridge the period between the expiration of the previous IDIQ contract and the award of a new long-term fuel contract to supply fuel for the ANDSF.

CSTC-A determines the MOD's and the MOI's monthly fuel allotments based on an assessment of the equipment assigned to the ANDSF and the approximate usage rates of that equipment. Coalition, MOD, and MOI officials reassess this allotment on a regular basis through fuel working group meetings, and the allocation model is reviewed every 6 months.¹² As of May 2017, the MOD's and the MOI's monthly fuel allotments were set at a maximum of approximately 5 million gallons and 3.2 million gallons, respectively.

The MOD and the MOI are expected to report fuel consumption amounts to CSTC-A and request fuel orders based on that consumption data, after which CSTC-A officials order the fuel through the relevant contract. Contractors then deliver fuel to the designated ANDSF locations and receive payment only once the fuel reaches its intended destination. As part of this process, ownership of the fuel is not transferred from the contractor to the ANDSF until it is loaded into the ANDSF's storage facilities. Accordingly, the onus is on the contractor to ensure that the fuel is delivered, or risk being financially responsible for any lost fuel. Contractors are required to submit regular reports to verify deliveries and allow for oversight of the fuel delivery process.

On-Budget Fuel Support

Through on-budget support, international donors contribute funds directly to the Afghan government. The Afghan government then uses these funds on development projects and other assistance through its internal procedures and financial systems. One goal of on-budget support is to help the government develop its capacity and gain experience in managing these projects and funds. In 2011, DOD authorized CSTC-A to give ASFF funds directly to the MOD and the MOI to assist in sustaining the ANDSF. Through this on-budget support, DOD intended to help develop the ministries' capabilities in budget development and execution, salary payments, acquisition planning, and procurement. Establishing a formal process to manage these contributions aimed to ensure that the ministries developed the skills and experience needed to independently manage and oversee the ANDSF.

¹⁰ Prior to January 2015, the international military mission in Afghanistan also included a combat component.

¹¹ IDIQ contracts are used when the exact quantities of future deliveries are not known when the contract is awarded. Under an IDIQ contract, the contractor supplies goods and services between minimum and maximum quantity or financial limits during a fixed period, as agreed to in the contract and as required by the government.

¹² According to CSTC-A, the Afghan government's fuel working group focuses on fuel-related issues such as fuel allocations, consumption reporting, and operational requirements. CSTC-A is working to transition the group to an Afghan-led activity.

Under the on-budget fuel mechanisms, the MOD and the MOI were responsible for developing their own annual fuel requirements and submitting fuel consumption reports and new orders to CSTC-A. CSTC-A was responsible for reviewing the documents and then transferring funds to the Afghan Ministry of Finance to pay for the fuel orders. In 2013, CSTC-A agreed to provide one-third of its ANA and ANP fuel budgets through on-budget mechanisms as a pilot project. CSTC-A moved fuel procurement fully on-budget the next year, but moved it back off-budget in December 2016 for the MOI and in February 2017 for the MOD due to concerns about the ministries' contract management, fuel quality issues, and corruption. According to an official with DOD's Office of the Under Secretary of Defense for Policy, DOD's policy is to no longer use on-budget assistance in Afghanistan. Instead, the official stated that goods and services procured with ASFF funds should be executed with off-budget assistance through DOD-administered contracts.

PRIOR OVERSIGHT WORK IDENTIFIED WEAKNESSES IN SUPPLYING AND ACCOUNTING FOR FUEL IN AFGHANISTAN THAT MAY HAVE ALLOWED FOR THEFT AND CORRUPTION

Since 2012, SIGAR, DOD OIG, and USAAA have issued nine reports concerning U.S. and Afghan military fuel management and accountability in Afghanistan. USAAA issued three of these reports, which focused on accountability practices related to fuel supplied for U.S. military forces. SIGAR and DOD OIG issued the other six reports, which primarily discussed the accountability and oversight of fuel supplied for the ANDSF and the funds used to purchase that fuel. In addition, SIGAR conducted 70 investigations that related to fuel theft in Afghanistan for which the significant investigative case work has been completed. These reports and investigations have identified weaknesses in the methods DOD used to acquire and account for fuel. Appendices II and III contain additional details regarding the findings and recommendations in the reports and the outcomes of these investigations, respectively.

Weaknesses Associated with Supplying Fuel for U.S. Military Forces Included a Lack of Contractor Oversight, Poor Documentation, and a Lack of Accurate Fuel Measurement Procedures

SIGAR's investigations and USAAA's audit reports identified weaknesses in the processes for supplying fuel to the U.S. military in Afghanistan. These weaknesses include a lack of effective contractor oversight, poor documentation, and a lack of procedures that would allow for accurate fuel measurements. For example, in 2012 and 2013, USAAA released three audit reports concerning fuel management at U.S. fuel sites. These reports identified weaknesses regarding the U.S. military's oversight of fuel contractor personnel, fuel-related documentation, and proper use of fuel measurement methods. In one of these reports, issued in September 2012, USAAA found that military and government personnel did not perform the required oversight during fuel downloads at contractor-operated fuel points.¹³

Our investigations revealed that failing to properly oversee contractors can contribute to a lack of fuel accountability. For example, many of our investigations involved either contracting companies, contracted fuel delivery truck drivers, or individual contractor employees on-site at fuel points. In one case examining fuel theft from February 2007 through April 2014, contracted delivery drivers routinely shorted deliveries of fuel for generators located at Kandahar Airfield. The drivers profited by selling the stolen fuel to other customers at a variety of locations. However, the invoices the contractor submitted reflected delivery of the entire quantity of ordered fuel. As a result of the investigation, approximately 50 individuals were banned from U.S. bases in Afghanistan. Additionally, although the full extent of the loss could not be determined due to inadequate record keeping, the U.S. government recovered \$20 million from the contractor.

¹³ USAAA, *Audit of Bulk Fuel Accountability in Afghanistan – Phase II, A-2012-0146-MTE*, September 27, 2012.

In March 2012 and February 2013, USAAA reported on weaknesses in the military's oversight of fuel documentation.¹⁴ USAAA found that military personnel often relied on the contractor's documents to close out transport missions. In addition, they did not appropriately validate fuel shipments or appropriately reconcile contractor invoices. Similarly, our investigations have shown that documentation problems can have a role in fuel theft. In a 2013 case, for example, a contractor at a military base near Mazar-e Sharif recorded in official documentation that the truck's entire load of fuel had been delivered. However, an aerial surveillance system equipped with infrared capabilities detected that the truck left the base with its tank still half full with approximately 5,000 gallons of fuel. Additionally, a 2014 case revealed that two fuel truck drivers at Bagram Airfield used fraudulent documentation to load fuel into their trucks. As part of the investigation, we audited records covering a 3-month period. The audit revealed the theft of 90,000 gallons of fuel worth \$1.3 million. As a result of the case, three individuals were arrested and \$76,000 worth of fuel was recovered.

In March 2012, USAAA also reported weaknesses in the use of fuel measurement procedures and equipment.¹⁵ For example, USAAA found that methods personnel used to measure fuel were not consistent and that measurements were not taking place on a daily basis. Our criminal investigations indicate that not maintaining accurate fuel measurements and calculations can contribute to fuel theft and result in significant operational consequences. In one example, investigators discovered contract employees at a military base changing temperature readings when documenting fuel measurements. In doing so, the contractors were able to inflate fuel inventory figures and cover up a large loss of fuel at the site. The investigation revealed that approximately 880,000 gallons of fuel could not be accounted for, an amount large enough to have potentially affected the unit's readiness to conduct combat air missions run from the base.

Additionally, USAAA reported that some fuel meters it examined had not been properly calibrated, or, in some cases, had not been calibrated at all. Appropriately maintaining fuel metering equipment and using it properly are important for ensuring accurate accountability of fuel. However, having working meters or other equipment may not always guarantee protection from theft. For example, in 2014, our investigators found that a contractor at Bagram Airfield used bypass valves to allow more fuel than intended to be uploaded into fuel trucks without first passing through a meter. The excess fuel was subsequently removed from the truck and sold on the black market.

Weaknesses Associated with Supplying Fuel for the ANDSF Included Falsifying Consumption Data, Not Verifying Fuel Deliveries, and Corruption

Our prior reports and investigations, as well as previous reports from DOD OIG, identified common weaknesses in accounting for fuel provided to the ANDSF through both off-budget and on-budget mechanisms. Some of the weaknesses caused vulnerabilities that contributed to the theft of fuel.

Off-Budget Mechanisms for Fuel Support

In January and October 2013, we issued two audit reports examining controls for fuel CSTC-A provided off-budget to the ANA and the ANP. In both audits, we found problems with CSTC-A's use of fuel consumption data. For example, we reported in January 2013 that CSTC-A did not base its fuel orders for the ANA on consumption data.¹⁶ Similarly, we reported in October 2013 that CSTC-A did not require its personnel to use consumption data when ordering fuel for the ANP.¹⁷ In both cases, use of accurate consumption data could have made fuel orders more accurate, and in turn could have provided less opportunity for excess fuel to be stolen or wasted.

¹⁴ USAAA, *Audit of Bulk Fuel Accountability in Afghanistan – Phase 1*, A-2012-0081-MTE, March 30, 2012; and USAAA, *National Afghan Trucking Contract*, A-2013-0051-MTE.

¹⁵ USAAA, *Bulk Fuel Accountability – Phase 1*, A-2012-0081-MTE.

¹⁶ SIGAR, *Afghan National Army: Controls Over Fuel for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Fraud, Waste, and Abuse*, SIGAR Audit 13-4, January 24, 2013.

¹⁷ SIGAR, *Afghan National Police Fuel Program: Concerted Efforts Needed to Strengthen Oversight of U.S. Funds*, SIGAR Audit 14-1-AR, October 2, 2013.

Additionally, we reported in January 2013 that CSTC-A did not verify the quantity or quality of fuel delivered to the ANA.¹⁸ As our investigations have demonstrated, not verifying fuel deliveries is a vulnerability that can lead to opportunities for theft. For example, in 2012, at a fuel site located at a U.S. base, our investigators found that U.S. personnel often did not physically verify the amount of fuel left in a delivery truck after it finished unloading. In addition, the investigation noted that several trucks were at the fuel site for at most 30 minutes, which is not enough time to fully unload a fuel truck. As a result, because the fuel deliveries were not verified as required, it is likely that some fuel truck drivers were not completely unloading their tanks.

Although providing fuel through off-budget mechanisms may prevent some weaknesses associated with using the Afghan government's internal systems for contract management and oversight, our investigations have shown that U.S. military personnel—those often charged with oversight of off-budget fuel orders and deliveries—are also at risk of corruption. For example, in 2010, four members of the U.S. military accepted bribes of up to \$5,000 per truck to create fraudulent documentation that would authorize the transport of fuel from their base. As a result, their actions allowed approximately 90 truckloads of fuel—valued at more than \$1.5 million—to be stolen. Our investigation resulted in three convictions. In another example, in 2013, a U.S. soldier accepted kickbacks from a contractor to create fraudulent documentation that allowed the contractor to remove fuel from a military base near Kandahar, resulting in an overall loss to the government of approximately \$10 million.

On-Budget Mechanisms for Fuel Support

DOD OIG examined controls associated with CSTC-A's on-budget provision of fuel to the ANDSF in three reports issued in April 2015, January 2016, and January 2017. These reports identified weaknesses in the procedures and oversight mechanisms used to provide and account for on-budget ANDSF fuel that were similar to those identified for fuel procured off-budget. For example, DOD OIG reported in January 2016 that the MOI did not consistently provide fuel consumption data to CSTC-A.¹⁹ Similarly, DOD OIG reported in January 2017 that CSTC-A and the MOD relied on consumption data provided by the ANA to make fuel allocations. However, CSTC-A and the MOD could not ensure the accuracy of this data because CSTC-A did not require physical inspections of fuel sites or assess the consumption data reporting process.²⁰ In some instances, ANDSF units ordered and received fuel deliveries based on the amounts they had been allocated instead of on their actual operational requirements, as DOD OIG identified in April 2015.²¹ In that report, DOD OIG also found that without a history of fuel demand data, the ANA would not be able to forecast its future fuel requirements accurately.

Similar to our findings for off-budget fuel mechanisms, DOD OIG identified the verification of fuel deliveries as a weakness needing to be addressed. For example, DOD OIG reported in January 2017 that CSTC-A and the MOD could not ensure the accuracy of fuel delivery reports from vendors because CSTC-A did not require the MOD to conduct physical inspections of fuel delivery points—a step that can assist in preventing fuel theft.²² Instead, DOD OIG found that CSTC-A and the MOD relied on the vendors' delivery data to determine amounts of fuel delivered. Similarly, DOD OIG reported in January 2016 that CSTC-A did not have sufficient resources to perform on-site inspections of MOI fuel sites.²³ Instead, DOD OIG found that CSTC-A relied on the MOI's documentation, which the command suspected were fraudulent and inaccurate, to perform its oversight.

¹⁸ SIGAR, Afghan National Army, SIGAR 13-4.

¹⁹ DOD OIG, *Controls over Ministry of Interior Fuel Contracts Could Be Improved*, DODIG-2016-040, January 20, 2016.

²⁰ DOD OIG, *Combined Security Transition Command–Afghanistan Improved Controls over U.S.-Funded Ministry of Defense Fuel Contracts, but Further Improvements are Needed*, DODIG-2017-041, January 11, 2017.

²¹ DOD OIG, *Assessment of U.S. and Coalition Efforts to Develop the Sufficiency of Afghan National Security Forces' Policies, Processes, and Procedures for the Management and Accountability of Class III (Fuel) and V (Ammunition)*, DODIG-2015-108, April 30, 2015.

²² DOD OIG, *CSTC-A Improved Controls*, DODIG-2017-041.

²³ DOD OIG, *Controls over MOI Fuel Contracts*, DODIG-2016-040.

We identified bid-rigging and price-fixing as two types of fraud associated with on-budget fuel contracting. In August 2014, our investigators received allegations that companies bidding on a nearly \$1 billion MOD fuel contract funded by CSTC-A colluded to rig their bids, inflate fuel prices, and prevent two other competing companies from submitting bids. According to the allegations, Afghan police detained one potential bidder for a fake traffic violation while in transit to the bid solicitation drop-off point, and a truck struck another potential bidder's vehicle, also while in transit to deliver a bid package. Because the two companies were late for the bid opening, they were disqualified from competition, and their bids were not accepted. The investigation determined that the four companies who arrived at the bid opening on time had previously met to fix their prices and rig their contract bids. Our investigators also determined that if the other two bidders had not been delayed, the MOD would have received lower bids for the contract that might have reduced the potential cost by more than \$200 million.

In addition to the bid-rigging and price-fixing, the investigation found the four colluding companies paid bribes to certain ANA personnel, contracting officials, and financial advisors to ensure the contract was awarded to them exclusively. Prior to the bid opening, additional bribes were offered to the two disqualified companies to agree not to submit their bids. They refused. After the bid opening, one of the disqualified companies filed a complaint and was subsequently offered another bribe to drop the complaint and remain silent. The company again refused to accept the bribe. The complaint was denied and allegations surfaced, but were never proven, that the MOD complaint department received a bribe to deny the claim.

Following a February 2015 briefing by our investigators about the bid-rigging and price-fixing of the MOD fuel contract, the President of Afghanistan suspended the MOD officials involved in the fuel contract award, cancelled the contract, and warned the contractors involved of possible debarment. The President also assigned an independent Afghan investigator to look into the fuel contract award and 11 other MOD contracts for other commodities. Finally, all colluding contractors were excluded from competition.

In another example of corruption in the on-budget fuel process, a 2016 SIGAR investigation conducted jointly with the Afghan government's Major Crimes Task Force found bid-rigging related to a solicitation to supply and deliver fuel to the ANP. The investigation resulted in the arrest of a major general at the MOI after he solicited a \$150,000 bribe in return for the award of a contract for a fuel delivery zone. The major general eventually implicated 16 other MOI officers in the bribery scheme. In addition, the Afghan president suspended the MOI's deputy minister for support and procurement, and he was eventually fired as a result of the investigation.

