

# Inspector General

United States  
Department of Defense



Afghanistan Security Forces Fund Phase III-Air Force Real  
Property Accountability

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## Acronyms and Abbreviations

ADIS	Afghanistan Data Integration System
AFCEE	Air Force Center for Engineering and the Environment
AMEC	AMEC Earth and Environmental, Inc.
ANA	Afghanistan National Army
AOR	Area of Responsibility
ASF	Afghanistan Security Forces
CSTC-A	Combined Security Transition Command-Afghanistan
FAR	Federal Acquisition Regulation
FARP	Forward Arming and Refueling Point
GAO	Government Accountability Office
IG	Inspector General
KAIA	Kabul International Airport
KAF	Kandahar Air Field
UFC	Unified Facilities Criteria
USCENTCOM	U.S. Central Command



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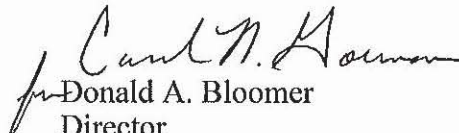
MEMORANDUM FOR COMMANDER, COMBINED SECURITY TRANSITION  
COMMAND-AFGHANISTAN

SUBJECT: Report on Afghanistan Security Forces Fund Phase III-Air Force Real Property  
Accountability (Report No. D-2009-031)

We are providing this report for your information and use. We considered management comments on a draft of the report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8863 (DSN 664-8863). If you desire, we will provide a formal briefing on the results.

  
for Donald A. Bloomer  
Director  
Joint and Overseas Operations







# Results in Brief: Afghanistan Security Forces Fund Phase III-Air Force Real Property Accountability

## What We Did

We determined whether the Air Force Center for Engineering and the Environment (AFCEE) and the Combined Security Transition Command-Afghanistan (CSTC-A) could account for real property construction purchased to support the Afghanistan National Army (ANA). AFCEE provided contracting services to CSTC-A, who used Afghanistan Security Forces (ASF) funding to construct a variety of buildings such as office buildings, barracks, airport taxiways and hangars, and various other facilities. We also determined whether CSTC-A properly transferred the real property to the ANA after the construction was complete.

## What We Found

We validated the accountability of ASF funded real property construction as listed on contracts awarded by AFCEE at the direction of CSTC-A. We determined that AFCEE and CSTC-A maintained sufficient documentation and records to track accountability of real property constructed to support the ANA. However, CSTC-A did not have a formal process in place to transfer real property to the ANA.

## What We Recommend

We recommend that the Commander, CSTC-A develop and implement standard operating procedures for the transfer of real property to the ANA. The standard operating procedures should include procedures for preparing formal asset transfer letters and when applicable, documenting the ANA refusals to sign for completed real property. In addition, we recommend that the Commander, CSTC-A develop and implement guidance covering the transfer of real property management to the

ANA. Transfer of property management to the ANA includes responsibility for both the operation and maintenance of facilities and for monitoring the real property management system CSTC-A uses to manage real property on behalf of the ANA.

## Client Comments and Our Response

U.S. Central Command responded for CSTC-A. U.S. Central Command concurred with the recommendations and no further comments are required.



**Audit Team Examines Construction of ANA Airport Office Building at Kabul**

## Recommendations Table

Client	Recommendations Requiring Comment	No Additional Comments Required
Commander, Combined Security Transition Command-Afghanistan		B.1., B.2.

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# Introduction

## Objectives

Our objectives were to determine whether organizations in Southwest Asia that the U.S. Central Command (USCENTCOM) assigned with the responsibility for managing the Afghanistan Security Forces (ASF) Fund properly accounted for the goods and services purchased using the ASF Fund and whether the goods and services purchased were properly delivered to the ASF. See Appendix A for a discussion of the scope and methodology.

## Review of Internal Controls

We identified material internal control weaknesses for CSTC-A as defined by DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” January 4, 2006, as they applied to the audit objective. DoD Instruction 5010.40 states that internal controls are the organization policies and procedures that help program and financial managers achieve results and safeguard the integrity of their programs. CSTC-A did not have a formal process in place to transfer real property to the ANA. Implementing our recommendations will improve the internal controls over property transfer by providing an official document that transfers real property to the ANA. We will provide a copy of the report to the senior CSTC-A official responsible for internal controls.

## Background

This report is one in a series of reports of a three-phase audit of the ASF Fund. In total, about \$15.3 billion has been appropriated to the ASF Fund through six Public Laws: 109-13, 109-234, 109-289, 110-28, 110-161, and 110-252. For this report, we reviewed AFCEE construction projects that were supported through three of the five Public Laws (109-13, 109-234, and 109-289) that appropriated about \$4.7 billion to the ASF Fund.

In the first phase, we determined that the Under Secretary of Defense (Comptroller)/ Chief Financial Officer and the Office of the Assistant Secretary of the Army for Financial Management and Comptroller distributed \$4.7 billion of budget authority appropriated by Public Laws 109-13, 109-234, and 109-289 for the ASF Fund in compliance with provisions of the three Public Laws and applicable appropriation law.

The second phase of the audit will determine whether recorded obligations using the ASF Fund were made legally under the applicable appropriation laws. The second phase is being conducted concurrently with the third phase. We will issue a separate report for the second phase.

This report is the first report in a series of reports for the third phase of the audit. For phase three, we plan to issue multiple reports that will address accountability of real property construction, weapons, vehicles, and communication equipment provided to support the ASF, as well as the related planning and requirements. This report addresses real property construction services awarded by AFCEE at the direction of the Combined

Security Transition Command-Afghanistan (CSTC-A) in support of the Afghanistan National Army (ANA).

