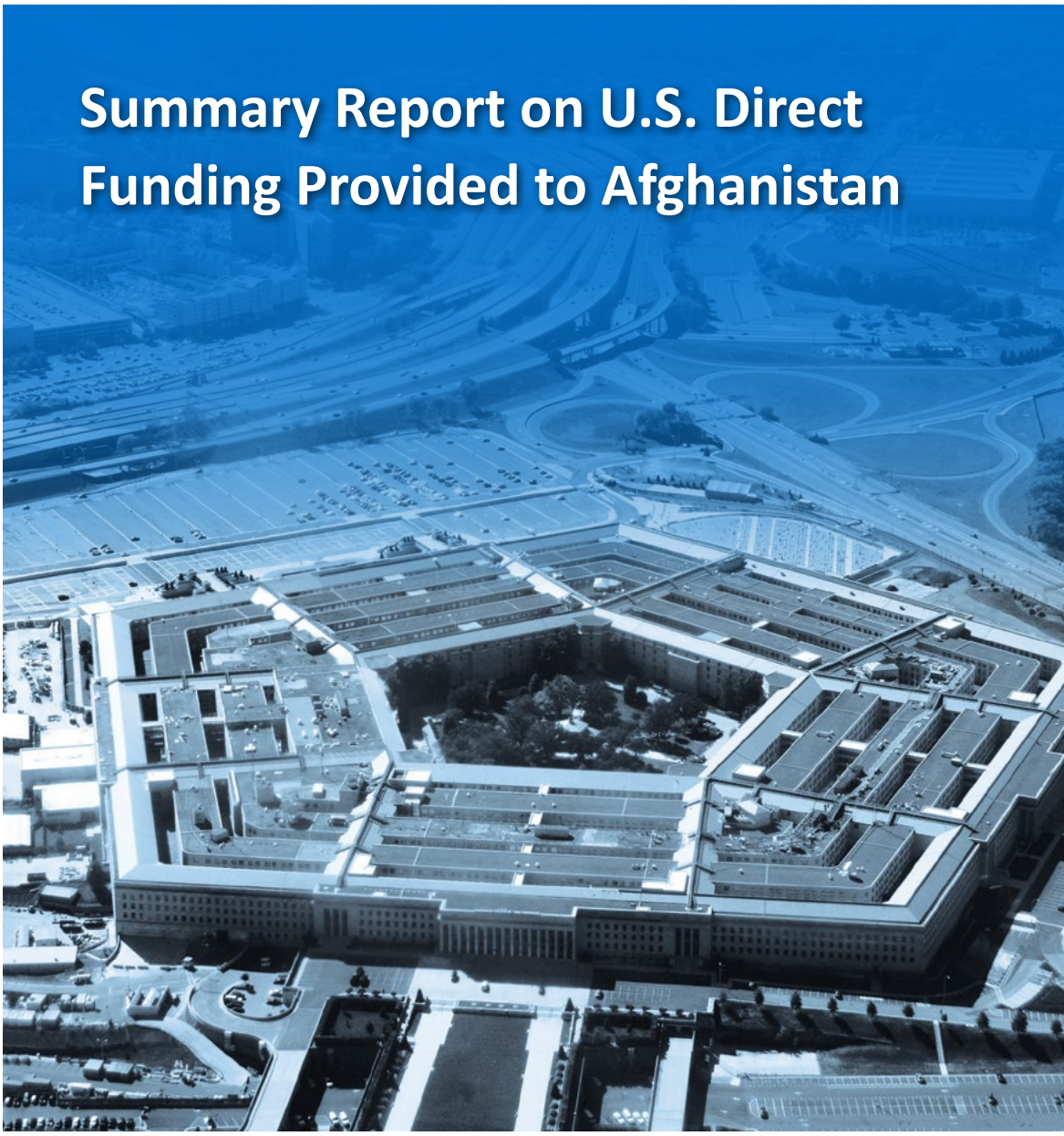
Report No. DODIG-2018-090

INSPECTOR GENERAL

U.S. Department of Defense

MARCH 21, 2018

Summary Report on U.S. Direct Funding Provided to Afghanistan



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Results in Brief

Summary Report on U.S. Direct Funding Provided to Afghanistan

March 21, 2018

Objective

We summarized the systemic challenges associated with the Combined Security Transition Command-Afghanistan's (CSTC-A's) oversight of U.S direct funding provided to the Government of the Islamic Republic of Afghanistan identified in seven previous DoD Office of Inspector General (OIG) oversight reports.

In addition, we determined whether DoD officials implemented the recommendations from the seven prior DoD OIG reports on CSTC-A management and oversight of U.S. direct funding provided to Government of the Islamic Republic of Afghanistan.

Background

In a February 2011 memorandum, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, authorized CSTC-A to provide Afghanistan Security Forces Fund resources directly to the Afghan Ministry of Defense (MoD) and Ministry of Interior (MoI) in order to sustain the Afghanistan National Defense and Security Forces (ANDSF). The goal of Afghanistan Security Forces Fund support is to develop ministerial capability and capacity in the areas of budget development and execution, acquisition planning, and procurement.

CSTC-A is the DoD command that directs U.S. efforts to train, advise, and assist the ANDSF. As part of its mission, CSTC-A officials help the MoD and MoI establish the ability to independently develop,

Background (cont'd)

validate, and justify their annual budgets, including the use of Afghanistan Security Forces Fund direct funding. CSTC-A and the Afghan ministries enter into annual agreements known as the Bilateral Financial Commitment Letters. In the commitment letters, CSTC-A commits to funding specified portions of each ministry's budget, and each ministry commits to stated conditions and provisions to ensure continued funding. CSTC-A officials develop separate commitment letters with the MoD and MoI to establish the parties' responsibilities and to enhance the transparency and accountability of the Afghanistan Security Forces Fund.

Since 2015, the DoD OIG has issued seven reports related to CSTC-A management and oversight of U.S. direct funding provided to the MoD and MoI. In these seven reports, the DoD OIG made 41 recommendations to address weaknesses in management and oversight of the U.S. direct funding provided to the MoD and MoI. Of the 41 recommendations, 35 recommendations are considered resolved and closed, and 6 recommendations are considered resolved but remain open until we verify that the proposed corrective actions are completed.

Finding

As discussed in the previous reports, CSTC-A officials did not effectively manage and oversee U.S. direct funding provided to the MoD and MoI. CSTC-A management and oversight of U.S. direct funding is intended to increase ANDSF effectiveness and capabilities so the ANDSF can become more professional and increasingly self-sustaining. The DoD OIG's seven reports identified systemic challenges related to CSTC-A officials' management and oversight of the U.S. direct funding provided to the MoD and MoI to obtain and maintain items such as fuel, ammunition, vehicles, and other commodities. These systemic challenges occurred because CSTC-A officials did not consistently:

- establish realistic and achievable conditions for the ministries within the commitment letters, and

Results in Brief

Summary Report on U.S. Direct Funding Provided to Afghanistan

Finding (cont'd)

- enforce noncompliance penalties included in the commitment letters due to potential impacts on the ANDSF's operation readiness.

In addition, CSTC-A officials stated that they could not oversee all Bilateral Financial Commitment Letter requirements because of inadequate staffing and security concerns.

As a result, CSTC-A officials did not have assurance that $3.1 billion in U.S. direct funding was used entirely for the intended purposes. In addition, because CSTC-A officials did not adequately assist in the development of the ministries' self-sufficiency, the ministries continue to rely upon CSTC-A to develop future needs for commodities, such as fuel and ammunition.

Recommendations

We recommend that the Under Secretary of Defense for Policy evaluate whether using Bilateral Financial Commitment Letters is the most effective method to manage and oversee the administering and expending of U.S. direct funding to the MoD and MoI.

If the non-binding Bilateral Financial Commitment Letter process is determined not to be the most effective method, we recommend that the Under Secretary of Defense for Policy identify and implement a more effective method.

When establishing the most effective method, we recommend that the Under Secretary of Defense for Policy incorporate more realistic and achievable terms and conditions for the MoD and MoI to accomplish and show incremental improvement, and develop a formal documented process for assessing penalties against the MoD and MoI for repeated violations of agreed upon conditions.

Management Comments and Our Response

The Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia), responding for the Under Secretary of Defense for Policy, agreed with the recommendation. Specifically, the Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia) stated that the Office of the Under Secretary of Defense for Policy will work with the Combined Security Transition Command-Afghanistan and other appropriate organizations to review and evaluate whether using bilateral financial commitment letters is the most effective method to manage and oversee the administration and expenditure of U.S. direct funding to the Afghan Ministry of Defense and Ministry of Interior. If the Office of the Under Secretary of Defense for Policy determines that the non-binding commitment letter process is not the most effective method, then the Office of the Under Secretary of Defense for Policy will work with the Combined Security Transition Command-Afghanistan to identify and implement a more effective approach.

The Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia) addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Under Secretary of Defense for Policy has made a determination on whether using bilateral financial commitment letters is the most effective method to manage and oversee the administration and expenditure of U.S. direct funding to the Afghan Ministry of Defense and Ministry of Interior.

Please see the Recommendations Table on the next page for the status of the recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Under Secretary of Defense for Policy	None	Yes	None

The following categories are used to describe agency management's comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.


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March 21, 2018

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE FOR POLICY
COMMANDER, U.S. CENTRAL COMMAND
COMMANDER, U.S. FORCES-AFGHANISTAN
COMMANDER, COMBINED SECURITY TRANSITION COMMAND-AFGHANISTAN

SUBJECT: Summary Report on U.S. Direct Funding Provided to Afghanistan (Report No. DODIG-2018-090)

We are providing this report for your information and use. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Under Secretary of Defense for Policy conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

Michael J. Roark
Assistant Inspector General
Readiness and Global Operations

Contents

Introduction

Objective

Our objective was to summarize the systemic challenges associated with the Combined Security Transition Command-Afghanistan's (CSTC-A's) oversight of U.S. direct funding provided to the Government of the Islamic Republic of Afghanistan (GIRoA) identified in previous DoD Office of Inspector General (OIG) oversight reports. In addition, we determined whether DoD officials implemented recommendations from a series of seven prior DoD OIG reports on CSTC-A management and oversight of U.S. direct funding provided to GIRoA. We reviewed DoD OIG reports issued between February 26, 2015, and September 22, 2017.

