



Highlights of [GAO-08-806](#), a report to congressional requesters

Why GAO Did This Study

The United States has reimbursed Pakistan, a key ally in the global war on terror, about \$5.56 billion in Coalition Support Funds (CSF) for its efforts to combat terrorism along its border with Afghanistan. The Department of Defense (Defense) provides CSF to 27 coalition partners for costs incurred in direct support of U.S. military operations. Pakistan is the largest recipient of CSF, receiving 81 percent of CSF reimbursements as of May 2008.

This report focuses on (1) the extent to which Defense has consistently applied its guidance to validate the reimbursements claimed by Pakistan and (2) how the Office of the Defense Representative to Pakistan's (ODRP) role has changed over time. To address these objectives, GAO reviewed CSF oversight procedures, examined CSF documents, and interviewed Defense officials in Washington, D.C., U.S. Central Command in Florida, and Pakistan.

What GAO Recommends

GAO recommends that Defense consistently implement existing oversight criteria, formalize ODRP's oversight responsibilities, and implement additional controls. Defense generally concurred with the recommendations but stated that the report lacked sufficient context, such as Pakistan's military contributions enabled by CSF and Defense's broad legal authority to disperse funds. This report does recognize Pakistan's contributions and Defense's legal authority.

To view the full product, including the scope and methodology, click on [GAO-08-806](#). For more information, contact Charles Michael Johnson Jr. at (202) 512-7331 or johnsoncm@gao.gov.

COMBATING TERRORISM

Increased Oversight and Accountability Needed over Pakistan Reimbursement Claims for Coalition Support Funds

What GAO Found

Defense Comptroller issued new guidance in 2003 to enhance CSF oversight. The guidance calls for, among other things, CSF reimbursement claims to contain quantifiable information that indicates the incremental nature of support (i.e., above and beyond normal operations), validation that the support or service was provided, and copies of invoices or documentation supporting how the costs were calculated. While Defense generally conducted macro-level analytical reviews called for in its guidance, such as determining whether the cost is less than that which would be incurred by the United States for the same service, for a large number of reimbursement claims Defense did not obtain detailed documentation to verify that claimed costs were valid, actually incurred, or correctly calculated. GAO found that Defense did not consistently apply its existing CSF oversight guidance. For example, as of May 2008, Defense paid over \$2 billion in Pakistani reimbursement claims for military activities covering January 2004 through June 2007 without obtaining sufficient information that would enable a third party to recalculate these costs. Furthermore, Defense may have reimbursed costs that (1) were not incremental, (2) were not based on actual activity, or (3) were potentially duplicative. GAO also found that additional oversight controls were needed. For example, there is no guidance for Defense to verify currency conversion rates used by Pakistan, which if performed would enhance Defense's ability to monitor for potential overbillings.

Defense's guidance does not specifically task ODRP with attempting to verify Pakistani military support and expenses, despite recognition by Defense officials that such verification is best performed by U.S. officials in Pakistan, who have access to Pakistani officials and information. As such, ODRP did not try to verify Pakistan CSF claims from January 2004 through August 2006. Beginning in September 2006, without any formal guidance or directive to do so from U.S. Central Command or the Defense Comptroller, ODRP began an effort to validate Pakistani military support and expenses. This increased verification effort on the part of ODRP contributed to an increase in the amount of Pakistani government CSF claims disallowed and deferred. Prior to ODRP's increased verification efforts, the average percentage of Pakistani claims disallowed or deferred for January 2004 through August 2006 was a little over 2 percent. In comparison, the average percentage of Pakistani claims disallowed or deferred for September 2006 through February 2007 was 6 percent and for the most recent claims (March 2007 through June 2007) processed in February 2008, was approximately 22 percent. However, ODRP's continued oversight activity is not assured, as Defense had not developed formal guidance delineating how and to what degree ODRP should attempt to verify Pakistani claims for reimbursement.

GAO recognizes that Defense may not be able to fully verify every Pakistani claim without the ability to access Pakistani records or do onsite monitoring. However, such ability would enhance CSF oversight.