### ***Afghanistan Security Forces Fund***

Public Laws 109-13, 109-234, and 109-289 appropriated funds for the ASF Fund for “the security forces of Afghanistan including the provision of equipment, supplies, services, training, facility, and infrastructure repair, renovation, and construction.” This report focuses on the construction portion of the ASF Fund appropriation.

### ***Roles and Responsibilities***

USCENTCOM is working to promote development and cooperation among nations to establish security and stability in its Area of Responsibility (AOR). Afghanistan is one of the countries within the USCENTCOM AOR. USCENTCOM, through its subordinate command, CSTC-A, is working with the Government of Afghanistan to build up the ASF, which includes the ANA. According to CSTC-A Operations Order No. 08-006, dated January 14, 2008, the CSTC-A mission is to plan, program, and implement force generation that establishes an enduring capability within the ASF that is self-sustaining. Further, the Operations Order states:

The commander’s intent is to provide quality facilities that fulfill the billeting, sustainment, force protection, training and operational needs of the supported Afghan National Security Forces units and missions. Per established and approved facility priorities and to support the commander’s intent, facilities should be designed, programmed and built to be ready for occupancy prior to the fielding of new units. If construction timelines for an entire project (ex. Garrison) will not support completion prior to fielding of designated units, the acquisition/construction strategy shall be shaped to prioritize work. The priority for completion of work is force protection and billeting (to include required power, water, waste water treatment, DFAC [Dining Facility]) first, followed by administrative, headquarters and support facilities, and finally by quality of life enhancements and MWR [Morale, Welfare, and Recreation] items.

AFCEE performs construction contracting services on behalf of CSTC-A. A memorandum of agreement, dated August 8, 2006, between AFCEE and CSTC-A, established “a mutual business framework for the provision of AFCEE assistance to CSTC-A.” The memorandum delineates the services and the costs of those services that AFCEE will provide to CSTC-A, including contracting for real property construction and quality assurance services. In accordance with the memorandum of agreement, AFCEE established an in-country contracting officer’s representative and provided contract administration and technical support. AFCEE charges CSTC-A a 3.32 percent fee for contract administration. See Appendix B for a discussion of the administrative fees charged for the management of real property construction.

# Finding A. Real Property Accountability

AFCEE and CSTC-A maintained documentation to provide accountability for 10 real property construction projects built in support of the ANA. We verified that those 10 real property projects existed, were being constructed in the proper location, and were being built in support of the ANA.

## Accountability

DoD Instruction 5000.64, “Accountability and Management of DoD-Owned Equipment and Other Accountable Property,” November 2, 2006, defines accountability as follows:

The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.

AFCEE and CSTC-A maintained sufficient documentation to account for real property construction in support of the ANA. The real property construction was valued at about \$253.4 million. This amount represented all real property construction projects awarded by AFCEE as of February 2008, and funded from Public Laws 109-13, 109-234, and 109-289. Table 1 shows the task orders for the 10 real property construction projects.

**Table 1. AFCEE Awarded Real Property Construction Contracts for ANA**

Contract No.	Task Order	Estimated Cost	Fixed Fee	Total Costs	Location
FA8903-06-D-8507	0005	\$36,807,588	\$2,576,531	\$39,384,118	Kabul
FA8903-06-D-8507	0006	23,433,425	1,640,328	25,073,753	Kabul
FA8903-06-D-8507	0009	1,450,970	101,568	1,552,538	Darulaman
FA8903-06-D-8513	0002	29,878,750	2,360,421	32,239,172	Kabul
FA8903-06-D-8513	0010	35,052,830	2,628,962	37,681,792	Kabul
FA8903-06-D-8520	0002	19,779,030	1,581,905	21,360,935	Kabul
FA8903-06-D-8520	0008	27,598,633	2,069,898	29,668,531	Kabul
FA8903-06-D-8519	0012	21,600,479	1,099,464	22,699,943	Kandahar
FA8903-06-D-8511	0018	39,725,048	2,795,044	42,520,092	Shindand
FA8903-04-D-8672	0040	1,121,292	78,490	\$1,199,782	Shindand
<b>Total</b>		<b>\$236,448,045</b>	<b>\$16,932,611</b>	<b>\$253,380,656</b>	

During our site visit to AFCEE in January 2008, AFCEE provided us with a map of Afghanistan with real property construction sites labeled. Figure 1 is the map of the location of those real property construction sites.