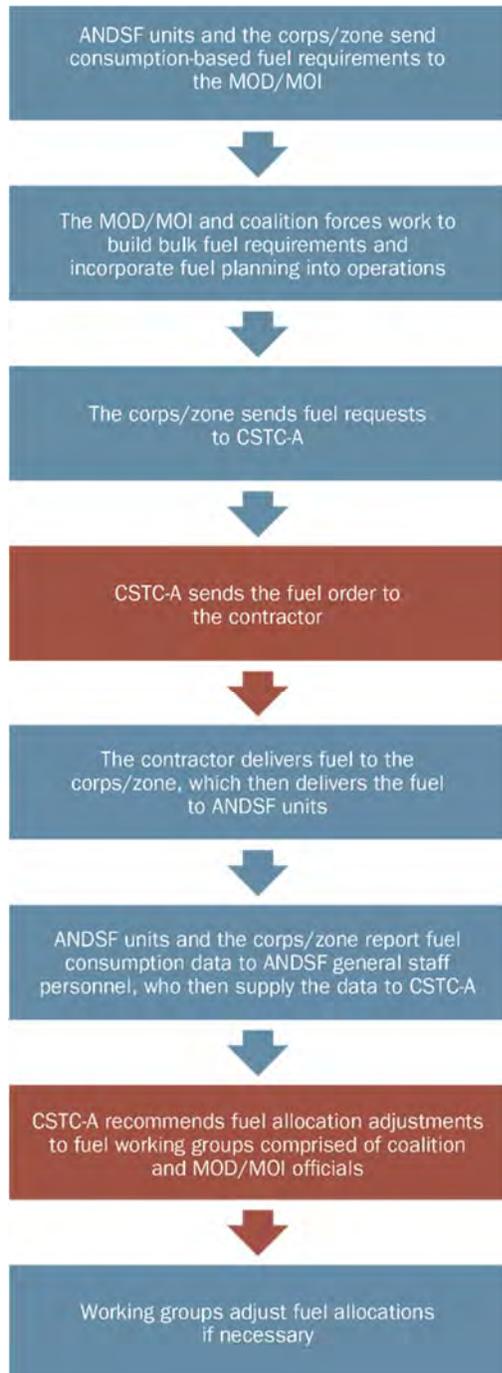
CHALLENGES REMAIN DESPITE CSTC-A'S ACTIONS TO ADDRESS PREVIOUSLY IDENTIFIED ACCOUNTABILITY WEAKNESSES

CSTC-A Moved MOI and MOD Fuel Procurement Off-Budget Due to Concerns about Corruption and Contract Mismanagement within the MOD and MOI

In August 2016, the Commanding General of CSTC-A wrote to the Afghan Minister of Defense about CSTC-A's concerns with the MOD's management of its on-budget fuel contract. According to the letter, the ministry had not paid approximately \$36 million owed to its fuel contractors. The letter stated that the MOD's fuel bills were delinquent by 90 days on average, and that the MOD had not paid one vendor for more than 435 days. In the letter, the Commanding General stated that unless the ministry paid its outstanding fuel obligations within 10 days, CSTC-A's actions in response would include stopping all remaining disbursements of on-budget funds.

Six months later, in February 2017, CSTC-A moved fuel procurement for the MOD off-budget. CSTC-A had already moved the MOI's fuel procurement off-budget in December 2016. Aviation fuel procurement remained on-budget until August 2017.

Figure 3 - CSTC-A's Off-Budget Fuel Ordering Process Under the Previous IDIQ Contract and the Current Bridging Contracts



Source: CSTC-A

Note: The red boxes indicate those stages in the MOD and MOI fuel procurement processes where CSTC-A is involved.

According to CSTC-A and ECC-A officials involved in the ANDSF fuel supply process, concerns regarding corruption and fraud in the ministries' fuel procurement processes—such as the efforts to rig procurement bids and fix prices that our 2014 and 2016 investigations uncovered—influenced these decisions. CSTC-A and ECC-A documentation and agency officials we interviewed indicated that moving fuel procurements off-budget would allow additional time to build the capacity and technical skills of the ANDSF and ministry personnel who are tasked with managing and executing fuel contracts, in anticipation of eventually returning fuel procurements for the ANDSF to on-budget mechanisms. However, according to an official with DOD's Office of the Under Secretary of Defense for Policy, this position does not reflect current DOD policy, which is against the use of on-budget mechanisms.

Inconsistent Consumption Data from the ANDSF Hampers CSTC-A's Oversight of Fuel

After it moved fuel purchases for the ANDSF off-budget, CSTC-A relied on an IDIQ contract that, according to ECC-A officials familiar with efforts to supply fuel to the ANDSF through the contract, was never intended or structured to handle all ANDSF fuel procurements. The officials stated that the IDIQ contract was originally a back-up mechanism to the Afghan government's on-budget fuel procurement that could be used to supplement fuel deliveries if the MOD or the MOI experienced problems with their own ordering processes. They stated that the back-up IDIQ contract would ensure that the ANA and ANP personnel have the fuel needed for ongoing operations, even if there were issues with on-budget procurements. According to the ECC-A representatives, the back-up IDIQ contract did not have much activity from the time it was awarded in August 2015 through late 2016 when CSTC-A moved ANDSF fuel procurement off-budget. The contract expired in August 2017.

A CSTC-A official involved in supplying fuel to the ANDSF told us that the command decided to keep the fuel ordering process used in the off-budget procurements almost identical to the processes the MOD and the MOI used to order fuel. The official noted that doing so would help to more easily transfer the process back to the ministries when appropriate. According to CSTC-A documents depicting its off-budget process under the back-up IDIQ contract, as shown in red in figure 3, CSTC-A was involved in the ministries' fuel ordering process at two points: (1) when the ministries placed a fuel order with the vendor and (2) when monitoring fuel consumption data and recommending adjustments to fuel allocations for future orders.

In November 2017, after the back-up IDIQ contract expired, CSTC-A officials told us that the fuel ordering process shown in figure 3 is still in place. Under the ordering process, the ANDSF is supposed to report fuel consumption data to CSTC-A, as required by the 2015–2016 bilateral commitment letters between CSTC-A and the ministries.²⁴ Under these commitment letters, CSTC-A agrees to fund portions of each ministry's budget. In return, the ministries agree to meet stated conditions. If the ministries do not report the data as required, CSTC-A has the option to reduce future fuel allocations.²⁵ Although the commitment letters state the conditions under which the ministries receive on-budget funding, and are not intended to bind either CSTC-A or the ministries under international law, senior CSTC-A officials told us that the commitment letter fuel consumption data reporting requirements remain regardless of whether fuel procurements take place off-budget or on-budget.

Officials within CSTC-A charged with monitoring off-budget ANDSF fuel procurement told us in June 2017 that they had not received consistent consumption data since the ordering process switched to being conducted primarily under the 2015 to 2017 back-up off-budget IDIQ contract. In October 2017, we requested from CSTC-A copies of the MOD's and the MOI's consumption reports that the command had received for the prior year. CSTC-A's response included data from all of the ANA corps, but only one corps had consumption data representing more than 2 months of fuel use. Similarly, CSTC-A's response included consumption data from the MOI representing only 6 months of fuel use. This indicates that concerns we and DOD OIG had regarding the use and reporting of consumption data have not been fully addressed.²⁶

In addition to a lack of regular fuel consumption data reporting, oversight of the previous off-budget process included other challenges. For example, CSTC-A officials responsible for overseeing the ANDSF fuel delivery process told us in June 2017 that they had limited visibility into fuel deliveries and only received delivery reports on a weekly basis. In addition, the officials stated that they do not use technology that would allow them to remotely monitor fuel delivery trucks while they are in transit, the fuel levels in ANDSF storage tanks, or the transfer of fuel between the storage tanks and delivery tanks. The CSTC-A representatives also informed us that they did not have detailed knowledge of ANDSF fuel site locations, the fuel storage capacities at those sites, or the infrastructure and personnel capabilities at the sites that would allow CSTC-A to be confident that the fuel is being managed properly. Without detailed visibility into the fuel delivery and storage process, the fuel CSTC-A purchases is vulnerable to theft, as our investigations have demonstrated.

ECC-A officials responsible for the contracts through which CSTC-A ensures that the ANDSF receive fuel also noted that while competition between vendors on the previous back-up off-budget IDIQ contract drove prices down by approximately 30 percent, the low prices may have led vendors to procure cheap fuel from the black market in Afghanistan, rather than from sources in central Asia as required by the contract. According to the ECC-A officials, the 2015 to 2017 back-up IDIQ contract only required contractors to submit self-certifications stating the locations of their fuel sources. The use of self-certification raises the risk that unscrupulous vendors could have obtained fuel that was of poor quality or from prohibited sources.

²⁴ In August 2017, CSTC-A told us that the 2015–2016 commitment letters are the most recent commitment letters signed by both CSTC-A and the Afghan ministries. According to two December 2016 letters from CSTC-A to the MOD and the MOI, respectively, the conditions listed in the 2015–2016 commitment letter remain in effect in the absence of additional guidance.

²⁵ For the MOI, the commitment letter states that CSTC-A may reduce its funding for fuel by up to 10 percent each week until the MOI reports its fuel consumption data. For the MOD, the commitment letter states that CSTC-A may reduce the MOD's fuel allocation for the following month with no opportunity for reimbursement.

²⁶ See DOD OIG, CSTC-A Improved Controls, DODIG-2017-041; DOD OIG, Controls over MOI Fuel Contracts, DODIG-2016-040; DOD OIG, Assessment of U.S. and Coalition Efforts, DODIG-2015-108; SIGAR, Afghan National Police, SIGAR 14-1-AR; SIGAR, Afghan National Army, SIGAR 13-4; and SIGAR, *Interim Report on Afghan National Army Petroleum, Oil, and Lubricants*, SIGAR 12-14, September 10, 2012.

CSTC-A Took Steps to Mitigate Some Weaknesses with Its Current Bridging Fuel Contracts, but Challenges Remain

When the prior back-up IDIQ fuel contract expired in August 2017, CSTC-A awarded, through ECC-A, three 12-month bridging contracts, one each for MOD ground fuel, MOI ground fuel, and aviation fuel. These contracts were intended, in part, to allow mission planners time to determine the path forward for ANDSF fuel.²⁷ We requested copies of the bridging contracts, but had not received them as of April 2018. As a result, we were unable to review the requirements included in the contracts. However, ECC-A officials told us in June 2017, two months before CSTC-A awarded the contracts, that these three contracts were to be modeled after the previous off-budget IDIQ contract, but they would include some modifications intended to address weaknesses in the 2015 to 2017 back-up IDIQ contract. For example, they told us that the bridging contracts would require daily fuel delivery reports, which are expected to give CSTC-A greater visibility into the fuel delivery process, unlike the weekly fuel delivery reports required under the 2015 to 2017 back-up IDIQ contract.

In addition, an ECC-A representative told us that the bridging contracts would require fuel vendors to obtain certified country-of-origin documentation from the refineries from which they acquire fuel and submit them to CSTC-A. This may result in improvements over the prior back-up IDIQ contract. ECC-A officials involved with the 2015 to 2017 back-up IDIQ contract's execution told us that they had received allegations that contractors may have delivered fuel from prohibited sources, such as Iran.

Although these requirements may address some of the weaknesses associated with the off-budget ANDSF fuel procurement process, CSTC-A still has no ability to remotely monitor fuel deliveries, storage tank levels, or fuel transfer procedures.

CSTC-A Has Taken Additional Steps to Address Weaknesses in ANDSF Fuel Supply Processes

In addition to the modifications CSTC-A and ECC-A officials stated they intended to include in the bridging contracts, CSTC-A has taken other steps to increase fuel accountability and oversight. For example, CSTC-A and ECC-A developed and, in July 2017, awarded a third-party monitoring contract to run concurrently with the bridging contracts. According to an ECC-A official, ECC-A intended the monitoring contract to require random inspections of more than 10 percent of fuel deliveries each month. In August 2017, in its response to our request for information, CSTC-A told us that this monitoring contract includes requirements for the contractor to test fuel quality for certain fuel shipments to the ANDSF. Additionally, CSTC-A's response indicated that the contractor is required to conduct surveys of ANDSF fuel site locations and determine the available infrastructure and capacities of ANDSF fuel sites. CSTC-A officials involved with the ANDSF fuel supply process also told us that the contractor would evaluate the capabilities of the personnel at those sites to manage the fuel they store. According to these officials, increasing their awareness of site storage capacities, locations, and personnel capabilities will allow them to better estimate ANDSF fuel consumption rates, which will in turn allow them to better evaluate any consumption data they may receive from the MOD and the MOI. We requested a copy of the monitoring contract in September 2017 and again in December, but had not received it as of April 2018. As a result, we were unable to confirm that these requirements were included.

In August 2017, in its response to our request for information, CSTC-A told us that the third-party monitoring contractor had evaluated three fuel sites. Our review of the contractor's reports from its three complete fuel site evaluations showed that at each site, the contractor found equipment needing repair and personnel without appropriate knowledge or training. For example, at an ANDSF fuel site located near the Kabul International Airport, the contractor found fuel infrastructure to be in poor condition with a fuel yard too small to meet the site's demands. Additionally, the contractor determined that the site's operators had no knowledge

²⁷ According to the U.S. Central Command, the bridging contracts have a 12-month base period of performance and 1 option year.

about fuel filtration systems or related safety issues. Similarly, at a fuel site near the Kabul Zoo, the contractor found fuel tanks that were completely rusted and had never been painted, cleaned, or drained since their installation. The contractor reported that personnel at this site did not know how to apply tank calibration charts to determine available fuel quantities. Finally, the contractor found that a fuel site in Mazar-e Sharif had fully rusted tanks with no downloading pipes to receive fuel and no draining valves to allow the tanks to be cleaned. The contractor also observed that the site's staff were not truthful in responding to questions about the site's fuel quality and quantity verification procedures. Despite these findings, CSTC-A documentation indicated that the command had no plan to address weaknesses in ANDSF fuel site infrastructure and equipment.

According to CSTC-A representatives and documentation, U.S. military fuel specialists are training ANDSF personnel in basic fuel quality testing methods and fuel handling procedures, and in the importance of properly completing the appropriate fuel forms and reporting consumption data. However, these specialists will not train ANDSF personnel below the corps level. At the ministerial level, the Resolute Support Mission advises both MOD and MOI officials to develop their capacity and effectiveness, but these efforts have not been consistently positive.²⁸ For example, we reported in July 2017 that according to CSTC-A, the MOI's leaders remain hesitant to take effective action against corruption.²⁹ Similarly, we reported in September 2017 that DOD's MOD advisors program in Afghanistan has had mixed results, with some advisors improperly assigned to missions outside of their expertise.³⁰

Additionally, CSTC-A officials told us that as ANDSF facilities are connected to the national electric grid and move away from generator power, overall fuel requirements may decrease. For example, according to briefing slides provided to us by U.S. Central Command, 80 percent of ANDSF fuel consumption can be attributed to the use of generators at ANDSF facilities. As certain facilities move onto the national power system, CSTC-A personnel can estimate how those changes may alter fuel needs and adjust their fuel allocations and orders accordingly. However, according to CSTC-A officials, the national electric grid is not yet mature enough to move all facilities off generator-based power.³¹ Furthermore, according to an August 2017 Department of State cable, Afghanistan lacks a unified electric distribution grid and imports approximately 80 percent of its electricity from neighboring countries.³² Additionally, the cable states that the Afghan government does not anticipate achieving full electrification of the country until 2100. As such, it may be difficult for the MOD and the MOI to reduce ANDSF facilities' reliance on generator-produced power in the near future.

²⁸ We are currently conducting an audit of DOD's efforts to advise the MOD and the MOI.

