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Management Improvements Needed in Commander's
Emergency Response Program in Afghanistan

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Acronyms and Abbreviations

| | |
|-------------------|---|
| ARCENT | U.S. Army Central |
| CCO | Contingency Contracting Officer |
| CERP | Commander's Emergency Response Program |
| CIDNE | Combined Information Data Network Exchange |
| C-JTSCC | CENTCOM-Joint Theater Support Contracting Command |
| DFAS | Defense Finance and Accounting Service |
| DoD FMR | DoD Financial Management Regulation |
| FAR | Federal Acquisition Regulation |
| IG | Inspector General |
| MAAWS-Afghanistan | Money As A Weapon System-Afghanistan |
| ODS | Operational Data Store |
| PPO | Project Purchasing Officer |
| RM | Resource Manager |
| RMT | Resource Management Tool |
| STANFINS | Standard Financial System |
| USCENTCOM | U.S. Central Command |
| USFOR-A | U.S. Forces-Afghanistan |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 21, 2011

MEMORANDUM FOR COMMANDING GENERAL, U.S. CENTRAL COMMAND
COMMANDING GENERAL, U.S. ARMY CENTRAL
COMMANDING GENERAL, U.S. FORCES-AFGHANISTAN

SUBJECT: Management Improvements Needed in Commander's Emergency Response Program in Afghanistan (Report No. DODIG-2012-023)

We are providing this report for review and comment. U.S. Central Command (USCENTCOM) and U.S. Forces-Afghanistan (USFOR-A) controls over the Commander's Emergency Response Program (CERP) contract payments and reporting were not adequate to maintain and report reliable and meaningful CERP data. As of January 2011, DoD had allocated about \$3.2 billion in CERP funds to support Afghanistan operations, of which DoD obligated \$2 billion and disbursed \$1.5 billion. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The response from USFOR-A to Recommendations A.1, A.2, A.3, A.4, and B.1, and the CENTCOM-Joint Theater Support Contracting Command (C-JTSCC), Chief of Staff's comments on Recommendation C.1 were responsive and require no further comment. The C-JTSCC, Chief of Staff's comments on Recommendations C.2, D.1, and D.2 and USFOR-A's comments on Recommendations B.2 and C.2 were not responsive. In addition, the USFOR-A comments on Recommendation B.3, which was revised for clarity, were partially responsive. Therefore, we request additional comments from USFOR-A on Recommendation B.2, revised Recommendation B.3, and Recommendation C.2 and additional comments from USCENTCOM on Recommendations C.2, D.1, and D.2 by December 21, 2011.

If possible, send a .pdf file containing your comments to audfmr@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 664-5868).

A handwritten signature in cursive script that reads "Patricia A. Marsh".

Patricia A. Marsh, CPA
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Financial Management and Reporting



Results in Brief: Management Improvements Needed in Commander's Emergency Response Program in Afghanistan

What We Did

The objective of the audit was to determine whether controls over the Commander's Emergency Response Program (CERP) payments made to support Afghanistan operations were adequate. Specifically, we reviewed the controls to ensure that contract payments were proper and that complete, accurate, and meaningful data were reported to the decisionmakers responsible for managing CERP. U.S. Forces-Afghanistan (USFOR-A) processed more than 8,509 CERP payment transactions, totaling \$486 million, between October 2008 and February 2010.

What We Found

U.S. Central Command (USCENTCOM) and USFOR-A controls over CERP contract payments and reporting were not adequate. Specifically, for CERP payments made between October 2008 and February 2010, USCENTCOM and USFOR-A did not:

- maintain and report reliable and meaningful CERP data for 6,157 of 8,509 CERP payments ;
- deobligate at least \$16.7 million of unused CERP project funds for 108 closed or terminated CERP projects;
- identify or prevent \$1.7 million of improper payments on 13 CERP projects;
- identify or prevent at least 30 unauthorized advance payments, totaling \$3.4 million, made to vendors on CERP contracts; and
- mitigate the risk of overpayments and underpayments because of currency rate fluctuations.

This occurred because USFOR-A did not issue guidance on recording and reconciling CERP data until May 2009 and did not properly train personnel on that guidance. USCENTCOM and USFOR-A did not provide sufficient CERP contract oversight to prevent improper payments, payments from

unauthorized sites, or unauthorized advance payments. Also, DoD acquisition policy lacked a requirement for contracts to be written and paid in the same currency.

As a result, USFOR-A had potentially up to \$38.4 million in outstanding unliquidated obligations, improper payments, and high-risk CERP advance payments, and a high risk for currency exchange rate fraud and overpaying or underpaying Afghanistan vendors.

What We Recommend

USCENTCOM and USFOR-A should establish and implement policy and training to improve controls over CERP contract payments and reporting. USCENTCOM should review contracting officials' actions to determine whether administrative action is warranted.

USFOR-A needs to quickly improve the quality of CERP data provided to Congress, USCENTCOM, and its field commanders. Higher quality data will improve key stakeholders' ability to manage CERP projects, assess CERP program effectiveness, and ensure that CERP funds are used for the most beneficial and sustainable projects.

Although USFOR-A established a monthly report to improve visibility over CERP project closeouts, additional procedures are needed to ensure that CERP projects are properly closed out and outstanding funds deobligated.

Management Comments and Our Response

The Executive Director, USCENTCOM IG, provided consolidated USCENTCOM and USFOR-A comments, stating agreement with recommendations on improving CERP data, controls over CERP payments and reporting, and deobligating outstanding obligations. We request additional comments from USCENTCOM and USFOR-A on Recommendations B.2, B.3 (revised for clarity), C.2, D.1, and D.2 related to contractor debt, advance payments, and writing and paying contracts in the same currency. Please see the recommendations table on the next page.

* This is based on a projection. See Appendix C for additional details.

Recommendations Table

| Management | Recommendations Requiring Comment | No Additional Comments Required |
|-------------------------|--|--|
| U.S. Central Command | C.2, D.1, D.2 | C.1 |
| U.S. Forces-Afghanistan | B.2, B.3, C.2 | A.1, A.2, A.3, A.4, B.1 |

Please provide comments by December 21, 2011.

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Introduction

Audit Objectives

The overall objective of our audit was to determine whether the U.S. Army, U.S. Central Command (USCENTCOM), and U.S. Forces-Afghanistan (USFOR-A) controls over Commander's Emergency Response Program (CERP) payments made to support Afghanistan operations were adequate. Specifically, we reviewed whether the controls ensured that CERP payments were proper and that complete, accurate, and meaningful data were available to personnel responsible for CERP management. See Appendix A for the audit scope and methodology and Appendix B for prior coverage related to the audit objective.

Background on CERP

The Coalition Provisional Authority established CERP in 2003 to enable military commanders to respond to urgent humanitarian relief requirements in Iraq and Afghanistan. CERP projects are intended to benefit the local populace in areas such as agriculture, education, health care, and sanitation until larger, more formal reconstruction projects can be initiated. Commanders consider CERP vital for improving security and implementing counterinsurgency operations because it is a critical tool for quickly addressing humanitarian needs and supporting public infrastructure-building. See Appendix D for examples of projects for which the DoD can use CERP funds.

In Afghanistan, DoD allocated about \$3.2 billion in CERP funds as of February 2011, of which DoD had obligated \$2 billion and disbursed \$1.5 billion. Table 1 provides a breakout of Afghanistan CERP funding and execution through February 2011.

Table 1. Afghanistan CERP Funding and Execution (in millions)

| Fiscal Year | Allocation | Obligations | Disbursements |
|--------------------|-------------------|--------------------|----------------------|
| 2004 | \$40.0 | \$35.2 | \$35.2 |
| 2005 | 136.0 | 130.7 | 130.7 |
| 2006 | 215.0 | 158.3 | 157.3 |
| 2007 | 209.0 | 199.2 | 178.2 |
| 2008 | 488.3 | 428.6 | 395.8 |
| 2009 | 753.0 | 526.8 | 414.9 |
| 2010 | 955.0 | 335.4 | 189.2 |
| 2011* | 400.0 | 169.5 | 41.2 |
| Total | \$3,196.3 | \$1,983.7 | \$1,542.6 |

*October 2010 through February 2011.

Roles and Responsibilities

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, is responsible for establishing, overseeing, and supervising the execution of CERP policies and procedures. The Under Secretary is also responsible for reporting CERP activities timely to congressional defense committees through the quarterly reports¹ required under section 1202(b) of the “National Defense Authorization Act for FY 2006,” January 6, 2006, as amended. The Secretary of the Army serves as executive agent for CERP and is responsible for forwarding the quarterly reports to Congress and issuing detailed procedures for military commanders to implement CERP consistent with applicable laws, regulations, and guidance. For Afghanistan, those procedures are issued through USCENTCOM and its subordinate commands, including USFOR-A.

The Commander, U.S. Army Central (ARCENT), is responsible for providing annual program authority and funding for CERP projects to USFOR-A. ARCENT provides fund status updates to the Secretary of the Army and USCENTCOM, as appropriate. The Commander, USCENTCOM, is responsible for determining the appropriate allocation of CERP funds among his subordinate commands. USFOR-A assigns personnel for CERP project management functions such as project funding, execution, payment, and closure. For information on the specific responsibilities of USFOR-A RMs, project managers, project purchasing officers (PPO), and paying agents, see Appendix H.

Due to the importance of CERP to the DoD counterinsurgency strategy in Afghanistan, in May 2010, the Deputy Secretary of Defense established the CERP Steering Committee to provide clear direction on roles and responsibilities and senior-level oversight of CERP activities.

Guidance

Federal and DoD guidance govern CERP fund availability and use. In October 2004, Congress authorized CERP in section 1201 of the “Ronald W. Reagan National Defense Authorization Act for FY 2005.” Congress has reauthorized CERP every year since. Federal Appropriations Law provides the funding for CERP projects and directly supports the Afghanistan counterinsurgency strategy. Public Law 111-383, “The Ike Skelton National Defense Authorization Act for Fiscal Year 2011,” January 7, 2011, reflected Congress’s concern that DoD was using CERP to fund large-scale projects in support of its counterinsurgency strategy rather than for the original purpose, which was to enable military commanders to implement small-scale projects to meet the urgent humanitarian relief and reconstruction needs within their areas of responsibility. The Act limited individual CERP projects to a maximum of \$20 million and authorized the creation of a new fund, the Afghanistan Infrastructure Fund, to be the primary source of DoD funding for large-scale development and reconstruction projects in Afghanistan.

DoD developed guidance for managing CERP funding and execution at multiple levels. DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR),

¹ The quarterly reports detail the activities carried out under the CERP authority.

volume 12, chapter 27, assigns responsibilities for administering CERP; defines the purposes for which U.S. appropriations or other funds provided for CERP may be expended; and specifies the procedures for executing, managing, recording, and reporting such expenditures. The Commander, USCENTCOM, and the Commander, ARCENT, issue memoranda to USFOR-A specifying further guidance on the use of CERP funds. Based on direction from USCENTCOM, USFOR-A developed USFOR-A Publication 1-06, “Money As A Weapon System-Afghanistan” (MAAWS-Afghanistan),² which provides specific roles and responsibilities over the use of CERP funds in Afghanistan. Occasionally, theater commands issue fragmentary orders to supplement other guidance in place to ensure strong CERP financial management. Prior to the establishment of USFOR-A in October 2008, the Combined Joint Task Force-101 was responsible for overseeing CERP and issued the Combined Joint Task Force-101 CERP Standard Operating Procedure. This document established policies and procedures for the execution of CERP.

Project Tracking

CERP projects were tracked using five systems: the Combined Information Data Network Exchange (CIDNE), CERP Checkbook, the Resource Management Tool (RMT), the Army Standard Financial System (STANFINS), and the service disbursing system. CIDNE was a project management system used by USFOR-A to document and monitor CERP project status from project nomination to project closure. CIDNE contained information, such as the unit responsible for the project; the project document reference number; the description of the project; the amounts committed, obligated, and disbursed for the project; and the project status, including the projected completion date. CERP Checkbook, RMT, and STANFINS were financial systems used by USFOR-A to document CERP financial data. USFOR-A used CERP Checkbook to manually consolidate financial information from RMT and STANFINS with project information from CIDNE. CERP Checkbook tracked project funds for commitments, obligations, and disbursement amounts. CERP Checkbook assisted USFOR-A in complying with congressional reporting requirements identified in the DoD FMR, volume 12, chapter 27. RMT was the system used to commit projects and transmit obligations into STANFINS. STANFINS tracked obligations and disbursements against the CERP projects. Service disbursing system was the system that fed disbursement data into STANFINS. USFOR-A accessed STANFINS data through the Operational Data Store (ODS), a system that allows Army financial managers to retrieve, review, and update financial payment information.

To comply with the DoD FMR on congressional reporting, USFOR-A compiled the CERP Checkbook data and provided it to ARCENT. ARCENT then reviewed the data and provided it to USCENTCOM for endorsement. The data flowed from USCENTCOM to the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and to Congress. Appendix I shows the flow of CERP financial and project information.

² Published in May 2009; MAAWS-Afghanistan was updated in December 2009 and February 2011. Our audit work was done under the December 2009 guidance.

Improvements Needed in Managing CERP

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provide reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses related to maintaining and reporting reliable CERP data, preventing advance payments on CERP contracts, deobligating funds for closed or terminated CERP projects, and mitigating the risk of overpayments and underpayments because of currency fluctuations. We will provide a copy of the report to the senior DoD officials responsible for managing CERP.

Finding A. USFOR-A Did Not Maintain Reliable and Meaningful Data for Managing Afghanistan CERP

USFOR-A personnel did not maintain reliable and meaningful CERP financial or project data in CIDNE or CERP Checkbook. Specifically, CIDNE and CERP Checkbook contained inaccurate, incomplete, or inconsistent financial or project data for 6,157 of 8,509 CERP payments³ made between October 2008 and February 2010. This occurred because, prior to May 2009, USFOR-A personnel did not have guidance on recording and reconciling CERP project data in CIDNE and CERP Checkbook. Although USFOR-A personnel issued the MAAWS-Afghanistan in May 2009 that contained such guidance, the Command did not effectively train program managers, project managers, project purchasing officers (PPOs), Civil-Military Operations personnel, and RMs to ensure its effective implementation. Without improving the quality of CERP data, USFOR-A personnel cannot provide key stakeholders, to include Congress, USCENTCOM, and its commanders, with the information crucial to properly managing and assessing the effectiveness of the Afghanistan CERP projects and to ensuring that funds are used for the most beneficial and sustainable projects.