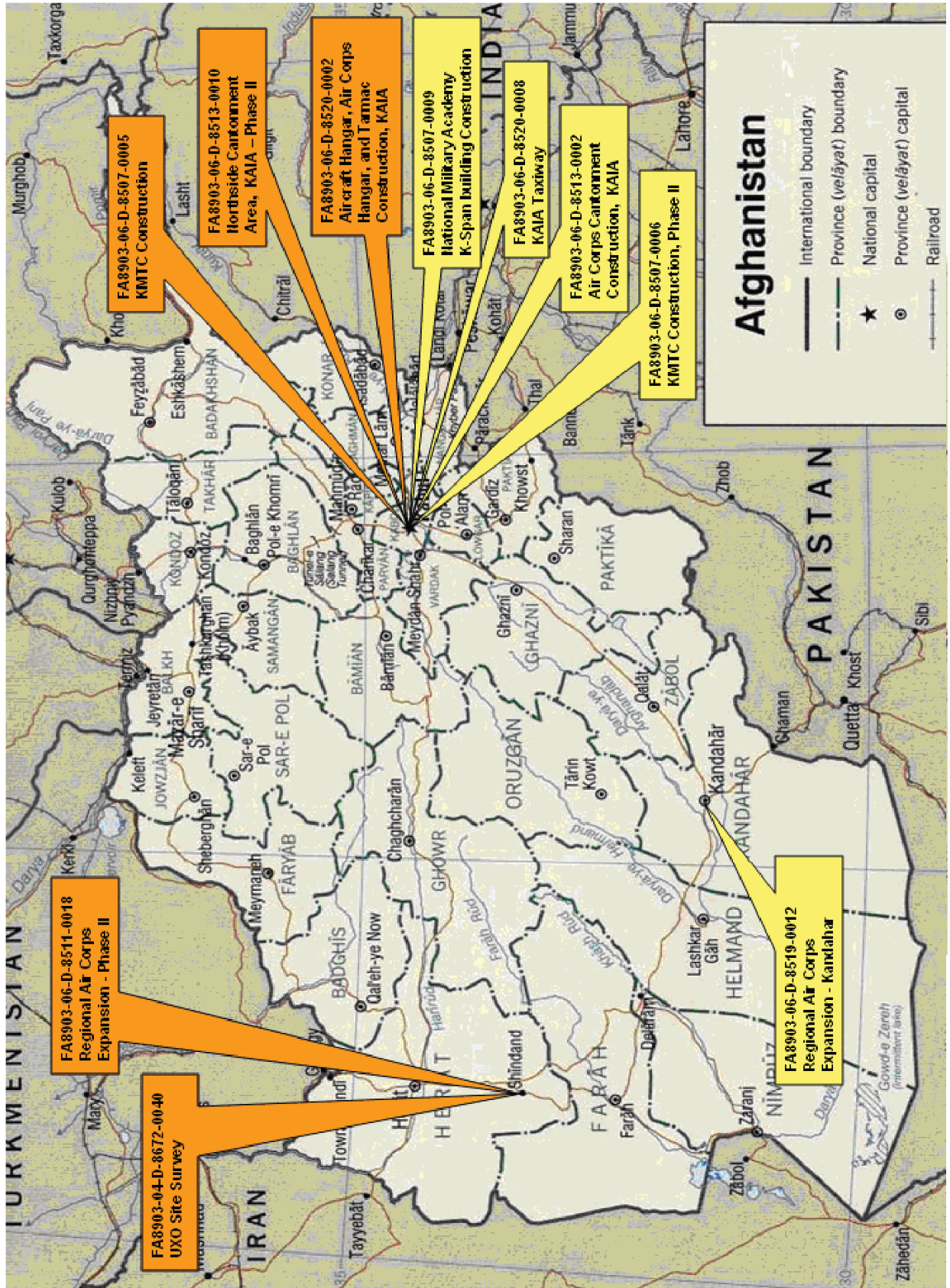


Figure 1. Map of Afghanistan With Location of Real Property Construction



AFCEE awarded all 10 construction projects as cost-plus-fixed-fee task orders. According to Federal Acquisition Regulation (FAR) Subpart 16.3, “Cost-Reimbursement Contracts:”

Subpart 16.301-1 Description. Cost-reimbursement types of contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.

\* \* \* \* \*

Subpart 16.306 Cost-plus-fixed-fee contracts. (a) *Description.* A cost-plus-fixed-fee contract is a cost reimbursement contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with actual cost, but may be adjusted as a result of changes in the work to be performed under the contract. This contract type permits contracting for efforts that might otherwise present too great a risk to contractors, but it provides the contractor only a minimum incentive to control costs.

### **AFCEE Accountability**

AFCEE used a Conceptual Work Plan/Implementation Work Plan to manage real property construction. AFCEE described this process as follows:

Upon notice to proceed (NTP), the contractor initiates the requirement to submit the Conceptual Work Plan (CWP). As a part of the CWP, the contractor initiates planning activities, site preparation, and subcontracting actions. The CWP is a conceptualization of how the work will be accomplished. It includes simple diagrams, schedules. [sic] Preliminary [Level 1] schedules are appropriate in the Draft CWP development. Approval of the completed CWP enables the contractor to initiate construction and transition into the Implementation Work Plan (IWP). Once CJ-ENG [Combined Joint-Engineering] and the AFCEE Afghanistan Project Manager (PM) approve the CWP, the contractor may begin work under the IWP process. The IWP is a living document that can be modified and updated as needed to reflect approved changes in project completion requirements. Resource Loaded [Level 4] schedules are appropriate and required in the final approved CWP and any version of the IWP. The CWP and IWP shall include a summary roll-up of subcontractor cost estimates. The IWP process includes the initial construction efforts and allows an iterative process of maintaining, updating, and executing the IWP.

AFCEE provided documentation that included contracts, contract modifications, conceptual work plan/implementation work plan submittals, and independent quality assurance report submittals. Based upon our review of these documents, we concluded that AFCEE maintains sufficient documentation to account for real property.

## **Quality Assurance**

AFCEE used its Worldwide Planning, Program, and Design contract for quality assurance of real property construction. According to AFCEE, the Worldwide Planning, Program, and Design contractor performs both quality assurance and construction surveillance, which includes reviews of the overall quality, cost, and schedule of the real property delivered by the construction contractor. Versar, Inc. was awarded contract F41624-03-D-8620, task order 0063 to perform supervision, inspection, and oversight of the 10 construction projects in Afghanistan.