²⁹ SIGAR, *Quarterly Report to the United States Congress*, July 30, 2017.

³⁰ SIGAR, *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan*, SIGAR 17-62-LL, September 2017.

³¹ We are currently conducting an audit of U.S. efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam, and inspections of the first phase of the North East Power System and different portions of the connector between the North East and South East Power Systems. Additionally, in March 2018, we released our inspection report on the third phase of the North East Power System. We found that the U.S. Army Corps of Engineers spent almost \$60 million on a power transmission project that is not operational and may be structurally unsound (see SIGAR, *Afghanistan's North East Power System Phase III: USACE's Mismanagement Resulted in a System that Is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate*, SIGAR 18-37-IP, March 30, 2018).

³² U.S. Embassy Kabul, "Afghan Procurement Purgatory Threatens Funding for Energy Projects," 17 Kabul 3590 cable, August 2, 2017.

CSTC-A IS CONSIDERING ACTIONS TO IMPROVE ITS OVERSIGHT AND ACCOUNTABILITY OF FUEL FOR THE ANDSF, BUT SOME WEAKNESSES MAY NOT BE ADDRESSED

CSTC-A Is Considering Three Options to Supply Fuel to the ANDSF

CSTC-A is developing a long-term plan to supply fuel for the ANDSF that will follow the three bridging contracts when they expire in September 2018. CSTC-A assessed three options with a goal of improving oversight and accountability of the fuel:

1. Option 1: Enter into an agreement with NATO for NSPA to supply fuel.
2. Option 2: Transfer responsibility for distributing fuel to DLA-E and use its expertise to provide better accountability of the fuel.
3. Option 3: Award a long-term contract through the U.S. Army Contracting Command (ACC) that would incorporate better controls and provide better visibility into the ANDSF fuel system.

CSTC-A estimates supplying fuel to the ANDSF for a 5-year period may cost nearly \$2 billion. However, according to a DOD official, CSTC-A has not yet presented its plan to do so or its funding requirements to DOD's congressionally-chartered Afghanistan Resources Oversight Council (AROC), which will make the final decision about how best to supply the ANDSF with the fuel required and the total funding to be allocated to that task.³³ The official told us in April 2018 that the AROC had not yet met to discuss these issues or make a decision about the long-term fuel plan and its associated funding.

According to CSTC-A, ECC-A, and U.S. Central Command documentation, the ultimate goal is to move fuel procurements back to an on-budget mechanism. The long-term off-budget fuel supply method that the AROC approves would then become a back-up to the on-budget fuel procurements should there be challenges with that mechanism again in the future. However, officials with DOD's Office of the Under Secretary of Defense for Policy told us that the department's current policy is to avoid giving funds directly to either the MOD or the MOI to pay for any on-budget, Afghan government-administered contracts, including contracts to supply fuel to the ANDSF.

NSPA Was Willing to Support the ANDSF's Aviation Fuel Needs, but Would Not Deliver Fuel to MOI Locations and Was Not Able to Evaluate Delivering Fuel to the MOD

Regarding option 1 for NSPA to deliver fuel, in March 2017, CSTC-A sent a letter to NSPA asking that the agency assess how much it would cost for NSPA to take on the mission of providing fuel to the ANDSF. CSTC-A also requested that NSPA do an assessment of existing ANDSF infrastructure and include in the price an allocation for what infrastructure and supporting costs would be required for them to assume the mission. According to a CSTC-A comparison of fuel contracting options, entering into an agreement with NATO for NSPA to supply fuel to the ANDSF would allow the fuel procurement process to benefit from NSPA's ability to provide an almost real-time visibility into fuel deliveries. For example, the NSPA project lead for fuel told us that if the agency were to take on the ANDSF fuel delivery mission, it would have access to remote monitoring technology such as equipment to remotely gauge tank levels and determine the composition of the tanks' contents.

According to a CSTC-A briefing document, NSPA did not want to take on fuel deliveries to MOI sites and did not have time to adequately evaluate taking on deliveries to MOD locations, but was willing to supply fuel for the

³³ See, for example, Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, § 9009. The "AROC must approve the requirement and acquisition plan for any service requirements in excess of" \$50 million annually using the ASFF, and "any non-standard equipment requirements in excess of" \$100 million using the ASFF. The AROC is chaired by the Under Secretaries of Defense for Policy; Acquisition, Technology, and Logistics; and Comptroller.

ANDSF's aviation needs.³⁴ Prior to NSPA formally responding to CSTC-A's request for the agency to assess taking on the ANDSF fuel delivery mission, a NSPA official told us that the agency would likely not be interested in supplying fuel to MOI locations because those sites would require infrastructure improvements and additional equipment for NSPA to account for the fuel delivered to those locations. The official also told us that if NSPA were to have agreed to supply fuel to MOI sites, the agency likely would have sought to completely revamp the MOI's fuel distribution operations. For example, the official stated that the MOI currently has too many fuel sites and limited bulk storage fuel sites. Similarly, a CSTC-A comparison of fuel contracting options found that while NSPA's relative lack of regulatory restrictions would allow for a shorter lead time in procuring fuel, the agency's requirement for upgraded infrastructure and equipment represented a challenge to its use.³⁵

Using DLA-E to Supply ANDSF Fuel Faces Logistical Challenges

Regarding option 2 to transfer responsibility for delivering fuel to DLA-E, CSTC-A found that the agency's experience supplying fuel for U.S. military forces in Afghanistan, including the agency's use of standard prices for fuel and fixed fuel facility services, would aid it in supplying fuel for the ANDSF. However, CSTC-A found that using DLA-E would have administrative and logistical challenges. For example, according to the analysis, DLA-E lacks the authority to provide support to non-U.S. entities, and the agency would require a representative of the U.S. government to be present at the point of delivery—the ANDSF fuel sites—to accept the fuel from DLA-E's contractors. According to an official with DOD's Office of the Under Secretary of Defense for Policy, DLA-E could overcome this challenge by using the Foreign Military Sales program.³⁶ However, after reviewing a draft of this report, a DLA official stated that the agency did not agree that use of the Foreign Military Sales program would eliminate the need for a U.S. government representative to accept the fuel. According to the official, although DLA-E has access to several different authorities through which it can sell to non-U.S. government entities, the agency still requires a government representative to perform acceptance duties. Additionally, CSTC-A's analysis found that although DLA-E has an established supply chain and oversight capabilities within portions of eastern Afghanistan, the agency does not have that presence in the rest of the country. Accordingly, taking on responsibility for supplying fuel to the ANDSF would require DLA-E to increase its footprint in Afghanistan.

Awarding a Long-Term Fuel Contract through ACC May Face Accountability Challenges

Regarding option 3 to award a long-term contract through ACC, ACC may face additional challenges to maintain fuel accountability. For example, CSTC-A's September 2017 analysis of fuel contracting options found that awarding a contract through ACC would not involve any infrastructure or facility upgrades at fuel sites. Although the third-party monitoring contractor had only completed reviews of three ANP sites as of August 2017, its initial findings suggest that fuel sites will require extensive improvements. Additionally, CSTC-A found that ACC would be reliant on contractors and personnel from CSTC-A, the Resolute Support Mission, and the ANDSF to confirm deliveries of fuel. Similarly, CSTC-A's March 2017 analysis of contracting options also found that ACC representatives would have no ability to visit fuel sites and would instead have to receive oversight feedback from CSTC-A and Resolute Support Mission personnel. Finally, CSTC-A's analysis stated that it had no data on the additional costs associated with anti-corruption measures, such as requiring fuel meters and establishing mechanisms to provide in-transit visibility of fuel deliveries.

³⁴ NSPA's response to CSTC-A stated that support for MOD sites was not feasible because of the timelines required to conduct an in-depth scoping study. However, a NSPA official told us that the agency tried to evaluate MOD fuel sites, but ANA corps commanders were unwilling to allow the agency's representatives access to their facilities.

³⁵ A NSPA official told us that of the 17 aviation fuel sites that the agency's representatives examined, none used metering equipment that would help to ensure accountability of fuel. The official estimated that the aviation fuel sites would require approximately \$5 million worth of meters and other infrastructure and equipment upgrades. However, the official stated that CSTC-A did not want to pay these costs.

³⁶ According to the Defense Security Cooperation Agency's website, the U.S. government may sell defense equipment and services to foreign countries under the Foreign Military Sales program when the President finds that doing so will strengthen national security and promote world peace. In Afghanistan, for example, DOD has used the program, or another similar process, to provide training to ANDSF personnel and procure ANA vehicle maintenance support and ANDSF clothing and equipment.

CSTC-A Is Taking Steps to Improve the Fuel Supply Process but May Not Be Addressing Some Weaknesses

U.S. Central Command provided us documentation indicating that CSTC-A's plan for addressing the ANDSF's long-term fuel requirements calls for supplying fuel to more than 400 locations and includes anti-corruption provisions, as well as plans to eventually move fuel procurements back on-budget. Although the AROC has not yet made a final determination regarding the long-term direction for supplying fuel to the ANDSF, we reviewed draft documentation developed as part of the planning process for it that may give an indication of the requirements DOD is considering for inclusion in future contracts. We found that although this preliminary documentation did contain improvements over prior methods of fuel procurement in Afghanistan, it did not address some previously identified weaknesses.

Draft Documentation Developed as Part of CSTC-A's Efforts to Plan for the ANDSF's Long-Term Fuel Requirements Included Improvements over Prior Efforts to Supply Fuel in Afghanistan

The documentation we reviewed as part of CSTC-A's efforts to plan for the ANDSF's long-term fuel requirements included some improvements from previous fuel supply mechanisms in use in Afghanistan, such as the 2015 to 2017 back-up IDIQ contract used for off-budget ANDSF fuel procurements and past methods used to supply fuel to U.S. military forces. For example, the documentation introduced a requirement for future contractors to retain the responsibility for fuel lost during the delivery process, with this responsibility passing to the U.S. government only when the ANDSF accepts the fuel upon its arrival at the final delivery location. As a result, the U.S. government would only pay for the actual quantities of fuel delivered to the ANDSF. Additionally, according to the documentation, contractors would be required to submit certified paperwork for all the fuel they supply to the ANDSF that identifies the fuel's country of origin. Doing so may help mitigate concerns under the 2015 to 2017 back-up IDIQ off-budget contract that vendors may have obtained fuel of poor quality or fuel from prohibited sources. The documentation we reviewed also would require future contractors to submit daily delivery reports that include the quantity of fuel delivered, the actual delivery location, the unit receiving the fuel, and the name of the person accepting the delivery. Daily reporting, in contrast to the weekly reporting required under the 2015 to 2017 back-up IDIQ contract, may help to improve CSTC-A's oversight of the fuel delivery and storage process.

Draft Documentation for CSTC-A's Long-Term Plan to Supply Fuel to the ANDSF Did Not Include Details for Transferring Fuel Procurements Back On-Budget or Overseeing Anti-Corruption Efforts

Despite improvements in controls from earlier procurement methods, the draft documentation developed as part of the planning process for meeting the ANDSF's long-term fuel requirements did not include any details about how to transition fuel procurements back on-budget. Although officials with DOD's Office of the Under Secretary of Defense for Policy stated that it is not DOD's policy to give on-budget funding to the MOD and the MOI, CSTC-A representatives we spoke with were planning future ANDSF fuel supply strategies with a goal of returning fuel procurements to an on-budget mechanism. Additionally, although this documentation included requirements for an anti-corruption program, it did not require future contractors to maintain visibility into fuel deliveries through remote monitoring capabilities. Instead, it relied on the contractors developing anti-corruption plans themselves and on the contractors' employees actively reporting acts of corruption or attempts to otherwise divert fuel that they witness. The documentation required future contractors' anti-corruption plans to include oversight provisions, but it did not specify what form that oversight should take. As our prior audit reports and investigations have demonstrated, oversight mechanisms that primarily rely on contractor reporting have not been sufficient to deter fuel theft and corruption.

CSTC-A's Long-Term Plan to Supply Fuel to the ANDSF Does Not Consider Use of Remote Monitoring Capabilities or Other Technology-Based Solutions

According to CSTC-A officials we interviewed and our review of supporting materials from their efforts to plan for meeting the ANDSF's long-term fuel requirements, CSTC-A has not considered using technology-based

capabilities to oversee fuel deliveries. Such capabilities include transponders placed on fuel trucks to provide visibility during transit and meters installed on fuel tanks at ANDSF facilities that can provide fuel level readings remotely. In contrast, both NSPA and ECC-A, through its NAT contract, incorporated some level of technology into their fuel supply processes in Afghanistan. For example, NSPA and ECC-A contracts have integrated technology to provide visibility of shipments in-transit into their delivery systems. NSPA has also developed an online fuel management system that has the ability to record transactions digitally and remotely monitor fuel inventories through remote metering. According to NSPA officials, they have successfully implemented technology that allows them to remotely detect when fuel has been tampered with while it is in transit or stored at destination facilities. According to a NSPA official, the agency saw a 30 percent reduction in reported fuel use, but no corresponding decrease in operations, when it began supplying fuel for NATO operations in Afghanistan. The official stated that NSPA took this change as an indication that some of the improved controls and technology it applied to the fuel supply process improved accountability and deterred theft. Additionally, another NSPA official told us that all NATO member countries, including the United States, are able to use portions of the technology the agency developed to support their own fuel accountability efforts. With the reduction in U.S. and coalition military forces in Afghanistan since 2014, implementing this type of technology could allow CSTC-A or other oversight officials to remotely monitor fuel levels in ANDSF storage facilities and in fuel trucks still in transit, and to track deliveries, which could enhance their visibility of fuel inventory levels and possible illicit fuel withdrawals.

CONCLUSION

We and other oversight agencies have repeatedly reported that fuel control measures were insufficient to provide an accurate accounting of fuel used by U.S. military forces in Afghanistan and the ANDSF. These findings, along with our investigative cases, highlight the ease with which controls meant to account for fuel can be subverted and how profitable it can be to steal fuel. They also identify several causes limiting effective fuel oversight and the need to implement more stringent controls in the fuel delivery process. CSTC-A has taken action to address weaknesses identified in its efforts to supply fuel to the ANDSF that may increase transparency and accountability in the ANDSF fuel supply process.

Although CSTC-A has addressed some deficiencies in fuel accountability, the command has an opportunity, through its long-term efforts to meet the ANDSF's fuel requirements, to address additional weaknesses that still exist. For example, its initial planning efforts seek to include anti-corruption and oversight clauses in future contracts. However, we remain concerned about the potential effectiveness of these clauses due to their lack of detail and reliance on contractor reporting. Additionally, current contracts to supply fuel to the ANDSF do not require outfitting fuel delivery trucks or destination storage tanks with sensors to facilitate remote monitoring of the fuel, despite other organizations, such as NSPA, using similar technology in their own fuel delivery operations. Similarly, CSTC-A does not have mechanisms in place to ensure the accountability of fuel once it is delivered to ANDSF fuel sites. Incorporating technology-based solutions could enhance CSTC-A's oversight of its fuel processes by allowing the command to remotely monitor fuel levels in ANDSF storage facilities and in fuel trucks still in transit, and confirm fuel deliveries. Such remote monitoring is critical given the U.S. and coalition militaries' reduced presence in Afghanistan.

CSTC-A's accountability problem is compounded by the third-party monitoring contractor's preliminary findings that ANDSF fuel equipment and infrastructure need upgrades and repairs, and CSTC-A's fuel training efforts for ANDSF personnel not reaching below the corps level. Furthermore, despite commitment letter conditions requiring the MOD and the MOI to report fuel consumption data to CSTC-A, this reporting has been inconsistent. Without detailed knowledge of the amount of fuel the ministries consume, CSTC-A may have difficulty forecasting future fuel needs, establishing normal consumption benchmarks, and detecting those instances where increased consumption may indicate fuel theft and corruption.