CERP Reporting Requirements

Public Law 109-163, “National Defense Authorization Act for FY 2006,” January 6, 2006, section 1202, as amended, requires the Secretary of Defense to submit a quarterly report on the source and use of CERP funds to the congressional defense committees. The quarterly report provides CERP fund execution by project category. DoD FMR, volume 12, chapter 27, specifies the categories eligible for CERP funding (see Appendix D for a list of those categories). DoD FMR volume 12, chapter 27, also states that the Army will complete, and submit monthly, a CERP Project Status Report to USCENTCOM J-8; Commander, Multinational Force-Iraq and USFOR-A; and the Joint Staff J-8. The DoD FMR specifies the required information for the CERP Project Status Report (see Appendix E for a list of the required information). CERP Checkbook was the source for the CERP Project Status Report that contains the information required by the DoD FMR.

CERP Checkbook was a manually consolidated spreadsheet used by USFOR-A to report CERP commitment, obligation, and disbursement amounts to DoD officials and Congress on a monthly and quarterly basis, respectively. The information consolidated by CERP Checkbook came from several sources (see Appendix I). The data in CERP Checkbook was from the manual entry of data from CIDNE, RMT, and STANFINS. Manual data entry errors or omissions can cause inaccurate, incomplete, and inconsistent CERP information to flow into monthly and quarterly CERP reports. USFOR-A personnel used

³All numbers in Finding A are projected based on a statistical sample. See Appendix C for details.

CIDNE to track CERP projects from nomination to closure and turnover to the Afghanistan government.

MAAWS-Afghanistan, December 2009, requires:

- proper documentation and continual monitoring of CERP projects from project nomination to closure in the CIDNE database,
- proper accounting and reporting of CERP funds to higher headquarters, and
- commanders to ensure personnel properly manage CERP projects and that CERP funds achieve maximum results.

MAAWS-Afghanistan also requires establishing performance objectives and monitoring progress. Additionally, commanders must ensure that CERP funds are commensurate with project accomplishments or performance metrics.

CIDNE and CERP Checkbook Data Were Inaccurate, Incomplete, and Inconsistent

From October 2008 to February 2010, USFOR-A personnel did not maintain accurate, complete, and consistent CIDNE and CERP Checkbook data for 6,157 of 8,509 CERP payments. The universe of 8,509 payments represents 5,126 CERP projects. To determine data reliability, we compared CERP payment documentation⁴ with data in CIDNE and CERP Checkbook for CERP payments made between October 2008 and February 2010. Although our universe contained 8,509 CERP payments, data for 415 payments could not be located in CIDNE.

USFOR-A personnel did not maintain accurate, complete, and consistent CIDNE and CERP Checkbook data for 6,157 of 8,509 CERP payments.

For the 8,509 CERP payments, CIDNE and CERP Checkbook included deficiencies for 6,157 of the payments.⁵ Specifically,

- project categories were inconsistent or inaccurate for 2,349 CERP payments;
- project locations were incomplete, inaccurate, or inconsistent for 1,604 CERP payments;
- project disbursement totals were incomplete for 4,660 CERP payments; and
- local national classifications were incomplete for 3,133 CERP payments.

⁴ Payment documentation can include the payment voucher, contract, purchase request and commitment, invoice, receiving report, and other relevant supporting documents.

⁵ The sum of the individual deficiencies is greater than 6,157 because some payments had multiple deficiencies.

Project Categories Were Inconsistent or Inaccurate

USFOR-A personnel did not maintain consistent or accurate project categories for 2,349 CERP payments.⁶ Specifically, the

- CIDNE project category did not match the CERP Checkbook project category for 1,926 payments;
- CERP Checkbook project category did not match the project description found in the payment documentation for 962 payments; and
- bulk fund projects⁷ were not re-categorized once the specific category of expenditure was known for 499 payments.

The CERP project managers and Civil-Military Operations personnel did not record the same project category location in CIDNE and CERP Checkbook for 1,926 of the CERP payments. For example, payments had a CIDNE project category of Agriculture Irrigation, but had a CERP Checkbook project category of Water and Sanitation. The CERP program manager ensures the project documentation recorded by the project manager is complete, correct, and recorded in CIDNE. Once the Commander approves the project and funds are obligated, Civil-Military Operations personnel must enter and track the project information in CERP Checkbook.

Civil-Military Operations personnel inaccurately recorded the project category for 962 payments in CERP Checkbook. To identify these errors, we compared the project category recorded in CERP Checkbook with the payment documentation. For example, Civil-Military Operations personnel erroneously recorded a CERP project for a bank refurbishment and another project for repairs to an irrigation system as “Repair of Civic and Cultural Facilities” in CERP Checkbook.

In addition, the project manager and Civil-Military Operations personnel did not reclassify the project category for 499 bulk fund payments to identify the specific use of the funds. According to the DoD FMR, for CERP projects using bulk funds, the initial category should be “Other Urgent and Humanitarian or Reconstruction Projects.” Once USFOR-A personnel disburse the funds, they should update CERP Checkbook and CIDNE to identify the specific CERP project category and provide a detailed project description for each completed project under the bulk funding. However, for the 499 bulk payments we reviewed, the project descriptions did not identify the specific use of funds. For example, a project in CERP Checkbook had a project description of “Commander’s Small Scale Project” with the category of “Other Urgent Humanitarian or Reconstruction Projects.” However, the payment documentation showed that

⁶ The sum of the individual deficiencies is greater than 2,349 because some payments had multiple deficiencies.

⁷ Commanders are authorized to approve advance bulk funds for condolence, battle damage, former detainee, and Afghan hero payments and the Commander’s small-scale projects. Advance bulk funds are lump sum withdrawals from the Finance Office made to a paying agent.

USFOR-A personnel used the funds for compensation for battle damage and a canal extension that they should have recorded as “Battle Damage Repair” and “Agriculture,” respectively. While these were proper uses of bulk funds, CERP stakeholders would not be able to rely on data contained in CIDNE and CERP Checkbook for decision making purposes.

CERP stakeholders would not be able to rely on data contained in CIDNE and CERP Checkbook for decision making purposes.

Project Locations Were Incomplete, Inaccurate, or Inconsistent

USFOR-A personnel did not maintain complete, accurate, or consistent project location information for 1,604 CERP payments.⁸ Specifically:

- CIDNE project location information was incomplete for 304 of the payments, and inaccurate for another 310 payments;
- CERP Checkbook project location information was inaccurate for 754 payments; and
- CIDNE and CERP Checkbook contained inconsistent locations for 489 payments.

CERP project managers did not record the project location in CIDNE for 304 payments and inaccurately recorded the CIDNE project location for an additional 310 payments. For example, for one project, CIDNE reported the project location as Kunar Province; however, the payment documentation listed the project location as Nuristan Province.

In addition, Civil-Military Operations personnel did not record accurate project location information for 754 payments in CERP Checkbook. For these 754 payments, the location in CERP Checkbook did not match the locations listed on the payment documentation. For example, for one project, CERP Checkbook data showed that the project location was in Kandahar Province, in southeast Afghanistan; however, the payment documentation listed the location as Farah Province, in western Afghanistan.

USFOR-A personnel did not consistently record the project locations for 489 payments in CIDNE and CERP Checkbook. For each of the projects, the project manager recorded the province in CIDNE; however, Civil-Military Operations personnel recorded the district or city in CERP Checkbook. For example, projects in CIDNE had the locations as Paktya Province; however, CERP Checkbook listed the project locations as Gardez, which is a district in Paktya Province.

Project Disbursement Totals Were Incomplete

The CERP project manager and PPO did not input disbursement information in CIDNE for 4,660 CERP payments. According to the MAAWS-Afghanistan, when changes occur, including payments to CERP projects, the CERP program manager or PPO is

⁸ The sum of the individual deficiencies is greater than 1,604 because some payments had multiple deficiencies.

responsible for updating CIDNE. Current and accurate disbursement information is critical to allow CERP project managers to monitor and assess CERP fund execution and to ensure timely deobligation of outstanding unliquidated obligations related to completed or terminated projects. (See Finding B for further information regarding outstanding unliquidated obligations for completed and terminated CERP projects.)

Local National Classifications Were Incomplete

The CERP project managers did not update CIDNE to reflect the number of local nationals employed or otherwise benefitting from the CERP projects for 3,133 CERP payments. MAAWS-Afghanistan requires the project managers to input in CIDNE the number of local nationals employed and benefitting from CERP projects. DoD FMR, volume 12, chapter 27, requires complete information on local nationals employed and benefitting from CERP projects, which is critical for CERP stakeholders to measure the overall effectiveness of CERP and its impact on local populations. However, the CERP project manager did not include the local nationals employed for 2,769 CERP payments and the local nationals benefitting for 3,011 CERP payments.

USFOR-A Lacked CERP Guidance and Training

Prior to May 2009, USFOR-A personnel did not have guidance on recording and reconciling CERP project data in CIDNE and CERP Checkbook. However, once USFOR-A personnel issued guidance, they did not ensure that CERP project managers, Civil-Military Operations personnel, RMs, and other key personnel followed or were adequately trained to properly and consistently implement the guidance.

Inadequate Guidance for Recording and Reconciling CERP Project and Financial Data

In September 2008, the Combined Joint Task Force issued a CERP Standard Operating Procedure. Then in May 2009, USFOR-A issued the MAAWS-Afghanistan guidance for CERP. However, both lacked specific instructions on recording CERP data in CIDNE and reconciling CIDNE and CERP Checkbook. The December 2009

MAAWS-Afghanistan included those specific instructions and guidance on how to reclassify project categories for bulk funded projects. It also mandated that, “the accounting systems, CERP Checkbook, and CIDNE must match.” In addition, it required resource management offices and CERP program managers to perform weekly

CIDNE often did not have sufficient data to conduct those reconciliations.

reconciliations of CERP Checkbook to RMT, ODS, and CIDNE to ensure the project status and the amounts committed, obligated, and disbursed for each project matched. However, USFOR-A officials stated that CIDNE often did not have sufficient data to conduct those reconciliations.

In February 2011, USFOR-A personnel issued an update to the MAAWS-Afghanistan. The update contains the same requirements as above, but goes into more detail on how to enter CERP projects within CIDNE. This new guidance includes computer screenshots of CIDNE and explanations of how to record the project information within those fields.

This was a major improvement over the December 2009 MAAWS- Afghanistan guidance.

However, USFOR-A personnel could not ensure the accurate, complete, and consistent reporting of CERP projects because USFOR-A personnel did not reconcile data between CIDNE, CERP Checkbook, and payment documentation. USFOR-A officials should establish independent quality control checks to verify that the project managers and Civil-Military Operations personnel follow the guidance on how to record and report CERP data as stated in the MAAWS-Afghanistan. In addition, USFOR-A officials should ensure that program managers and RMs perform monthly reconciliations of project and financial data in CIDNE and CERP Checkbook for all open CERP projects to RMT, ODS, and source documentation to ensure the accuracy, completeness, and consistency of the project category, project location, project disbursement, and local national classification data elements. USFOR-A commanders should certify the completion of monthly reconciliations, including the corrective actions taken for any inconsistencies found during the reconciliation process. In addition, USFOR-A officials should revise the MAAWS-Afghanistan to require monthly reconciliations of open CERP projects and the Commander's certification of its completion and the completion of identified corrective actions.

Inadequate Training on Recording and Reconciling CERP Project and Financial Data

USFOR-A officials did not effectively train program managers, project managers, and PPOs on procedures to record and reconcile CERP project and financial data. USFOR-A J-8 and J-9 personnel⁹ stated that they did not receive CERP training prior to their deployment. As stated within the DoD "Review of the Commander's Emergency Response Program," July 2010, "Deploying adequate numbers of trained CERP personnel is critical to effective management, oversight, and implementation of the program." USFOR-A J-9 personnel stated they provide training if requested;

USFOR-A J-8 and J-9 personnel stated that they did not receive CERP training prior to their deployment.

however, the training did not correlate to troop rotations. USFOR-A commanders should certify the completion of training for all program managers, project managers, PPOs, Civil-Military Operations personnel, and RMs on recording CERP project data, including all necessary project updates, closing out CERP projects, and reconciling CERP project and financial data. (See Finding B for further discussion on the project closeout process.)

Stakeholders Need Accurate Data to Make Informed Decisions

Key stakeholders rely on financial and project data in CERP Checkbook and CIDNE to manage CERP. Without reliable and meaningful CERP data, USFOR-A personnel cannot provide key stakeholders, to include Congress, USCENTCOM, USFOR-A, and

⁹ J-8 is the Joint Force Resource Management and J-9 is the Joint Force Civil-Military Operations for USFOR-A. See Appendix H for more details.

commanders, with the data necessary to properly manage and assess the effectiveness of the Afghanistan CERP projects and to ensure funds are being used for the most beneficial and sustainable projects. Unreliable CERP data negatively impact the following key stakeholders.

- Congress—Unreliable data in the CERP quarterly reports negatively impact the ability of Congress to determine the overall execution and effectiveness of the program and to determine future CERP funding levels.
- USCENTCOM and USFOR-A—Unreliable data negatively affect the ability of USCENTCOM and USFOR-A to analyze the success of projects or dollars spent for projects by their project category. They also impair the ability to comply with DoD FMR guidance in completing performance metrics to apply lessons learned to help ensure future successful CERP projects.
- Commanders—Unreliable CERP project and financial data negatively impact commanders' ability to determine whether they are spending CERP funds for the most needed projects in the most critical locations and are meeting the needs of the Afghanistan people. Unreliable data also impact their ability to assess where certain types of projects have been or could be successful. This information is critical for strategic and operational planning for current and future operations.

Without accurate CERP project and payment data, the effectiveness of CERP cannot be determined, which could put the attainment of the overall goals of the CERP program, such as improving the security of coalition forces and the Afghanistan people, at risk.

DoD Initiative to Automate CERP Checkbook

On April 1, 2011, USFOR-A personnel stopped maintaining the manual CERP Checkbook because the DoD Business Transformation Agency developed a way to automate the Checkbook report by linking the CIDNE project data with the financial data from RMT and STANFINS. Army Budget Office personnel stated that the Department will use this automated system to prepare the third-quarter CERP Report to Congress. During a May 4, 2011 meeting with Business Transformation Agency personnel, we observed the new automated CERP reporting tool and its transaction listing, which details the transactions that did not directly match the data within CIDNE, RMT, or ODS. Based upon the numerous transactions contained within the listing, the automated CERP reporting tool will require a substantial amount of research to ensure the accuracy of the CERP reporting to Congress.