Versar International Assistance Projects, a subsidiary of Versar, Inc., performed independent quality assurance for the AFCEE projects we reviewed. Versar International Assistance Projects submitted a daily report for each of the AFCEE projects, which included an analysis of each project, information on percentage of completion, photos of the construction site, information on contractor submittals, and a discrepancy and noncompliance log that tracked the contractor's compliance with provisions of the contract.

## **CSTC-A Accountability**

CSTC-A relied on the Afghanistan Data Integration System (ADIS)<sup>1</sup> to track accountability of real property construction on behalf of the ASF. ADIS is a real property database management system that is used to track ongoing and completed real property construction executed by AFCEE and the U.S. Army Corps of Engineers, Afghanistan Engineering District. From ADIS, we extracted a report that contained records for CSTC-A to track real property construction. The report included a CSTC-A project number, a contract number, a project name, a project description, the obligation amount, and the location of each construction project. The ADIS system contained records of all 10 projects. Therefore, we concluded that CSTC-A maintains proper records to track accountability of real property construction in support of the ANA.

## **Existence**

As part of determining whether AFCEE properly accounted for real property construction, we traced documentation for real property and verified that the contracted real property construction physically existed, was in the correct location, and was being built in support of the ANA. We verified the existence of the 10 real property construction projects awarded by AFCEE at the direction of the CSTC-A in support of the ANA. Information on each of the ten construction projects is listed below.

## **Kabul Military Training Center**

AFCEE awarded AMEC Earth and Environmental, Inc. (AMEC), contract FA8903-06-D-8507, task order 0005, valued at \$39.4 million, to plan and construct, in Kabul, four 600-person student barracks, two administrative buildings, a

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<sup>1</sup>ADIS records are maintained by CSTC-A, Combined Joint-Engineering.

4,400 square-meter dining facility, a multipurpose gymnasium, and four K-Spans<sup>2</sup> to house 1,000 troops, among other requirements.

In addition, AFCEE awarded AMEC contract FA8903-06-D-8507, task order 0006, valued at \$25.1 million, to plan and construct additional facilities at Kabul Military Training Center, including four 600-person student barracks, two student battalion administrative buildings, six classroom/troop support buildings, a 2,800 square-meter Military Police compound/garrison, a 3,800 square-meter dry storage facility, an upgrade to the water treatment plant to sustain an additional 4,000 personnel, and an upgrade to the wastewater collection system, among other requirements.

On February 26, 2008, we visited the Kabul Military Training Center site in Kabul. Using the contract requirements as a guide, we observed that the ongoing construction generally matched the stated contract scope of work at that time. For example, we observed the building of a dining facility and classrooms at Kabul Military Training Center. In addition, a civil engineer that was part of our team concluded that the construction at the Kabul Military Training Center was built according to its intended purpose. Figure 2 shows classrooms and a dining facility at Kabul Military Training Center under construction.



**Figure 2. Classrooms (left) and Dining Facility (right) under construction at Kabul Military Training Center**

### ***Darulaman K-Span***

AFCEE awarded AMEC contract FA8903-06-D-8507, task order 0009, valued at \$1.6 million, to construct K-Spans at the National Military Academy of Afghanistan. The buildings were subsequently moved to Camp Julian, Darulaman, by contract modification.

On March 1, 2008, we visited the real property construction site of K-Spans at Darulaman. The contract, after two modifications, contained provisions for the construction of 2 tan-colored K-Spans, to be constructed in Darulaman. We visited Camp Julian, Darulaman, and observed the construction of the K-Spans. In addition, a

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<sup>2</sup> K-Span is high quality prepainted galvanized steel roofing.



civil engineer that was part of our team concluded that the K-Spans were being built according to their intended purpose. Figure 3 shows K-Spans at Darulaman.



**Figure 3. K-Spans at Darulaman**

### ***Kabul International Airport***

On February 27, 2008, we visited the following real property construction contracts sites at Kabul International Airport (KAIA) to physically verify the existence of :

- the northside cantonment area,<sup>3</sup>
- the National Maintenance Facility Aviation Component Complex, and
- the taxiway expansion.

### **Northside Cantonment Area**

AFCEE awarded Innovative Technical Solutions, Inc., contract FA-8903-06-D-8513, task order 0002, valued at \$32.2 million, to plan and construct an ANA Air Corps northside cantonment area for 1,920 personnel, a water treatment plant, a power plant, a communication infrastructure, a billeting and dining facility, an Air Squadron headquarters building, a wing headquarters, and an operation and mission support headquarters building, among other requirements.

In addition, AFCEE awarded Innovative Technical Solutions, Inc., contract FA-8903-06-D-8513, task order 0010, valued at \$37.7 million, which refined the northside cantonment area billet requirement to 1,800 individuals, added vehicle support facilities, a central laundry, a gymnasium, a museum, a fuel point, and a warehouse, among other requirements. Figure 4 shows an office building and barracks at the northside cantonment area.

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<sup>3</sup>A cantonment area is where troops reside.