Fuel is one of the most easily stolen items that the U.S. supplies to the ANDSF. Fuel thefts and other means of profiting from fuel conspiracies can provide insurgent and terrorist organizations with needed funds to

continue to undermine the Afghan government and threaten the Afghan people. Additionally, the Department of State has argued that corruption is the most formidable obstacle to a stable Afghanistan. A former commander of the international military coalition in Afghanistan echoed these sentiments and identified corruption as an existential threat to the country's long-term viability. Accordingly, as CSTC-A moves forward with designing a long-term plan to supply fuel to the ANDSF that could cost nearly \$2 billion, it is critical that the command ensure that effective controls are in place to deter fuel theft and mitigate opportunities for corruption.

RECOMMENDATIONS

To enhance accountability of U.S.-funded fuel procured for the ANDSF, we recommend that the CSTC-A Commanding General:

1. **Evaluate and determine the feasibility of using remote monitoring methods or other technology-based solutions to provide visibility of fuel while in-transit, confirm fuel deliveries, and monitor fuel levels at ANDSF fuel storage locations.**
2. **Include detailed anti-corruption and oversight requirements in future contracts to supply fuel to the ANDSF.**
3. **Enforce commitment letter agreements that require the MOD and the MOI to regularly submit fuel consumption data to CSTC-A.**
4. **Evaluate and determine the feasibility of expanding the training on fuel quality testing methods and fuel handling procedures to ANDSF fuel personnel below the corps level.**
5. **Coordinate with the MOD and the MOI to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites.**
6. **Coordinate with the MOD and the MOI to develop and implement a plan to enhance accountability and oversight of fuel after it is delivered to ANDSF fuel sites.**

AGENCY COMMENTS

We provided a draft of this report to DOD for review and comment, and received written comments from CSTC-A. CSTC-A neither agreed nor disagreed with our recommendations, but described actions it is taking or plans to take in response to them. CSTC-A's comments are reproduced in appendix IV. Additionally, DLA and the Office of the Under Secretary of Defense for Policy submitted technical comments, which we incorporated into this report as appropriate.

Regarding our first recommendation, CSTC-A's response stated that it reviewed commercial bulk fuel remote monitoring technology and determined that using such methods is feasible. According to the comments, it is working with contracting staff to develop remote monitoring requirements for potential future fuel contracts that would include electronic metering of fuel dispensed from delivery trucks. Although this requirement would help to enhance CSTC-A's visibility of fuel during its unloading at a fuel site, it does not address using remote monitoring technology to track fuel delivery trucks while they are en route to their destinations or using the technology to monitor fuel levels at ANDSF fuel storage locations. This recommendation will remain open until we receive evidence that CSTC-A has evaluated the use of remote monitoring technology for those situations as well.

Additionally, CSTC-A stated that the command believes that its current contract addresses the challenges we discuss in our report by holding the contractor responsible for fuel accountability from the initial acquisition of fuel to its final delivery. However, we remain concerned not only about potential financial losses that may arise

from not maintaining fuel accountability, but also about fuel theft itself. As we note in our report, fuel theft can benefit insurgent and terrorist organizations operating in Afghanistan regardless of whether CSTC-A recoups financial losses from its contractors.

In its response to our second recommendation, CSTC-A stated that detailed anti-corruption and oversight requirements are included in its current contracts, and will be included in its future contracts. As we note in our report, we requested, but never received, copies of CSTC-A's current fuel contracts. Additionally, CSTC-A did not include any documentation with its comments that would demonstrate its use of these provisions. As a result, we are unable to verify whether these provisions are currently included in its contracts. However, we are encouraged by CSTC-A's commitment to include them in its future fuel contracts. This recommendation will remain open until we are able to verify that CSTC-A's future fuel contracts will include detailed anti-corruption and oversight provisions.

Regarding our third recommendation, CSTC-A stated that it uses the conditions and penalties included in the MOD and the MOI commitment letters to motivate ministry personnel to enforce reporting fuel consumption data, but added that enforcing the penalties is a decision made by CSTC-A's Commanding General. CSTC-A's response also noted that MOD fuel consumption data reporting had increased. Specifically, the command stated that although it received no corps consumption reports in May 2017, it received all seven required corps consumption reports in October and November 2017, and five of the seven required corps consumption reports in January 2018. However, this still indicates that the MOD is not regularly submitting fuel consumption data from all of the corps to CSTC-A. Similarly, although CSTC-A's response states that the MOI has consistently submitted fuel consumption reports on a regular basis, when we asked the command in October 2017 for copies of the MOI's fuel consumption reports for the last year, it could only provide us with data representing 6 months of fuel use, as we discuss in our report. Accordingly, this recommendation will remain open until we are able to verify that CSTC-A is enforcing commitment letter provisions that require the MOD and the MOI to submit fuel consumption data on a regular basis.

In response to our fourth recommendation, CSTC-A stated that it has evaluated the feasibility of expanding training on fuel quality testing methods and fuel handling procedures to ANDSF personnel below the corps level, and found that doing so would be positive but incongruent with the command's efforts to train, advise, and assist the MOD and the MOI with ministerial development. In addition to its efforts to train ANDSF fuel personnel at the corps level, CSTC-A stated that it is assisting ANA staff in developing a training base for fuel handlers at the MOD's Combat Service Support School. According to CSTC-A's response, the command assessed the MOD school and found it to be fully capable of instructing fuel personnel. CSTC-A also stated in its response that it believes that the school should be the institution that trains fuel personnel below the corps level. CSTC-A's response did not include details on how the command would ensure that training on fuel quality testing methods and fuel handling procedures would reach MOI personnel. As such, this recommendation will remain open until we are able to determine that CSTC-A has evaluated how to address training for MOI personnel.

In its response to our fifth recommendation, CSTC-A stated that it has ongoing efforts to coordinate with MOD and MOI leadership to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites. CSTC-A noted that its third-party monitoring contractor has inspected 208 of the 471 sites, and intends to complete the remaining inspections by the end of the year. CSTC-A also stated that it uses the contractor's reports to assist the MOD and the MOI in developing plans to address identified deficiencies. However, CSTC-A's response did not include copies of any plans that it developed or is developing in coordination with the MOD and the MOI. This recommendation will remain open until we can verify that such plans exist and that CSTC-A and the ministries are implementing them.

Regarding our sixth recommendation, CSTC-A stated that its personnel will continue to train, advise, and assist the MOD and the MOI with logistical planning and execution, and assist the ministries in developing their ability to effectively solicit and manage contracts. The command also noted that it will use commitment letter conditions and penalties to influence the MOD and the MOI in developing a fuel management program that includes accountability and oversight procedures. This recommendation will remain open until we are able to

review the fuel management program that the ministries develop to determine whether it contains provisions to enhance the accountability and oversight of fuel after it is delivered to ANDSF fuel sites.

CSTC-A also stated that although it will continue to use its existing contracts to deliver fuel to the MOD and the MOI, the command's ultimate goal is to move fuel procurements back to an on-budget mechanism. However, as we discuss in our report, officials with DOD's Office of the Under Secretary of Defense for Policy told us that the department's current policy is to avoid giving funds directly to either the MOD or the MOI to pay for any on-budget, Afghan government-administered contracts, including contracts to supply fuel to the ANDSF. We are concerned that this policy has not been conveyed to CSTC-A, which may be wasting resources working toward a goal that higher-level DOD elements will not approve.

APPENDIX I - SCOPE AND METHODOLOGY

This report discusses the results of SIGAR's evaluation of the Department of Defense's (DOD) efforts to supply and account for fuel in Afghanistan. Our objectives were to (1) review and summarize weaknesses identified in audits and evaluations completed prior to 2017 regarding efforts to procure, distribute, and account for fuel in Afghanistan, as well as SIGAR's investigations related to fuel theft; (2) assess current challenges associated with overseeing and accounting for fuel acquired for the Afghan National Defense and Security Forces (ANDSF); and (3) evaluate DOD's planned initiatives to improve oversight and accountability of fuel acquired for the ANDSF.

To review and summarize prior audits and evaluations regarding efforts to procure, distribute, and account for fuel, as well as our investigations related to fuel, we reviewed nine audit and evaluation reports issued by SIGAR, the U.S. Army Audit Agency, and the DOD Office of Inspector General, and supporting documentation.³⁷ Additionally, we interviewed U.S. Army Audit Agency officials about their prior reviews of fuel issues in Afghanistan, their findings, and the Department of the Army's efforts to address their recommendations. We also reviewed 70 of our investigations that we identified as involving fuel theft in Afghanistan, and for which the significant investigative case work had been completed.³⁸

To review and summarize current challenges associated with overseeing and accounting for fuel acquired for the ANDSF, we interviewed officials from the Defense Logistics Agency–Energy (DLA-E), the U.S. Transportation Command, the U.S. Central Command, the U.S. Army Central Command's Petroleum and Water Branch, the U.S. Army Expeditionary Contracting Command–Afghanistan (ECC-A), and the U.S. Army Petroleum Center. We also reviewed DLA-E data and contract documentation, and visited the DLA-E fuel site at Bagram Airfield to better understand current U.S. fuel operations. We interviewed officials and reviewed documentation from ECC-A and the Combined Security Transition Command–Afghanistan (CSTC-A) regarding fuel procured for the ANDSF. We also interviewed officials from the North Atlantic Treaty Organization Support and Procurement Agency (NSPA) and DLA-E to discuss challenges associated with supplying fuel in Afghanistan. Additionally, we visited NSPA facilities in Kabul, Afghanistan, and Capellen, Luxembourg, to view a bulk fuel site, a fuel quality testing laboratory, and NSPA's fuel tracking and management systems.

To review and summarize DOD's ongoing initiatives to improve oversight and accountability for fuel acquired for the ANDSF, we reviewed ECC-A and CSTC-A briefing documents. We also reviewed ECC-A contract documentation and interviewed ECC-A, CSTC-A, and NSPA officials.

We did not use or rely on computer-processed data for purposes of our objectives. We assessed internal controls to determine whether CSTC-A had addressed previously identified weaknesses in its methods of supplying fuel to the ANDSF. The results of our assessment are included in the body of this report.

We conducted our evaluation work in Washington, D.C.; Capellen, Luxembourg; and Bagram Airfield and Kabul, Afghanistan; from April 2017 through April 2018. This work was conducted in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. We conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

³⁷ See appendix II for brief summaries of these reports.

³⁸ SIGAR conducted many of these cases jointly with other U.S. agencies, such as the International Contract Corruption Task Force, the U.S. Army Criminal Investigation Command, the Defense Criminal Investigative Service, and the Department of State, as well as the Afghan government's Office of the Attorney General and the Afghan National Police. In these instances, we did not review the other agencies' case documentation. We also did not review investigations the other agencies performed by themselves. See appendix III for brief summaries of these investigations.

APPENDIX II - PRIOR OVERSIGHT REPORTS ON FUEL ACCOUNTABILITY IN AFGHANISTAN

Since 2012, SIGAR, the Department of Defense Office of Inspector General (DOD OIG), and the U.S. Army Audit Agency (USAAA) have issued nine reports related to U.S. or Afghan fuel management and accountability in Afghanistan. Six of these reports, issued by SIGAR and DOD OIG, primarily concerned the accountability and oversight of fuel supplied for the Afghan National Defense and Security Forces (ANDSF). The remaining three, issued by USAAA, focused on accountability practices related to fuel supplied for U.S. forces. These reports identified multiple weaknesses regarding prior methods for managing and accounting for fuel. For example, the reports identified problems with contract oversight and documentation, obtaining and verifying necessary fuel consumption data from the Afghan Ministries of Defense (MOD) and Interior (MOI), and procedures related to fuel storage and distribution for U.S. forces. The nine reports and their recommendations are summarized below, as well as the recommendations' closure and implementation statuses when available.

SIGAR

Afghan National Police Fuel Program: Concerted Efforts Needed to Strengthen Oversight of U.S. Funds, SIGAR 14-1-AR, October 2, 2013

We found that U.S. Central Command's Joint Theater Support Contracting Command and Combined Security Transition Command-Afghanistan (CSTC-A) exercised limited oversight of U.S.-funded fuel purchases for the Afghan National Police (ANP). Poor oversight and documentation of blanket purchase agreements and fuel purchases resulted in the use of higher-priced vendors and questionable costs to the U.S. government. CSTC-A provided \$26.8 million on-budget to the Afghan government to purchase fuel for the police from October 2011 through December 2012 without conducting required risk assessments of the MOI's capacity to manage U.S. funds for purchasing fuel. Additionally, we noted that CSTC-A's justification for its fiscal year (FY) 2013 funding request and its future fuel budget estimates for the ANP were based in part on prior fuel orders. However, we found that CSTC-A did not have reliable information about the number of ANP vehicles and generators in use, and had not received consumption data from the MOI. As a result, we determined that CSTC-A's overall budget estimates for FY 2014 through FY 2018 may have been overstated. Table 1 lists the report's recommendations and their closure and implementation statuses.

Table 1 - SIGAR 14-1-AR Recommendations

	Recommendation	Status
1	To ensure the reasonableness of prices for ANP fuel, we recommend that the Commander of U.S. Central Command's Joint Theater Support Contracting Command review and determine whether all vendor fuel prices since 2007, and related transportation costs and Afghan taxes, fees and duties, were allowable and seek recovery of any disallowed costs.	Closed as not implemented ^a
2	To ensure the reasonableness of prices for ANP fuel, we recommend that the Commander of U.S. Central Command's Joint Theater Support Contracting Command develop guidance that details the factors to be considered when not selecting the lowest-priced fuel vendors, and enforce U.S. Central Command's Joint Theater Support Contracting Command's guidance requiring justification, in writing, for the selection of higher-priced vendors when lower-cost vendors are available.	Closed as implemented
3	To improve oversight of U.S. funding for ANP fuel, we recommend that the Commander of CSTC-A obtain fuel consumption and storage capacity data for each of the 70 authorized ANP locations receiving fuel directly from vendors.	Closed as not implemented ^b

4	To improve oversight of U.S. funding for ANP fuel, we recommend that the Commander of CSTC-A ensure that consumption data is used by MOI to approve all fuel orders.	Closed as not implemented ^c
5	To improve oversight of U.S. funding for ANP fuel, we recommend that the Commander of CSTC-A review fuel ordering levels, consumption data, and storage capacity for each of the 70 ANP locations and determine whether other ANP locations are receiving fuel above their storage capacity. If fuel orders are above storage capacity, subsequent fuel orders for that location should be adjusted to not exceed storage capacity and excess fuel deliveries should be investigated.	Closed as not implemented ^d
6	To improve compliance with CSTC-A direct contribution standard operating procedures, we recommend that the Commander of CSTC-A perform the required risk assessments and monitor the effectiveness of the new reconciliation, auditing, and reporting requirements and document these actions.	Closed as implemented
7	To improve ANP fuel budget estimates for the current and future fiscal years, we recommend that the Commander of CSTC-A reduce the fiscal year 2013 request to that required for 3 months—\$ 40.6 million—to correspond with the 12-month fiscal year fuel requirement for ANP, which ends September 30, 2013, and put the remaining \$94 million to better use within Afghanistan Security Forces Fund.	Closed as implemented
8	To improve ANP fuel budget estimates for the current and future fiscal years, we recommend that the Commander of CSTC-A obtain and use fuel consumption data from all ANP units as a basis to revise fuel budget estimates for fiscal years 2014 through 2018.	Closed as not implemented ^e

Source: SIGAR

Notes:

^a We closed recommendation 1 as not implemented because the U.S. Central Command's Joint Theater Support Contracting Command did not demonstrate that it reviewed and made a determination on whether the costs were allowable. We determined that the recommendation could no longer be implemented when the command was disbanded.

^b We closed recommendation 3 as not implemented because CSTC-A indicated that it did not receive the capacity information from the ANP and would no longer attempt to collect it.

^c We closed recommendation 4 as not implemented in 2017 because during the almost 4 years that the recommendation was open, CSTC-A did not demonstrate that the MOI used consumption data to approve fuel orders or that the ministry developed a process to use consumption data as a factor in ordering fuel for the ANP.