Recommendations, Management Comments, and Our Response

A. We recommend the Commanding General, U.S. Forces-Afghanistan:

1. Establish independent quality control checks to verify that commanders, program managers, project managers, resource managers, and project purchasing officers follow the U.S. Forces-Afghanistan Publication 1-06, "Money As A Weapon

System-Afghanistan,” guidance for recording and reconciling Commander’s Emergency Response Program data.

U.S. Forces-Afghanistan Comments

USFOR-A agreed and stated that it has taken two steps to alleviate the requirement to reconcile financial data in CIDNE and the CERP Checkbook. USFOR-A developed a financial tab in CIDNE that would allow project managers and resource managers to view and track financial data. In addition, USFOR-A stated that it has established an automated tool to consolidate project and financial data. USFOR-A stated that the new tool allows it to retrieve the required information for the CERP Checkbook, identify missing data, and notify responsible units to take corrective actions. USFOR-A concluded that there was no need to reconcile financial data in CIDNE and CERP Checkbook because the reconciliation process has been automated.

2. Perform monthly reconciliations of project and financial data in Combined Information Data Network Exchange for all open Commander’s Emergency Response Program projects to Commander’s Emergency Response Program Checkbook and source documentation to ensure accuracy, completeness, and consistency of data elements and revise U.S. Forces-Afghanistan Publication 1-06, “Money As A Weapon System-Afghanistan” to require monthly reconciliations for open Commander’s Emergency Response Program projects.

U.S. Forces-Afghanistan Comments

USFOR-A neither agreed nor disagreed but stated that it was taking steps to modify the MAAWS-Afghanistan CERP Standard Operating Procedure to improve data quality in the CIDNE database, implement an improved CERP Review Board process to increase scrutiny of proposed projects, and institute a quality assurance methodology. USFOR-A stated the target date for implementing the proposed changes to the MAAWS-Afghanistan CERP Standard Operating Procedures was first quarter FY 2012. USFOR-A also stated that its response to Recommendation 1 also applied to this recommendation.

3. Certify completion of monthly reconciliations of project and financial data in Combined Information Data Network Exchange for all open Commander’s Emergency Response Program projects to Commander’s Emergency Response Program Checkbook and source documentation and revise U.S. Forces-Afghanistan Publication 1-06, “Money As A Weapon System-Afghanistan,” to require certification on the monthly reconciliations and corrective actions. The certification should include the corrective actions taken on all inconsistencies found during the reconciliation process.

U.S. Forces-Afghanistan Comments

USFOR-A agreed and stated that the new automated process discussed in its response to Recommendation A.1 eliminates the need to reconcile open CERP projects to CERP Checkbook project and financial data.

4. Certify the completion of training for all program managers, project managers, project purchasing officers, Civil-Military Operations personnel, and resource managers on recording CERP project data, including all necessary project updates, the project closeout process, and reconciling the Commander's Emergency Response Program project and financial data.

U.S. Forces-Afghanistan Comments

USFOR-A neither agreed nor disagreed but stated that it performed a training initiative across the Combined Joint Operational Area-Afghanistan from January 2011 to June 2011 to educate CERP and Resource Management personnel on the automated CERP Checkbook process, emphasizing the importance of complete, accurate, and reliable data entry required in the CIDNE database. USFOR-A will confirm compliance using the quality assurance and quality control target sampling of CIDNE data as well as using the automated CERP Checkbook to identify data discrepancies.

Our Response

The USFOR-A comments on recommendations A.1 through A.4 were responsive, and the actions met the intent of the recommendations. For Recommendations A.1 and A.2, USFOR-A's implementation of its automated reconciliation tool and updating the MAAWS-Afghanistan CERP Standard Operating Procedure satisfied the intent of the recommendations as they eliminate the manual reconciliation process and emphasize data quality. For Recommendation A.3, USFOR-A's implementation of the automated reconciliation tool satisfied the intent of the recommendation and eliminated the need to revise the MAAWS-Afghanistan CERP Standard Operating Procedures. Additionally, USFOR-A's training initiative satisfied Recommendation A.4.

Finding B. USFOR-A Did Not Deobligate Unused CERP Project Funds and Made Improper CERP Payments

USFOR-A personnel did not deobligate funds for closed, terminated, or inactive CERP projects and made improper payments for CERP projects initiated from FY 2007 through FY 2009. This occurred because USFOR-A officials did not:

- implement adequate procedures for confirming that projects were properly closed out,
- provide Resource Management personnel with the data necessary to reconcile the project status information in CERP Checkbook with the status information in CIDNE, and
- ensure that CERP contract payments were only made from the disbursing office designated in the contract to prevent improper payments and consequent negative unliquidated obligations that must be cleared for project closure.

As a result, USFOR-A had at least \$16.7 million and potentially up to \$38.4 million in outstanding unliquidated obligations that could be deobligated and put to better use. USFOR-A also had \$1.7 million of improper payments which, if collected, could be put to better use. In addition, when the CERP project managers and Resource Management personnel do not keep CIDNE and CERP Checkbook up-to-date, it places an additional burden on incoming personnel, who must research and follow up on open CERP projects to determine their status.

On February 7, 2011, we issued a memorandum to the Commanding Generals of USCENTCOM and USFOR-A providing them with the results of our analysis of CERP projects and payments. The memorandum included a list of CERP projects that had actual or potential outstanding unliquidated obligations needing to be deobligated and projects that had potential improper payments needing to be collected. On February 28, 2011, the USCENTCOM Deputy Inspector General (IG) responded to the memorandum, stating that USFOR-A personnel had completed a thorough review of the CERP projects we identified and had identified \$1.2 million that needed deobligation. The Deputy IG also stated that, as a result of our memorandum, USFOR-A established a monthly CERP project report to provide improved visibility and to ensure that completed or terminated projects were correctly closed in CIDNE and the financial systems. See Appendix F for the memorandum and the USCENTCOM Deputy IG's response to the memorandum.

Laws, Regulations, and Guidance

Laws, regulations, and guidance concerning unliquidated obligations and improper payments applicable to CERP are found in the following:

- Public Law 107-300, "Improper Payments Information Act of 2002," November 26, 2002;

- DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” and
- USFOR-A Publication 1-06, “Money As A Weapon System-Afghanistan,” December 2009 (updated February 2011).

The Improper Payments Information Act of 2002 states that improper payments include duplicate payments. The Act requires the heads of each agency to annually review all programs and activities they administer and identify those programs and activities that may be susceptible to significant improper payments. For all programs and activities where the risk of improper payments is significant, the head of the agency must estimate the amount of improper payments and report the estimates to the President and Congress with a progress report on actions to reduce improper payments.

The DoD FMR provides guidance on the identification and handling of erroneous payments, including illegal, incorrect, and improper payments. DoD FMR, volume 5, chapter 6, defines erroneous payments as any payment that is an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirement. The definition includes duplicate payments as an erroneous payment. It also defines the responsibilities of certifying officers for reviewing suspected erroneous payments and commanders’ responsibilities if recipients of erroneous payments do not voluntarily return the amount owed. DoD FMR, volume 10, chapter 18, provides guidance on the collection of debts owed by contractors, vendors, assignees, and business entities to DoD.

MAAWS-Afghanistan requires the resource management offices and CERP program managers to perform weekly reconciliations of CERP Checkbook to RMT, ODS, and CIDNE to ensure project status and the amounts committed, obligated, and disbursed for each project match. CERP project managers must reconcile differences when the obligations do not match. The MAAWS-Afghanistan also states that the Resource Management office is responsible for clearing all unliquidated obligations, including any necessary fund deobligations, in the accounting systems. CERP project managers must provide complete CERP project files for completed or terminated CERP projects to the resource management office. Resource management office personnel are then required to clear all unliquidated obligations in the accounting system, endorse that they cleared the CERP project in the accounting system, and then ensure the endorsement is attached to the project file in CIDNE.

Outstanding Obligations and Improper Payments

USFOR-A personnel did not deobligate funds for closed, terminated, or inactive CERP projects and made improper payments on CERP projects from FY 2007 through FY 2009. Using October 2010 accounting data, we determined that 477 CERP projects from FY 2007 through FY 2009 had outstanding obligations. Of these 477 CERP projects, 207 projects were terminated, completed, inactive, or missing from CIDNE and had outstanding unliquidated obligations. Specifically, USFOR-A had 108 CERP projects, totaling \$16.7 million, with outstanding obligations that it needed to close out. USFOR-A also had 99 CERP projects, totaling \$21.7 million, which it needed to evaluate to determine the projects status. In addition, USFOR-A personnel made \$1.7 million in improper payments for 13 CERP projects.

To identify the CERP projects that were closed, terminated, or inactive, and the improper payments, we evaluated and compared data in CIDNE, CERP Checkbook, and ODS. We then identified whether the project's CIDNE status was terminated, completed, nominated, or obligated. For CERP projects designated as "terminated" or "completed" in CIDNE, we reviewed ODS data to determine whether the projects had funding available that should be deobligated. We also reviewed ODS data for projects designated in CERP Checkbook as "open" to identify those that had limited financial activity for an extended period. We considered this an indicator that the projects should potentially be closed and remaining funds deobligated. Finally, we reviewed CERP Checkbook for projects that had negative unliquidated obligations to identify improper payments.

Obligations for CERP Projects Designated as Terminated or Closed

We determined that 108 CERP projects designated as terminated or canceled in CIDNE were erroneously designated in CERP Checkbook as open projects. These 108 CERP projects had \$16.7 million in outstanding unliquidated obligations that needed to be deobligated. In our February 7, 2011 memorandum, we provided USFOR-A officials with a list of each of these CERP projects, by CIDNE project number, fiscal year, and amount of unliquidated obligation.

CERP Projects With Limited Activity

Ninety-nine CERP projects were either designated as open projects in CIDNE, but had limited financial activity for an extended period (in some cases up to 3 years), or were included in CERP Checkbook, but we could not find a corresponding project in CIDNE. These 99 CERP projects had \$21.7 million in potential unliquidated obligations that require further evaluation to determine whether the projects were terminated or closed. On February 7, 2011, we provided USFOR-A officials with a list of each of these CERP projects, by CIDNE project number (if known), fiscal year, and the amount of unliquidated obligation that potentially could be deobligated.

Improper Payments for CERP Projects

Thirteen CERP projects had negative unliquidated obligations, indicating improper payments. These 13 CERP projects had \$1.7 million in negative unliquidated obligations that require further evaluation to determine whether improper payments were made to the vendor. In our February 7, 2011, memorandum, we provided USFOR-A with a list of each of these CERP projects by CIDNE project number, fiscal year, and the amount of negative unliquidated obligation. Section 3528, title 31, United States Code, states that certifying officers are responsible for improper payments made under their authority.

Inadequate CERP Closeout Procedures and Data

USFOR-A officials did not provide personnel with the training or data necessary to properly close out CERP projects. Specifically, USFOR-A officials did not:

- implement adequate tools, such as a checklist, for confirming that projects were properly closed out;

- provide resource management personnel with the data necessary to reconcile the project status information in CERP Checkbook with the status information in CIDNE; and
- ensure that CERP contract payments were only made from the disbursing office designated in the contract, to prevent duplicate payments and consequent negative unliquidated obligations that must be cleared for project closure.

USFOR-A Needs to Improve Project Closeout Procedures

USFOR-A officials did not implement adequate procedures for confirming that CERP projects were properly closed out. CERP project managers were responsible for providing complete CERP project files on completed or terminated CERP projects to the resource management office to close out the projects in the accounting system. However, according to a USFOR-A J-8 representative, project managers did not receive training on the importance of fully closing out projects and annotating the projects as completed or terminated. The J-8 representative added that the project manager’s focus “is on the project’s execution, while the documentation and CIDNE status are often neglected.”

The USFOR-A J-8 representative added that project managers leave projects open because they “often do not fully understand how the financial systems operate and don’t realize the effect of keeping funds obligated for long periods of time.” However, we are not making a recommendation in Finding B because Recommendation A.4 addresses the need to train CERP project managers on the importance of properly closing out completed and terminated projects, and USFOR-A updated the MAAWS-Afghanistan in February 2011 to include a closeout checklist to assist project managers in closing out projects.

Project managers leave projects open because they “often do not fully understand how the financial systems operate and don’t realize the effect of keeping funds obligated for long periods of time.”

Resource Managers Need Sufficient Detail to Determine Project Status

USFOR-A officials did not provide Resource Management personnel with sufficient data to determine the status of some CERP projects. According to USFOR-A J-8, RMs, “are not responsible for tracking the project’s status and do not have the means to determine if a project has simply been given up on or if it is still active and just delayed.” However, MAAWS-Afghanistan requires the resource management offices and CERP program managers to perform weekly reconciliations of CERP Checkbook to RMT, ODS, and CIDNE to ensure that the project status and the amounts committed, obligated, and disbursed for each project match. USFOR-A officials did not provide resource management personnel with the data necessary to reconcile the project status information in the CERP Checkbook with the status information in CIDNE. The CERP program managers were responsible for reconciling differences when the obligations did not match.

One of the major obstacles in closing out funds for completed or terminated projects was the CERP reporting tools. The crosswalk between the accounting-level detail within the CERP Checkbook and the project-level detail contained in CIDNE was difficult. Prior to FY 2009, CIDNE project numbers were not provided on any piece of electronic information other than CIDNE itself, and CIDNE did not contain the STANFINS document reference number necessary to tie project-level detail to the accounting information, which made project management and oversight more complex. USFOR-A personnel recognized this issue, stating that without a CIDNE number to match to a STANFINS document reference number, the RM was unable to determine which funds were tied to which project. Because of this complexity, CERP administrators could not keep up with project status changes, thus often leaving closed projects with unliquidated funds.

Without a CIDNE number to match to a STANFINS document reference number, the RM is unable to determine which funds are tied to which project.

On February 28, 2011, USFOR-A J-8 personnel informed us of a proposed initiative to increase RM's ability to track financial data in CIDNE. The proposed initiative includes the development of a financial tab in CIDNE that would "automatically populate each CERP project with its corresponding financial data (Commitment Amount/Date, Obligation Amount/Date, & Disbursement Amount/Date)." The Commanding General, USFOR-A, should prioritize the implementation of this initiative to allow RMs to view, control, and reconcile financial data related to CERP projects.