**Figure 4. Northside Cantonment Area Office Building (left) and Barracks (right)**

### **National Maintenance Facility Aviation Component Complex and Taxiway Expansion**

AFCEE awarded URS Group, Inc., contract FA-8903-06-D-8520, task order 0002, valued at \$21.4 million, to plan and construct an aircraft hangar, an Air Corps hangar facility, an Air Corps tarmac/ramp, a headquarters office facility, a machine shop, and a propulsion repair facility, among other requirements.

In addition, AFCEE awarded URS Group, Inc., contract FA-8903-06-D-8520, task order 0008, valued at \$29.7 million, to plan and construct an expansion to the existing taxiway and parking apron, construction of tie-ins to the flight line, and airfield lighting systems, among other requirements. As part of the construction of the taxiway expansion, a \$10.7 million modification was issued (included in the \$29.7 million) to upgrade the electrical system of the taxiway at KAIA. Figure 5 shows the KAIA hangar and taxiway.



**Figure 5. KAIA Hangar (left) and Taxiway (right)**

We observed that the real property under construction at KAIA generally met the scope of work of the contract awards. We verified the existence of multiple office buildings and barracks at the northside cantonment in KAIA. Further, we toured the National Maintenance Facility Aviation Component Complex and walked on the taxiway at KAIA.

In addition, a civil engineer that was part of our team concluded that the construction at KAIA was built according to its intended purpose.

### ***Kandahar Air Field***

AFCEE awarded Toltest, Inc., contract FA8903-06-D-8519, task order 0012, valued at \$22.7 million, to plan and construct a 400-person cantonment area, a dining facility for 400 people, a fire station, a sports field, an administration and headquarters office space, and a motor pool, among other requirements. Initially, CSTC-A decided to locate the cantonment facility at an ANA brigade garrison about 2 miles from Kandahar Air Field (KAF) and construct the administration and headquarters office space at KAF. This decision was subsequently changed as projected security costs of constructing in two locations increased by about \$4 million, and therefore CSTC-A moved the entire construction project back to KAF. As a result of moving the project to KAF, the existing Forward Arming and Refueling Point (FARP) had to be moved to accommodate the cantonment area and the administration and headquarters office space. AFCEE issued a modification to relocate the FARP, and as a result, some requirements were removed from the scope of the original contract award so that funds were available for the FARP relocation. In total, AFCEE obligated about \$2 million for the FARP relocation, an additional \$1.5 million was obligated on additional planning, and security costs increased by about \$.5 million as a result of changing project locations. In total, AFCEE removed about \$4 million of construction work from the contract because of the relocation.

Our team visited KAF on March 2, 2008, and observed the construction of the cantonment facility and the relocated FARP. First, we visited the construction of the cantonment facility. We found that the cantonment area was being constructed just outside KAF. Construction was in the beginning stages. Next, we visited the relocated FARP and observed the construction there was close to completion. The civil engineer that accompanied our team concluded that the construction was built according to its intended purpose. Figure 6 shows the cantonment area and the FARP at KAF.



**Figure 6. ANA Air Corps FARP (left) and Cantonment Area (right) at KAF**

## **Shindand**

AFCEE awarded two task orders for construction at Shindand to the Environmental Chemical Corporation. One task order was for Unexploded Ordnance Site Survey and one was for the ANA Air Corps Regional Expansion.

AFCEE awarded the Environmental Chemical Corporation contract FA-8903-04-D-8672, task order 0040, valued at \$1.2 million, which included site survey and unexploded ordnance clearance. AFCEE also awarded Environmental Chemical Corporation contract FA-8903-06-D-8511, task order 0018, valued at \$42.5 million, to plan and construct the ANA Air Corps Regional Expansion at Shindand. According to a contractor prepared plan, which incorporated the views of the major stakeholders such as CSTC-A and AFCEE, the initial plan for the ANA Air Corps Regional Expansion at Shindand was to build an “Air Corps Military Training Center. . . to educate and train mechanics, air controllers, and other aviation-specific specialties. . . .” Later, as a result of the contractor being \$12 million over budget and a significant change in the mission of the ANA Air Corps, CSTC-A changed the task order requirements and AFCEE issued a no-cost modification that removed the training component from the task order. Additionally, the size of the cantonment billet was reduced from 1,500 persons to 1,325 persons and a communication building was added as a requirement. Even with the reduced requirement, the estimated value of the contract remained at \$42.5 million.

On May 4, 2008, we visited the ANA Air Corps Regional Expansion at Shindand and observed the construction of the dining facility and the renovation of the Operation Group Headquarters. Figure 7 shows the dining facility and the Operation Group Headquarters building at the ANA Air Corps Regional Expansion at Shindand.



**Figure 7. Dining Facility (left) and Operation Group Headquarters (right)**

## **Conclusion**

AFCEE and the CSTC-A could properly account for real property construction purchased to support the ANA. Three Public Laws (109-13, 109-234, and 109-289) that appropriated about \$4.7 billion provided the funds for the following constructions

projects built in support of the ASF: Kabul Military Training Center (Phases I and II), Darulaman K-Spans, Kabul International Airport (the two phased construction at the Northside cantonment area, National Maintenance Facility Aviation Component Complex, Taxiway expansion), Kandahar Air Field (various facilities), and Shindand ANA Air Corps Regional Expansion, including UXO site survey.

We verified that all of the 10 real property construction projects existed, are being constructed in the proper location, and are being built in support of the ANA.