^d We closed recommendation 5 as not implemented in 2017 because during the almost 4 years that the recommendation was open, CSTC-A did not demonstrate that it collected the data and adjusted fuel orders based on capacity.

^e We closed recommendation 8 as not implemented in 2017 because during the almost 4 years that the recommendation was open, CSTC-A did not demonstrate that it analyzed consumption data and adjusted the fuel budget estimates accordingly.

Afghan National Army: Controls Over Fuel for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Fraud, Waste, and Abuse, SIGAR 13-4, January 24, 2013

We found that CSTC-A lacked sufficient accountability in its processes used to order, receive, and pay for vehicle, generator, and power plant fuel for the Afghan National Army (ANA). For example, we found that records relating to fuel purchases were missing, data on fuel purchases were inaccurate and incomplete, and CSTC-A could not account for fuel that was spilled or lost. Additionally, we found that CSTC-A's processes for fuel price approval, ordering, delivery, and payment had major vulnerabilities. These included approving payments without verifying vendor statements and ordering fuel in amounts not based on consumption data. Furthermore, we concluded that CSTC-A did not have a valid methodology—or essential fuel consumption and lost fuel data—to accurately calculate the amount of U.S. funds needed for ANA fuel from FY 2012 through FY

2018, yet proposed increasing ANA fuel-related funding. Table 2 lists the report’s recommendations and their closure and implementation statuses.

Table 2 - SIGAR 13-4 Recommendations

Recommendation	Status
<p>1 To improve accountability of U.S. funds and purchased fuel, we recommend that the Commanding General, NATO Training Mission–Afghanistan (NTM-A)/CSTC-A comply with existing DOD regulations to retain original or electronic records in order to prevent destroyed or unavailable records.</p>	Closed as implemented
<p>2 To improve accountability of U.S. funds and purchased fuel, we recommend that the Commanding General, NTM-A/CSTC-A develop a process to identify, investigate, and resolve differences between quantities of fuel ordered and quantities of fuel delivered and any allegations of fuel theft.</p>	Closed as implemented
<p>3 To improve accountability of U.S. funds and purchased fuel, we recommend that the Commanding General, NTM-A/CSTC-A, in coordination with plans being developed for the Afghan government, immediately develop an action plan to improve the fuel process from price approval, ordering, delivery, receipt, and payment of fuel to better account for U.S. funds and to assure fuel is appropriately purchased, received, and consumed by ANA forces. Such a plan should include, but not be limited to:</p> <ul style="list-style-type: none"> a. improving methods for ensuring the price paid for fuel is commensurate with market conditions and for verifying that costs charged to the U.S. government for such items as Afghan government fees are allowable; b. ensuring that all fuel orders are authorized by the Afghan Material Management Center–Army and the required MOD forms 32 and 14 are maintained and used to support consumption and fuel requirements; c. ensuring that CSTC-A rejects all fuel orders not authorized by the Afghan Material Management Center–Army; d. developing controls to assure that fuel ordering officers cannot exceed fuel ordering limits established by blanket purchase agreements without evidence of contracting officer approval; e. developing controls to assure the use of MOD Forms 8 and 9 to verify the quantity and quality of vendor-reported fuel delivered to ANA; f. developing safeguards to ensure CSTC-A fuel ordering responsibilities are separated and no one person has control over ordering, acknowledging receipt, and authorizing payment; g. implementing standard operating procedures for reconciling fuel orders with receipts, invoices, and payments made by Defense Finance and Accounting Services; and h. retaining the appropriate supporting documentation for all fuel orders. 	Closed as implemented
<p>4 To more realistically estimate its budget requests and future years’ funding estimates for fuel, we recommend that the Commanding General, NTM-A/CSTC-A establish the fiscal year 2013 funding level at the fiscal year 2012 ANA funding level of \$306 million and use along with the remaining available fiscal year 2012 appropriated ANA fuel funds to meet the ANA fuel requirement for fiscal year 2013.</p>	Closed as not implemented ^a

5 To more realistically estimate its budget requests and future years' funding estimates for fuel, we recommend that the Commanding General, NTM-A/CSTC-A systematically analyze ANA fuel consumption in order to reformulate its funding estimates for fiscal years 2014 to 2018 based on validated ANA fuel requirements rather than prior years' fuel ordering activities.	Closed as implemented
6 To assure proper stewardship and transparency of U.S. funds and fuel purchases in the future, we recommend that the Commanding General, NTM-A/CSTC-A revise CSTC-A's strategy for providing direct contributions to the Afghan government for future fuel purchases until MOD demonstrates transparency and accountability without coalition assistance. For example, CSTC-A could begin with a small amount of direct contributions to purchase fuel for specific units and/or power plants and then adjust upwards based upon assessments of MOD capacity and accountability of fuel ordered, delivered, and consumed.	Closed as implemented

Source: SIGAR

Note:

^a Recommendation 4 specifically concerned the NTM-A/CSTC-A FY 2013 budget requests. We closed the recommendation as not implemented because the command did not demonstrate that it had implemented it by the time the budget for that year was produced.

Interim Report on Afghan National Army Petroleum, Oil, and Lubricants, SIGAR 12-14, September 10, 2012

We found that CSTC-A lacked an accurate basis for estimating ANA fuel needs and funding requests, including essential information such as the actual number and capacity of authorized ANA fuel storage locations, inventories of vehicles and generators in use, and fuel consumption at ANA fuel sites. In addition, no single U.S. or Afghan government office had complete records for the amounts of ANA fuel purchased, ordered, delivered and consumed. We concluded that CSTC-A did not have accurate or supportable information about fuel funding needs, where and how fuel was used, or how much fuel was lost or stolen. Table 3 lists the report's recommendations and their closure and implementation statuses.

Table 3 - SIGAR 12-14 Recommendations

Recommendation	Status
1 SIGAR recommends that the Commanding General, NTM-A/CSTC-A, reduce current (fiscal year 2013) and planned (fiscal years 2014–2018) Afghanistan Security Forces Fund (ASFF) budget requests for ANA fuel requirements to the currently budgeted amount of \$306 million for fiscal year 2012, which excludes \$123 million for jet fuel and kerosene that was previously purchased with ASFF funds but is expected to be funded by international donors in fiscal year 2013 and beyond. The fiscal year 2012 ASFF amount budgeted should be maintained until a suitable method and systematic process for calculating and developing an accurate projected amount is developed for ANA fuel requirements using valid and supportable fuel consumption and usage data. Relevant factors to be considered include the number of vehicles and generators currently in use and consuming fuel instead of the number in inventory or authorized; listing of and storage capacity for each depot, power plant, and other site authorized to receive fuel directly from vendors; and short- and long-term consumption needs of power plants and fuel usage rates for in-use vehicles and generators to meet the ANA mission.	Closed as not implemented

<p>2 To mitigate vulnerabilities to fraud and waste, SIGAR recommends that the Commanding General, NTM-A/CSTC-A, develop, approve, and implement a comprehensive action plan, focusing on specific internal control processes to verify fuel purchases and deliveries and improve overall fuel accountability:</p> <ul style="list-style-type: none"> • Account for all fuel orders in CSTC-A's fuel ordering office database and Kabul Regional Contracting Center reports, and reconcile fuel orders between offices and to both quantities delivered and invoices paid every month. • Ensure that MOD Form 14 is used for all ANA fuel orders, including for power plants and that copies of all fuel orders are submitted to MMC-A to enable complete accountability for all fuel orders and to track them against allocations. • Ensure that MOD Forms 8 and 9 are used to document the receipt and issuance of all fuel deliveries to ANA, and copies of all MOD Forms 8 and 9 are submitted to (1) CSTC-A to compare with vendor delivery tickets and verify the fuel quantities received and (2) Material Management Center–Army to compare with the respective MOD Form 14 and verify receipts for each fuel order. • Ensure that MOD Form 32 is used monthly to account for, reconcile, and report consumption and variances of all fuel distributed to each ANA location and copies are submitted to CSTC-A and Material Management Center–Army to enable the consolidation of fuel reports to have complete information on fuel after delivery. This will also facilitate improved reporting of variances to ensure follow up and resolution of any inventory discrepancies. 	<p>Closed as not implemented</p>
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Source: SIGAR

Note: We closed both recommendations as not implemented because the recommendations in this interim report were superseded by recommendations made in the final report (see SIGAR, Afghan National Army, SIGAR Audit 13-4).

DOD OIG

Combined Security Transition Command-Afghanistan Improved Controls over U.S.-Funded Ministry of Defense Fuel Contracts, but Further Improvements are Needed, DODIG-2017-041, January 11, 2017

DOD OIG reported on whether CSTC-A and the MOD established effective controls for oversight of two MOD fuel contracts, valued at \$174.7 million, awarded in January 2016 to provide vehicle and generator fuel to the ANA. DOD OIG found that CSTC-A and the MOD improved controls for oversight of the contracts. These controls included establishing regular Logistics Executive Steering Committee meetings to increase internal coordination across CTSC-A and the MOD, and introducing financial penalties on specific ANA corps for not complying with commitment letters. However, DOD OIG also found that CSTC-A needed to work with the MOD to implement additional controls to improve the verification of fuel data and ensure that the ministry conducts physical inspections of fuel delivery sites. Table 4 lists the report's recommendations.

Table 4 - DODIG-2017-041 Recommendations

	Recommendation	Status
1.a	Recommend the Commanding General, Combined Security Transition Command–Afghanistan, require future MOD fuel contracts to include provisions for periodic, unannounced inspections to validate fuel deliveries.	Open
1.b	Recommend the Commanding General, Combined Security Transition Command–Afghanistan, direct the EF-1 Audit division to conduct an assessment of the current ANA Office of the General Staff, Inspector General (GSIG) and Office of the General Staff, Chief of Logistics (GSG4) consumption report verification processes to determine its adequacy.	Open

Source: DOD OIG

Note: According to DOD OIG, as of January 2018 this report is in the recommendation follow-up process.

Controls over Ministry of Interior Fuel Contracts Could Be Improved, DODIG-2016-040, January 20, 2016

DOD OIG reported on whether CSTC-A and the MOI established effective controls for oversight of three MOI fuel contracts valued at \$437.6 million. DOD OIG found that CSTC-A's and the MOI's oversight were neither effective nor coordinated because CSTC-A's organizational structure did not have well-defined roles and responsibilities for contract oversight. Additionally, the report found that the MOI did not provide fuel consumption data consistently to CSTC-A because the command did not enforce the fuel reporting requirements in the 2014–2015 commitment letter. DOD OIG determined that CSTC-A did not have reasonable assurance that the fuel ordered and delivered to the ANP supported actual fuel requirements and was used as intended. Table 5 lists the report's recommendations and their closure statuses.

Table 5 - DODIG-2016-040 Recommendations

	Recommendation	Status
1.a.1	We recommend that the Commander, CSTC–A, in conjunction with the Commander, United States Forces–Afghanistan, issue guidance establishing specific oversight responsibilities for the Afghan Ministry of Interior fuel contracts for each essential function and identify a Combined Security Transition Command–Afghanistan or Resolute Support official to determine the adequacy of Afghan National Police fuel consumption data.	Closed as implemented
1.a.2	We recommend that the Commander, CSTC–A, in conjunction with the Commander, United States Forces–Afghanistan, issue guidance establishing specific oversight responsibilities for the Afghan Ministry of Interior fuel contracts for each essential function and identify a Combined Security Transition Command–Afghanistan official to impose the consequences outlined in the commitment letter agreements when Ministry of Interior does not fulfil its requirements.	Closed as implemented
1.b	We recommend that the Commander, CSTC–A, in conjunction with the Commander, United States Forces–Afghanistan, develop reliable methods to determine whether the reported Afghan Ministry of Interior fuel consumption data have been accurately documented so that there is reasonable assurance that future contract fuel allocation rates are fair and meet Afghan requirements.	Closed as implemented

1.c	We recommend that the Commander, CSTC-A, in conjunction with the Commander, United States Forces-Afghanistan, include in the Fiscal Year 1395 Commitment Letter improved reporting requirements designed to specify adequate documentation of the Afghan Ministry of Interior fuel consumption and provide clearer consequences for Ministry of Interior's noncompliance that Combined Security Transition Command-Afghanistan would be willing to impose.	Closed as implemented
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Source: DOD OIG

Assessment of U.S. and Coalition Efforts to Develop the Sufficiency of Afghan National Security Forces' Policies, Processes, and Procedures for the Management and Accountability of Class III (Fuel) and V (Ammunition), DODIG-2015-108, April 30, 2015

DOD OIG assessed U.S. and coalition efforts to develop the effectiveness of the ANDSF's policies and procedures for management and accountability of bulk fuel and military ammunition and explosives. DOD OIG found that ANDSF units ordered and received fuel and ammunition based on unit allocations, rather than operational requirements, resulting in a lack of demand history that could be used to accurately forecast operational requirements. DOD OIG also found that the ANDSF had inadequate, underdeveloped controls for ensuring the management and accountability of fuel and ammunition, leading to vulnerabilities that increased the risk of theft. The agency found that the MOI's and the ANP's failure to enforce controls led to the delivery of fuel exceeding unit storage capacities. Additionally, DOD OIG noted that ANA and ANP personnel lacked formal training in the management and accountability of fuel and ammunition. Furthermore, DOD OIG found that neither ministry was prepared for effective oversight of the bulk fuel contracts. Table 6 lists the report's recommendations.

Table 6 - DODIG-2015-108 Recommendations

	Recommendation	Status
1.a.1	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the MOD Assistant Minister of Defense, Acquisition, Technology, & Logistics, Afghan National Army General Staff G4, and Afghan National Army unit logisticians to enforce fuel and ammunition consumption reporting policy to ensure that future fuel and ammunition orders are based on valid consumption reports and operational requirements.	Closed as implemented
1.a.2	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the MOD Assistant Minister of Defense, Acquisition, Technology, & Logistics, Afghan National Army General Staff G4, and Afghan National Army unit logisticians to develop unit logistics operating procedures describing individual responsibilities and tasks for all ANA personnel responsible for the management and accountability of fuel and ammunition.	Closed as implemented
1.b	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the Assistant Minister of Defense, Acquisition, Technology, and Logistics, and the Afghan National Army General Staff G4 to ensure Afghan National Army unit logisticians assume responsibility for the management and accountability of consumption reporting.	Closed as implemented

2.a.1	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Security Assistance/Essential Function 2 Lead, advise and assist the Ministry of Defense and Afghan National Army logisticians to develop internal controls to ensure ordering, receipt, delivery, distribution, and storage of fuel and ammunition in accordance with established ANA policy and procedures.	Closed as implemented
2.a.2	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Security Assistance/Essential Function 2 Lead, advise and assist the Ministry of Defense and Afghan National Army logisticians to develop a Ministerial Internal Control Program, to include a fully implemented Organizational Inspection Program, which provides oversight for the management and accountability of fuel and ammunition.	Closed as implemented
2.a.3	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Security Assistance/Essential Function 2 Lead, advise and assist the Ministry of Defense and Afghan National Army logisticians to improve the independence of MOD/ANA oversight teams that verify the accuracy of fuel and ammunition deliveries through representation by personnel outside the ANA Corps logistics chain of command.	Closed as implemented
2.b	Commander, Combined Security Transition Command–Afghanistan, in coordination with Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the Ministry of Defense/Afghan National Army to ensure that internal controls contained in the Administrative Procedures for Bulk Fuel Management Transition document are implemented and enforced.	Closed as implemented
3	Deputy Chief of Staff Operations, Resolute Support/Essential Function 4 Lead, advise and assist the Ministry of Defense and Afghan National Army Training and Education Command to increase officer, noncommissioned officer, and soldier training through increased attendance at the Afghan National Army Combat Service Support School, from Afghan National Army Training and Education Command-sponsored mobile training teams, or other decentralized training.	Closed as implemented
4	Deputy Chief of Staff Security Assistance, Resolute Support/Essential Function 1 Lead, in coordination with Commander, Combined Security Transition Command–Afghanistan, ensure advise and assist efforts include the development of a mature MOD contract oversight capability.	Closed as implemented
5.a	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the Ministry of Interior Deputy Minister for Support and the Afghan National Police logisticians to enforce fuel and ammunition consumption reporting policies to ensure that future fuel and ammunition orders are based on valid consumption reports and operational requirements.	Closed as implemented
5.b	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the Ministry of Interior Deputy Minister for Support and the Afghan National Police logisticians to develop unit logistics operating procedures describing individual responsibilities and tasks for all ANP personnel responsible for the management and accountability of fuel and ammunition.	Closed as implemented