This is the final report in a series of DoD OIG audits and evaluations of controls over U.S. direct funding provided to GIRoA in support of the Afghan National Defense and Security Forces (ANDSF).[1] We initiated this series to comply with the requirements of a congressional committee report on the FY 2015 National Defense Authorization Act, directing the DoD OIG to conduct comprehensive assessments of the financial management capacity and risks within the GIRoA Ministries of Defense (MoD) and the Interior (MoI).[2] See Appendix A for our scope and methodology and Appendix B for prior coverage.

Background

In a February 2011 memorandum, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, authorized CSTC-A to provide Afghanistan Security Forces Fund (ASFF) resources and oversee ASFF contributions given directly to the MoD and MoI to sustain the ANDSF.[3] The goal of ASFF support is to develop ministerial capability and capacity in the areas of budget development and execution, acquisition planning, and procurement. ASFF funds may be used for equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction.

On January 1, 2015, the North Atlantic Treaty Organization began the Resolute Support mission to train, advise, and assist GIRoA at the ministerial, institutional, and operational levels to develop a strong, stable Afghanistan. Resolute Support

[1] The Afghan National Defense and Security Forces is the Afghan government's preferred designation for the overall security forces, including the Afghan National Army and the Afghan National Police. The U.S. Government now uses this term instead of the previously used Afghan National Security Forces.

[2] Report of the Committee on Armed Services, House of Representatives, on H.R. 4435, "Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015," Report No. 113-446, May 13, 2014.

[3] Under Secretary of Defense (Comptroller) Policy Memorandum, "Interim Guidance on Afghanistan Security Forces Fund Contributions to the Government of the Islamic Republic of Afghanistan," February 4, 2011.

shifted the emphasis from combat advising to an advising approach organized into eight key areas, called essential functions, which provide the framework and guidelines to achieve Afghan sustainability. Specifically, the emphasis of the Resolute Support mission is to improve the capacity of the MoD and MoI to execute functions such as planning, programming, and budgeting processes; resource management; and procurement.

Roles and Responsibilities

Afghan MoD and MoI

The Afghan MoD and MoI are responsible for managing the Afghan National Army and the Afghan National Police, respectively, which comprise the ANDSF. The MoD and MoI are responsible for developing, validating, and justifying requirements for their annual budgets, including the use of ASFF funds. The ministries must also design and implement internal controls to ensure that U.S. direct funding is used as intended. The MoD and MoI are expected to build their capabilities to commit, obligate, and expend ASFF direct contributions and to develop and maintain sufficient supporting documentation.

Under Secretary of Defense for Policy

The Under Secretary of Defense for Policy provides oversight and accountability of the ASFF program, including funding of ANDSF requirements that are consistent with the U.S. objectives in Afghanistan. In addition, the Under Secretary of Defense for Policy is the Principal Staff Assistant to the Secretary of Defense for security cooperation.[4] This includes issuing strategic and resource planning guidance, leading DoD efforts with interagency and international partners, and serving as a co-chair of the Afghanistan Resources Oversight Council. In this capacity, the Under Secretary of Defense for Policy coordinates with the Chairman, Joint Chiefs of Staff, and relevant DoD Components, such as CSTC-A, on issues with operational implications.

CSTC-A

CSTC-A is the DoD command that directs U.S. efforts to train, advise, and assist the ANDSF by providing resources in support of ANDSF development. CSTC-A advisors work with Afghan components that perform the eight essential functions and collaborate with the ministries on budgeting processes, acquisition planning processes, procurement, financial management, and contract management and oversight. The U.S. provides direct funding through the ASFF to support the ANDSF.

[4] Security cooperation includes all DoD activities taken to encourage and enable international partners to work with the United States to achieve strategic objectives.

As part of its mission, CSTC-A officials help the Afghan MoD and MoI establish the capabilities and capacities to independently develop, validate, and justify their annual budgets, including the use of ASFF direct contributions. CSTC-A is also responsible for providing oversight and ensuring adequate fiscal controls are in place to safeguard ASFF direct funding provided to the Afghan ministries. In addition, as a part of its mission, CSTC-A must ensure that the ministries establish standard operating procedures and maintain adequate fiscal controls and auditable records to oversee U.S. direct funding. Table 1 shows U.S. direct funding provided to the MoD and MoI through the ASFF since FY 2014.

Table 1. U.S. Direct Funding to the Afghanistan Security Forces Fund (in Billions)

Fiscal Year	Funding
2014	$0.5
2015	1.2
2016	0.9
2017	0.5
Total	**$3.1**

Source: Office of the Under Secretary of Defense for Policy.

Bilateral Financial Commitment Letters for U.S. Direct Funding

CSTC-A and the Afghan MoD and MoI enter into an annual agreement known as the Bilateral Financial Commitment Letters (commitment letters). In the commitment letters, CSTC-A commits to funding specified portions of each ministry's budget, and each ministry commits to stated conditions and provisions to ensure continued funding. CSTC-A officials use the commitment letters to meet many goals, including oversight of U.S. direct funding to the MoD and MoI and help the ministries implement the necessary oversight and controls to safeguard any appropriated funds provided to GIRoA. CSTC-A officials develop a separate commitment letter with the MoD and MoI outlining the provisions and conditions each party must meet when using U.S. direct funding for its requirements. The commitment letters establish the responsibilities of all parties involved and help GIRoA implement managerial controls to enhance the transparency and accountability of ASFF resources. However, the terms outlined in the commitment letter are not legally binding.

The commitment letters require the Afghan ministries to commit to following conditions established to ensure accountability and proper use of funds, and to provide full transparency and accountability of all transactions involving U.S. direct funding. If the ministries do not meet the conditions outlined in the commitment letters, CSTC-A has the option to assess a penalty, such as withholding or withdrawing funds as deemed appropriate based on the severity of the issue.

DoD OIG U.S. Direct Funding Reports Reviewed

Since 2015, the DoD OIG issued seven reports related to the CSTC-A management and oversight of U.S. direct funding provided to the MoD and MoI. These reports identified systemic challenges related to CSTC-A officials' management and oversight of the U.S. direct funding provided to obtain and maintain resources such as fuel, ammunition, vehicles, and other commodities. The seven reports issued by the DoD OIG are:

- DODIG-2017-122, "CSTC-A Oversight of Ammunition Provided to Afghanistan National Defense and Security Forces," September 22, 2017;
- DODIG-2017-041, "Combined Security Transition Command-Afghanistan Improved Controls Over U.S.-Funded Ministry of Defense Fuel Contracts, but Further Improvements are Needed," January 11, 2017;
- DODIG-2017-027, "The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding," December 1, 2016;
- DODIG-2016-040, "Controls Over Ministry of Interior Fuel Contracts Could Be Improved," January 20, 2016;
- DODIG-2015-108, "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)," April 30, 2015;
- DODIG-2015-107, "Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles Within the Afghan National Security Forces," April 17, 2015; and
- DODIG-2015-082, "The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S Direct Assistance Need Improvement," February 26, 2015.

In the seven reports, the DoD OIG made 41 recommendations to DoD officials to address weaknesses in management and oversight of the U.S. direct funding provided to the MoD and MoI. Of the 41 recommendations, 35 recommendations are considered resolved and closed, and 6 recommendations are considered resolved but remain open until we verify that the proposed corrective actions are completed. See Appendix B for summaries of reports issued by the Government Accountability Office, DoD OIG, and Special Inspector General for Afghanistan Reconstruction in the last 5 years related to U.S. direct assistance to GIRoA. See Appendix C for a list of the 41 recommendations and the status of each recommendation.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls to provide reasonable assurance that programs operate as intended and to evaluate the effectiveness of the controls.[5] During the series, we reported on several internal control deficiencies regarding CSTC-A management and oversight of U.S. Direct Funding to the ANDSF. We will provide a copy of the final report to the senior official responsible for internal controls at the Office of the Under Secretary of Defense for Policy.

[5] DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

CSTC-A Management and Oversight of U.S. Direct Funding Provided to Afghanistan

As discussed in the previous reports, CSTC-A officials did not effectively manage and oversee the U.S. direct funding provided to the MoD and MoI. CSTC-A management and oversight of the direct funding is intended to increase ANDSF effectiveness and capabilities so the ANDSF can become more professional and increasingly self-sustaining. Since 2015, the DoD OIG issued seven reports identifying systemic challenges related to CSTC-A officials' management and oversight of the U.S. direct funding provided to the MoD and MoI to obtain and maintain items such as fuel, ammunition, vehicles, and other commodities. These problems with the management and oversight of U.S. direct funding occurred because CSTC-A officials did not consistently:

- establish realistic and achievable conditions within the commitment letters for the ministries, and
- enforce noncompliance penalties included in the commitment letters due to potential impacts on the ANDSF's operational readiness.

In addition, CSTC-A officials stated that they could not oversee all commitment letter requirements because of inadequate staffing and security concerns.

As a result, CSTC-A officials did not have assurance that $3.1 billion in U.S. direct funding was used entirely for the intended purposes. In addition, because CSTC-A officials did not adequately assist in the development of the ministries' self-sufficiency, the ministries continue to rely upon CSTC-A to develop future requirements for commodities, such as fuel and ammunition. The DoD should evaluate the current method used to manage and oversee the direct funding to determine whether it is the most effective method for providing transparency and accountability of the U.S. direct funding provided to the Afghan ministries.

Management and Oversight of U.S. Direct Funding to MoD and MoI

CSTC-A officials did not effectively manage and oversee the U.S. direct funding provided to the MoD and MoI to sustain and increase ANDSF capabilities. The CSTC-A management and oversight of the direct funding is intended to increase ANDSF effectiveness and capabilities so the ANDSF can become more professional and increasingly self-sustaining. Since 2015, the DoD OIG has issued seven reports that identify systemic challenges related to CSTC-A officials' management and oversight of the U.S. direct funding provided to the MoD and MoI to obtain and maintain products such as fuel, ammunition, and vehicles.