## **Finding B. Property Transfer to ANA**

CSTC-A lacked a formal process to transfer possession of buildings built using ASF funds from CSTC-A to the ANA. Instead, CSTC-A relied on the DD Form 1354 for property transfer of real property, a form normally used for the transfer of real property between Services, commands, and installations. There appears to be no mandated formal process for transferring real property to Afghanistan. There are also no DoD mandated procedures. Transfer procedures that were in use at the time of the audit only addressed the transfer of real property from the construction contractor to CSTC-A. Therefore, no specific dates exist or are planned for the ANA to take the responsibility for the operations and maintenance of the buildings being built for their use. The ANA may use completed facilities with CSTC-A funding the operations and maintenance of the buildings for years to come. CSTC-A's lack of planning for the transfer of real property to the ANA stands in direct violation of the CSTC-A mission to establish a self-sustaining enduring security capability in Afghanistan.

### ***CSTC-A Property Transfer***

Of the 10 AFCEE real property construction projects we reviewed, none were completed as of March 2008; therefore, we focused our efforts more broadly on the real property transfer process.

### ***Property Transfer***

The CSTC-A, Combined Joint-Engineering (CJ-ENG) managed the real property construction. However, CJ-ENG group did not have formal standard operating procedures for property transfer of completed real property to the ANA. We found no legal level guidance for CSTC-A to use as a basis for property transfer. When real property construction was completed, CJ-ENG used DD Form 1354 to transfer responsibility of real property construction to CSTC-A and thus released the contractor from further responsibility.

### ***DD Form 1354***

The DoD, Unified Facilities Criteria (UFC) No. 1-300-08, dated June 30, 2004, “establishes a process to transfer and accept real property accountability and costs for capital improvements projects in a timely and consistent manner throughout the Department of Defense (DoD) and Military Services.” UFC No. 1-300-08 is a reference that, among other purposes, “provides the many uses of the DD Form 1354 and describes how to use it as part of a real property inventory system.”

According to the UFC No. 1-300-08, a DD Form 1354 is applicable in transferring real property accountability, including in the following situations:

- transferring accountability for new construction and capitalization projects from the construction agent to the installation real property accountable officer;
- reassigning accountability of real property between Services, commands, and installations; and
- documenting real estate transactions, such as purchases, sales, leases, licenses, and permits.

The DD Form 1354 is an appropriate document for transferring real property accountability from AFCEE to CSTC-A (reassigning accountability within DoD). According to the UFC guidance, construction outside of the United States is governed by Status of Forces Agreements, Host Nation Funded Construction Agreements, and in some cases, Bilateral Infrastructure Agreements. CSTC-A was unable to provide any agreements with respect to transfer of real property between the United States and the Islamic Republic of Afghanistan. CSTC-A relied on the DD Form 1354 for property transfer of real property, but the DD Form 1354 is not sufficient for property transfer of real property outside the Federal Government.

When a DD Form 1354 is used to transfer real property between Services, the Service Secretaries are required to sign the form. Status of Forces Agreements, Host Nation Funded Construction Agreements, and Bilateral Infrastructure Agreements are signed at the executive level by U.S. government representatives. Any transfer of responsibility for the operation and maintenance of buildings between CSTC-A and the ANA should involve formal agreements between the two parties. Indeed, for DoD to continue to pay for the operation and maintenance of buildings when ownership may be in doubt could suggest that the buildings are in fact being used by DoD in direct contradiction of the purpose for which ASF funds were appropriated. In the absence of legal guidance for specific turnover procedures regarding Afghanistan reconstruction, CSTC-A needs to develop appropriate guidance and implement effective procedures.

As part of this audit, we reviewed the AFCEE property transfer procedures for real property construction in Iraq. The AFCEE-Iraq procedures included an asset transfer letter, in English and Arabic, between the Governments of the United States and Iraq, which could serve as a model for real property transfer in Afghanistan. CSTC-A is receptive to implementing some of the AFCEE-Iraq procedures for real property transfer in Afghanistan, including an asset transfer letter between the United States Government and the Afghanistan Ministry of Defense and implementing procedures that document ANA refusals to sign for real property.

### ***Transfer Procedures***

In response to initial meetings between CJ-ENG and DoD auditors, CJ-ENG developed a set of standard operating procedures for the turnover of real property. According to the



CJ-ENG ANA construction building turnover process, a DD Form 1354, “will be used to properly document completion of facilities on all ANA infrastructure projects.” The CJ-ENG property transfer procedures noted that only U.S. Government representatives should sign the DD Form 1354 because “the document is providing accountability for property contracted for using U.S. government funding.”

The CJ-ENG property transfer procedures address the ANA participation, as CJ-ENG will now communicate actual building turnover to a facility engineer from the ANA. The procedures stated that the ANA does not need to sign the DD Form 1354, but that, “it may be done as a courtesy and is a useful tool to capture lessons learned or outstanding requirements that may have been missed during the construction process.”

The CJ-ENG property transfer procedures briefly discuss the turnover of operations and maintenance responsibilities by noting that in the future CJ-ENG will strive to turn over the operation and maintenance function to the ANA. However, as of September 2008, CSTC-A continues to fund operation and maintenance on ANA real property through the National Operation and Maintenance contract<sup>4</sup> even though construction companies contracted to construct buildings have completed their work. The property transfer procedures do not specifically address the long-term plan for the eventual turnover of the funding of operation and maintenance responsibilities to the ANA. A CJ-ENG official stated that complete turnover of operation and maintenance will occur when the Afghanistan Ministry of Defense improves its capability to manage and maintain real property.