6.a.1	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Support, Resolute Support/Essential Function 2 Lead, advise and assist the Ministry of Interior/Afghan National Police to approve the updated fuel policy and implement included internal controls regarding ordering, receipt, delivery, distribution, and storage of fuel and ammunition.	Closed as implemented
6.a.2	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Support, Resolute Support/Essential Function 2 Lead, advise and assist the Ministry of Interior/Afghan National Police to increase the frequency of Afghan National Police unit inspection visits by Ministry of Interior/Afghan National Police Logistics oversight teams that review fuel and ammunition accountability.	Closed as implemented
6.a.3	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Support, Resolute Support/Essential Function 2 Lead, advise and assist the Ministry of Interior/Afghan National Police to establish and implement procedures that ensure contractor deliveries are monitored from the time fuel enters the system through delivery.	Closed as implemented
6.a.4	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, in coordination with Deputy Chief of Staff Support, Resolute Support/Essential Function 2 Lead, advise and assist the Ministry of Interior/Afghan National Police to establish and implement procedures that ensure vendors do not deliver quantities of fuel that exceed unit storage capacity.	Closed as implemented
6.b	Commander, Combined Security Transition Command–Afghanistan, in coordination with Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the Ministry of Interior/Afghan National Police to ensure that internal controls contained in the Bilateral Financial Commitment Letter to the Ministry of Interior are implemented and enforced.	Closed as implemented
7	Deputy Chief of Staff Security Assistance, Resolute Support/Essential Function 1 Lead, in coordination with Commander, Combined Security Transition Command–Afghanistan, ensure advise and assist efforts to develop a mature MOI bulk fuel contract oversight capability.	Closed as implemented

Source: DOD OIG

USAAA

Audit of Contract Administration of the National Afghan Trucking Contract, A-2013-0051-MTE, February 7, 2013

USAAA concluded that the oversight strategy for the National Afghan Trucking contract established procedures to mitigate risks experienced during the previous trucking contract, and that action was taken to charge contractors for approximately \$9 million in pilfered fuel. However, USAAA noted that oversight relied on documentation from the contractor to verify successful missions. Additionally, USAAA identified contract administration weaknesses in the transportation movement request process, mission status tracking, and invoicing and payments for fuel missions. USAAA recommended that the relevant commands use DOD's 0.5 percent fuel loss standard for all types of fuel as the trucking contract's criteria for contractor fuel loss liability, instead of 5 percent. Table 7 lists the report's recommendations and their closure and implementation statuses.

Table 7 - A-2013-0051-MTE Recommendations

	Recommendation	Status
1	To incentivize contractors to improve the quality of contractor trucking assets and improve on safety concerns, direct the contracting officer to modify the contract to have Defense Contract Management Agency's inspection efforts impact the contractors financially.	Closed as implemented
2	<p>Direct the procuring contracting officers to coordinate with Joint Movement Control Battalion personnel and assigned contracting officer's representatives to take immediate actions and recoup the \$80.4 million in potential fuel losses due the U.S. Government. As part of this action:</p> <ul style="list-style-type: none">• Revise the current back charge methodology in the contracting officer's standard operating procedure to recoup amounts due from carriers. Consider using installments over the number of months the debts have accumulated to decrease the financial impact and assist each company's viability to continue providing transportation services in support of the U.S. Forces mission.• Once the fuel cell has identified and processed the fuel return documents, sworn statements, and any DD Forms 250 (Material and Inspection Receiving Report) received, direct the contracting officer's representative to calculate the amount of charges to be recouped from the contractor.• Have the procuring contracting officer inform each contractor of the total debt owed the U.S. Government and how it will be recouped through the base year, and if necessary the option periods. Ensure the process is financially responsible and fair to each contractor.	Closed as implemented
3	Require procuring contracting officers to be the final reviewer/approver of invoices submitted in Wide Area Workflow after prior acceptance of services by contracting officer's representatives. To enable this process, adjust the system's review and approval roles for each of the National Afghan Trucking contracts to require procuring contracting officer approval.	Closed as implemented
4	Direct contracting officials to provide refresher training to Joint Movement Control Battalion personnel performing contract management and oversight of the invoicing process. As part of the training, reinforce the policy requirement for contracting officer's representatives to inform National Afghan Trucking Cell personnel of all changes to contractor invoices as a result of discussions and have the NAT Cell review changes for appropriateness prior to contracting officer's representatives coordinating with contractors for submission of final invoices in the Wide Area Workflow system.	Closed as implemented
5	Direct National Afghan Trucking contracting officials to modify the contract's payment criteria for failed missions to be flexible enough to permit carriers to get paid for completed missions, and also proposed additional monetary penalties to reinforce desired performance.	Closed as implemented
6	Incorporate into periodic updates the requirement to address contractor compliance with deliverable submission. This will make sure the procuring contracting officers monitor and document their review of the contracting officer's representatives' performance to ensure the submission of contract deliverables, especially those containing sensitive information, as required.	Closed as implemented

7	<p>Establish a set of consequences for unauthorized remissions and hold customers responsible for their actions. As part of establishing the new set of rules, make sure the following are included in the solution:</p> <ul style="list-style-type: none"> • Require Joint Movement Control Battalion to update the National Afghan Trucking standard operating procedure to incorporate the new procedures and disseminate to movement control teams and NAT customers for implementation. • Require movement control teams to maintain signature cards (Department of the Army Form 1687) on file for all customer employees involved in the process of requesting and receiving missions. • Require movement control teams to provide customer training on the process periodically and stress the implications and consequences of unauthorized remissions. 	Closed as implemented
8	<p>Issue a policy directive that establishes movement control teams as the focal point for the transportation movement request process in the field—responsible for coordinating, obtaining, and providing to Joint Movement Control Battalion/contracting officer’s representatives the mission status information and documentation for use in mission verification, invoice reconciliation, and fraud detection processes. To help implement these key controls, include, at a minimum, the following in the policy for movement control teams being the focal point:</p> <ol style="list-style-type: none"> a. Develop a process for customers to register for National Afghan Trucking services to include, at a minimum, the following procedures: <ul style="list-style-type: none"> • Verify customer DOD Activity Address Code. • Highlight key expectations of customers (e.g., ordering only the quantity of trucks required to meet their needs). • Signature block for acknowledgement of standards and expectations. b. Standardize and enforce the reporting of routine movement control team quality assurance/quality control inspections prior to required load date across the Combined Joint Operations Area–Afghanistan, and submit results to the Joint Movement Control Battalion contracting officer’s representatives for use in performance assessments. c. Direct that all movement control teams implement best practices for performance monitoring and transportation operation effectiveness by: <ul style="list-style-type: none"> • Beginning to actively track vehicles that have pinged at the Geo-Fence and have required load/required delivery dates within a certain date range. • Gaining access to all yard status reports for which a NAT truck may enter. • Proactively informing customers on truck availability for upload/download using this data. d. Require customers to submit transportation movement requests to the movement control teams upon upload at origin and download at destination. Upon receipt, direct movement control teams to review the submitted transportation movement requests for accuracy and completeness and forward required documents to the NAT Cell. If not received by Joint Movement Control Battalion, establish a follow-up process to occur on a routine basis. 	Closed as implemented

	e. As part of the accountability system referenced in Recommendation 13, establish a follow-up system for abuse of cancelling trucks; require movement control teams to maintain a log of cancelled missions for monthly reporting to the Joint Movement Control Battalion, and a Joint Movement Control Battalion-level monthly reporting and analysis procedure to enforce the policy.	
9	Require Joint Movement Control Battalion to obtain and use movement control team/customer-provided documentation as the basis to record mission-closeout status and reconcile contractor invoices for National Afghan Trucking missions. Also direct that contractor-provided mission sheets should only be used to identify potential fraud during the reconciliation of contractor invoices by comparing the two documents.	Closed as implemented
10	Adopt DOD standards for fuel loss thresholds for all types of fuel to improve fuel accountability (i.e., only allow 0.5 percent fuel loss for aviation fuel before contractors are liable for missing fuel) and work with the contracting officers to incorporate the standards as part of the contract's criteria for measuring fuel loss throughout Afghanistan.	Closed as implemented
11	Direct Joint Movement Control Battalion to establish and disseminate a strategy for banning participation of National Afghan Trucking fuel tanker drivers via biometric and identity detection systems to all movement control teams and class III managers. When fuel missions are missing quantities greater than established criteria in at least these situations, make a decision on taking banning actions: <ul style="list-style-type: none"> • On drivers involved in missions using a Tazkera number as documented on the transportation movement request and in-gating documents at the destination. • If there is a trend of behavior where a driver switch occurs between the upload and download sites. • On drivers when the mission ends in a "no show." 	Closed as implemented
12	To reduce the likelihood of future fuel pilferage, enhance transportation mission policy to: <ul style="list-style-type: none"> • Require uploaded fuel tankers to remain on base within a secure holding area until joining an escorted convoy. Also, require truck drivers to leave base until convoys are ready to proceed. • Allow fuel tankers to enter the destination without sitting in the cooling yard for 24 hours when a military convoy maintains positive control. Leaving fuel tankers outside a base's military control increases the chance of pilferage. 	Closed as implemented
13	Direct the Joint Movement Control Battalion to develop an accountability system (elevation of the issue to senior leadership) for customers that abuse the cancelling of trucks after the truck reaches the required spot date.	Closed as implemented

14	<p>To improve fuel invoicing processes within the Joint Movement Control Battalion:</p> <ul style="list-style-type: none"> • Require contractors to prepare monthly invoices for submission to Joint Movement Control Battalion for reconciling and acceptance and stop the practice of preparing “pre-invoices.” • Require contracting officer’s representatives to review invoices submitted by contractors. • Separate Wide Area Workflow input procedures as separate transactions. Specifically: <ul style="list-style-type: none"> ○ Contractors’ input invoice. ○ Contracting officer’s representatives’ input receiving report (Defense Department Forms 250). ○ Procuring contracting officers’ approval of contractor’s request for payment. 	Closed as implemented
15	<p>To improve dry, heavy, and fuel invoicing processes, require the Joint Movement Control Battalion to:</p> <ul style="list-style-type: none"> • Instruct contractors to submit invoices for payment prior to government verification of invoice content. Until contractors submit fully acceptable invoices, consider assisting them by providing examples of correctly prepared invoices and feedback on their payment submissions. • Enforce the requirement for contractors to submit the daily open transportation movement request status report and require contracting officer’s representatives to utilize the report in the invoice reconciliation process. Also, enforce the submission of mission sheets within the billing cycle for which the mission was performed—except where disagreements occur between the United States and contractors on mission status; and additional documentation is required to justify payment. • Validate mission status by conducting routine reviews of in-transit visibility information to detect and investigate instances of fraudulent missions if customer-provided documents aren’t available. 	Closed as implemented
16	<p>To ensure internal quality of Joint Movement Control Battalion operations, update internal procedures to institute these oversight tests:</p> <ol style="list-style-type: none"> a. Develop the use of a checklist to perform random checks of mission payments and supporting documentation to ensure quality of the internal process controls and procedures and to ensure compliance with contract terms. b. Designate a rotating roster of internal personnel that verify the completion of checklist requirements. c. Require the checklist to be signed and forwarded to Joint Movement Control Battalion’s contracting officer’s representatives’ cell officer in charge. d. Require the reporting of oversight results in monthly status updates to the CONTRACTING OFFICER, Joint Sustainment Command–Afghanistan, and/or U.S. Forces–Afghanistan leadership. e. Require the Joint Movement Control Battalion to: <ul style="list-style-type: none"> • Utilize the invoice roll-up report to prevent duplicate payment of transportation movement requests and include in internal quality control procedures. 	Closed as implemented

- Create a master file of transportation movement request records containing both active and archived transportation movement requests from the Global Database Management System, and keep these records updated as changes occur to mission status.

17	Direct contracting officer’s representatives to document and request contractors to submit any missing deliverables as required in the performance work statement and report contractor compliance during monthly status briefings to senior contracting officials.	Closed as implemented
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Source: USAAA

Audit of Bulk Fuel Accountability in Afghanistan –Phase II, AAA-2012-0146-MTE, September 27, 2012

USAAA reported that certain controls over fuel storage and distribution were not known or working as intended based on its review of 14 fuel points at 9 locations in Regional Commands South, Southwest, and West. USAAA found that unit and command personnel were unsure or unaware of specific fuel accountability requirements, including the reimbursement process, and the requirements for independent verification and validation of fuel transfers by a military or government representative. As a result, USAAA noted that accountability controls were diminished and the risk for fuel theft increased. However, USAAA verified that procedures were in place and operating for calibrating fuel meters and performing quality checks. Table 8 lists the report’s recommendations and their closure and implementation statuses.

Table 8 - AAA-2012-0146-MTE Recommendations

	Recommendation	Status
1	To monitor implementation of reimbursement procedures, include a monthly agenda item during U.S. Central Command’s weekly Joint Fuel Allocation Board meeting to assess the progress for submitting monthly Defense Department Form 1898 and Department of the Army Form 2765-1 (Request for Issue or Turn-In) consolidated reimbursement memorandums. At a minimum, discussion should highlight the progress of implementing the procedures to process required forms and identify those sites throughout Afghanistan needing assistance from higher commands—thus allowing Army Leadership to identify trends and perform analysis to improve reporting procedures and compliance with policies to submit reimbursement documents.	Closed as implemented
2	Until Recommendation 4 is complete and published by U.S. Army Central, distribute a fragmentary order Afghanistan-wide to disseminate the policy requirements for completing required fuel accountability and financial reimbursement documents.	Closed as implemented
3	Include a requirement for government oversight during fuel downloads in Department of the Army Form 3857 (Commercial Deliveries of Bulk Petroleum Products Checklist). Specifically, require the government official to validate download quantity by verifying beginning and ending meter readings and annotate approval via signature on the receiving document, Defense Department Form 250 (Material Inspection and Receiving Report). For example, from the current Department of the Army Form 3857 wording, revise the wording to include this <u>including a military or government representative</u> text in the following blocks on the form: <ol style="list-style-type: none"> 3a. Are receiving personnel, <u>including a military or government representative</u>, and the driver of the delivery conveyance standing by? 4c. Has the driver delivery ticket been <u>validated and</u> signed <u>by a military or government representative</u> and the government’s copy retained for appropriate records? 	Closed as implemented

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| <p>4 Develop a checklist to complement required monthly procedures already mentioned in U.S. Army Central memorandum, Petroleum Accountability and Reporting Procedures, dated November 2010. The checklist should include references to forms and distribution and routing requirements; specifically, Department of the Army Form 3643 (Daily Issues of Petroleum Products), Department of the Army Form 3644 (Monthly Abstract of Issues of Petroleum Products and Operating Supplies), Defense Department Form 1898 (Energy Sale Slip), DA Form 2765-1 (Request for Issue or Turn-in), and Department of the Army Form 4702-R (Monthly Bulk Petroleum Accounting Summary). Include this checklist as an enclosure to the U.S. Army Central policy memorandum currently being revised and direct Army units to implement the requirements of the checklist immediately for all fuel issued in FY 12 going forward.</p> | <p>Closed as implemented</p> |
| <p>5 Include a requirement to follow and use Department of the Army Form 3857 (Commercial Deliveries of Bulk Petroleum Products Checklist) in the revision to the U.S. Army Central memorandum, Petroleum Accountability and Reporting Procedures, as mentioned in Recommendation 4.</p> | <p>Closed as implemented</p> |

Source: USAAA

Audit of Bulk Fuel Accountability in Afghanistan—Phase 1, A-2012-0081-MTE, March 30, 2012

USAAA reported that fuel accountability processes for bulk fuel storage and distribution operations did not operate as intended in its review of 21 fuel points at 12 fuel site locations within Regional Commands East and North. USAAA found that fuel measurement procedures were inconsistent, fuel meters were not calibrated annually as required, fuel shipments were not accepted with the appropriate forms or validated, and contractors’ invoices were not reconciled. Additionally, USAAA found that the contract under which certain fuel points were operated did not have references to measurement guidance procedures that the contractor should have used to maintain accountability. Table 9 lists the report’s recommendations and their closure and implementation statuses.