Specifically, CSTC-A officials did not:

- perform effective oversight of ammunition procured by the DoD and provided to the ANDSF;
- implement controls to account for approximately 95,000 vehicles procured by the DoD and provided to the ANDSF;
- implement controls to ensure the adequate management of fuel delivery and accuracy of fuel consumption reports provided by vendors or MoD and MoI officials; and
- perform physical inspections to validate ministry-provided fuel and ammunition reports.

Furthermore, CSTC-A officials applied the requirements outlined in the commitment letters before CSTC-A and the MoD and MoI agreed on the terms and conditions. Although, the Afghan Solar Year 1396 started on December 21, 2016, as of October 2017, that year's commitment letters were not approved and finalized with signatures from all CSTC-A and GIRoA officials. However, CSTC-A officials were holding the MoD and MoI to the terms and conditions in the Solar Year 1396 draft commitment letter.

Insufficient Oversight of Ammunition

CSTC-A officials did not perform effective oversight of ammunition procured by the DoD for the ANDSF. Accurate consumption reporting builds reliable demand history, which enables accurate forecasting of ANDSF ammunition requirements to support a sufficient supply. The CSTC-A mission includes ensuring the ANDSF can accurately forecast its ammunition needs so the ANDSF can become more independent and assume responsibility for its own ammunition purchases and inventory accountability.

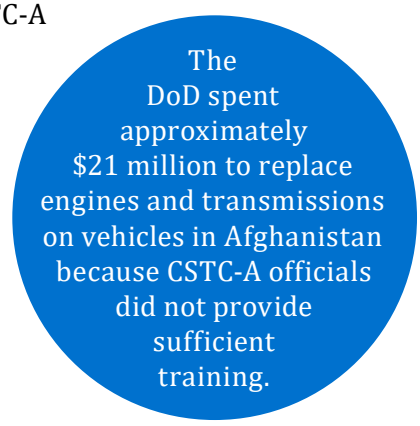
- In DODIG-2015-108, we reported that CSTC-A officials did not hold the Afghan National Army accountable for ammunition resupply. CSTC-A officials allowed Afghan National Army officials to order ammunition based on their allotments rather than on their actual need and did not require them to submit consumption reports to justify ammunition orders. Furthermore, CSTC-A officials did not ensure the MoD logisticians were formally trained in ammunition management and accountability.
- In DODIG-2017-122, we found that CSTC-A officials limited their oversight of the accuracy of ANDSF ammunition inventories to evaluating only the MoD and MoI monthly ammunition consumption and inventory reports. However, CSTC-A officials neither defined the criteria necessary to objectively evaluate the ministries' ammunition reporting nor obtained and reviewed the ministry IGs' inspection results of ANDSF on-hand inventories.

Inadequate Controls for Accounting for Vehicles

CSTC-A officials did not implement controls to properly account for and maintain vehicles provided by the DoD to the ANDSF. Properly accounting for and maintaining vehicles helps ensure the vehicles are available for their intended purpose.

In DODIG-2015-107, we reported that, since 2005, CSTC-A officials obtained approximately 95,000 vehicles for the ANDSF; however, CSTC-A officials did not have an accurate inventory of the vehicles. CSTC-A officials could not determine the types and quantities of vehicles transferred to the ANDSF. In addition, CSTC-A officials did not have controls in place to ensure that MoD and MoI officials consistently followed property accountability procedures. For example, an ANDSF vehicle that was reported as destroyed in battle and removed from the property books was later brought in for maintenance.

Furthermore, the DoD spent approximately $21 million to replace engines and transmissions on vehicles in Afghanistan because CSTC-A officials did not provide sufficient training to the Afghan National Police to independently maintain its fleet of vehicles. CSTC-A officials provided the vehicles to the ANDSF with the expectation that the ANDSF would properly maintain the vehicles knowing that the ANDSF was in the process of training its personnel and was having difficulty finding a pool of qualified candidates due to lack of literacy and basic computer skills. However, CSTC-A

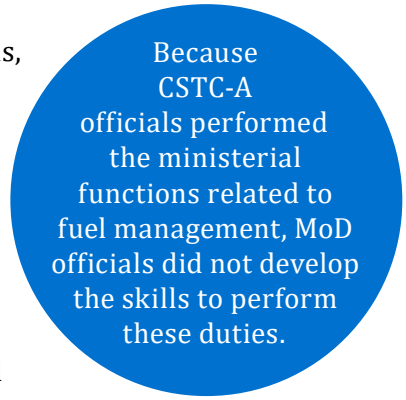


officials did not ensure ANDSF officials were able to forecast their needs for maintenance and replacement requirements and had enough personnel to perform all required maintenance.

Ineffective Controls for Fuel Management

CSTC-A officials did not implement controls to oversee fuel delivery and fuel consumption by the Afghan National Army. According to CSTC-A U.S. Direct Assistance Standard Operating Procedures, CSTC-A advisors are required to ensure that the ministries establish appropriate standard operating procedures and maintain adequate fiscal controls and auditable records of all disbursements, including supporting documentation. However, CSTC-A officials did not require the MoD and MoI to have sufficient fiscal controls related to fuel management.

- In DODIG-2015-082, we found that CSTC-A officials often performed ministerial functions, because MoD officials overestimated their fuel requirements without analyzing fuel consumption data, increased the value of fuel contracts without justifying the increase, and did not properly monitor fuel contractor performance. Because CSTC-A officials performed the ministerial functions related to fuel management, MoD officials did not develop the skills to perform these duties.



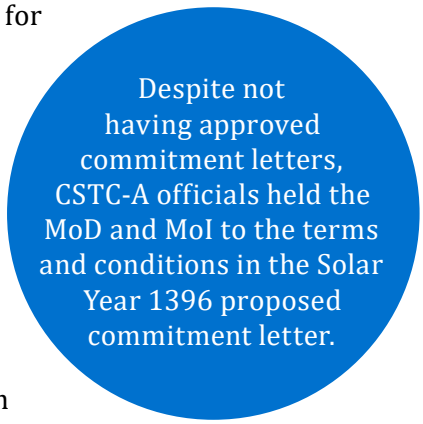
- In DODIG-2016-040, we reported that CSTC-A officials required MoI officials to provide fuel consumption reports on a biweekly basis. CSTC-A used the reports to determine the requirements for ANDSF future fuel orders and contracts. However, MoI officials did not provide CSTC-A with fuel consumption reports unless requested, which made it challenging for CSTC-A officials to ensure that future contract fuel allocation rates were fair and would meet ANSDF requirements.
- In DODIG-2017-041, we determined that CSTC-A officials did not have reasonable assurance that the fuel purchased by the MoD on two contracts, valued at $174.7 million, was used to support Afghan National Army requirements. CSTC-A officials relied solely on fuel consumption reports provided by the MoD without performing any analysis to validate the accuracy of the reports. Furthermore, CSTC-A officials did not know the methodology the Afghan National Army Inspector General officials used to validate the consumption report data.

Because CSTC-A officials did not have appropriate controls in place to ensure the proper management of ANSDF fuel delivery and fuel consumption, CSTC-A officials do not have reasonable assurance that the fuel purchased was used for its intended purpose.

SY 1396 Commitment Letter Requirements Were Not Agreed to Ten Months Into the Solar Year

CSTC-A officials implemented requirements outlined in the Afghan Solar Year 1396 commitment letters before CSTC-A and ministry officials agreed on the terms and conditions. When developing the commitment letters, CSTC-A, MoD, and MoI officials negotiated the expected requirements and proposed penalties and signed the commitment letters to demonstrate agreement to the terms and conditions. Afghan Solar Year 1396 was December 21, 2016, through December 20, 2017; however, as of October 2017, the Afghan Solar Year 1396 commitment letters were not approved and finalized with signatures from all CSTC-A and GIRoA officials.

According to Office of the Under Secretary of Defense for Policy and CSTC-A officials, GIRoA had not appointed Ministers for the MoD and MoI, and an Acting Minister could not provide the official signature to finalize the commitment letters. Despite not having approved commitment letters finalized with the required signatures, CSTC-A officials held the MoD and MoI to the terms and conditions in the Solar Year 1396 proposed commitment letter. In addition, CSTC-A officials assessed minor penalties against both the MoD and MoI based on the unsigned Solar Year 1396 commitment letters.



Commitment Letters Did Not Provide Accountability and Transparency

The systemic challenges related to CSTC-A officials' management and oversight of the U.S. direct funding occurred because CSTC-A officials used commitment letters to oversee U.S. direct funding, but the implementation of the commitment letters did not provide effective accountability and transparency of the direct funds. Specifically, CSTC-A officials did not consistently:

- establish realistic and achievable conditions within the commitment letters for the ministries, and
- enforce the conditions and noncompliance penalties included in the commitment letters due to potential impacts on the ANDSF's operational readiness.

In addition, CSTC-A officials stated that they could not oversee all commitment letter requirements because of inadequate staffing and security concerns.

Incorporating Realistic and Achievable Conditions in the Commitment Letters

CSTC-A officials did not incorporate realistic and achievable terms and conditions within the commitment letters. Realistic and achievable terms and conditions for the MoD and MoI are critical to ensure CSTC-A helped the ministries develop the skills needed to become independent. Realistic and achievable terms and conditions would allow the MoD and MoI to accomplish incremental progress toward being self-sustaining. However, CSTC-A officials continued to incorporate terms and conditions that the MoD and MoI could not achieve.

CSTC-A Required the MoD and MoI to Award and Manage Contracts

CSTC-A officials did not ensure that MoD and MoI officials could award and manage contracts. Starting with the Solar Year 1394 Commitment Letter, CSTC-A required the MoD to transition to awarding and managing its own fuel contracts. However, MoD officials were not prepared to award and manage the contracts.

- In DODIG-2015-082, we determined that MoD officials were unable to properly identify their fuel requirements to determine their contracting needs. Specifically, they overestimated the fuel requirements, increased the value of contracts without justifying the increases, and did not properly monitor contractor performance.
- In DODIG-2015-108, we explained that the MoD and MoI did not have the ability to properly perform contract administration and oversight of bulk fuel contracts. The MoD and MoI officials' skills were not fully developed, their processes were not mature and generally were not effective to ensure sufficient oversight for the bulk fuel contracts.