In addition, the property transfer procedures do not mention the turnover of responsibility of the ADIS real property management system to the ANA. According to CJ-ENG, the ANA does not have the infrastructure in place to manage a real property system, and CJ-ENG is managing this system on behalf of the ANA. Any plan to transfer real property to the ANA should include a process outlining how the ANA will take responsibility for real property operation and maintenance and the ADIS real property management system. A formal plan for real property turnover to the ANA would clearly demonstrate CSTC-A willingness to transfer more responsibility for the security of Afghanistan to the ANA and reduce the ANA reliance on the United States.

Subsequent to the CJ-ENG development of the standard operating procedures for building transfer, CJ-ENG noted that they began more actively engaging the Afghans in signing for real property. However, in multiple instances the local ANA representative at the construction location refused to sign the property transfer form. CJ-ENG provided a few reasons for the refusal to sign, including that the local ANA representative simply refused to sign, could not read the form and would not take acceptance of the real property, and would not sign the form unless the contractor performed additional work outside the scope of the contract. Formal standard operating procedures should address

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<sup>4</sup> Following completion of real property construction, operation and maintenance of completed ANA facilities are handled through a single contract, executed by the Army Corps of Engineers, Afghanistan Engineering District.

circumstances such as the refusal of ANA representatives to sign for the transfer of real property.

## **Conclusion**

CSTC-A did not have standard operating procedures covering the transfer of real property from the U.S. Government to Afghanistan, including a real property asset transfer letter and procedures to address the ANA's refusal to sign for real property. In addition, CSTC-A did not have guidance for the eventual turnover of operation and maintenance functions and the ADIS real property system to the ANA.

The only means to clearly determine whether ASF funded construction projects were properly delivered to the ASF will be to examine documents that clearly transfer the buildings including operational and maintenance costs on a specific date. Today, those agreements do not exist and there is no guidance to mandate that those agreements be prepared. CSTC-A has oversight of the construction contracts and knows when construction is complete and when the buildings are ready for use by the ASF. However, in some cases, it is not clear that the ANA is willing or able to operate and maintain the buildings that are being constructed on their behalf. If the ANA is unable to operate and maintain the buildings, CSTC-A has failed in its mission to establish a self-sustaining enduring security capability in Afghanistan and ASF funds have not been efficiently used.

## **Recommendations, Client Comments, and Our Response**

### ***Recommendations***

**B. We recommend that the Commander, Combined Security Transition Command-Afghanistan, develop and implement:**

- 1. Standard operating procedures covering the transfer of real property from the U.S. Government to the Islamic Republic of Afghanistan. This includes the development of a formal real property asset transfer letter and procedures to address the refusal of the Afghanistan National Army personnel to sign for completed real property.**
- 2. Guidance covering the turnover of real property management to the Afghanistan National Army. This includes transfer of the responsibility and formal obligation for the operation and maintenance of facilities and the Afghanistan Data Integration System or similar system.**

### ***Client Comments***

The Director of Logistics, U.S. Central Command, responded on behalf of the Combined Security Transition Command-Afghanistan. The Director of Logistics, U.S. Central Command, concurred with the recommendations.

## ***Our Response***

We consider the U.S. Central Command comments responsive.



## **Appendix A. Scope and Methodology**

We conducted this performance audit in Afghanistan and the United States from December 2007 through May 2008, 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 Public Laws 109-13, 109-234, and 109-289 that appropriated about \$4.7 billion in support of the ASF, and verified that the real property constructed using these funds was actually built in support of the ANA, as directed by the Public Laws. We reviewed DoD Instructions and guidance from the Unified Facilities Criteria (UFC) No. 1-300-08 related to the DD Form 1354. We reviewed CSTC-A Operations Orders and the CSTC-A Campaign Plan.

In Afghanistan, we visited seven construction sites in Kabul, one construction site in Kandahar, and two construction sites in Shindand from February 26, 2008, through May 4, 2008 to validate real property existence.

We interviewed U.S. Government and contractor officials and reviewed contract documentation from the AFCEE, including original contract awards, contract modifications, standard operating procedures, and real property turnover records. We reviewed the CSTC-A real property management system, ADIS, used to track real property for the ASF. We reviewed contractor Web sites for planning documentation and quality assurance reports.

We did not review the real property construction quality. We limited our audit to verifying the existence, accountability, and transfer of the real property construction.

### **Use of Computer-Processed Data**

We used the ADIS system and an AFCEE contractor Web site to generate reports from a computer database. We found the computer-processed data to be reliable for the 10 real property projects we looked at. Although, we did not perform a formal reliability assessment of the computer processed data, we did not find errors that would preclude use of the computer processed data to meet the audit objectives, or that would change the conclusions in this report.

### **Use of Technical Assistance**

We relied on technical assistance from a civil engineer with the Policy and Oversight Office, Inspections and Evaluations Division of the DoD IG. The engineer evaluated the construction projects during site visits.