CERP Payments Made From Unauthorized Disbursing Sites

USFOR-A disbursing officers made CERP payments from disbursing sites not authorized in the contract. The Joint Contracting Command-Iraq/Afghanistan and Defense Finance and Accounting Service, Rome, New York (DFAS-Rome), have established procedures to make large payments from DFAS-Rome. However, for the 13 CERP projects for which we identified \$1.7 million in improper payments, contract payments were made both in Afghanistan and by DFAS-Rome, which was the disbursing site designated in the contract. USFOR-A must ensure that disbursing personnel follow the payment terms of the contracts and only pay vendors from disbursing sites authorized in the contract. The Commanding General, USFOR-A, should identify certifying personnel who violate contracting terms and conditions of payment location and, if warranted, hold them liable for the improper payments in accordance with section 3528, title 31, United States Code.

All 13 of these improper payments created negative unliquidated obligations, or a negative balance for that project's funding, which must be cleared for project closure. We requested status updates on these negative unliquidated obligations from USFOR-A and DFAS-Rome personnel to determine whether USFOR-A took actions to collect the improper payments. USFOR-A personnel collected two of the improper payments, totaling \$73,388.85. USFOR-A personnel used part of a third payment as an offset on an invoice, totaling \$183,999. USFOR-A personnel transferred the rest of the improper payments, totaling \$1.5 million, to DFAS and cleared the debts from the respective disbursing officer's accounts.

DFAS personnel did not take actions to collect these debts owed to the U.S. Government. An Army Financial Management Command official stated that DFAS has had difficulty in collecting the debts from Afghanistan vendors because DFAS has limited ability to collect debts outside of U.S. jurisdiction. Because USFOR-A transferred these debts to DFAS, it cannot recoup the amounts by using them as offsets against future invoices from these Afghanistan vendors. To increase the likelihood of collecting contractor debts from Afghanistan vendors, USFOR-A should continue to pursue debt collection and conduct investigations even when the debt is transferred from accountable disbursing officers to the Defense Finance and Accounting Service Debt Management Office.

Unused CERP Funds Put to Better Use

Outstanding obligations tie up funds that could be used for other projects that can assist the war effort. As a result of completed or terminated CERP projects having outstanding obligations, USFOR-A had at least \$16.7 million and potentially up to \$38.4 million in outstanding unliquidated obligations that could be deobligated and put to better use on other projects or requirements. In addition, the 13 improper payments amounted to \$1.7 million that, if collected, could be put to better use. When USFOR-A project managers do not properly terminate or close out projects before completing their rotation and leaving theater, new rotations must carry the additional burden.

USFOR-A Took Action on Open Obligations

We informed USFOR-A officials in September 2010 that we had reviewed open obligations for FYs 2007, 2008, and 2009 because of the potential for identifying funds that could be put to better use. To identify additional closed or terminated CERP projects, we obtained updated accounting data on October 8, 2010, for analysis. In January 2011, USFOR-A personnel informed us that they were having problems identifying the closed or terminated projects because of the difficulty in matching CIDNE project data to the CERP Checkbook and the financial system data. Because we had completed much of our analysis of the October 8, 2010, data, on February 7, 2011, we issued a memorandum to USCENCOM and USFOR-A officials requesting that action be taken to deobligate outstanding obligations associated with the closed projects we identified during our review. This included the following:

- 109 CERP projects¹⁰ from FY 2007 through FY 2009 reported as completed or terminated with obligations of \$18.7 million,
- 99 CERP projects from FY 2007 through FY 2009 with outstanding obligations and a long period of inactivity, and
- 13 CERP projects with potential improper payments of \$1.7 million.

As attachments to the memoranda, we provided specific data concerning each of the categories for which we requested USFOR-A personnel to review and take action.

¹⁰ In the February 7, 2011, memorandum, we identified 109 CERP projects in a terminated or completed status with outstanding obligations of \$18.7 million. Based on subsequent information that the unliquidated obligations for one of the projects had been fully disbursed, we revised the results to 108 CERP projects.

On February 28, 2011, the USCENTCOM Deputy IG responded that, since we initiated our audit, USFOR-A had reconciled 89 of the 208 CERP projects identified as terminated, completed, inactive, or not located in CIDNE. He added that USFOR-A closed 96 of the 208 CERP projects, totaling \$1.1 million, and that ARCENT would deobligate the remaining funds. USFOR-A determined that 23 CERP projects were ongoing and should remain open. In addition, USCENTCOM Deputy IG stated that 3 of the 13 projects identified as having improper payments had outstanding obligations, totaling \$120,602.71, and transferred them to ARCENT for closure.

Because the USCENTCOM Deputy IG did not address whether the improper payments were collected, we contacted DFAS-Rome for an update. DFAS-Rome stated that 11 of the 13 improper payments still have outstanding balances totaling \$1.5 million. DFAS-Rome also stated that it had either transferred the balances to the U.S. Treasury Department for write-off or the balances were under investigation within DoD for loss of funds.

Section 3528, title 31, United States Code, provides that certifying officers are liable for improper payments made under their responsibility. If the investigations find the certifying officers at fault or negligent, then DFAS must hold them accountable for the improper payments. The USCENTCOM Deputy IG added that USFOR-A established a new monthly report to track CERP projects, which should improve visibility, and USFOR-A commanders will use the reports to hold CERP program managers responsible for ensuring that projects are completely and properly closed in CIDNE and all financial systems.

USFOR-A established a new monthly report to track CERP projects, which should improve visibility, and ... hold CERP program managers responsible.

Revised Recommendation

Although not required to comment, DFAS-Rome officials asked us to clarify whether Recommendation B.3 referred to responsibility for contractor debt collection. In response to the request, we revised the recommendation to which USFOR-A had agreed.

Recommendations, Management Comments, and Our Response

B. We recommend the Commanding General, U.S. Forces-Afghanistan:

1. Prioritize the proposed initiative to develop a financial tab in the Combined Information Data Network Exchange that would allow resource managers to view, control, and reconcile financial data related to the Commander's Emergency Response Program projects.

U.S. Forces-Afghanistan Comments

USFOR-A neither agreed nor disagreed, but stated that the financial tab was undergoing an assurance and validation process and that it would continue to express the urgency of

implementing the new financial tab in CIDNE and the separate initiative to import financial data into CIDNE.

2. Identify certifying personnel who violate contracting terms and conditions of payment location and, if warranted, hold them liable for the improper payments in accordance with section 3528, title 31, United States Code.

U.S. Forces-Afghanistan Comments

USFOR-A agreed and stated that its quality assurance and quality control program would allow it to analyze and compare data in a manner similar to what the auditors did for this report. USFOR-A also stated that it would identify projects designated as “open” to identify those that have limited financial activity for an extended period. It would also review new data fields (pending implementation of the financial tab) in CIDNE for projects that have negative unliquidated obligations to identify improper payments. USFOR-A stated the implementation date for the new quality assurance processes was first quarter FY 2012.

Our Response

The USFOR-A comments on Recommendations B.1 were responsive, and the actions met the intent of the recommendation. For Recommendation B.2, USFOR-A comments were non-responsive and did not appropriately address actions it would take to identify certifying personnel who violate contracting terms and conditions of payment location and hold those personnel responsible in accordance with section 3528, title 31, United States Code. We request USFOR-A to provide comments on the final report stating what actions it would need to take to implement the recommendation.

3. Coordinate with the Defense Finance and Accounting Service to develop guidance to ensure the local commands continue to pursue debt collection and conduct investigations even when the debt is transferred from accountable disbursing officers to the Defense Finance and Accounting Service Debt Management Office.

U.S. Forces-Afghanistan Comments

USFOR-A agreed and stated that it would coordinate with CENTCOM-Joint Theater Support Contracting Command (C-JTSCC) and comply with the guidance the latter provides on transferring contractor debt with Afghanistan vendors.

Our Response

USFOR-A comments were partially responsive. USFOR-A discussed the coordination with C-JTSCC but did not discuss USFOR-A or C-JTSCC coordination with DFAS to develop guidance. We revised Recommendation B.3 based on unsolicited correspondence from DFAS-Rome and request that USFOR-A provide additional comments on revised Recommendation B.3.

Finding C. USCENTCOM and USFOR-A Made Unauthorized Advance Payments on CERP Contracts

USCENTCOM and USFOR-A contracting officials (contingency contracting officers [CCOs] and PPOs),¹¹ were responsible for at least 30 unauthorized advance payments, totaling \$3.4 million, made to vendors on CERP contracts. MAAWS-Afghanistan prohibits advance payments and states that payments can only be made to vendors when goods or services are received. The unauthorized advance payments occurred because the CENTCOM-Joint Theater Support Contracting Command (C-JTSCC) did not provide sufficient oversight to detect and prevent contracting officials from including advance payment language in 22 of the 29 CERP contracts.¹² As a result, USFOR-A had limited authority to recoup the advance payments in instances of vendor nonperformance.

CERP Contract Oversight

The C-JTSCC (formerly Joint Contracting Command-Iraq/Afghanistan and CENTCOM Contracting Command) is responsible for integrating, managing, and executing the contingency contracting mission in support of Operation Enduring Freedom. The Commander, C-JTSCC, is responsible for ensuring the effective oversight and execution of theater support contracts, to include CERP contracts. The CCOs of C-JTSCC train and certify the PPOs as the CCOs' representatives and delegate to the PPOs the authority to award CERP contracts.

The Commander, C-JTSCC, is responsible for ensuring the effective oversight and execution of theater support contracts, to include CERP contracts.

Advance Payment Guidance

Federal Acquisition Regulation (FAR) part 32 defines an advance payment as a type of contract financing where the Government disburses funds to a vendor prior to the receipt of goods or services. FAR part 32 states that while it is the contractor's responsibility to provide all the resources needed for contract performance, in some markets and situations, disbursements can be authorized to provide working capital for contract performance. However, the Joint Contracting Command-Iraq/Afghanistan Acquisition

¹¹ Contracting officials is the term we use when referring to both contingency contracting officers (CCOs) and project purchasing officers (PPOs) because both are responsible for awarding CERP contracts in Afghanistan. CCOs are part of the C-JTSCC and are responsible for awarding contracts for projects greater than \$500,000. PPOs are part of USFOR-A and serve as contracting officer's representatives with delegated authority to enter into contracts less than \$500,000. Both C-JTSCC and USFOR-A report to USCENTCOM.

¹² One CERP contract had two advance payments. So while the number of payments was 30, the number of CERP contracts with an advance payment was 29. We relied on receiving reports, invoices, and contractor correspondence to determine that 7 of the 29 payments were advances, even though the voucher package did not contain a CERP contract or portion of the contract with payment language.

Instruction, May 2007, states that advance payments are the highest risk contract financing option because of the ongoing hostilities, the lack of an established banking system, and an unstable commercial environment in Afghanistan.

On March 24, 2008, the Deputy Secretary of Defense issued a policy memorandum titled “Waiver of Limiting Legislation for Commander’s Emergency Response Program (CERP) for Fiscal Years 2008 and 2009.” The Deputy Secretary waived the two chapters in the United States Code that provide the statutory source for the FAR part 32 advance

... advance payments for CERP are not authorized and... payments can only be made when goods or services are received.

payment guidance. Therefore, FAR part 32 no longer serves as guidance for advance payments; instead, the guiding authority is MAAWS-Afghanistan, which states that advance payments for CERP are not authorized and that payments can only be made when goods or services are received.

The Combined Joint Task Force-101 guidance in effect from September 2008 until the issuance of the MAAWS-Afghanistan in May 2009 did not explicitly permit or prohibit advance payments. We could not identify any pre-September Afghanistan-specific CERP guidance. However, because U.S. forces in Iraq and Afghanistan were both part of USCENTCOM, we relied upon Iraq CERP guidance for the preceding period. Specifically, the “Multi-National Corps-Iraq CERP Family of Funds Fiscal Policies and Standard Operating Procedures,” June 2005, prohibits CERP advance payments.

Unauthorized Advance Payments

Contracting officials made at least 30 unauthorized CERP advance payments,¹³ totaling \$3.4 million, during FYs 2008, and 2009, and through January 2010. Table 2 on the following page shows the breakdown of the advance payments by disbursement method. As Table 2 illustrates, half of the 30 advance payments were cash advances, totaling \$476,311.

Contracting officials made at least 30 unauthorized CERP advance payments, totaling \$3.4 million, during FYs 2008, and 2009, and through January 2010.

¹³ Our review of contracts and CERP payment documentation identified 30 advance payments, 8 of which were made in the 7 months before the MAAWS-Afghanistan in May 2009 was issued.


Table 2. CERP Advance Payments by Disbursement Method.

| Payment Method | Number of Advance Payments | Total of Advance Payments | *Total of Advance Payment Contracts |
|---------------------------|-----------------------------------|----------------------------------|--|
| Cash | 15 | \$476,310.99 | \$3,916,601.92 |
| Electronic Funds Transfer | 14 | 2,878,654.74 | 43,117,946.96 |
| Check | 1 | 9,007.74 | 45,038.74 |
| Total | 30 | \$3,363,973.47 | \$47,079,587.62 |

* One contract had two advance payments, including one cash payment (\$275,960.70) and one electronic funds transfer (\$1,103,843). Therefore, the contract amount was split evenly between cash and electronic funds transfer.

In one example, a CCO was responsible for two advances against one contract, an electronic funds transfer of \$1,103,843 and a cash advance payment of \$275,961 on a \$5,519,214 CERP contract for work on Jalalabad city streets. See Figure 1 for the CERP contract excerpt authorizing the \$1,103,843 advance.

Figure 1. Advance Payment Contract Language Example

| | | |
|--|--|-------------|
| 17: The Contractor agrees to perform the work required at the prices specified below in strict accordance with the terms of this contract for the amount stated: | | |
| AMOUNTS  | See attached payment schedule table below. | |
| <u>Payment Schedule</u> | | |
| Payment | Upon percentage complete | Amount |
| 20% | Advance | \$1,103,843 |
| 20% | 25% | \$1,103,843 |
| 20% | 50% | \$1,103,843 |
| 20% | 75% | \$1,103,843 |
| 20% | 100% | \$1,103,843 |
| Total | | \$5,519,214 |

USFOR-A issued the advance payments in July 2008, but USFOR-A personnel did not make the first project progress payment until 10 months later in May 2009. In another example, a CCO awarded a \$1,695,924 CERP contract for road maintenance machines and training that included a \$253,547 advance payment. CERP contractors eventually completed the contracts in the previous examples.