In each of these cases, CSTC-A required MoD and MoI officials to award and administer fuel contracts, but MoD and MoI officials were incapable of meeting these requirements. In response to DODIG-2017-041, CSTC-A officials explained that they recognized the need for greater U.S. control of the fuel contracts to reduce corruption, and they planned to develop a bulk fuel contract for FY 2017 that would be fully administered by the U.S. Government. Because CSTC-A officials were unable to resolve MoD and MoI fuel management oversight weaknesses, they decided to assume the responsibility for awarding and administering the ANDSF fuel contracts. In August 2017, the U.S. Government awarded fuel contracts for the ANDSF, which could negatively impact CSTC-A's ability to assist the Afghans in developing the capability to award and manage its own fuel contracts.

CSTC-A Did Not Sufficiently Assist in Development of the MoD and MoI Capabilities

MoD and MoI officials did not have the capabilities to perform risk assessments, maintain vehicles, or develop reports on their commodity consumption and did not receive the necessary training from CSTC-A. For example:

- In DODIG-2017-027, we reported that CSTC-A officials expected the ministry IGs to conduct risk assessments to determine the high-risk areas in the contract management process. CSTC-A officials stated that they provided the MoD IG with training on Ministerial Internal Controls Program at the ministry (headquarters) level. However, training at the local (operational) level was challenging because personnel had low literacy rates and lacked computer skills, and MoD locations had power outages or lack of electricity. Despite these challenges, CSTC-A officials expected the ministry IGs to complete the risk assessments.

However, training at the local (operational) level was challenging because personnel had low literacy rates and lacked computer skills, and MoD locations had power outages or lack of electricity.

- In DODIG-2015-107, we reported that CSTC-A officials expected the ANDSF to maintain the vehicles the DoD provided, despite knowing that ANDSF did not have enough trained personnel to perform all required maintenance on vehicles. Specifically, CSTC-A officials knew that the ANDSF had difficulty finding a pool of qualified candidates to train to perform vehicle maintenance due to a lack of literacy and basic computer skills and did not assist with improving the pool of qualified candidates.
- In DODIG-2015-108, we reported that senior MoD logisticians acknowledged having difficulty meeting the requirements for monthly consumption reporting to justify fuel and ammunition resupply due to challenges, such as the low literacy rates among unit-level logisticians and the lack of trained and qualified logisticians within the ANDSF. However, even after senior MoD logisticians made this acknowledgement, CSTC-A officials continued to require them to prepare monthly consumption reporting to justify fuel and ammunition resupply without providing sufficient training.

In each of these three reports, we determined that CSTC-A officials did not sufficiently assist in developing the skills of MoD and MoI officials to meet the conditions and terms included in the commitment letters.

Enforcing the Conditions and Penalties in the Commitment Letters

CSTC-A officials did not fully enforce conditions and penalties within the commitment letters even though the MoD and MoI consistently did not meet the conditions and terms. The commitment letters outlined penalties that CSTC-A officials may assess against the MoD and MoI if they did not to meet the terms and conditions required by the commitment letters. In each of the seven reports, we reported that CSTC-A did not fully enforce the conditions and penalties against the MoD or MoI.

- In DODIG-2015-082, we reported that CSTC-A officials did not enforce internal controls required by the commitment letters, such as maintaining auditable records to avoid instances where payments were made without appropriate support in the form of contracts, invoices, or disbursement documents.
- In DODIG-2016-040, we reported that CSTC-A officials did not enforce the requirements or hold MoI officials accountable when they did not provide fuel consumption data and did not institute controls over the contract management process.

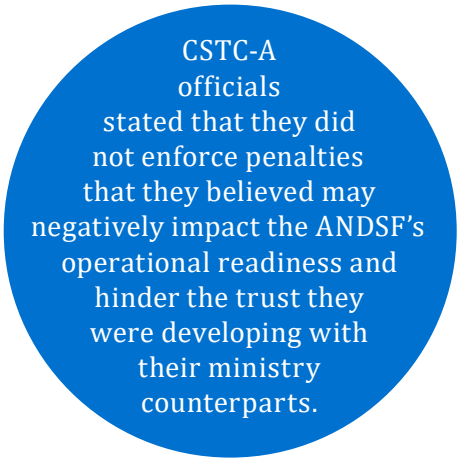
Furthermore, CSTC-A officials did not assess penalties against the MoD or MoI when they did not meet the terms and conditions.

- In DODIG-2015-107, we reported that CSTC-A officials did not enforce consequences listed in the commitment letters, such as reducing funding or not providing funding when the ANDSF could not demonstrate accountability of vehicles.
- In DODIG-2017-027, we determined that during the May 2016 quarterly review to assess whether commitment letter conditions related to various commodities were met, CSTC-A officials only assessed 3 penalties for 19 MoD violations and 4 penalties for 18 MoI violations of the requirements outlined in Solar Year 1395 Commitment Letters.
- In DODIG-2017-122, we reported that CSTC-A officials only enforced one penalty during Solar Year 1395 related to commitment letter reporting requirements, even though CSTC-A determined the ministries did not meet reporting requirements on 36 of 55 assessments.

In addition, CSTC-A officials did not fully enforce penalties on the MoD or MoI for commitment letter violations related to maintaining auditable records. Each of the seven DoD OIG reports identified that MoD and MoI officials consistently violated commitment letter requirements to maintain records, such as contracts, invoices, and disbursement documents. MoD and MoI officials' lack of documentation to support accountability of commodities allowed commodity surpluses and increased

the risk of theft and diversion of the commodities. Often, MoD and MoI officials were missing documentation or had inaccurate documentation to support their inventories and consumption reports.

Specifically, in two reports, CSTC-A officials stated that they did not always apply the penalties outlined in the commitment letters because enforcing the penalties could have impeded the CSTC-A mission of developing the functional ministerial capabilities.[6] In addition, CSTC-A officials stated that they did not enforce penalties that they believed may negatively impact the ANDSF's operational readiness and hinder the trust they were developing with their ministry counterparts. Even though CSTC-A officials included penalties in the commitment letters, they did not have a documented process for determining when and to what extent penalties should be assessed.[7]



Overseeing Commitment Letter Requirements with Staffing and Security Concerns

CSTC-A officials stated that they could not oversee all commitment letter requirements due to inadequate staffing and security concerns. Specifically, CSTC-A stated that they:

- did not have adequate staff to oversee the fuel contracts that the MoD and MoI used to obtain the fuel needs; and
- could not send staff to some locations to verify deliveries and use of the fuel and ammunition due to the security risks in those areas.[8]

To effectively manage and oversee the U.S. direct funding provided to the MoD and MoI, CSTC-A must identify alternative methods to confirm the commitment letter requirements are being met. For example, in DODIG-2017-041, we reported that MoD officials did not physically verify fuel delivery points. CSTC-A officials relied on consumption reports provided by the MoD without performing analysis, but did not know the methodology the Afghan National Army IG officials used to validate the consumption report data. According to CSTC-A officials, CSTC-A did not have enough staff to perform onsite inspections to observe fuel activities. In addition, onsite inspections involved security concerns for personnel since some of the fuel

[6] Report No. DODIG-2017-027 and DODIG-2017-122.
[7] Report No. DODIG-2017-027.
[8] Report No. DODIG-2016-040, DODIG-2017-041, and DODIG-2017-122.

deliveries went to bases located in mountainous, rough terrain and unsecured areas. Without identifying alternative methods to confirm commitment letter requirements were met, CSTC-A officials did not have reasonable assurance that the fuel purchased on two contracts, valued at $174.7 million, was used to support the Afghan National Army requirements.

Previous Corrective Actions Taken By CSTC-A Did Not Fully Address Some Identified Weaknesses

In the seven previous reports, the DoD OIG made 41 recommendations to CSTC-A officials to address weaknesses in management and oversight of the U.S. direct funding provided to the MoD and MoI for various commodities. CSTC-A officials took corrective actions to address the identified weaknesses related to 35 of the 41 recommendations.

However, corrective actions did not always improve the identified weaknesses. Our analysis of the seven previous report identified instances where CSTC-A officials implemented corrective actions in response to our recommendations. In later reports, we determined CSTC-A officials were no longer continuing the corrective actions, and we issued another recommendation to address the same identified weakness. For example, in DODIG-2016-040, we found that the MOI officials often did not provide fuel consumption reports as required by the Solar Year 1394 Commitment Letter except when requested by CSTC-A officials. However, CSTC-A officials did not enforce any penalties against the MoI for not meeting the commitment letter condition. We recommended that CSTC-A officials provide clearer consequences for the MoI noncompliance that CSTC-A officials would be willing to impose. In DODIG-2017-014, we reported that CSTC-A officials began assessing some penalties for insufficient compliance with the Solar Year 1395 Commitment Letters related to MoI management of fuel contracts. However, in DODIG-2017-122, we again recommended that CSTC-A officials include consequences in the commitment letters that CSTC-A officials would be willing to consistently enforce, as well as including consequences that would not affect operational readiness.

Conclusion

CSTC-A officials did not effectively manage and oversee the U.S. direct funding provided to the MoD and MoI. The CSTC-A management and oversight of the direct funding is intended to increase ANDSF effectiveness and capabilities so the ANDSF can become more professional and increasingly self-sustaining. However, the systemic challenges related to the management and oversight of the U.S. direct funding that were identified in previous DoD OIG reports demonstrate that the

current method used to provide direct funding and direct the CSTC-A management and oversight efforts, the commitment letters, is not an effective method to ensure transparency and accountability of the direct funding. Therefore, the Under Secretary of Defense for Policy should determine whether using the non-binding commitment letters is the most effective method to manage and oversee the administering and expending of U.S. direct funding to the MoD and the MoI. If the non-binding commitment letter process is determined not to be the most effective method, the Under Secretary of Defense for Policy should identify a more effective method to oversee the administering and expending of the U.S. direct funds provided to the MoD and the MoI. When establishing the most effective method, the Under Secretary of Defense for Policy should identify more realistic and achievable terms and conditions for the MoD and the MoI to accomplish and show incremental improvement, and develop a formal documented process for assessing penalties against the MoD and the MoI for repeated violations of agreed upon conditions.