Table 9 - AAA-2012-0081-MTE Recommendations

Recommendation	Status
<p>1 To make sure Army fuel in Afghanistan is measured in a uniform and consistent manner, collaborate to develop and issue explicit and authoritative fuel accountability policy and implementing instructions that contain at a minimum the following criteria:</p> <ul style="list-style-type: none"> • Use the string-and-level method to measure Army fuel inventories in collapsible bags. • Measure fuel inventories on a daily basis at a routine time every day. • While performing fuel measurement, record the fuel’s temperature and American Petroleum Institute readings to achieve volume correction policies to 60 degrees Fahrenheit. • Record and report daily fuel measurement data for all fuel containers to the respective Class III fuel manager. 	<p>Closed as implemented</p>
<p>In addition, to institutionalize and reinforce these fuel accountability policies and procedures, implement in the Brigade Support Battalion and Sustainment Brigade command structure and higher, a set of fuel accountability metrics requiring standardized data elements for reporting of quantitative information and analysis of desired actions or results. At a minimum, implement the following metrics into the process by requiring:</p>	

- Brigade Support Battalion Class III senior fuel personnel and/or responsible SB personnel to perform site assistance visits to supported forward operating bases and command outposts (with a concentration on sites staffed by personnel not formally trained to handle and account for fuel). Make each level's senior fuel personnel responsible for reporting the number of bases and outposts visited during the month/quarter and report significant findings/ corrective actions initiated.
- Brigade Support Battalion Class III senior fuel personnel and/or responsible SB personnel to perform analysis of daily Logistics Status reports for indicators of not following policies for daily measurement, using proper techniques, and taking temperature or American Petroleum Institute readings. Make each level's senior fuel personnel responsible for sending significant findings and questions back to supported bases and outposts and reporting up the chain of command corrective actions made and how fuel accountability data was now more reliable.
- Brigade Support Battalion senior fuel personnel to analyze the number of gains/losses, the number of investigations initiated/completed since the last report, and be responsible to review/report on investigation outcomes and effect on accountability.
- Brigade Support Battalion senior fuel personnel to report results of physical inventory events prior to unit changeovers. To implement, require senior fuel personnel to visit units 2 weeks prior to unit's departure, conduct a full fuel accountability inventory, and initiate/finalize any investigations prior to unit leaving theater. Reporting requirements would tell how many unit inventories were performed, results of inventories, and how many were scheduled in the next reporting period.

<p>2 Direct all regional commands to:</p> <ul style="list-style-type: none"> • Canvas the Afghanistan theater's fuel points (bulk, retail, and aviation) to make sure fuel personnel have the necessary equipment to perform required fuel accountability tasks. • Order and provide required fuel accountability equipment to Army fuel points that don't have sufficient or appropriate equipment. 	<p>Closed as implemented</p>
<p>3 Make sure Soldiers performing the fuel mission possess the knowledge and skills capable to implement the Army's fuel accountability practices and procedures in a contingency environment. Develop a contingency-specific fuel operator's knowledge portal to offer fuel accountability resources such as:</p> <ul style="list-style-type: none"> • Links to all Department of the Army and theater-specific guidance. • Authoritative training materials. • Template standard operating procedures for fuel points to implement uniform and consistent fuel accountability techniques. • Potential fraud schemes used to pilfer fuel. • Fuel meter sustainment program information and official points of contact. 	<p>Closed as implemented</p>

<p>4 Adhere to DOD’s standardized acquisition practices for accepting goods and services and incorporate into the Host Nation Trucking contract’s standard operating procedure the following policies on the current and all future contracts:</p> <ul style="list-style-type: none"> • Use Defense Department Form 250 to receive Army fuel shipments in Afghanistan. • Require the Movement Control Battalion or designated activity that reconciles fuel shipments to obtain a Defense Department Form 250 from the authorized government official who received and accepted the fuel delivery at the receiving location’s fuel point. • Until the Defense Department Form 250 process is fully implemented, require the government accepting officials to submit the Fuel Receiving Report to the Movement Control Battalion for recordkeeping, shipment validations, potential investigations, and invoice reconciliation. • Require the same procedure (use of Defense Department Form 250) for shipment and receipt of dry goods if a similar process isn’t currently used. 	<p>Closed as implemented</p>
<p>5 Coordinate with the U.S. Army Test, Measurement, and Diagnostic Equipment Activity to establish a fuel meter sustainment program for maintenance and calibration of Army fuel meters throughout Afghanistan. If feasible, leverage the current Defense Logistics Agency contract for fuel meter maintenance and calibration services by either:</p> <ul style="list-style-type: none"> • Working with Defense Logistics Agency personnel to determine if the universe of Army meters at fuel points receiving fuel directly from the Defense Energy Support Center capitalized fuel points (or any portion thereof) can be combined with the Agency’s universe of fuel meters. Using this universe, establish a mutually beneficial services contract for maintenance and calibration of fuel meters. • Taking advantage of the Defense Logistics Agency contract’s solicitation, scope of work/performance work statement, and full-and-open competition source selection evaluation criteria/plan to establish (in an expedited manner) a comprehensive Army sustainment program contract meeting the Army’s needs for a contingency environment. Include in the contract’s scope all fuel meters not covered under any mutually beneficial strategy created with the Defense Logistics Agency and its universe of fuel meters. 	<p>Closed as implemented</p>
<p>6 In conjunction with Recommendation 1 to develop explicit fuel accountability guidance and implementing instructions for Afghanistan, U.S. Forces–Afghanistan and Army Central Command should work with U. S. Army Contracting Command–Rock Island to incorporate the measurement methods outlined in Army Technical Bulletin 10-5430-253-13 into the LOGCAP contract.</p> <p>Specifically:</p> <ul style="list-style-type: none"> • Update the performance work statement for bulk and retail fuel operations (Parts 5.16 and 6.05) to include references to the procedures outlined in Section 3 of the technical bulletin. • Instruct the Logistics Civil Augmentation Program IV contractors operating fuel points in Afghanistan to incorporate the technical bulletin’s measurement methodology into the list of references found in their internal operating procedures and at a minimum the detailed steps outlined in Slide 26 into their directions for daily fuel measurement practices. 	<p>Closed as implemented</p>

Source: USAAA

APPENDIX III - SIGAR INVESTIGATIVE CASES RELATED TO FUEL THEFT

SIGAR has conducted 70 criminal investigations related to fuel theft in Afghanistan for which the significant investigative case work had been completed. SIGAR conducted many of these investigations in partnership with other U.S. agencies, specifically the International Contract Corruption Task Force, the U.S. Army Criminal Investigation Command, the Defense Criminal Investigative Service, and the Department of State, and the Afghan government's Office of the Attorney General and the Afghan National Police.

As of December 2017, these 70 investigations had resulted in almost \$32 million in fines, restitutions, and forfeitures, and \$28.5 million in recoveries and savings. Additionally, the investigations led to 40 convictions that included sentences totaling more than 115 years in prison and 53 years of probation. The investigations also resulted in authorities barring 176 individuals from military installations. Nine of the 70 investigative cases have each resulted in more than \$500,000 in either savings and recoveries or fines, restitutions, and forfeitures. Summaries of these nine cases are below.

Three Soldiers Conspired to Facilitate the Theft of \$765,000 Worth of Jet Fuel

In an investigation of fuel theft at Forward Operating Base Fenty in 2012, three members of the U.S. Army participated in a scheme with an Afghan trucking contractor to steal jet fuel. The U.S. military stockpiled fuel at the base for use both on the base and for transport to other forward operating bases. One of the service members was a petroleum operator responsible for transferring fuel from holding tanks to tanker trucks. In return for facilitating the theft of fuel, the service members were paid \$6,000 per 3,000-gallon truckload of jet fuel. The trucks were owned by an Afghan trucking contractor. When filling the trucks, the service members and their co-conspirators took steps to conceal their activities, including filling the trucks in clandestine locations and at times of day least likely to arouse suspicion. The co-conspirators created fraudulent transportation movement requests authorizing the transfer of fuel from the base to other military bases in the area, and gave the fraudulent documentation to the Afghan truck drivers. The drivers presented the documents at the secure departure checkpoint at the base to justify their departure with truckloads of fuel.

This scheme was reported to us through the SIGAR Fraud Hotline, and we, together with the Defense Criminal Investigative Service and others, initiated surveillance while the scheme was in operation. Investigators who were camouflaged at the tree line at Fenty filmed these conspirators stealing fuel.

Approximately 180,000 gallons of fuel were stolen from the base during the course of the conspiracy. Replacing the fuel cost the U.S. government approximately \$4.25 per gallon, resulting in a loss of \$765,000. According to documents seized from the conspirators during this investigation, fuel sold on the open market in Afghanistan for approximately \$11 per gallon at that time, resulting in a profit of approximately \$2 million to the Afghan conspirators. Because of the investigation, agents seized \$118,000, representing bribe payments to the military conspirators. Additionally, military officials at Fenty redesigned the transportation movement request form to reduce the risk of alteration or fabrication. The three U.S. service members were convicted for their roles in this fuel theft scheme. In total, the investigation resulted in \$340,000 in savings and recoveries, and more than \$1.9 million in fines, restitutions, and forfeitures.

SIGAR Testimony Contributed to the Conviction of a Corrupt Afghan Official Involved in Fuel Theft

During a complex investigation initiated in 2012 with military and International Contract Corruption Task Force law enforcement officials, our investigators uncovered a fuel theft scheme targeting U.S. military installations at Camps Jordania and Marmal in Mazar-e Sharif. The investigation identified various methods an influential Afghan official, who provided and brokered fuel deliveries to the two camps, used to defraud the U.S.

government. The investigation led to more than \$1 million in contract cost savings and recovery of stolen government property.

The Afghan official and his associates commonly paid bribes to fuel depot personnel to overfill fuel trucks by up to 2,500 gallons during loading, allowing the trucks to leave with excess fuel. They also submitted forged or altered documents claiming that fuel was delivered to a local fuel depot and then charged the U.S. government for fuel that was never delivered. Additionally, the Afghan official paid bribes to fuel depot personnel to report that fuel was delivered when it had actually been stolen, thereby avoiding a \$75,000 contract penalty that the U.S. government charged for each unsuccessful fuel mission. During the investigation, the official paid bribes to a U.S. service member, one of our confidential informants, an undercover SIGAR special agent, and fuel depot personnel. The Afghan official was arrested after he paid a \$5,000 bribe to have four fuel tankers each loaded with 2,500 gallons more than authorized. The 10,000 gallons of U.S. government fuel were worth \$150,000.

Our investigators recovered the \$150,000 in stolen fuel and seized the four trucks worth \$180,000. They also facilitated \$825,000 in cost savings by identifying fraudulent documentation, recovered \$42,000 in bribes, and secured the permanent expulsion of the official and his four drivers from U.S. military installations. However, the official and those assisting him were not subject to U.S. jurisdiction or prosecution. In 2013, an Afghan court found the official guilty of theft and bribery, and sentenced him to 3 years in prison and a fine of \$84,000. The official's trial marked the first time one of our special agents testified in an Afghan courtroom. This testimony led to the official's sentence being increased from 2 to 3 years.

Fuel Theft Investigation Resulted in Identification of Security Weaknesses at a Forward Operating Base

Over a 2-year period while under contract to provide septic tank, laborer, laundry, water, and portable toilet services at Forward Operating Base Fenty in Jalalabad, an Afghan company loaded approximately 504,000 gallons of fuel, worth \$1,888,551. The company was authorized to draw 600 gallons of fuel per month for the approximately 40 vehicles used to provide services in the base. The company and its employees got 40 gallons of fuel per truck every other day from the base's fuel site, using fuel tanks intended only for transport purposes. Upon receiving the fuel, each truck would leave the base and proceed to the company's nearby logistics yard where the fuel was transferred for resale at a fuel station.

In 2016, as part of the investigation into the company, we developed a referral package to the Army Procurement Fraud Division within 100 days of the contracting officer detecting the fuel theft. This rapid response allowed the contracting officer and installation commander to take immediate steps to prevent further fuel loss and address the force protection issues associated with 40 or more vehicles leaving and reentering the base several times per week. Furthermore, because of our investigation, the Expeditionary Contracting Command–Afghanistan terminated all of the company's contracts at the base, valued at more than \$700,000, and awarded them to other contractors. The U.S. Army barred the company, its owner, and the 44 employees implicated in the theft of fuel from further contracts.

Fraudulent Fuel Cards Led to Almost \$1 Million in Losses

Our 2015 investigation identified the theft of U.S. government fuel at Kandahar Airfield by an Afghan company. We initiated the investigation when the U.S. Army Regional Support Group reported that an Afghan company was drawing fuel from the base's fuel depot under U.S. government contracts that did not allow access to fuel. The company had fraudulently obtained U.S. government fuel cards at the base by using letters of authorization from a contract it had at another base as credentials. Investigators found 10 improperly issued fuel cards in the company's office. Based on this investigation, the estimated potential loss to the U.S. government was more than \$800,000. The Defense Finance and Accounting Service completed the debt collection process with the Afghan company and recovered the entire amount.

Investigation of Shorted Fuel Deliveries Led to Recovery of \$20 Million

Our joint investigation with the International Contract Corruption Task Force into allegations of fuel theft at Kandahar Airfield led to the recovery of \$20 million for the U.S. government over allegations of over-billing for fuel purchased by the Defense Logistics Agency (DLA). The investigation found that delivery drivers for the contracted company routinely shorted deliveries to generators on the base and personally profited by selling the stolen fuel to other customers at various locations. The invoices the company submitted from February 2007 through April 2014 reflected delivery of the entire quantity of fuel ordered, which resulted in significant overcharges to DLA. The investigation led to nearly 50 people being banned from U.S. military bases in Afghanistan.

Because of inadequate record keeping, the potential loss to the U.S. government could not be calculated using the existing paperwork. Instead, the investigative team physically inspected the individual generators, determined the burn rate for each generator, and collected consumption data. The team used this analysis and other data to calculate the difference between the amount of fuel actually delivered and what the company charged. Our investigators then used this calculation as a basis for estimating the loss and recovering \$20 million for the U.S. government through a December 2014 settlement with the company. During the investigation, company officials worked with the investigative team and designed and implemented a new way of tracking fuel deliveries to help prevent future thefts by their drivers.

Investigation Resulted in Recovered Fuel and Avoided Charges Totaling More than \$600,000

In response to information received in 2013 from the General Support Contracting Command at Camp Phoenix in Kabul, we launched an investigation that confirmed a fuel theft scheme using fraudulent transportation movement requests. The fraudulent documents allowed Afghan truck drivers to load fuel from the fuel yard. The deliveries were never completed and the signatures on the delivery forms were forgeries. Because of the investigation, the command was able to bill the transport providers for the value of the fuel and deny the delivery charges. Recovered fuel costs and averted delivery charges totaled more than \$600,000.