Also, USFOR-A personnel issued advance payments for projects that were never completed or were closed before receipt of goods or services. In one example, a PPO

awarded a \$33,000 CERP contract for a wind and solar power project that included an advance payment of \$6,650. The contractor signed the CERP contract in early April 2009 and later that same month, submitted an invoice requesting an advance payment of 25 percent of the contract amount. The vendor invoice contained no details concerning what was purchased or why the vendor wanted the advance. USFOR-A paid the advance in September 2009, and as of February 2011, the advance was the only payment made against the contract. Unless the vendor completes some or all of this contract, USFOR-A personnel will have paid this contractor \$6,650 and received nothing in return.

In another example, in August 2009, a PPO approved a \$22,675 advance payment on a \$113,375 contract for a cobblestone road. We found no evidence that the vendor made any progress toward completing the contract before USFOR-A personnel closed the project and deobligated the remaining \$90,700 in June 2010. Therefore, DoD received nothing in return for the \$22,675 advance payment.

Contracting Officials Were Not Following CERP Guidance

Unauthorized advance payments occurred because of insufficient C-JTSCC contracting official oversight and training, which should have prevented the prohibited advance payments and the inclusion of language permitting the advance payments into 22 of the 29 related CERP contracts. The remaining seven did not have a CERP contract or the portion of the contract with advance payment language in the voucher package.

Contracting officials did not follow CERP guidance in MAAWS-Afghanistan, which disallows advance payments. The MAAWS-Afghanistan states the commanders at all levels are responsible for the success of CERP and must ensure that their personnel abide by the guidelines prescribed in MAAWS-Afghanistan. However, the C-JTSCC was ultimately accountable because it was responsible for issuing policy, directives, and guidance to ensure the effective execution and oversight of all theater contracts. This oversight included ensuring that contracting officials were properly trained and were not including advance payment language in CERP contracts. To ensure compliance with MAAWS-Afghanistan, the Commander should institute appropriate oversight of the contracting process to detect and prevent the use of advance payments on CERP contracts and also identify training opportunities for PPOs. In addition, the Commander should review the contracting officials' actions related to CERP contracts that inappropriately included advance payment language and determine whether administrative action is warranted.

No Consideration for CERP Advance Payments

USFOR-A personnel made high-risk advance payments to vendors on CERP contracts and did not receive goods or services in return. Because the advance payments were not directly tied to the purchase of specific goods or services, there was no guarantee that vendors used the advanced funds to fulfill the contract or even for purposes that are in the best interest of the Government. The contractor could have used the funds for fraudulent

or illicit purposes unrelated to completing the contract. For example, from the 30 payments reviewed, we identified 2 instances of apparent contractor nonperformance for which the contractor received an advance payment before the project was terminated. For the two contracts, totaling \$146,375, USFOR-A personnel paid \$29,325 in combined advances and received nothing in return.

USFOR-A's ability to recoup any advanced funds by suing the vendor or placing a lien on the vendor's property is hampered by the Afghans' use of informal community structures for legal dispute resolution, a tattered land registration system, an undeveloped banking system, and ongoing hostilities.¹⁴

Recommendations, Management Comments, and Our Response

C. We recommend the Commanding General, CENTCOM-Joint Theater Support Contracting Command:

1. Ensure compliance with U.S. Forces-Afghanistan Publication 1-06, "Money As A Weapon System-Afghanistan," by establishing a quality control oversight program to identify training opportunities and to detect and prevent the use of advance payments on Commander's Emergency Response Program contracts.

CENTCOM-Joint Theater Support Contracting Command and U.S. Forces-Afghanistan Comments

The C-JTSCC Chief of Staff agreed and stated that a quality control program was warranted to reduce the use of advance payments and identify training opportunities. He also stated that the quality control program would be a collaborative effort between C-JTSCC and USFOR-A J-8 and J-9 so that all CERP contracts would be eligible for review. USFOR-A stated that it would comply with any guidance C-JTSCC provides on advance payments and agreed that the quality control program would help detect deficiencies, such as advance payments, that can be addressed through further training. The target date for implementing the quality program was first quarter FY 2012.

2. Initiate a review of the contracting officials' actions related to Commander's Emergency Response Program contracts that inappropriately included advance payment language and determine whether administrative action is warranted.

¹⁴ According to U.S. Agency for International Development, "2009 Assessment of Corruption in Afghanistan," many Afghans use informal community structures for legal dispute resolution. In addition, the report states that 30 years of conflict have left land registration systems in tatters. The Joint Contracting Command-Iraq/Afghanistan Acquisition Instruction, May 2007 states that Afghanistan lacks an established banking system and has an unstable commercial environment.

CENTCOM-Joint Theater Support Contracting Command and U.S. Forces-Afghanistan Comments

The C-JTSCC Chief of Staff neither agreed nor disagreed, but stated C-JTSCC planned to review all CERP contracts over \$500,000 within 90 days, to ensure compliance and determine any appropriate action. After consultations between the two, C-JTSCC and USFOR-A estimated that many of the 17,000 CERP projects in FY 2011 were under \$500,000 and that it was not feasible to review all of them. Instead C-JTSCC and USFOR-A believed the best course of action was for USFOR-A to reinforce through training that advance payments are not authorized.

Our Response

The C-JTSCC Chief of Staff's and the USFOR-A comments on Recommendation C.1 were responsive and met the intent of the recommendation. For Recommendation C.2, C-JTSCC, Chief of Staff and USFOR-A comments were nonresponsive because they lacked an implementation plan for reviewing contracting officials' actions related to the 30 advance payments on CERP contracts identified in this finding that inappropriately included advance payment language to determine whether administrative action was warranted. We request that C-JTSCC and USFOR-A provide comments on the final report explaining the results its review of the 30 advance payments and what actions they took.

Finding D. Strengthening Controls for Foreign Currency Contract Payments

USFOR-A controls did not prevent disbursing officers and paying agents from withdrawing funds for contract payments from the finance office at one exchange rate and subsequently paying the contractor using a different exchange rate. This occurred because the FAR does not require that contracting personnel write contracts in the currency in which the vendor will receive payment. In addition, although the C-JTSCC updated the CENTCOM Contracting Command Acquisition Instruction in August 2010 to require that Afghanistan vendors be awarded contracts in afghanis, the Instruction does not require that all contracts be written in the same currency in which the vendor will be paid. As a result, USCENTCOM and USFOR-A have a high risk of embezzlement of funds by disbursing officials, kickbacks, and overpayments to the Afghanistan vendors primarily due to the ease in performing currency exchange fraud and the difficulty in detecting the illicit gains. While we did not identify specific cases of fraud, exchange rate fraud has occurred in the past in Afghanistan. USCENTCOM and USFOR-A also have a high risk of underpayment to the Afghanistan vendors, which could result in a negative image of coalition forces.

On November 10, 2010, we issued a memorandum to the Commanding Generals of USCENTCOM and USFOR-A to inform them of the control weaknesses related to fluctuating exchange rates and suggested actions to mitigate the risks related to foreign currency fluctuations. On November 29, 2010, the Director of Operations, C-JTSCC, responded to the memorandum by concurring with the three suggested actions and identifying recent policy updates and procedures that address the suggested actions. See Appendix G for the memorandum and the C-JTSCC response.

Weaknesses in Foreign Currency Contract Payments

During our review of 15,458 cash payments, totaling \$255 million,¹⁵ made to Afghanistan vendors from November 2008 through January 2010, we identified a control weakness with respect to contracts that the Army awarded in U.S. dollars but paid in afghanis. The contracts frequently stipulated that the “exchange rate to be used will be the current exchange rate at the time the money is drawn for payment.” This provision allowed disbursing officers and paying agents to draw from the finance office an amount different from the contract amount. Specifically, they could draw the contract payment at one exchange rate but pay the contractor using a different exchange rate.

This provision allowed disbursing officers and paying agents to draw from the finance office an amount different from the contract amount.

¹⁵ Of these cash payments, 2,420, totaling \$65.5 million, were payments for CERP projects. The original data pull included all 15,458 foreign currency cash payments, from which CERP payments had to be extracted. We observed that the foreign currency weaknesses applied not only to CERP, but to all the foreign currency vendor payments paid in Afghanistan.

A foreign currency fluctuation risk occurs when a disbursing officer or paying agent has the opportunity to wait for a favorable exchange rate before drawing funds from the finance office for payment. For example, one of the CERP contracts we examined stipulated an exchange rate of 50 afghanis to \$1 to the contractor for a payment worth \$1 million. However, the paying agent withdrew the payment using an exchange rate of 52.5 afghanis to \$1, which was the exchange rate in effect on the withdrawal date. This created an opportunity to either overpay the vendor by 2.5 million afghanis (equivalent to \$50,000) or to embezzle the 2.5 million afghanis and pay the vendor the contract amount of 50 million afghanis. This also increased opportunity for kickbacks, as a paying agent could draw cash from the finance office at a higher exchange rate, use the higher exchange rate to pay the vendor more than the contract price, and receive a kickback from the vendor for part of the exchange rate difference. If USCENTCOM and USFOR-A personnel wrote and paid contracts in the same currency, this issue could be mitigated.

The foreign currency fluctuation risk related to contracts awarded in U.S. dollars but paid in afghanis was not limited to cash payments made by paying agents. A company could wait for a favorable exchange rate before submitting invoices for payment. For example, in January 2009, the Army made a contract payment by electronic funds transfer of 584 million afghanis (\$11 million). Because of the favorable exchange rate at the time of payment in January 2009, the Army paid the Afghanistan vendor 24 million afghanis (\$487,000)¹⁶ more than the original terms of the contract.

Because of the favorable exchange rate at the time of payment ... the Army paid the Afghanistan vendor 24 million afghanis (\$487,000) more than the original terms of the contract.

According to the DoD FMR, when the exchange rate fluctuation causes a difference between the obligation amount and the liquidation (payment) amount, the difference should be recorded in a foreign currency fluctuation account and not paid to the vendor.

The issue of a foreign currency fluctuation can also have the reverse effect if the foreign currency exchange rate is less favorable. For example, U.S. Army Finance Management Command has received numerous complaints from Afghanistan vendors that the Army underpaid them according to the original terms of the contract. Some contracts stipulate an exchange rate of 50 afghanis to \$1. This could create the expectation that the Afghanistan vendor would receive that exchange rate at the time of payment. By writing the contract in the currency it will be paid, USFOR-A officials can avoid these complaints.

¹⁶ This afghani-US\$ exchange is based on the foreign currency exchange rate when the obligation originated.

Limited Federal and DoD Guidance on Contracting Using Foreign Currency

Federal and DoD guidance on contracting using foreign currency does not ensure that contracting personnel write contracts in the currency in which the vendor will receive payment.

Federal Guidance on Foreign Currency Contracting

Federal guidance concerning the use of foreign currency in contracting is contained in FAR part 25.1002. However, this guidance is limited to the use of foreign currency valuation in the solicitation process and does not address payments.

DoD Guidance on the Use of Foreign Currency

DoD guidance concerning the use of foreign currency for contracting in Afghanistan is contained in the CENTCOM Contracting Command Acquisition Instruction. In addition to stating that USCENTCOM will follow FAR 25.1002 in its entirety, on August 2, 2010, the C-JTSCC updated the Acquisition Instruction to require contracting officials to award contracts with Afghanistan vendors in afghanis. Prior to this guidance, contingency contract payments made in foreign currency were based on contracts written in U.S. dollars, forcing disbursing offices to exchange currency using current rates. Although the CENTCOM Contracting Command Acquisition Instruction states that contracts should be written and paid in afghanis for Afghanistan vendors, it does not apply to non-Afghanistan vendors. For the period we reviewed, all contract payments made in foreign currency were based on contracts written in U.S. dollars. We addressed this issue to the Commanding Generals of USCENTCOM and USFOR-A in our November 10, 2010, memorandum.

High Risk of Improper Payments

As a result of the lack of Federal or DoD guidance over foreign currency payments impacted by fluctuating exchange rates, USCENTCOM and USFOR-A have a high risk of embezzlement of funds by disbursing officials, kickbacks, and overpayments to the Afghanistan vendors. The absence of a requirement to write all contracts in the currency in which the vendors will receive payment also creates a greater risk of underpayment to the foreign vendors, which could result in a negative image of coalition forces. Detection of illicit gains is difficult because, with fluctuating exchange rates, vendors may not be aware of the amount of their entitlement. This lack of knowledge or understanding creates opportunities to defraud vendors. In addition, paying agents can manipulate supporting documentation so that they clear their liability with the finance offices.

While we did not identify specific cases of fraud, exchange rate fraud has occurred in the past in Afghanistan. For example, an Army Captain in Kandahar was convicted of theft, money laundering, and income tax evasion because he manipulated currency rate fluctuations between U.S. dollars and afghanis and skimmed \$400,000 by adjusting his currency loss account to make it look balanced. We are working with the Defense Criminal Investigative Service because of the suspicious and potentially fraudulent nature of payments on contracts that were awarded and paid in different currencies.

USCENTCOM Partially Addressed Auditor Concerns

Due to our concerns related to foreign currency payments, on November 10, 2010, we issued a memorandum to the Commanding Generals of USCENTCOM and USFOR-A describing our concerns and suggesting that action be taken to mitigate the risks related to foreign currency fluctuations. (See Appendix G for this memorandum and the CENTCOM Contracting Command response to the memorandum.) Specifically, we suggested that the C-JTSCC revise its Acquisition Instruction to require that contracts be written in the currency in which the vendors will receive payment. We also suggested that USCENTCOM officials review new contracts to ensure compliance with the updated guidance and, for contracts predating the policy update, either pay the vendor in the currency specified in the contract or modify the contracts to establish the local currency amount that the vendor will be paid.