By not correcting these recurring weaknesses or identifying more effective methods to ensure adequate management and oversight of the U.S. direct funds, CSTC-A officials did not have assurance that $3.1 billion in U.S. direct funding was used entirely for its intended purposes, and the funding is at increased risk of fraud, waste, and abuse. MoD and MoI officials' lack of documentation to support accountability of commodities allowed surpluses of commodities, as well as increased the risk of theft and diversion of the commodities. In addition, CSTC-A officials did not sufficiently assist in development of the ministries' skills necessary to become self-sustaining, instead allowing the ministries to continue to rely upon CSTC-A to develop future requirements for commodities, such as fuel and ammunition. For example, fuel contracts that were once awarded and administered by the ministries' are now awarded and administered by the U.S. Government.

Management Comments to the Finding

The Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia), responding for the Under Secretary of Defense for Policy, included technical comments on the report from CSTC-A officials. We reviewed, summarized, and responded to the technical comments from CSTC-A. See Appendix D for a summarization of the technical comments and our responses.

Recommendation, Management Comments, and Our Response

Recommendation 1

1. **We recommend that the Under Secretary of Defense for Policy evaluate whether using Bilateral Financial Commitment Letters is the most effective method to manage and oversee the administering and expending of U.S. direct funding to the Ministry of Defense and the Ministry of Interior. If the non-binding Bilateral Financial Commitment Letter process is determined not the most effective method, we recommend that the Under Secretary of Defense for Policy identify a more effective method. When establishing the most effective method, we recommend that the Under Secretary of Defense for Policy, identify more realistic and achievable terms and conditions for the Ministry of Defense and the Ministry of Interior to accomplish and show incremental improvement, and develop a formal documented process for assessing penalties against the Ministry of Defense and the Ministry of Interior for continued commitment letter violations.**

Under Secretary of Defense for Policy Comments

The Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia), responding for the Under Secretary of Defense for Policy, agreed with the recommendation, stating that the Office of the Under Secretary of Defense for Policy will work with CSTC-A and other appropriate organizations to review and evaluate whether using bilateral financial commitment letters is the most effective method to manage and oversee the administration and expenditure of U.S. direct funding to the Afghan MoD and MoI. If the Office of the Under Secretary of Defense for Policy determines that the non-binding commitment letter process is not the most effective method, then the Office of the Under Secretary of Defense for Policy will work with CSTC-A to identify and implement a more effective approach.

Our Response

Comments from the Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia) addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Under Secretary of Defense for Policy has made a determination on whether using bilateral financial commitment letters is the most effective method to manage and oversee the administration and expenditure of U.S. direct funding to the Afghan MoD and MoI.

Appendix A

Scope and Methodology

We conducted this performance audit from August through December 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the seven reports issued by the DoD OIG since 2015 related to the CSTC-A management and oversight of U.S. direct funding provided to the MoD and MoI. For each report, we reviewed the reported weaknesses, the identified causes and effects of those weaknesses, and the recommendations to correct the weaknesses to identify the systemic challenges impacting the management and oversight of U.S. direct funds provided to the ANDSF. The reports we reviewed are listed below:

- DODIG-2017-122, "CSTC-A Oversight of Ammunition Provided to Afghanistan National Defense and Security Forces," September 22, 2017;
- DODIG-2017-041, "Combined Security Transition Command-Afghanistan Improved Controls Over U.S.-Funded Ministry of Defense Fuel Contracts, but Further Improvements are Needed," January 11, 2017;
- DODIG-2017-027, "The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding," December 1, 2016;
- DODIG-2016-040, "Controls Over Ministry of Interior Fuel Contracts Could Be Improved," January 20, 2016;
- DODIG-2015-108, "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)," April 30, 2015;
- DODIG-2015-107, "Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles Within the Afghan National Security Forces," April 17, 2015; and
- DODIG-2015-082, "The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S Direct Assistance Need Improvement," February 26, 2015.

In addition, we obtained and reviewed documentation of the current status of recommendations made in each of the seven reports. We reviewed the draft Afghanistan Solar Year 1396 MoD and MoI commitment letters to determine whether previous recommended corrections and improvements were implemented within the draft commitment letters. Finally, we interviewed personnel at the Office of the Under Secretary of Defense for Policy and CSTC-A to understand the process for developing and implementing the commitment letters.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Appendix B

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DoD OIG, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) issued 14 reports discussing U.S. direct assistance to the GIRoA. Unrestricted GAO reports can be accessed at http://www.gao.gov. Unrestricted DoD OIG reports can be accessed at http://www.dodig.mil/pubs/index.cfm. Unrestricted SIGAR reports can be accessed at http://www.sigar.mil/allreports.

GAO

Report No. GAO-14-680T, "Afghanistan Oversight and Accountability of U.S. Assistance," June 10, 2014

> GAO identified several challenges related to U.S. efforts in Afghanistan, including a dangerous security environment, the prevalence of corruption, and the limited capacity of the Afghan government to deliver services and sustain donor funded projects.

Report No. GAO-13-218SP, "Afghanistan Key Oversight Issues," February 2013

> GAO identified a number of key issues for the 113th Congress to consider in developing oversight agendas and determining the way forward in Afghanistan. Some specific areas for oversight included Afghanistan's security environment, transition of lead security to Afghan security forces, future cost and sustainability of Afghan security forces, and DoD planning for the drawdown of equipment in Afghanistan.

DoD OIG

Report No. DODIG-2017-122, "CSTC-A Oversight of Ammunition Provided to Afghanistan National Defense and Security Forces," September 22, 2017

> The DoD OIG determined that CSTC-A officials did not provide effective oversight of $702 million in ammunition procurements for the Afghan National Defense Security Forces between FYs 2015 and 2016. CSTC-A officials had limited oversight in evaluating ammunition consumption and inventory reports from Afghan Ministries. In addition, CSTC-A officials did not effectively enforce the commitment letter requirements.

Report No. DODIG-2017-041, "Combined Security Transition Command-Afghanistan Improved Controls Over U.S.-Funded Ministry of Defense Fuel Contracts, but Further Improvements are Needed," January 11, 2017

The DoD OIG determined that CSTC-A and MoD officials initiated several measures to improve the oversight of U.S. direct assistance-funded MoD fuel contracts. However, they could not ensure the accuracy of fuel delivery reports and fuel consumption reports provided by vendors and the Afghan National Army, respectively. As a result, U.S. direct assistance funding continues to be vulnerable to fraud, waste, and abuse.

Report No. DODIG-2017-027, "The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding," December 1, 2016

The DoD OIG determined that the GIRoA and CSTC-A officials needed to improve shortfalls in GIRoA's contracting process. Additionally, CSTC-A officials did not consistently penalize GIRoA for repeated commitment letter violations. As a result, future U.S. direct assistance funding continues to be vulnerable to fraud, waste, and abuse.

Report No. DODIG-2016-040, "Controls Over Ministry of Interior Fuel Contracts Could be Improved," January 20, 2016

The DoD OIG determined that CSTC-A and MoI officials' oversight of the MoI fuel contracts was not effective because the CSTC-A organizational structure did not have well-defined roles and responsibilities for contract oversight. Additionally, CSTC-A officials did not enforce the fuel reporting requirements within the commitment letter. As a result, CSTC-A officials did not have reasonable assurance that the fuel ordered and delivered to the Afghan National Police supported actual requirements and was used for its intended purpose.

Report No. DODIG-2015-108, "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)," April 30, 2015

The DoD OIG determined that Afghan National Security Forces units ordered and received fuel and ammunition based on unit allocations instead of operational requirements. In addition, the Afghan National Security Forces ministries had inadequate and underdeveloped control measures for the management and accountability of fuel and ammunition and were not prepared

for effective oversight of the bulk fuel contract to ensure that direct financial contributions from the U.S. were used as required. Furthermore, leadership at both ministries did not take full advantage of training opportunities at the Afghan National Army Combat Service Support School.

Report No. DODIG-2015-107, "Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles within the Afghan National Security Forces," April 17, 2015

The DoD OIG determined that CSTC-A, MoD, and MoI officials did not have controls in place to account for over the 95,000 vehicles the DoD has procured for the Afghan National Security Forces since 2005. The MoD and MoI lacked an effective system to track and account for vehicles transferred to the ANDSF. MoD and MoI officials did not follow property accountability procedures, and CSTC-A officials did not hold the ministries accountable for their lack of effective controls over vehicles.

Report No. DODIG-2015-082, "The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement," February 26, 2015

The DoD OIG determined that the MoI and MoD did not have effective controls over the contract management process for U.S. direct funding provided to sustain the ANDSF. The MoD and MoI IGs did not adequately oversee the contract management process. In addition, CSTC-A officials did not hold the ministries accountable for establishing effective controls and did not enforce the requirements within the commitment letters.

Report No. DODIG-2014-102, "The Government of Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct Contributions," August 29, 2014

The DoD OIG determined that GIRoA ministries lacked basic internal controls to provide reasonable assurance over U.S. direct funding. The DoD OIG found that the Afghan Ministry of Finance was not able to provide current cash balances, support for how currency exchange gains were used, or provide support for pension or police cooperative association withholdings from Afghan National Security Forces salaries. MoD and MoI officials did not have controls in place over the payroll process to ensure ASFF direct funding was used as intended, salaries were paid appropriately, and payroll payments were accurate. In addition, MoD and MoI officials spent $82.7 million in ASFF direct contribution funds for unauthorized expenditures in Solar Year 1392.

SIGAR

Report No. SIGAR-15-14-SP, "Direct Assistance: Review of Processes and Controls Used By CSTC-A, State, and USAID [United States Agency for International Development]," October 23, 2014

> SIGAR determined that CSTC-A officials instituted a number of controls to record financial transactions. However, CSTC-A officials did not institute other controls, such as completing a comprehensive assessment of ministerial financial management capacity and internal control systems; requiring the Afghan ministries to maintain accounting records in accordance with generally accepted accounting principles; and establishing a formal monitoring and evaluation plan for its direct assistance funds.

Report No. SIGAR 14-12-SP, "Comprehensive Risk Assessments of MoD and MoI Financial Management Capacity Could Improve Oversight of Over $4 Billion in Direct Assistance Funding," December 3, 2013

> SIGAR performed an assessment of CSTC-A's Capability Milestone rating system used to assess Afghan ministries' financial management capacity and ability to manage and execute direct assistance funding. The Capability Milestone rating system is subjective, cannot be compared over time, and only focuses on the capacity and controls of individual offices within the Afghan ministries. This did not enable CSTC-A officials to determine the core functional capacity across each ministry. While standard operating procedures require financial risk assessments of Afghan budget requirements, CSTC-A officials only performed limited assessments, and the findings are not incorporated in their budget processes.