Investigation into Fuel Theft Facilitated by Local Corruption Resulted in Annual Savings of More than \$2.6 Million

We conducted two joint investigations in 2012 and 2013 with U.S. Army personnel to identify and shut down a fuel theft scheme at Forward Operating Base Salerno. We were brought into the investigation when the base commander requested help in disrupting the scheme. The commander estimated that the U.S. government was losing almost 53,000 gallons of fuel a month to theft. Working together with base personnel, our investigators soon determined that Afghan fuel trucks arriving at the base fuel depot carried loads that were between 600 and 2,400 gallons short of the amount listed on their manifests.

During interviews, the drivers said they were contacted by an Afghan trucking company to obtain the fuel from DLA in Kabul. After the trucks were loaded, they returned to a fuel yard in Kabul to wait for an Afghan-escorted convoy to Salerno. After 2 or 3 days, the company contacted the drivers, and the convoy traveled to Gardez. Once there, the trucks were parked in a fuel yard for 2 days waiting for a new convoy to escort them to Salerno. Upon arriving at Salerno, the fuel trucks were staged at a fuel yard approximately 1,600 feet from the base's entrance because some of the drivers were banned from the base for previous misconduct. The trucking company replaced them with locally hired drivers to bring the fuel trucks onto the base. Once on the base, the fuel trucks were placed in the cool-down yard for 24 hours. The drivers left the base and returned the next day to unload the fuel at one of the fuel sites. At some point during this process, the drivers siphoned fuel out of the trucks and into their own storage containers to sell later to civilian fuel stations in the area. The orders to

steal the fuel and the locations authorized to purchase the stolen fuel were allegedly determined by the local police chief, the mayor, and the provincial governor, who all shared in the profits.

Surveillance of the fuel site showed that the U.S. soldiers responsible for completing the fuel transfer did not perform all the duties required by standard operating procedures. For example, the soldiers allowed the Afghan fuel truck drivers to break the seals on truck ports and hatches without first checking the seal numbers against documentation, and to attach pump hoses to the ports for unloading. Additionally, an officer was not present to oversee the opening, operation, or closing of the site. The drivers were observed on top of their trucks checking the fuel levels in each compartment, a duty the soldiers are supposed to perform.

The closing meter readings at the end of each shift were supposed to be used as the opening meter readings for the following shift, but it was discovered that some shifts were subtracting 1,000 or more gallons from their opening readings, thus allowing for the disappearance of fuel with no accountability. Although personnel at the sites did not detect any alterations or forgeries of the security seals and paperwork, our investigators and the Army Criminal Investigation Command found an office in the fuel yard just outside the base's entrance containing counterfeit documentation, fuel siphoning equipment, weapons, and ammunition. We did not find any evidence of criminal involvement by U.S. government personnel.

The successful investigation resulted in an estimated annual savings of more than \$2.6 million in fuel, the recovery of 1,000 gallons of fuel worth \$15,000, the arrest and subsequent conviction of seven Afghans, and the permanent removal of more than 80 Afghan truck drivers and associates from Forward Operating Base Salerno and other U.S. and coalition military bases in Afghanistan.

Four Service Members Bribed to Allow Theft of More than \$1.5 Million Worth of Fuel

In 2010, a new fuel accountability officer at Forward Operating Base Fenty reported that she was offered a bribe to participate in stealing fuel. The subsequent investigation was of a contract employee and four service members conspiring with Afghans to help steal fuel from the base in exchange for cash. The scheme resulted in the theft of approximately 90 truckloads of fuel worth more than \$1.5 million. The Afghans were subcontractors for an Afghan trucking company, which had a contract with the U.S. Army to provide fuel shipping services throughout Afghanistan. The four service members and a contract employee worked at Fenty, which served as a distribution hub for delivering fuel to other military bases. The service members oversaw the fuel distribution at the base, and a U.S. company provided staffing for the fueling station.

Fuel trucks, all driven by local Afghan drivers, arrived at the base every few days. The fuel was then distributed to 32 nearby bases, with the largest ones using up to 2 million gallons of fuel a week. The service members conspired with a representative of the trucking firm to request more fuel trucks than required for legitimate fuel needs. In exchange for cash payments of up to \$5,000 per truck of stolen fuel, they created fraudulent documents to authorize the transport of fuel from Forward Operating Base Fenty to other military bases, even though no fuel was required. After the trucks were filled with fuel, the drivers used the fraudulent documents to justify the trucks' departures. The fuel was stolen, and the co-conspirators received cash payments from a representative of the trucking company.

Agents from SIGAR, the Federal Bureau of Investigation, the U.S. Army Criminal Investigation Command, and the Defense Criminal Investigative Service executed search warrants at the homes of two of the service members in the United States. During the searches, the service members admitted to conspiring with an Afghan representative of the company to facilitate the fuel theft. In addition, they implicated another service member in the same scheme. One of the co-conspirators admitted to receiving cash payments of \$5,000 from an Afghan national for every 5,000-gallon truck containing stolen fuel he allowed to leave Forward Operating Base Fenty. During interviews with our agents and prosecutors, one service member admitted to receiving \$50,000 in bribes from Afghan contractors, another to receiving between \$60,000 and \$80,000 in bribes, and the other to receiving between \$80,000 and \$100,000 in bribes.

Three convictions resulted from the investigation of the fuel theft scheme. In May 2014, the trucking company entered into a civil settlement agreement whereby it is obliged to pay almost \$1.3 million to the U.S. government. Additionally, the investigation resulted in almost \$1.5 million in fines, restitutions, and forfeitures.

Army Sergeant Bribed to Create False Documentation that Facilitated Theft of \$10 Million Worth of Fuel

In 2013, a U.S. Army sergeant and co-conspirators engaged in a scheme to defraud the U.S. government by falsifying documentation to facilitate the theft of fuel from Kandahar Airfield and accepting kickbacks from an Afghan vendor. The overall loss to the U.S. government was estimated at \$10 million. The sergeant and his co-conspirators used fraudulent transportation movement requests to create fuel supply missions when none existed or had been requested. In total, they created false documentation for approximately 114 missions, each of which requested the movement of a tanker truck carrying 10,000 gallons of fuel. Along with co-conspirators, the sergeant then submitted the fraudulent documents to the prime contractor responsible for allocating the fuel supply missions. Each of the transportation movement requests was drafted in a manner that ensured that the prime contractor assigned the missions to a particular Afghan subcontractor, which was one of the co-conspirators. The subcontractor used the fraudulent documents to load the tanker trucks at Kandahar Airfield fuel distribution sites and, once escorted off the base, sell the stolen fuel on the black market.

In addition to creating fraudulent documentation, the sergeant falsely certified that the fuel supply missions were completed in response to legitimate military requirements. The sergeant submitted the fraudulent forms to the government to process payment to the subcontractor for the missions that never occurred. In exchange, the subcontractor paid bribes to the sergeant and co-conspirators. When the government payments were received, the co-conspirators divided the proceeds of both the fuel sales and the transportation contract payments among themselves. They sent some of the proceeds from the scheme to the United States via wire transfers and carried additional funds with them and in their luggage when they returned to the United States. Two of the co-conspirators hid some of the profits—amounting to nearly \$500,000—in two stereos. One of the individuals confessed to receiving between \$150,000 and \$180,000 dollars for his participation. The investigation resulted in four convictions and more than \$26.6 million in fines, restitutions, and forfeitures.

APPENDIX IV - COMMENTS FROM THE COMBINED SECURITY TRANSITION COMMAND–AFGHANISTAN

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DEPUTY CHIEF OF STAFF SECURITY ASSISTANCE
COMBINED SECURITY TRANSITION COMMAND – AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

Reply to
Attention of

DCOS SA/CSTC-A

13 March 2018

MEMORANDUM THRU United States Forces - Afghanistan DCDR-S (CJIC), APO, AE 09356

FOR United States Central Command (CCIG), MacDill Air Force Base, FL 33621

SUBJECT: CSTC-A Response Special Inspector General for Afghanistan Reconstruction, 18-XX, Evaluation Report (SIGAR-18-XX), Management and Oversight of Fuel in Afghanistan: DOD Is Taking Steps to Improve Accountability, but Additional Actions Are Needed, dated March 2018

1. (U) The purpose of this memorandum is to provide a response to the recommendations in SIGAR-18-XX, Evaluation Report dated March 2018.

2. (U) CSTC-A appreciates SIGAR's efforts to enhance accountability of U.S.-funded fuel procured for the ANDSF.

3. (U) Recommendations –

a. (U) *Evaluate and determine the feasibility of using remote monitoring methods or other technology-based solutions to provide visibility of fuel while in-transit, confirm fuel deliveries, and monitor fuel levels at ANDSF fuel storage locations.*

(U) CSTC-A Management Response – CSTC-A reviewed commercial bulk fuel remote monitoring technologies and agree that using remote monitoring devices/methods, to provide visibility of fuel inventory while in-transit, is feasible. CSTC-A is working with the Regional Contracting Center-Afghanistan (RCC-A) staff to develop remote monitoring requirements, for inclusion into the Enduring Fuel Contract. These requirements, when fully developed, will direct vendors to produce bids that include electronic In-Transit Visibility (ITV) capabilities (electronic metering of fuel being dispensed) on all delivery trucks. This technology will provide an almost real time visibility of fuel delivery, as well as, produce a digital record (date-time stamps/location) of exactly how much fuel was dispensed from a fuel truck. CSTC-A believes the current contract addresses the fuel accountability challenges noted in this and other audit reports by holding the contractor responsible for fuel accountability from initial acquisition of fuel until final delivery. CSTC-A believes the current contract provides an effective bridging strategy until implementation of the Enduring Fuel Contract.

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b. (U) Include detailed anti-corruption and oversight requirements in future contracts to supply fuel to the ANDSF.

(U) CSTC-A Management Response – Detailed anti-corruption and oversight requirements are included in the current RCC-A contracts W91B4N-17-D-0006 and W91B4N-17-D-0013 and will be included in all future contracts.

c. (U) Enforce commitment letter agreements that require the MOD and the MOI to regularly submit fuel consumption data to CSTC-A.

(U) CSTC-A Management Response – The Bilateral Commitment Letter (Commitment Letters) identifies the conditions under which CSTC-A will provide funding to GIRoA and serves as GIRoA's acknowledgement of those conditions. The Commitment Letter serves as a bilateral agreement and is not intended to bind either party under international law; however, CG, CSTC-A uses conditionality to establish the condition(s) the Afghan government must meet in order to execute funding in support of defense and security requirements; influence effective leadership and institutional behavior through the conditions based provisions of funds and resources; build capacity-promote effective and efficient sustainable operations; promote transparency, accountability and reduce opportunity for corruption; and assure the US taxpayers and donor nations of their investment in Afghanistan. During monthly MoD Executive Steering Committee meetings and MoI Executive Oversight Committee meetings, CSTC-A Operational Sustainment Advisors use the conditions and penalties, outlined in the Commitment Letters to motivate MoD and MoI personnel to enforce corps and below fuel consumption reporting. Since July 2017, the MoD has significantly improved in their reporting of fuel consumption, going from an average of zero corps reporting consumption in May 2017 to all seven (7) required corps submitting reports in October and November 2017 and only two (2) corps not submitting reports in January 2018. The MoI has consistently submitted fuel consumption reports on a regular basis. CG, CSTC-A host monthly Commitment Letter meetings to assess the effectiveness of the conditions and penalties and to ensure conditions and penalties influence MoD and MoI leadership to focus on stated priorities and strategic goals without impacting ANDSF combat readiness. Penalty enforcement is a CG, CSTC-A decision.

d. (U) Evaluate and determine the feasibility of expanding the training on fuel quality testing methods and fuel handling procedures to ANDSF fuel personnel below the corps level.

(U) CSTC-A Management Response –CSTC-A's evaluation of the feasibility of expanding the training on fuel quality testing methods and fuel handling procedures to ANDSF fuel personnel below the corps level is positive but incongruent with CSTC-A's Train, Advise, and Assist (TAA) Ministerial development of the MoD and MoI. The primary mission of CSTC-A's Operational

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Sustainment Branch is to institutionalize structured Logistics, Medical, and Information & Communication Technology (ICT) systems; thereby, growing and sustaining operational capability within the ANDSF. CSTC-A's Operational Sustainment Branch deploys Directorate of Logistic Advisory Fuel Teams to assist the Train Advise Assist Commands (TAACs)/Task Forces (TFs) provide fuel handling education/training (testing, accountability, consumption reporting, and safety) to the corps level fuel handlers. CSTC-A's Operational Sustainment staff assist the GSG4 Fuel staff build fuel quality testing and fuel handling capacity by participating in MoD petroleum product oversight/management policy working groups. CSTC-A Operational Sustainment staff also assist the ANA staff develop an organic fuel handlers training base at the MoD Combat Service Support (CSS) School in Kabul, Afghanistan. Since July 2017, CSTC-A has engaged in a deliberate effort to review the Program of Instruction (POI) for the fuel handlers course and validate the qualifications of the instructors. CSTC-A's assessment is that the CSS school is fully capable of providing quality instructions to ANDSF fuel personnel and should be the institution that trains fuel handler personnel below corps level. During the next 12 months, CSTC-A's Operational Sustainment staff will focus its TAA efforts on assisting the GSG4 Fuel staff fully utilize the expertise at the CSS school to update and implement an effective and holistic supply chain management program. CSTC-A ICW RCC-A developed and issued a 3rd Party Fuel Contract (W91B4N-17-C-2005) that provides independent quality assurance testing of petroleum products delivered to the ANDSF. This bridging strategy will allow the ANDSF time to train and deploy competent fuel handlers below corps level.

f. (U) Coordinate with the MOD and the MOI to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites.

(U) CSTC-A Management Response – Coordination with the MoD and MoI leadership to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites is ongoing. One of the overarching objectives of the 3rd Party Fuel Contract (W91B4N-17-C-2005) is "survey of MoD and MoI sites to determine/verify fuel storage and handling capabilities. Since implementation of the contract, 208 of the 471 ANDSF fuel sites have been inspected and the contractor anticipates completion of the remaining sites before end of calendar year 2018. During Fuel Working Group meetings, the CSTC-A Operational Sustainment Advisors provide site survey results to the MoD and MoI staff and discuss tools the MoD and MoI staff can utilize to track fuel storage infrastructure and equipment deficiencies, as well as, assist the MoD and MoI staff develop plans to remediate the deficiencies. CSTC-A Operational Sustainment Advisors also conducts TAA engagements with the Ministry of Defense (MINDEF) and Ministry of Interior (MININT) to promulgate policies that will enable Corps and Zone Commanders to spend up to 400,000 Af\$ monthly to meet Corps/Zone discretionary requirements. CSTC-A Operational Sustainment Advisors encourages the MoD and MoI staff to allocate a portion of the discretionary money to address facility improvement at the Corps fuel sites. CSTC-A will continue to use

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site survey reports, generated by 3rd Party Fuel Contract, to influence the MoD and MoD actions.

g. (U) Coordinate with the MOD and the MOI to develop a plan to enhance accountability and oversight of fuel after it is delivered to ANDSF fuel sites.

(U) CSTC-A Management Response – CSTC-A will continue to use existing logistic contracts to deliver petroleum, oil and lubricant products to MoD and MoI training and operational sites; however, CSTC-A's ultimate goal is to move fuel procurement back to an on-budget mechanism. CSTC-A Operational Sustainment Advisors will continue to emphasize logistical planning and execution during MoD and MoI TAA engagements, as well as, assist the MoD and MoI develop a systematic ability to effectively solicit and manage contracts. Additionally, CG, CSTC-A will continue to use the 1397/1398 Commitment Letters (Class III Bulk Fuel Site Assessment and Fuel Consumption Reporting) conditions and penalties to influence our Afghan partners to develop a holistic fuel management program that mandates tough but achievable fuel accountability and oversight procedures.

4. (U) CSTC-A strongly recommend the SIGAR 18-XX Evaluation Report (Recommendations) be considered resolved and closed.

5. (U) The point of contact for this action is Mr. Billy Elbert, DSN 318-449-9935, billy.d.elbert.civ@mail.mil.

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APPENDIX V - ACKNOWLEDGMENTS

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under project code SIGAR-122A.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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