On November 29, 2010, the Director of Operations, CENTCOM Contracting Command, responded to our memorandum. He concurred with the three suggested actions and identified recent policy updates and procedures, which he stated addressed the suggested actions. Although we agree with the revisions included in the policy updates and procedures, we do not agree that the revisions meet the intent of our suggested actions. Specifically,

- The Director responded to our suggestion to update the Acquisition Instruction to require writing contracts in the currency in which the vendors will receive payment by stating that the November 2010 update to the CENTCOM Contracting Command Acquisition Instruction requires payment in host nation currency. However, this update still does not require that contracts be written in host nation currency. Therefore, contracts can still be written and paid in different currencies and can result in overpaying or underpaying contracts.
- The Director responded to our suggestion that USCENTCOM write and pay contracts in the same currency by stating that the CENTCOM Contracting Command only administers CERP contracts over \$500,000 and provided procedures for reviewing these contracts for compliance. He added that existing CERP contracts over \$500,000 specify invoice and payment terms and that DFAS-Rome pays these contracts in accordance with these terms. However, since most CERP contracts are under \$500,000, this plan of action has limited benefits of ensuring new or existing CERP contracts comply with the Acquisition Instruction policy.

Therefore, we are recommending that the C-JTSCC officials revise the Acquisition Instruction to require that contracting personnel write contracts in the currency in which the vendors will receive payment. In addition, USCENTCOM officials should establish reviewing procedures to ensure USCENTCOM personnel write and pay new and existing contracts in the same currency, including CERP contracts under \$500,000.

Recommendations, Management Comments, and Our Response

D.1. We recommend the CENTCOM-Joint Theater Support Contracting Command revise the CENTCOM Contracting Command Acquisition Instruction to require that contracting personnel write contracts in the currency in which the vendors will receive payment for contracts over and under \$500,000.

CENTCOM-Joint Theater Support Contracting Command Comments

The C-JTSCC Chief of Staff neither agreed nor disagreed, but stated that C-JTSCC revised the C-JTSCC Acquisition Instruction in November 2010 to include the requirement to write contracts in the currency in which the vendors would receive payment for contracts over and under \$500,000. Specifically, the Chief of Staff cited C-JTSCC Acquisition Instruction, Part 32, and Subpart 32.1106(b), which states “All contracts and purchase orders awarded to host nation (Afghan) vendors shall be awarded and paid in Afghani via electronic funds transfer to a local (Afghani) banking institution.”

Our Response

The C-JTSCC Chief of Staff comments were nonresponsive. The November 2010 version of the C-JTSCC Acquisition Instruction does not state that all contracts with host nation or external vendors will be written and paid in the same currency. The requirement that the Chief of Staff quoted from C-JTSCC Acquisition Instruction, subpart 32.1106(b), only applies to host nation vendors that can receive EFTs. It states that only Afghanistan vendors are awarded and paid in host nation currency and that all other contracts and purchase orders may be awarded and paid in U.S. currency. In addition, subpart 32.1106(e)(3) states that all cash payments will be made in host nation currency. As a result, the Acquisition Instruction still allows contracting and disbursing officers to write contracts in one currency and pay in another. We request that the Chief of Staff provide comments on the final report that address revising the Acquisition Instruction to explicitly require that contracts be written and paid in the same currency.

D.2. We recommend the Commanding General, U.S. Central Command, establish procedures to review new and existing contracts to ensure that they are written and paid in the same currency, including Commander’s Emergency Response Program contracts under \$500,000.

U.S. Central Command Comments

USCENTCOM agreed in principle with the recommendation and stated that the absence of a requirement to write all contracts in the currency in which the vendor would receive payment created a high risk of embezzlement, kickbacks, overpayments, and underpayments. USCENTCOM deferred corrective actions to the executive agent for CERP, the Secretary of the Army.

Our Response

The USCENTCOM comments were nonresponsive. We do not think that redirecting this recommendation to the Secretary of the Army addresses the need for quality control over CENTCOM contracting processes to ensure that contracts are written and paid in the same currency. This issue is not unique to CERP, but rather, affects all foreign currency contracts. We request that USCENTCOM reconsider its position and provide comments on the final report.

Appendix A. Audit Scope and Methodology

We conducted this performance audit from September 2010 through July 2011 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.

USFOR-A processed more than 8,509 CERP transactions, totaling \$486 million, between October 2008 and February 2010. The universe included transactions from the Army, U.S. Marine Corps, and U.S. Army Corps of Engineers in Afghanistan. Our statistical sample approach (see Appendix C) resulted in the selection of 251 CERP payment transactions from the universe of 8,509 transactions. This sample was used in Finding A to determine whether CERP data in CIDNE and CERP Checkbook were accurate and complete.

Table A-1 shows a breakout of the statistically sampled CERP payment transactions by agency in the system of record. We tested the reliability of the CERP payment transactions information by comparing 251 hardcopy vouchers and supporting documentation to project data in CIDNE and CERP Checkbook. We could not assess reliability for 14 of these CERP payment transactions because USFOR-A could not locate CIDNE data for the 14 sample items.

Table A-1. Statistical Sample of Army CERP Payments

| Agency System | Number of Payments | Amount |
|--|---------------------------|--------------------|
| Army Deployable Disbursing System | 121 | \$6,950,591 |
| Army STANFINS Redesign One | 80 | 1,228,539 |
| Corps of Engineers Financial Management System | 30 | 1,516,160 |
| U.S. Marine Corps Deployable Disbursing System | 20 | 289,508 |
| Total | 251 | \$9,984,798 |

We analyzed the sampled transactions to determine the reliability of the data recorded in CIDNE and CERP Checkbook. We completed a review of the sample transactions to determine whether key data elements, such as project location, project category, amount disbursed, and local national classification, were accurate, complete, and consistent. In Finding B, we identified and evaluated 208 CERP projects with outstanding obligations from FY 2007 through FY 2009. To identify these projects, we evaluated and

compared the data in CIDNE, CERP Checkbook, and ODS. After matching the project data, we identified whether the project's status in CIDNE was designated as terminated, completed, nominated, or obligated. For the CERP projects designated as "terminated" or "completed" in CIDNE, we reviewed current ODS data to determine whether the projects still had funding available that should be deobligated. We also reviewed ODS data for projects designated in CERP Checkbook as "open" to identify any projects that had limited financial activity for an extended period. We considered this an indicator that the projects should potentially be closed and the remaining funds be deobligated. Finally, we reviewed CERP Checkbook for projects that had negative unliquidated obligations to identify potential improper payments.

In Finding C, the advance payment universe was composed of payment voucher copies and payment voucher data records obtained during the audit. This universe was actually a number of smaller universes that related to other potential test steps and included disbursement records from FY 2008 through FY 2010. We manually reviewed paper voucher copies and used audit software to select 30 CERP projects that potentially had advance payments made against them. We examined CERP contracts, invoices, vouchers, receiving reports, related payments, and accounting records to determine whether the projects selected contained advance payments to CERP contractors and vendors.

In Finding D, we reviewed 15,458 cash payments made in afghanis to vendors. We reviewed contracts and guidance including the FAR, DoD FMR, and CENTCOM Acquisition Instructions concerning contracting and payments in foreign currency. We evaluated whether contracts paid in foreign currency fluctuated based on exchange rates from the time the obligation was recorded to when the payment was made.

Use of Computer-Processed Data

The objective of the audit was to assess the reliability of CERP data by determining whether the data in CIDNE and CERP Checkbook were complete and accurate. We found that USFOR-A did not maintain reliable CERP financial or project data in CIDNE or CERP Checkbook. We assessed the reliability of CIDNE and CERP Checkbook data by comparing the CERP data in these systems with data from STANFINS, Deployable Disbursing System, Corps of Engineers Financial Management System, STANFINS Redesign One, Corporate Electronic Document Management System, and Electronic Document Access/Voucher Processing System. We validated data from these computer systems by comparing the data to hardcopy documentation from the Corporate Electronic Document Management System and Electronic Document Access/Voucher Processing System related to the projects selected for review. We found the data in these systems to be sufficiently reliable to accomplish our audit objectives.

Use of Technical Assistance

The Quantitative Methods Division provided technical assistance throughout the sample selection process and provided a sample of transactions of CERP projects to test for reliability. See Appendix C for detailed information about the work performed by the Quantitative Methods Division.

Appendix B. Prior Audit Coverage of the Afghanistan Commander's Emergency Response Program

During the last 5 years, the Government Accountability Office (GAO), Department of Defense Inspector General (DoD IG), the Army Audit Agency (AAA), the Special Inspector General for Iraq Reconstruction (SIGIR), and the Special Inspector General for Afghanistan Reconstruction (SIGAR) have issued 19 reports discussing the CERP in Afghanistan and Iraq. Unrestricted GAO reports can be accessed over the Internet at <http://gao.gov/browse/date/week>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at <https://www.aaa.army.mil/>. Unrestricted SIGIR reports can be accessed over the Internet at <http://www.sigir.mil/directorates/audits/auditReports.html>. Unrestricted SIGAR reports can be accessed over the Internet at <http://www.sigar.mil/auditReports.asp>.

GAO

GAO Report No. GAO-09-615, "Military Operations: Actions Needed to Improve Oversight and Interagency Coordination for the Commander's Emergency Response Program in Afghanistan," May 18, 2009

GAO Report No. GAO-08-736R, "Military Operations: Actions Needed to Better Guide Project Selection for Commander's Emergency Response Program and Improve Oversight in Iraq," June 23, 2008

GAO Report No. GAO-07-699, "Military Operations: The Department of Defense's Use of Solatia and Condolence Payments in Iraq and Afghanistan," May 23, 2007

DOD IG

DoD IG Report No. D-2007-064, "Implementation of the Commanders' Emergency Response Program in Afghanistan," February 28, 2007

Army Audit Agency

AAA Report No. A-2011-0020-ALL, "Commander's Emergency Response Program U.S. Forces-Afghanistan," November 16, 2010 (FOUO)

AAA Report No. A-2006-0090-ALE, "Follow-up II of the Commanders' Emergency Response Program and Quick Response Fund," March 31, 2006

AAA Report No. A-2005-0332-ALE, "Follow-up Commanders Emergency Response Program and Quick Response Fund," September 30, 2005

AAA Report No. A-2005-0173-ALE, "Commanders Emergency Response Program and Quick Response Fund," May 2, 2005

SIGIR

SIGIR Report No. SIGIR-11-012, "Commander's Emergency Response Program Obligations Are Uncertain," January 31, 2011

SIGIR Report No. SIGIR-10-013, "Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred," April 26, 2010

SIGIR Report No. SIGIR-10-003, "Iraq Commander's Emergency Response Program Generally Managed Well, but Project Documentation and Oversight Can Be Improved," October 27, 2009

SIGIR Report No. SIGIR-09-026, "Commander's Emergency Response Program: Hotel Construction Completed, But Project Management Issues Remain," July 26, 2009

SIGIR Report No. SIGIR-09-025, "Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful," July 26, 2009

SIGIR Report No. SIGIR-08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008

SIGIR Report No. SIGIR-07-006, "Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006," April 26, 2007

SIGIR Report No. SIGIR-05-025, "Management of the Commander's Emergency Response Program for Fiscal Year 2005," January 23, 2006

SIGIR Report No. SIGIR-05-014, "Management of the Commander's Emergency Response Program for Fiscal Year 2004," October 13, 2005

SIGAR

SIGAR Report No. 11-7, "Commander's Emergency Response Program in Laghman Province Provided Some Benefits, but Oversight Weaknesses and Sustainment Concerns Led to Questionable Outcomes and Potential Waste," January 27, 2011

SIGAR Report No. 09-5, "Increased Visibility, Monitoring, and Planning Needed for Commander's Emergency Response Program in Afghanistan," September 9, 2009

Appendix C. Statistical Sampling Methodology

Quantitative Plan

Objective

To determine whether the internal controls over CERP payments made to support operations in Afghanistan were adequate. As part of the audit objective, we used statistical sampling to project the number and the rate of errors in the population.

Population

The CERP disbursement dataset consisted of 8,509 transactions between October 2008 and January 2010. We obtained the data from the following systems: the Deployable Disbursing System (U.S. Marine Corps Disbursing Station 6092 and Army Disbursing Station 8830), STANFINS Redesign One, and the Corps of Engineers Financial Management System.

Measures

The measures of the sampling plan for this project were the number of errors in the audit universe.

Parameters

We used a 90-percent confidence interval.

Sample Plan

Stratified Sample Design

We used a stratified sampling design for this project. We determined the appropriate sample size for each stratum based on our calculations, the What If Analysis we performed, and our professional judgment. We drew samples without replacement from each stratum using the random function tool in EXCEL and provided the random samples to the audit team. The stratum and the sample sizes are in Table C-1. The statistical analysis and interpretation are in Table C-2.

Table C-1 Audit Stratum and Sample Sizes

| Stratum Name | Population Size | Sample Size |
|--|------------------------|--------------------|
| Army Deployable Disbursing System | 5,407 | 121 |
| U.S. Marine Corps Deployable Disbursing System | 117 | 20 |
| Army STANFINS Redesign One | 2,620 | 80 |
| Corps of Engineers Financial Management System | 365 | 30 |
| Total | 8,509 | 251 |

Table C-2. Statistical Analysis and Interpretation

| Item | Lower Bound | Point Estimate | Upper Bound |
|--|--------------------|-----------------------|--------------------|
| Data Could Not Be Located in CIDNE | 174 | 415 | 657 |
| Total with Error | 5,691 | 6,157 | 6,623 |
| CERP Checkbook Category Not Equal to Payment Documentation | 615 | 962 | 1,308 |
| CIDNE Not Consistent With CERP Checkbook | 1,493 | 1,926 | 2,359 |
| Category Not Updated in CIDNE or CERP Checkbook (Bulk Funds) | 238 | 499 | 761 |
| CIDNE Location Not Equal to Payment Documentation | 87 | 310 | 533 |
| CIDNE Location Incomplete | 88 | 304 | 520 |
| CERP Checkbook Location Not Equal to Payment Documentation | 436 | 754 | 1,071 |
| CIDNE Location Not Consistent With CERP Checkbook | 226 | 489 | 752 |
| CIDNE Amount Spent Incomplete | 4,162 | 4,660 | 5,157 |
| CIDNE Local National Benefit Incomplete | 2,572 | 3,011 | 3,449 |
| CIDNE Local National Employed Incomplete | 2,337 | 2,769 | 3,202 |
| Total With Category Error | 1,886 | 2,349 | 2,811 |
| Total With Location Error | 1,198 | 1,604 | 2,009 |
| Total With Local National Error | 2,688 | 3,133 | 3,578 |

Note: 90-percent confidence level.

Appendix D. CERP Project Categories

The following list from the DoD Regulation 7000.14-R, “DoD Financial Management Regulation” volume 12, chapter 27, section 270104, details the categories eligible for CERP funding in Afghanistan. The definitions for each category are from the USFOR-A Publication 1-06, “Money As A Weapon System–Afghanistan,” December 2009.