Report No. SIGAR Audit 14-1-AR, "Afghan National Police Fuel Program: Concerted Efforts Needed to Strengthen Oversight of U.S. Funds," October 2, 2013

> SIGAR determined that U.S. Central Command Joint Theater Support Contracting Command and CSTC-A officials had limited oversight of fuel purchases for the Afghan National Police. From October 2011 through December 2012, CSTC-A officials provided $26.8 million in U.S. direct funding to the MoI for the Afghan National Police fuel purchases; however, CSTC-A officials did not have sufficient support for risk assessments to determine the MoI's capacity to manage U.S. direct funding. Further, CSTC-A officials did not provide sufficient data to support the Afghan National Police FY 2013 fuel budget estimates. SIGAR determined that CSTC-A officials had overestimated the fuel budget request by over $94 million. The lack of internal controls and the ongoing risks identified in the Afghan National Police fuel process places U.S. direct funding at an increased risk of fraud, waste, and abuse.

Report No. SIGAR Audit 13-4, "Afghan National Army: Controls Over Fuel For Vehicles, Generators, and Power Plants Need Strengthening To Prevent Fraud, Waste, and Abuse" January 24, 2013

SIGAR determined that CSTC-A officials lacked sufficient accountability in the process used to order, receive, and pay for petroleum, oil, and lubricants for Afghan National Army vehicles, generators, and power plants. In addition, processes for price approval, ordering, receipt, delivery, and payment of fuel included major vulnerabilities, and estimates for funding were based on unsupported data. As a result, the lack of accountability increases the risk that U.S. funds and fuel will be stolen, and CSTC-A officials based estimates for fund purchases of Afghan National Army petroleum, oil, and lubricants between FYs 2014 and 2018 on questionable calculations.

Appendix C

Status of Recommendations

Since 2015, the DoD OIG issued seven reports related to the CSTC-A management and oversight of U.S. direct funding provided to the MoD and MoI. In the seven reports, the DoD OIG made 41 recommendations to CSTC-A officials to address weaknesses in management and oversight of U.S. direct funding provided to the MoD and MoI for various commodities. Of the 41 recommendations, 35 recommendations are considered resolved and closed, and 6 recommendations are considered resolved but remain open until we verify that the proposed corrective actions are completed.

The following categories are used to describe agency management's comments to individual recommendations.

- **Closed** – The DoD OIG has verified that the agreed upon corrective actions were implemented.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendations.

Status of Recommendations				
	Recommendation Number in Report	Recommendation Directed To	Recommendation Text	Status
DODIG-2015-082 - The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement				
1	1	Commander, Combined Security Transition Command-Afghanistan	Use the ministerial advisory contract to place subject matter experts within the ministries to develop and increase the capacity to independently develop, award, execute, and monitor contracts funded with U.S. direct assistance to sustain the Afghan National Security Forces.	Closed
DODIG-2015-107 - Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles within the Afghan National Security Forces				
2	A.1	Commander, Combined Security Transition Command-Afghanistan	Instruct the Security Assistance Office to reconcile information in Operation Verification of Reliable Logistics Oversight Database against information in the Security Cooperation Information Portal to ensure vehicle information is accurate and complete.	Resolved
3	A.2	Commander, Combined Security Transition Command-Afghanistan	Assess the accuracy of property transfer records after the Security Assistance office completes its reconciliation and take the necessary steps to maintain the completeness and accuracy of these records.	Resolved
4	A.3	Commander, Combined Security Transition Command-Afghanistan	Add language to the next Ministry of Interior commitment letter that will help DoD and Coalition forces enforce accountability and transparency of vehicles provided to the Ministry of Interior.	Closed
5	A.4	Commander, Combined Security Transition Command-Afghanistan	Enforce consequences by withholding funding if the Ministries of Defense and Interior do not follow the requirement outlined in the new commitment letters.	Closed
6	A.5	Commander, Combined Security Transition Command-Afghanistan	Leverage the commitment letters to ensure the Ministry of Defense and Ministry of Interior work with the national and individual corps level to reconcile their property books to produce a complete and accurate set of property books.	Closed
7	A.6	Commander, Combined Security Transition Command-Afghanistan	Obtain a complete inventory of vehicles received by the Afghan National Security Force and reconcile this list to help identify any missing records in the Security Cooperation Portal.	Resolved
8	A.7	Commander, Combined Security Transition Command-Afghanistan	Advise Ministry of Defense and Ministry of Interior officials to maintain consolidated property book records for all vehicles received from DoD and Coalition forces.	Resolved

Status of Recommendations				
	Recommendation Number in Report	Recommendation Directed To	Recommendation Text	Status
9	A.8	Commander, Combined Security Transition Command-Afghanistan	Advise Ministry of Interior and Ministry of Defense officials to follow its certification process to ensure Ministry of Interior and Ministry of Defense only remove verified lost or destroyed vehicles from Ministry of Interior and Ministry of Defense property books.	Closed
10	B.1	Deputy Chief of Staff-Support	Work with the Ministry of Interior to determine whether Afghan National Police should continue to utilize a contract approach for vehicle maintenance and sustainment, or implement a phased approach to slowly remove the Afghan National Policy from the current contract, allowing enough time to train the number of mechanics and supply chain logisticians required to sustain the Afghan National Police fleet of vehicles.	Closed
11	B.2	Deputy Chief of Staff-Support	Advise the Ministry of Interior and Ministry of Defense officials to establish a program to offer incentives to become mechanics and supply chain specialists expressing the importance that sustaining the Afghan National Security Forces vehicle fleet has on its ability to defend their country.	Closed
12	B.3	Deputy Chief of Staff-Support	Examine Automotive Management Services training of Afghan National Police in supply-chain management and determine whether it is feasible to implement similar training for the Afghan National Army to help ensure it progresses in building its supply chain management capability to a sustainable level.	Closed
13	B.4	Deputy Chief of Staff-Support	Provide replacement vehicles and replacement spare parts only when Afghan National Security Forces can justify the requirement.	Closed
14	B.5	Deputy Chief of Staff-Support	Enforce consequences in the commitment letters such as withholding funds if the Ministry of Defense continue the practice of requesting unjustified replacement vehicles and spare parts; and stripping removable parts prior to delivering the vehicles to the contractor for repair.	Closed
DODIG-2015-108 - 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)				
15	1.a.1	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead	Advise and assist the Ministry of Defense 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

Status of Recommendations				
	Recommendation Number in Report	Recommendation Directed To	Recommendation Text	Status
16	1.a.2	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead	Advise and assist the Ministry of Defense 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 Afghan National Army personnel responsible for the management and accountability of fuel and ammunition.	Closed
17	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
18	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 Afghan National Army policy and procedures.	Closed
19	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 Organization Inspection Program, which provides oversight for the management and accountability of fuel and ammunition.	Closed
20	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 Ministry of Defense/Afghan National Army oversight teams that verify the accuracy of fuel and ammunition deliveries through representation by personnel outside the Afghan National Army Corps logistics chain of command.	Closed
21	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
22	3	Deputy Chief of Staff Operations, Resolute Support/Essential Function 4 (EF 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 increases 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

Status of Recommendations				
	Recommendation Number in Report	Recommendation Directed To	Recommendation Text	Status
23	4	Deputy Chief of Staff Security Assistance, Resolute Support/ Essential Function 1 Lead	In coordination with the Commander, Combined Security Transition Command-Afghanistan, ensure advise and assist efforts include the development of a mature Ministry of Defense contract oversight capability.	Closed
24	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
25	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 Afghan National Police personnel responsible for the management and accountability of fuel and ammunition.	Closed
26	6.a.1	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead	In coordination with the 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
27	6.a.2	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead	In coordination with the 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
28	6.a.3	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead	In coordination with the 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
29	6.a.4	Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead	In coordination with the 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 capability.	Closed

Status of Recommendations				
	Recommendation Number in Report	Recommendation Directed To	Recommendation Text	Status
30	6.b	Commander, Combined Security Transition Command-Afghanistan	In coordination with the Deputy Chief of Staff Support, Resolute Support/Essential Function 5 Lead, advise and assist the Ministry of Interior/Afghan National Policy to ensure that internal controls contained in the Bilateral Financial Commitment Letter to the Ministry of Interior are implemented and enforced.	Closed
31	7	Deputy Chief of Staff Support, Resolute Support/Essential Function 1 Lead	In coordination with the Commander, Combined Security Transition Command-Afghanistan, ensure advise and assist efforts to develop a mature Ministry of Interior bulk fuel contract oversight capability.	Closed
DODIG-2016-040 - Controls Over Ministry of Interior Fuel Contracts Could Be Improved				
32	1.a	Commander, Combined Security Transition Command-Afghanistan	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: (1) a Combined Security Transition Command-Afghanistan or Resolute Support official to determine the adequacy of Afghan National Police fuel consumption data; and (2) a Combined Security Transition Command-Afghanistan official to impose the consequences outlined in the commitment letter agreements when Ministry of Interior does not fulfill its requirements.	Closed
33	1.b	Commander, Combined Security Transition Command-Afghanistan	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
34	1.c	Commander, Combined Security Transition Command-Afghanistan	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
DODIG-2017-027 - The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding				
35	1.a	Commander, Combined Security Transition Command-Afghanistan	Assist the Ministry of Interior with centralizing its procurement process to eliminate provincial leaders' ability to enter into informal agreement with contractors.	Closed