## **Prior Coverage**

During the last 5 years, the Government Accountability Office (GAO) and the DoD IG have issued three reports discussing accountability for goods and services provided to the Afghanistan Security Forces. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

### **GAO**

GAO Report No. GAO-08-661, “Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces,” June 2008

GAO Report No. GAO-05-575, “Afghanistan Security: Efforts to Establish Army and Police Have Made Progress, but Future Plans Need to Be Better Defined,” June 2005

### **DoD IG**

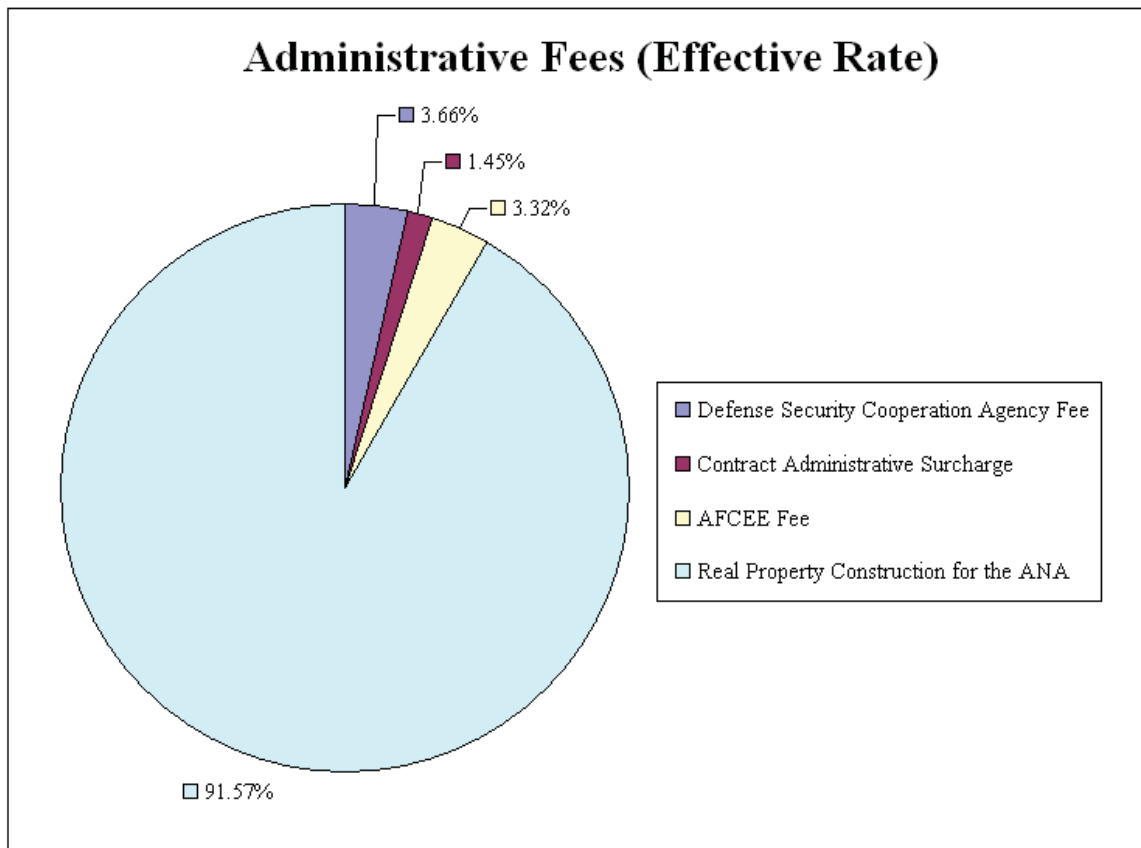
DoD IG Report No. D-2008-012, “Distribution of Funds and Validity of Obligations for the Management of the Afghanistan Security Forces Fund-Phase I,” November 2007

# Appendix B. Administrative Fees

## Administrative Fees

The Defense Security Cooperation Agency receives an administrative fee to reimburse the agency for the work they perform in executing and managing ASF fund orders for goods and services for Afghanistan. The contract administrative surcharge pays for contract administration, quality assurance, and inspection, and AFCEE receives a fee for real property construction management. Figure B-1 details the real property construction fees.<sup>1</sup> About \$0.92 for each dollar appropriated for real property construction, executed through AFCEE, actually goes toward that purpose. The appropriateness of the Defense Security Cooperation Agency fee is being addressed in a current DoD OIG project.<sup>2</sup>

**Figure B-1. Fees for ASF Fund Real Property Construction Executed by AFCEE**



<sup>1</sup> The fees presented in Figure B-1 represent effective rates, calculated as the actual fees charged as a percentage of total estimated costs.

<sup>2</sup> Department of Defense OIG Project No. D2007-D000FD-0198.000, Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign military Sales Trust Fund.





# U.S. Central Command Comments



UNITED STATES CENTRAL COMMAND  
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18 NOV 2008


FROM: DIRECTOR OF LOGISTICS, USCENTCOM

TO: Mr. Timothy E. Moore, Program Director Southwest Asia Operations, ODIG-AUD  
Department of Defense Inspector General, 400 Army Navy Drive (Room 801), Arlington,  
VA 22202-4704

SUBJECT: USCENTCOM Response to Draft Report: Afghanistan Security Forces Fund  
Phase III Air Force Real Property Accountability Project No. D2007-D000LQ-0161.003

1. I concur with the recommendations stated in the DODIG's Draft Report: Afghanistan Security Forces Fund Phase III Air Force Real Property Accountability No. D2007-D000LQ-0161.003, for Combined Security Transition Command (CSTC-A) to develop and implement Standard Operations Procedures (SOPs), and implementing guidance for the transfer of real property from the US Government to the Islamic Republic of Afghanistan.

2. POC for this action is LTC Charles M. Cline, CCJ4-E, Staff Engineer,  
clinecm@centcom.mil, (813) 827-6607/223027.

*for*   
KENNETH S. DOWD  
Major General, USA  
Director of Logistics





# Inspector General Department of Defense