- A. Agriculture.** Projects to increase agricultural production or cooperative agricultural programs. This includes irrigation systems.
- B. Battle Damage Repair.** Projects to repair, or make payments for repairs, of property damage that results from U.S., coalition, or supporting military operations and is not compensable under the Foreign Claims Act.
- C. Civic Cleanup Activities.** Projects to clean up public areas; area beautification.
- D. Civic Support Vehicles.** Projects to purchase or lease vehicles by public/government officials in support of civic and community activities.
- E. Condolence Payments.** Payments to individual civilians for the death or physical injury resulting from U.S., coalition, or supporting military operations not compensable under the Foreign Claims Act.
- F. Economic, Financial, and Management Improvements.** Projects to improve economic or financial security.
- G. Education.** Projects to repair or reconstruct schools or to purchase school supplies or equipment.
- H. Electricity.** Projects to repair, restore, or improve electrical production, distribution, and secondary distribution infrastructure. Cost analysis must be conducted so the village or district may collect revenues to ensure operation and maintenance of the system for long-term use.
- I. Food Production and Distribution.** Projects to increase food production or distribution processes to further economic development.
- J. Former Detainee Payments.** Payments to individuals upon release from coalition (non-theater internment) detention facilities.
- K. Health Care.** Projects to repair or improve infrastructure, equipment, medical supplies, immunizations, and training of individuals and facilities with respect to efforts made to maintain or restore health especially by trained and licensed professionals.

- L. Hero Payments.** Payments made to the surviving spouses or next of kin of Afghanistan defense or police personnel who were killed as a result of U.S., coalition, or supporting military operations.
- M. Other Urgent Humanitarian or Reconstruction Projects.** Projects to repair collateral damage not otherwise payable because of combat exclusions or condolence payments. Other urgent humanitarian projects not captured under any other category.
- N. Protective Measures.** Projects to repair or improve protective measures to enhance the durability and survivability of a critical infrastructure site (oil pipelines, electric lines, etc.).
- O. Repair of Civic and Cultural Facilities.** Projects to repair or restore civic or cultural buildings or facilities.
- P. Rule of Law and Governance.** Projects to repair government buildings such as administrative offices, or courthouses.
- Q. Temporary Contract Guards for Critical Infrastructure.** Projects including Sons/Daughters of Iraq and other projects to guard critical infrastructure, including neighborhoods and other public areas.
- R. Telecommunications.** Projects to repair or extend communication over a distance. The term telecommunication covers all forms of distance and/or conversion of the original communications, including radio, telegraphy, television, telephony, data communication, and computer networking. Includes projects to repair or reconstruct telecommunications systems or infrastructure.
- S. Transportation.** Projects to repair or restore transportation to include infrastructure and operations. Infrastructure includes the transport networks (roads, railways, airways, canals, pipelines, etc.) that are used, as well as the nodes or terminals (such as airports, railway stations, bus stations, and seaports). The operations deal with the control of the system, such as traffic signals and ramp meters, railroad switches, air traffic control, etc.
- T. Water and Sanitation.** Projects to repair or improve drinking water availability, to include purification and distribution. Building wells in adequate places is a way to produce more water, assuming the aquifers can supply an adequate flow. Other water sources such as rainwater and river or lake water must be purified for human consumption. The processes include filtering, boiling, distillation among more advanced techniques, such as reverse osmosis. The distribution of drinking water is done through municipal water systems or as bottled water. Sanitation, an important public health measure that is essential for the prevention of disease, is the hygienic disposal or recycling of waste materials, particularly human excrement.

Appendix E. CERP Project Status Report

The CERP Project Status Report contains the following information as required by the DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 12, chapter 27, section 2704A.

1. Unit.
2. Project Document Reference Number/STANFINS Document Reference Number.
3. Project Category from the Under Secretary of Defense (Comptroller).
4. Project Title.
5. Province where project is located.
6. Description (two or three sentences that describe the project for a person not familiar with it). For micro-grant projects, list the name and type of business. For Commander’s small-scale projects sourced out of bulk funding, capture the initial bulk-funded amount under the “other urgent and humanitarian or reconstruction category.” Once the bulk fund is completely obligated/disbursed, replace with actual project descriptions for each completed project using the appropriate CERP categories.
7. Total amount committed, obligated, and disbursed for the project.
8. Obligation date. NOTE that once projects are identified, if they are canceled during the same fiscal year, they remain on the report with a note that they were canceled and the obligated amount adjusted to \$0.
9. For projects costing \$50,000 or more, provide justification stating how the project supports the purpose of CERP; such as, justification for the project.
10. Current status of the project and projected completion date or when the project was completed, noting also whether the project was finished or terminated for other reasons.
11. For projects \$50,000 or more, identify the date when project is/will be transferred to the Iraq or Afghanistan government. Annotate with “yes” to indicate the government’s commitment to sustain the project, or “no” to indicate no agreement for sustainment. Details of any indicated sustainment must be included in the project files.
12. Number of local citizens estimated to directly benefit from project, if available.
 - a. Number of local citizens estimated to be employed by the project.
 - b. Number of local citizens estimated to be affected by the project.

Appendix F. Unliquidated Obligations Memorandum and Management Response



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

February 7, 2011

MEMORANDUM FOR COMMANDING GENERAL, UNITED STATES CENTRAL
COMMAND
COMMANDING GENERAL, UNITED STATES FORCES –
AFGHANISTAN

SUBJECT: Unliquidated Obligations and Potential Duplicate Payments Identified During
Fieldwork for the Audit of Controls Over the Reporting and Propriety of
Commander's Emergency Response Program Payments in Afghanistan (Project No.
D2010-D000FL-0276.000)

During our review of the Controls Over the Reporting and Propriety of Commander's
Emergency Response Program (CERP) Payments in Afghanistan (Project No. D2010-D000FL-
0276.000), we identified CERP projects that had actual or potential outstanding unliquidated
obligations needing to be deobligated and CERP projects that had potential duplicate payments
that may need to be collected. Specifically, we identified

- 109 CERP projects in a terminated or completed status with outstanding obligations of \$18.7 million (Attachment 1),
- 99 CERP projects with outstanding obligations of \$21.7 million that have long periods of inactivity or could not be located in the Combined Information Data Network Exchange (CIDNE) (Attachment 2), and
- 13 CERP projects with potential duplicate payments of \$1.7 million (Attachment 3).

With respect to the terminated and completed CERP projects, U.S. Forces-Afghanistan (USFOR-A) has \$18.7 million in U.S. Government funds that could be put to better use. Therefore, we request that USFOR-A take immediate action to deobligate the \$18.7 million of outstanding obligations for the 109 completed or terminated CERP projects. We also request that USFOR-A evaluate the 99 CERP projects with long periods of inactivity or that could not be located in CIDNE to determine each project's status, determine if additional deobligation actions are necessary, and update CIDNE and CERP Checkbook as needed. Lastly, we request that USFOR-A research the 13 potential duplicate payments and initiate collection actions accordingly.

Commander's Emergency Response Program

CERP enables commanders to respond to urgent humanitarian relief and reconstruction requirements by carrying out programs that will immediately assist the population in areas such as education, agriculture, food, water, sanitation, electricity, and healthcare. Commanders use CERP funds to provide rapid response and stabilization capabilities and consider the funds vital for improving security and implementing counterinsurgency operations.

I

Commander's Emergency Response Program Project Tracking

CERP projects are tracked using four systems: CIDNE, CERP Checkbook, the Resource Management Tool (RMT), and the Army Standard Financial System (STANFINS). USFOR-A uses the CIDNE database to document and monitor CERP project status from project nomination to closure; CIDNE should contain complete project files. CERP project financial data is recorded in CERP Checkbook. CERP Checkbook is used to track project funds for commitments, obligations, and disbursement amounts. RMT is the system used to commit projects and transmit obligations into STANFINS. STANFINS tracks obligations and disbursements against the CERP projects. USFOR-A accesses STANFINS data through the Operational Data Store (ODS), which is a system that allows Army financial managers the ability to retrieve, review, and update financial payment information.

Guidance on Reconciling Data and Clearing Unliquidated Obligations

USFOR-A Publication 1-06, "Money As A Weapon System – Afghanistan" (MAAWS – Afghanistan), December 2009, requires resource management offices and CERP Program Managers to perform weekly reconciliations of CERP Checkbook to RMT, ODS, and CIDNE to ensure the project status and the amounts committed, obligated, and disbursed for each project match. CERP Program Managers are responsible for reconciling differences when the obligations between CERP Checkbook and CIDNE do not match.

MAAWS – Afghanistan also provides guidance for clearing unliquidated obligations. The resource management office is responsible for clearing all unliquidated obligations in the accounting systems. CERP Program Managers are responsible for providing to the resource management office complete CERP project files for completed or terminated CERP projects. After receiving the completed project files, the resource management office is required to endorse an ODS print-out showing that the project has been cleared in the accounting system and upload the print-out into CIDNE.

Guidance on Improper Payments

Public Law 107-300, "Improper Payments Information Act of 2002," November 26, 2002, defines improper payments to include any duplicate payment. The Act requires the identification of programs susceptible to improper payments and reports on actions to reduce improper payments. DoD 7000.14-R, "DoD Financial Management Regulation (DoD FMR)," provides guidance on the identification and handling of erroneous payments, including illegal, incorrect, and improper payments. DoD FMR Volume 5, Chapter 6, defines erroneous payments as any payment that should not have been made or that is incorrect under statutory, contractual, administrative, or other legally applicable requirement, which includes duplicate payments. It also states that certifying officers are responsible for reviewing suspected erroneous payments and initiating collection. DoD FMR Volume 10, Chapter 18, provides guidance on collecting debts to DoD owed by contractors, vendors, assignees, and business entities.

Unliquidated Obligations and Duplicate Payments

Of the 477 CERP projects with outstanding obligations in FYs 2007, 2008, and 2009, we identified 208 CERP projects that had actual or potential outstanding unliquidated obligations. We identified 13 additional CERP projects in which duplicate payments created negative unliquidated obligations. To identify those CERP projects, we evaluated and compared the data

in CIDNE, CERP Checkbook, and ODS. Once we matched up project data, we identified whether the project's status in CIDNE was designated as terminated, completed, nominated, or obligated. For the CERP projects designated as "terminated" or "completed" in CIDNE, we reviewed current ODS data to determine if the projects still had funding available that should be deobligated. We also reviewed ODS data for projects designated in CERP Checkbook as "open" to identify any projects that had limited financial activity for an extended period. We considered this an indicator that the projects should potentially be closed and remaining funds deobligated. Finally, we reviewed CERP Checkbook for projects that had negative unliquidated obligations to identify potential duplicate payments.

Unliquidated Obligations for CERP Projects Designated as Terminated or Closed.

We identified 109 CERP projects that were designated as terminated or cancelled in CIDNE but were erroneously designated in CERP Checkbook as open projects. These 109 CERP projects have \$18.7 million in outstanding unliquidated obligations that need to be deobligated. Attachment 1 lists each of these CERP projects, by CIDNE project number, FY, and amount of unliquidated obligation. To release these unused funds back to the U.S. Treasury for other benefits and to reduce the possibility that disbursements could be charged against the outstanding obligations, USFOR-A should immediately deobligate the unliquidated obligations. USFOR-A should also update the project status in CERP Checkbook as closed.

Potential Unliquidated Obligations for CERP Projects with Limited Activity. We identified 99 CERP projects that were either designated as open projects in CIDNE, but that had limited financial activity for an extended period (in some cases up to three years), or were included in CERP Checkbook but we could not find a corresponding project in CIDNE. These 99 CERP projects have \$21.7 million in potential unliquidated obligations that require further evaluation to determine whether the projects have been terminated or closed. Attachment 2 lists each of these CERP projects, by CIDNE project number (if known), FY, and the amount of unliquidated obligation that potentially can be deobligated. USFOR-A should evaluate these 99 CERP projects to determine the project status, update CIDNE and CERP Checkbook accordingly, and deobligate the unliquidated obligations for those projects verified to be terminated or closed.

Potential Duplicate Payments for CERP Projects with Negative Unliquidated Obligations. We identified 13 CERP projects that had negative unliquidated obligations indicating the potential for duplicate payments. These 13 CERP projects had \$1.7 million in negative unliquidated obligations that require further evaluation to determine whether a duplicate payment was made to the vendor. Attachment 3 lists each of these CERP projects by CIDNE project number, FY, and the amount of negative unliquidated obligation. To recoup these funds and make them available to the U.S. Treasury for other uses, USFOR-A should research the payments made under these projects, determine whether collection action is warranted, and, if necessary, initiate collection action.

Funds Left Unavailable for Use

As a result of the completed or terminated CERP projects with outstanding obligations, USFOR-A has \$18.7 million in U.S. Government funds that could be put to better use on other projects or requirements.

To release unused CERP funds back to the U.S. Treasury for other benefits, to reduce wasteful spending, and to relieve additional burdens on future rotations, we request that USFOR-A:

- Deobligate funds identified for completed or terminated CERP projects (Attachment 1). In addition, USFOR-A should perform evaluation of CERP projects identified as projects whose status is undeterminable (Attachment 2).
- Take collection actions on duplicate payments identified, if collection actions have not been initiated (Attachment 3).

We appreciate your immediate action and request comments on the actions taken or to be taken by February 22, 2011. Please address those comments to me at DSN 318-237-1532, Carol.Gorman@dodig.mil, or Mr. Craig Michaels at DSN 312-669-4801 ext. 230, Craig.Michaels@dodig.mil.