Status of Recommendations				
	Recommendation Number in Report	Recommendation Directed To	Recommendation Text	Status
36	1.b	Commander, Combined Security Transition Command-Afghanistan	Include in the FY 1396 commitment letters the requirement for the ministry Inspector General to conduct risk-based audits that identify high-risk areas within the procurement and contracting processes of the ministries.	Closed
37	1.c	Commander, Combined Security Transition Command-Afghanistan	Formalize and document policies and procedures regarding the roles and responsibilities for determination and enforcement of commitment letter penalties.	Closed
DODIG-2017-041 - Combined Security Transition Command – Afghanistan Improved Controls Over U.S. – Funded Ministry of Defense Fuel Contracts, but Further Improvements are Needed				
38	1.a	Commanding General, Combined Security Transition Command–Afghanistan	Require future Ministry of Defense fuel contracts to include provisions for periodic, unannounced inspections to validate fuel deliveries.	Closed
39	1.b	Commanding General, Combined Security Transition Command–Afghanistan	Direct the Essential Function 1 Audit division to conduct an assessment of the current General Staff, Inspector General and General Staff, Chief of Logistics consumption report verification processes to determine its adequacy.	Closed
DODIG-2017-122 - CSTC-A oversight for Ammunition Provided to Afghan National Defense and Security Forces				
40	1.a	Commanding General, Combined Security Transition Command–Afghanistan	Develop and document a long-term strategy for improving ministries' ammunition reporting that includes: clearly defined roles and responsibilities for the personnel involved in providing oversight of ammunition, criteria to evaluate the ministries' compliance with ammunition commitment letter requirements, and procedures to review the Ministry Inspectors General inspection results when assessing the accuracy of ammunition reports.	Resolved
41	1.b	Commanding General, Combined Security Transition Command–Afghanistan	Include in the FY 1397 Commitment Letters consequences for ministries' noncompliance that would not impact operational readiness and the Combined Security Transition Command-Afghanistan would be willing to enforce.	Resolved

Appendix D

Management Comments to the Finding

The Deputy Assistant Secretary of Defense (Afghanistan, Pakistan, and Central Asia), responding for the Under Secretary of Defense for Policy, included technical comments on the report from CSTC-A officials. We reviewed, summarized, evaluated, and responded to the technical comments from CSTC-A.

Combined Security Transition Command-Afghanistan

CSTC-A officials requested that the audit team add time periods to better reflect that the challenges discussed from our previous seven reports were in the past.

Our Response

We disagree that time periods of our previous reports should be added to the discussions of the challenges in additional places. The audit report explicitly outlines that we summarized the systemic challenges associated with CSTC-A's management and oversight of U.S direct funding provided to the GIRoA identified in seven previous DoD OIG oversight reports and provides the time periods for issuance of those reports. In addition, in several different places, the report outlines a list of the seven reports clearly stating that we reviewed seven reports issued by the DoD OIG from February 2015 to September 2017.

Combined Security Transition Command-Afghanistan

CSTC-A officials requested that the audit team reconsider the statement, "CSTC-A officials did not consistently establish realistic and achievable conditions within the commitment letters for the ministries." Specifically, CSTC-A officials stated that "realistic and achievable" are subjective metrics, and the report did not adequately capture the intent and use of Commitment Letters. CSTC-A officials explained that the conditions set forth in the commitment letters were intended to influence effective leadership and promote effective and sustainable operations. CSTC-A officials further explained that each commitment letter identified conditions under which CSTC-A will provide funding to the GIRoA. Finally, CSTC-A officials noted that the Commanding General, CSTC-A, conducts monthly meetings to assess progress of the commitment letters.

Our Response

We considered but did not revise the requested statement. We agree that the conditions mutually agreed upon by CSTC-A and GIRoA and outlined in the commitment letters were meant to influence effective leadership, promote

sustainable operations, and identify conditions under which CSTC-A will provide funding to GIRoA. However, we disagree that "realistic and achievable" are subjective metrics. CSTC-A and GIRoA continued to agree on conditions that the Afghans are unable to meet, which demonstrates that those conditions were not realistic or achievable. If CSTC-A and GIRoA agreed to conditions that the Afghans could actually accomplish, the conditions would be considered realistic and achievable and could better influence effective leadership and promote sustainable operations. Even in the CSTC-A monthly report assessments of the MoD and MoI progress, CSTC-A officials noted that the Afghan personnel continued to not accomplish the commitment letter conditions in many of the areas we reported as systemic issues. We commend CSTC-A for setting the conditions, in part, to influence effective leadership and to promote effective and sustainable operations. However, if the Afghans do not have the skill set or operational structure to accomplish the established conditions, the conditions are not realistic or achievable.

Combined Security Transition Command-Afghanistan

CSTC-A officials acknowledged that there were challenges with MoD and MoI management of fuel. CSTC-A officials explained that a third-party oversight contract of ANDSF fuel handling and storage was awarded in September 2017. According to CSTC-A officials, the contract will provide independent quality assurance testing of petroleum products delivered and site surveys of ANDSF facilities to assess fuel-related infrastructure. Furthermore, CSTC-A officials explained that CSTC-A has engaged in multiple General Officer-level ministerial forums within the MoD and MoI to address capacity building and accountability efforts. In addition, CSTC-A officials admitted that the MoD and MoI are making progress towards effective fuel management, but still have significant improvements to make. CSTC-A officials stated that fuel reporting remains a significant weakness in the ANDSF, and that CSTC-A's efforts remain focused on these issues to improve the current status of the consumption and monthly fuel orders. CSTC-A officials concluded that even though the MoI failed to make timely payments to fuel vendors, did not keep fuels orders at or below authorized allocations, and did not validate fuel consumption reports, the MoI is making progress in its ability to manage fuel.

Our Response

We agree with CSTC-A officials, as stated in our report, that GIRoA had significant impairments related to fuel reporting and validation of fuel consumption reports; however, improvements identified by CSTC-A officials do not directly influence effective leadership and promote sustainable operations related to MoD and MoI fuel management capabilities. In August 2017, CSTC-A officials, in coordination

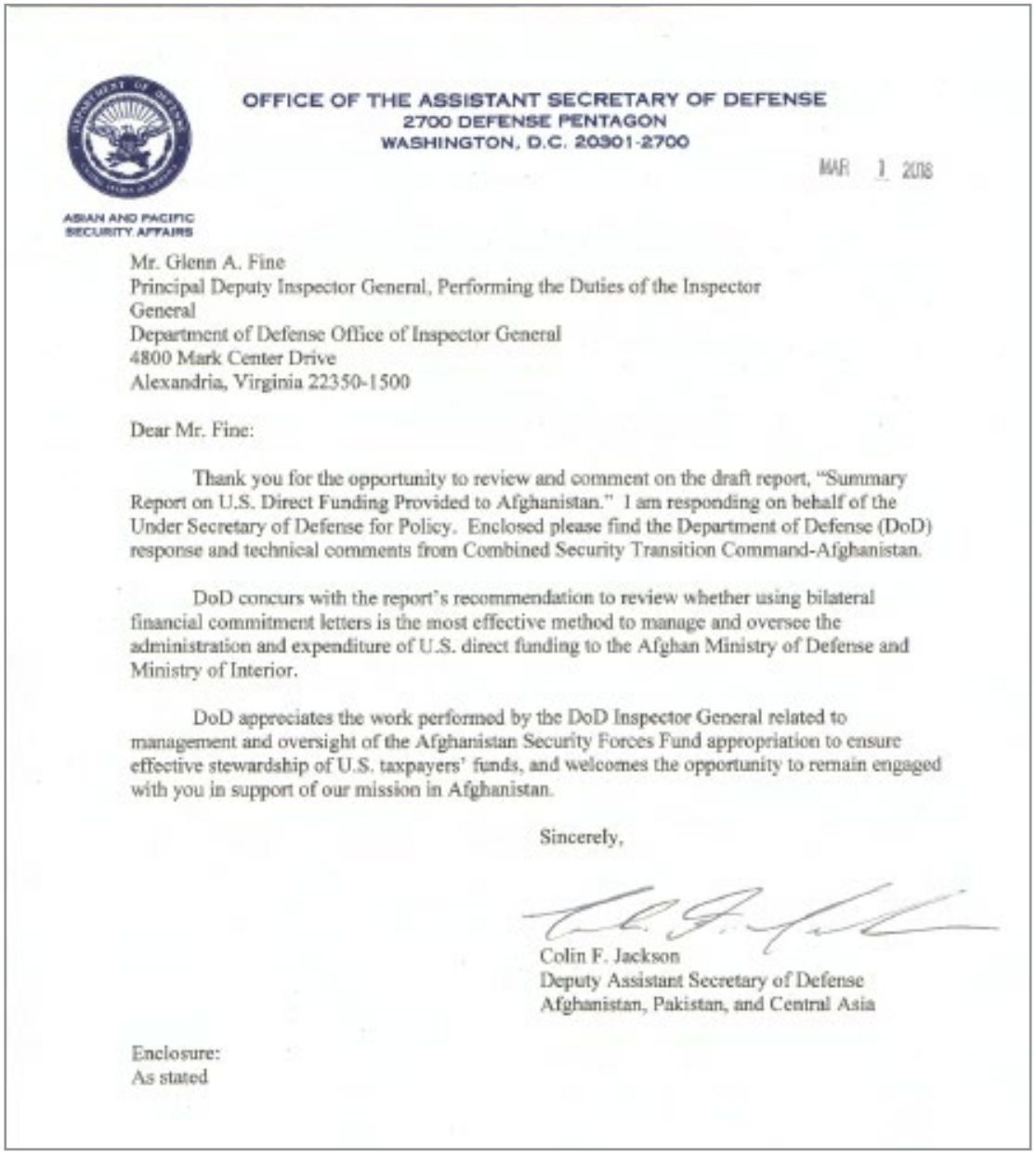
with Regional Contract Center–Afghanistan, awarded fuel contracts for the ANDSF that are managed by the U.S. Government, not by MoD and MoI officials. This action by CSTC-A officials negatively impacts CSTC-A's ability to assist the Afghans in developing the capability to award and manage their own fuel contracts.

Furthermore, a contract for third-party verification of ANDSF fuel handling and storage, also awarded by Regional Contract Center–Afghanistan in September 2017, did not result in the MoD and MoI having sufficient fiscal controls over fuel management to manage fuel independently. Because the third-party fuel handling and storage contract was awarded and managed by the U.S. Government, MoD and MoI officials' ability to improve their fuel management independently was limited. The third-party fuel oversight contract may not result in effective management of the ANDSF fuel requirements. The U.S. government issued a third-party contract and would need to perform its own quality assurance testing, again directly impacting the development of the MoD and MoI officials' ability to manage their own fuel.

Finally, the multiple MoD and MoI General Officer-level committees CSTC-A officials established to oversee fuel management do not address the controls to oversee fuel delivery and fuel consumption by the Afghan National Army. The committees do not address controls as they relate to overestimation of fuel requirements without analyses of fuel consumption data, increase in value of fuel contracts without justification, and improper monitoring of fuel contractor performance.

Management Comments

Office of the Assistant Secretary of Defense (Asian and Pacific Security Affairs) Comments



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2700 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2700

MAR 1 2018

ASIAN AND PACIFIC SECURITY AFFAIRS

Mr. Glenn A. Fine
Principal Deputy Inspector General, Performing the Duties of the Inspector General
Department of Defense Office of Inspector General
4800 Mark Center Drive
Alexandria, Virginia 22350-1500

Dear Mr. Fine:

Thank you for the opportunity to review and comment on the draft report, "Summary Report on U.S. Direct Funding Provided to Afghanistan." I am responding on behalf of the Under Secretary of Defense for Policy. Enclosed please find the Department of Defense (DoD) response and technical comments from Combined Security Transition Command-Afghanistan.

DoD concurs with the report's recommendation to review whether using bilateral financial commitment letters is the most effective method to manage and oversee the administration and expenditure of U.S. direct funding to the Afghan Ministry of Defense and Ministry of Interior.

DoD appreciates the work performed by the DoD Inspector General related to management and oversight of the Afghanistan Security Forces Fund appropriation to ensure effective stewardship of U.S. taxpayers' funds, and welcomes the opportunity to remain engaged with you in support of our mission in Afghanistan.

Sincerely,

Colin F. Jackson
Deputy Assistant Secretary of Defense
Afghanistan, Pakistan, and Central Asia

Enclosure:
As stated

ENCLOSURE

"Summary Report on U.S. Direct Funding Provided to Afghanistan"
(Project No. D2017-D000CI-0176.000)

DoD submits the following response to the recommendation made to the Under Secretary of Defense for Policy in this report:

Recommendation 1: *We recommend that the Under Secretary of Defense for Policy evaluate whether using Bilateral Financial Commitment Letters is the most effective method to manage and oversee the administering and expending of U.S. direct funding to the Ministry of Defense and the Ministry of Interior. If the non-binding Bilateral Financial Commitment Letter process is determined not the most effective method, we recommend that the Under Secretary of Defense for Policy identify a more effective method. When establishing the most effective method, we recommend the Under Secretary of Defense for Policy, identify more realistic and achievable terms and conditions for the Ministry of Defense and the Ministry of Interior to accomplish and show incremental improvement, and develop a formal documented process for assessing penalties against the Ministry of Defense and the Ministry of Interior for continued commitment letter violations.*

DoD Response: Concur. Using the insights and findings provided by the draft report, the Office of the Under Secretary of Defense for Policy (OUSD (Policy)) will work with the Combined Security Transition Command-Afghanistan (CSTC-A) and other appropriate organizations to review and evaluate whether using bilateral financial commitment letters is the most effective method to manage and oversee the administration and expenditure of U.S. direct funding to the Afghan Ministry of Defense (MoD) and Ministry of Interior (MoI). If we determine that the non-binding commitment letter process is not the most effective method, then OUSD (Policy) will work with CSTC-A to identify and implement a more effective approach that meets the objectives identified in the draft report.

Technical Comments on DODIG Draft Report, Project No. D2017-D000CI-0176, "Summary Audit on U.S. Direct Funding Provided to Afghanistan" from Combined Security Transition Command-Afghanistan (CSTC-A)

CSTC-A offers the following technical comments. CSTC-A is committed to growing and sustaining operational capability within the ANDSF by increasing automation, increasing the accuracy and frequency of commodity reporting, improving program oversight, improving training, and increasing utilization of the CoreIMS and implementing the National Maintenance Strategy.

CSTC-A Comment: CSTC-A strongly recommends time periods on the "Summary Report on U.S. Direct Funding Provided to Afghanistan" Final Report are properly reflected.

Rationale: Throughout the report it is difficult for the reader to understand the time period for a specific challenge. The current document leads the reader to conclude many past challenges are current and the newly implemented procedures are not adequately incorporating lessons learned. This request was made during the January 9, 2018, Discussion Draft video teleconference (VTC) and included in CSTC-A's comments to the Discussion Draft.

CSTC-A Comment: On 9 January 2018, CSTC-A requested that the audit team relook the premise of the section, "Incorporating Realistic and Achievable Conditions in the Commitment Letters," in which the draft says CSTC-A official did not incorporate realistic and achievable terms and conditions within the commitment letters.

Rationale: The Commanding General (CG), CSTC-A and Government Islamic Republic of Afghanistan (GIRoA) Ministerial Level Officials committed to the conditions in the letters each year. "Realistic and achievable" are subjective metrics. As discussed at length during the January 9 VTC, the conditions were set, in part, to influence effective leadership, and promote effective and sustainable operations. The Draft Report does not adequately capture the intent and use of Commitment Letters. Each Commitment Letter contains the following statements:

(a) Conditions contained in the Commitment Letters are intended to reinforce the general policies, procedures and rules set forth by GIRoA, as outlined in the Treasury Accounting Manual Version 1.26; Afghan National Police Inherent Law, Procurement Law 2008, as amended in January 2009; the Chart of Accounts, Public Finance and Expenditure Management Law and Official Gazette.

(b) The Commitment Letter 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.

(c) CG, CSTC-A reserves the right to impose additional penalties at his/her discretion above and beyond those identified with each condition in the Commitment Letter.

CG, CSTC-A uses conditionality to:

(a) Establish the condition the Afghan government must meet in order to execute funding in support of defense and security requirements.

(b) Influence effective leadership and institutional behavior through the conditions based provisions of funds and resources.

(c) Build capacity-promote effective and efficient sustainable operations.

(d) Promote transparency, accountability and reduce opportunity for corruption.

(e) Assure the US taxpayers and donor nations of their investment in Afghanistan.

CG, CSTC-A currently conducts monthly Commitment Letter meetings to assess progress in each of the commitments reflected in each of the Commitment Letters (report provided to DoDIG on 19 January 2018). CSTC-A is committed to assisting GIRoA in building and sustaining the Afghan National Security Forces, as well as using the 1397-1398 Commitment Letters to influence effective leadership and institutional behavior through the conditions based provisions of funds and resources.

CSTC-A Comment: The section on "Ineffective Controls for Fuel Management" does not include pertinent information that CSTC-A provided.

Rationale: The following are key points that were provided to DoDIG that CSTC-A believes would provide a more complete picture of CSTC-A oversight of ANDSF fuel management.

(1) In Discussion Draft comments and follow-on RFI response (19 January 2018), CSTC-A acknowledged the challenges noted in the summarized audit and provided comments and documents to demonstrate systems implemented to enable the ministries to develop the necessary skills to become self-sustaining.

(2) In September 2017, Regional Contract Center-Afghanistan awarded a contract for Third-Party Witness/Verification/Site Surveys of ANDSF Fuel Handling and Storage. This contract provides independent quality assurance testing of petroleum products delivered and includes site surveys of ANDSF facilities to assess fuel-related infrastructure (copy provided 19 January 2018).

(3) CSTC-A is engaged in key forums with the MoD and MoI that address capacity building and accountability efforts:

(a) MoD's Logistics High Council (LHC) is a monthly General Officer Level decision making body and forum which discusses the progress of logistics issues associated with the MoD Strategic Plan, CSTC-A's Program of Actions and Milestones (PoAMs), and the ANDSF Road Map. The forum considers recommendations from various monthly working groups, allocates resources as required, directs completion dates, and monitors working group activities. Working groups conduct decree, ammunition, fuel, maintenance, CoreIMS, and other specified issue reviews.

(b) MoD Executive Steering Committee (ESC) is a General Officer level decision making body that discusses the progress of support issues, specifically focused on Class III (Fuel) and Class V (Ammunition). The ESC has the ability to approve and amend monthly allocations in accordance with the National Stockholding Policy.

(c) MoI's Support High Council (SHC) is a General Officer level decision making body and forum which convenes monthly to discuss the progress of support issues associated with the MoI Strategic Plan, PoAM, and ANDSF Road Map. The forum considers recommendations, allocates additional resources (as required), directs completion dates, and monitors working groups. Working groups conduct logistic policy, ammunition, OCIE, maintenance, fuel requirements, medical programs, budget and other specified issue reviews.

(d) MoI Executive Oversight Committee (ESC) is a General Officer level decision making body that discusses the progress of support issues specifically focused on Class III (Fuel) and Class V (Ammunition). This committee have the ability to approve and amend monthly allocations in accordance with the National Stockholding Policy.

(4) CSTC-A has taken additional action to improve oversight of fuel contracts:

(a) **MoD Fuel Management** – Directorate of Logistics Fuels has built in anti-corruption methods into the bridge contact and enduring fuel contract. CSTC-A (EF5) is working with ANA fuel section personnel to build capacity to help better manage the supply chain and prevent corruption. CSTC-A (EF5) is working with the GSG4 Fuel section on timeliness of orders and consumption reporting. Fuel reporting remains a significant weakness in the ANDSF; however, CSTC-A's capacity building efforts remain focused on these issues to improve the current status of the consumption and monthly orders.

(b) **MoI Fuel Management** – Management of the "MoI Bulk Fuel Contract" returned to CSTC-A in December 2016 after four years of MoI mismanagement. While MoI did demonstrate promising capability in their fuel ordering and accounting processes, they, along with Ministry of Finance, failed to coordinate in making timely payments to fuel vendors, and MoI was unable to keep fuel orders at or below monthly authorized allocations. MoI has demonstrated progress in building internal capacity for fuel management but has much to do in the future. MoI achieved 100% fuel consumption reporting from the Zones, even though the reports were one month late. The next step will be to form trained audit teams comprised of DM Support and MoI IG Auditors to validate selected reports.

Acronyms and Abbreviations

ANDSF	Afghan National Defense and Security Forces
ASFF	Afghan Security Forces Fund
CSTC-A	Combined Security Transition Command-Afghanistan
GIRoA	Government of the Islamic Republic of Afghanistan
MoD	Ministry of Defense
MoI	Ministry of Interior

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For more information about DoD OIG reports or activities, please contact us:

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