Carol N. Gorman
Director
Joint and Southwest Asia Operations

Attachments: As stated

CERP Projects From FYs 2007-2009 Reported as Completed or Terminated with Obligations Still Outstanding

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|---------------------------------|-------------------------|--------------------------------|
| 1 | CERP5AF7F00059 | Logar-Khoshi 7043-20501 | \$863,724.00 | \$79,438.52 |
| 2 | CERP5AF7J00181 | Ghanzi-Ghanzi-7070-4402 | \$156,150.00 | \$60,790.31 |
| 3 | CERP5AL7B00064 | ABAD-06-0041 | \$7,494,021.00 | \$946,813.02 |
| 4 | CERP8AKBTFP022 | NURISTAN-KAMDES-7135-4860 | \$258,548.78 | \$6,000.00 |
| 5 | CERP8BKBTFP047 | FARYAB-QAYSAR-8290-21310 | \$6,000.00 | \$4,000.20 |
| 6 | CERP8BKBTFP048 | FARYAB-ALMAR-8290-21311 | \$12,000.00 | \$2,750.01 |
| 7 | CERP8FKBTFP101 | BALKH-BALKH-7210-20412 | \$130,000.00 | \$25,000.00 |
| 8 | CERP8HKBTFP137 | KABUL-KABUL-7184-5481 | \$35,000.00 | \$10,500.30 |
| 9 | CERP8HKBTFP139 | BADGHIS-GHORMACH-8093-22526 | \$7,000.00 | \$3,500.00 |
| 10 | CERP8KJBTFP195 | 20080601112828 | \$8,200.00 | \$4,201.60 |
| 11 | CERP8KJBTFP205 | 20080512105426 | \$33,370.00 | \$8,344.31 |
| 12 | CERP8KJBTFP217 | 20080617120357 | \$80,000.00 | \$41,736.10 |
| 13 | CERP8JKTFBP186 | 20080509113149 | \$9,900.00 | \$9,900.00 |
| 14 | CERP8KKBTFP235 | FARYAB-SHIREEN TAGAB-8088-22503 | \$170,000.00 | \$34,000.27 |
| 15 | CERP8KKBTFP244 | 20080619092814 | \$22,000.00 | \$7,407.06 |
| 16 | CERP8KKBTFP262 | 20080513051905 | \$70,000.00 | \$9,162.02 |
| 17 | CERP8KKBTFP269 | 20080708040602 | \$17,000.00 | \$7,920.92 |
| 18 | CERP8KKBTFP270 | 20080709041556 | \$18,000.00 | \$11,196.20 |
| 19 | CERP8KKBTFP271 | 20080708041822 | \$24,000.00 | \$9,000.00 |
| 20 | CERP8KKBTFP277 | 20080713161729 | \$170,000.00 | \$4,000.34 |
| 21 | CERP8KKBTFP284 | 20080716045302 | \$45,675.00 | \$3,290.00 |
| 22 | CERP8LKBTFP314 | 20080731064523 | \$146,394.00 | \$1,967.23 |
| 23 | CERP8LKBTFP315 | 20080803081639 | \$135,000.00 | \$13,250.05 |
| 24 | CERP8LKBTFP342 | 20080617062938 | \$2,000.00 | \$2,000.00 |
| 25 | CERPJAF8C00120 | KUNAR-NARI-8287-21294 | \$20,637.00 | \$1,000.00 |
| 26 | CERPJAF8F00253 | NURISTAN-PARUN-8047-22231 | \$17,409.00 | \$2,636.00 |
| 27 | CERPJAF8K00410 | NURISTAN-MANDOL-8038-22163 | \$150,000.00 | \$112,500.00 |

Attachment 1

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|------------------------------|-------------------------|--------------------------------|
| 28 | CERPKAF8G00113 | FAR080007 | \$30,000.00 | \$30,000.00 |
| 29 | CERPKAF8K00173 | 20080605040117 | \$200,000.00 | \$3,000.00 |
| 30 | CERPKAF8K00174 | 20080703194405 | \$200,000.00 | \$25,612.24 |
| 31 | CERPSAF8A00033 | KHOST-KHOST-7209-20376 | \$206,135.00 | \$28,292.50 |
| 32 | CERPSAF8A00067 | PAKTIKA-ORGUN-7218-20038 | \$439,344.95 | \$95,040.06 |
| 33 | CERPSAF8A00070 | PAKTIKA-BERMAL-7198-20187 | \$390,000.00 | \$124,765.38 |
| 34 | CERPSAF8B00090 | GHAZNI-GHAZNI-7300-21379 | \$21,600.00 | \$5,387.55 |
| 35 | CERPSAF8B00095 | GHAZNI-WAGHEZ-7302-21393 | \$39,849.75 | \$25,902.25 |
| 36 | CERPSAF8B00105 | PAKTIKA-SHARAN-7157-5096 | \$250,000.00 | \$1,750.01 |
| 37 | CERPSAF8B00124 | PAKTIKA-CHARBORAN-7213-20133 | \$240,000.00 | \$4,939.88 |
| 38 | CERPSAF8B00132 | PAKTIKA-SHARAN-8067-22381 | \$100,000.00 | \$57,886.06 |
| 39 | CERPSAF8C00177 | PAKTYA-GARDEZ-7305-21398 | \$308,000.00 | \$60,466.67 |
| 40 | CERPSAF8C00182 | PAKTIKA-TERWE-7328-21736 | \$4,995.00 | \$4,995.00 |
| 41 | CERPSAF8C00184 | PAKTIKA-TERWE-7327-21749 | \$8,799.96 | \$7,030.28 |
| 42 | CERPSAF8C00196 | KHOST-BAK-7352-21746 | \$25,000.00 | \$5,584.57 |
| 43 | CERPSAF8D00233 | PAKTYA-GARDEZ-8015-21973 | \$22,710.00 | \$22,710.00 |
| 44 | CERPSAF8D00241 | LOGAR-PULE ALAM-8019-22001 | \$28,800.00 | \$2,400.00 |
| 45 | CERPSAF8E00268 | PAKTIKA-WOR MAMAY-7324-21541 | \$60,500.00 | \$3,620.00 |
| 46 | CERPSAF8F00353 | PAKTIKA-SAR HAWZA-7205-20301 | \$1,485,000.00 | \$935,000.00 |
| 47 | CERPSAF8F00374 | PAKTIKA-GOMAL-8053-22281 | \$85,500.00 | \$80,465.13 |

CERP Projects From FYs 2007-2009 Reported as Completed or Terminated with Obligations Still Outstanding

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|------------------------------|-------------------------|--------------------------------|
| 48 | CERPSAF8F00378 | PAKTYA-ZADRAN-8035-22132 | \$42,256.28 | \$4,225.62 |
| 49 | CERPSAF8F00389 | KHOST-KHOST-8046-22217 | \$5,000.00 | \$1,819.28 |
| 50 | CERPSAF8F00419 | PAKTYA-ZADRAN-8067-22384 | \$200,000.00 | \$30,000.00 |
| 51 | CERPSAF8H00477 | PAKTIKA-BERMAL-8098-22588 | \$36,600.00 | \$3,600.00 |
| 52 | CERPSAF8H00483 | 20080423081123 | \$61,002.00 | \$11,572.00 |
| 53 | CERPSAF8H00486 | 20080423081100 | \$39,400.00 | \$1,798.00 |
| 54 | CERPSAF8H00492 | PAKTIKA-GOMAL-8056-22301 | \$1,440,000.00 | \$340,000.00 |
| 55 | CERPSAF8K00597 | 20080626081501 | \$5,000.00 | \$2,000.00 |
| 56 | CERPSAF8K00612 | 20080526162236 | \$300,189.00 | \$4,589.00 |
| 57 | CERPSAF8K00624 | PAKTIKA-CHARBORAN-7301-21388 | \$2,380,000.00 | \$700,000.00 |
| 58 | CERPSAF8K00636 | 20080527065244 | \$1,482,024.00 | \$204,603.50 |
| 59 | CERPSAF8K00648 | 20080723113728 | \$44,270.00 | \$11,067.50 |
| 60 | CERPSAF8K00657 | Logar-Kharwa 7189-5537 | \$10,601,080.00 | \$10,387,254.39 |
| 61 | CERPSAF8L00690 | 20080617053122 | \$170,299.00 | \$18,499.01 |
| 62 | CERPSAF8L00725 | 20080814112619 | \$123,336.39 | \$37,000.91 |
| 63 | CERPSAF8M00768 | 20080802115655 | \$9,800.00 | \$5,796.54 |
| 64 | CERPSAF8M00771 | 20080614064631 | \$750,630.00 | \$750,630.00 |
| 65 | CERPSAF8M00785 | 20080910032914 | \$50,000.00 | \$50,000.00 |
| 66 | CERP9FKBTFP103 | 20090304090853 | \$1,916.00 | \$732.04 |
| 67 | CERP9KKBTPP166 | 20090717113746 | \$5,000.00 | \$2,500.00 |
| 68 | CERPBAF9B00086 | 20080716084853 | \$10,000.00 | \$3,599.84 |
| 69 | CERPBAF9B00102 | 20081115062224 | \$5,000.00 | \$5,000.00 |
| 70 | CERPBAF9C00125 | 20080726060808 | \$43,900.00 | \$1.00 |
| 71 | CERPBAF9D00158 | 20081230105429 | \$5,000.00 | \$5,000.00 |
| 72 | CERPBAF9D00173 | 20090113092853 | \$4,671.45 | \$4,671.45 |
| 73 | CERPBAF9E00287 | PARWAN-SHINWAN-8034-22119 | \$240,043.00 | \$144,025.80 |
| 74 | CERPBAF9G00449 | 20090406095027 | \$6,467.50 | \$6,467.50 |
| 75 | CERPJAF9B00019 | 20080912133313 | \$275,710.40 | \$104,816.60 |
| 76 | CERPJAF9D00063 | 20081230074645 | \$197,474.00 | \$148,105.50 |
| 77 | CERPJAF9H00223 | 20090406083436 | \$78,971.00 | \$49,500.00 |
| 78 | CERPJAF9H00231 | 20090407133450 | \$159,569.00 | \$121,525.90 |

Attachment 1

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|-----|----------------------------------|-----------------------------|-------------------------|--------------------------------|
| 79 | CERPJAF9J00471 | 20090223133705 | \$82,208.00 | \$59,416.75 |
| 80 | CERPJAF9K00550 | 20090312035334 | \$28,807.25 | \$28,807.25 |
| 81 | CERPJAF9L00638 | 20090617052048 | \$156,330.63 | \$15,406.40 |
| 82 | CERPKAF9C00061 | 20081207152358 | \$35,000.00 | \$6,318.00 |
| 83 | CERPKAF9D00073 | 20081022093009 | \$127,500.00 | \$73,464.26 |
| 84 | CERPKAF9E00120 | 20090114120407 | \$10,000.00 | \$10,000.00 |
| 85 | CERPKAF9F00147 | 20090302143536 | \$5,000.00 | \$5,000.00 |
| 86 | CERPKAF9F00149 | Could not find in CIDNE | \$9,000.00 | \$9,000.00 |
| 87 | CERPKAF9F00156 | 20090106134424 | \$52,664.00 | \$9,787.00 |
| 88 | CERPKAF9F00160 | 20090115051026 | \$50,000.00 | \$23,320.76 |
| 89 | CERPKAF9F00163 | 20090308155841 | \$10,000.00 | \$10,000.00 |
| 90 | CERPKAF9G00185 | 20090115051520 | \$5,000.00 | \$5,000.00 |
| 91 | CERPKAF9G00189 | 20090408120148 | \$10,000.00 | \$10,000.00 |
| 92 | CERPKAF9G00195 | 20090115150326 | \$5,000.00 | \$5,000.00 |
| 93 | CERPKAF9H00204 | 20090106155547 | \$10,000.00 | \$10,000.00 |
| 94 | CERPKAF9J00218 | 20090114124155 | \$10,000.00 | \$10,000.00 |
| 95 | CERPKAF9J00227 | 20090606121331 | \$19,535.00 | \$19,535.00 |
| 96 | CERPKAF9K00271 | 20090705064001 | \$10,000.00 | \$10,000.00 |
| 97 | CERPKAF9K00286 | 20090715073906 | \$10,000.00 | \$10,000.00 |
| 98 | CERPKAF9K00301 | 20090719183650 | \$10,000.00 | \$10,000.00 |
| 99 | CERPKAF9L00348 | 20090714125713 | \$25,000.00 | \$23,305.96 |
| 100 | CERPKAF9L00355 | 20090824100329 | \$10,000.00 | \$9,840.00 |
| 101 | CERPLNK9K00004 | 20090716115014 | \$1,300.00 | \$1,300.00 |
| 102 | CERP SAF9A00010 | 20080921071514 | \$35,000.00 | \$29,750.00 |
| 103 | CERP SAF9C00062 | 20081021094353 | \$7,952,000.00 | \$1,988,000.00 |
| 104 | CERP SAF9E00164 | 20090202153254 | \$40,000.00 | \$1.00 |
| 105 | CERP SAF9F00205 | 20090114122034 | \$45,949.70 | \$13,784.91 |
| 106 | CERP SAF9F00231 | 20090119063135 | \$19,649.00 | \$15,649.00 |
| 107 | CERP SAF9H00323 | 20090309084329 | \$272,701.00 | \$132,501.00 |
| 108 | CERP SAF9J00431 | 20090415143954 | \$198,900.00 | \$39,780.01 |
| 109 | CERP SAF9L00580 | 20090501115505 | \$61,000.00 | \$51,850.00 |
| | Total: 109 Projects | | \$42,340,417.04 | \$18,753,370.72 |

CERP Projects From FYs 2007-2009 with Outstanding Obligations and a Long Period of Inactivity

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|--------------------------------------|-------------------------|--------------------------------|
| 1 | CERP8AKBTFP040 | HIRAT-ADRESKAN-8291-21316 | \$6,000.00 | \$4,800.00 |
| 2 | CERP8FKBTFP106 | KABUL-KABUL-8002-21889 | \$37,804.50 | \$11,341.54 |
| 3 | CERP8HKBTFP150 | Could not find in CIDNE | \$6,000.00 | \$2,508.58 |
| 4 | CERP8HKBTFP155 | 20080607112018 | \$25,000.00 | \$9,904.14 |
| 5 | CERP8HKBTFP158 | Could not find in CIDNE | \$1,923.88 | \$1,923.88 |
| 6 | CERP8HKBTFP182 | Could not find in CIDNE | \$4,999.98 | \$2,499.99 |
| 7 | CERP8JKBTFP186 | Could not find in CIDNE | \$9,900.00 | \$6,700.00 |
| 8 | CERP8JKBTFP198 | Could not find in CIDNE | \$1,999.99 | \$1,619.92 |
| 9 | CERP8JKBTFP214 | Could not find in CIDNE | \$6,000.00 | \$3,000.00 |
| 10 | CERP8KKBTFP | Could not find in CIDNE | \$41,999.83 | \$500.00 |
| 11 | CERP8KKBTFP261 | 20080531151309 | \$20,000.00 | \$1,000.32 |
| 12 | CERP8KKBTFP266 | 20080518051959 | \$188,000.00 | \$1,068.80 |
| 13 | cerp8kkbtfp287 | Could not find in CIDNE | \$249,881.19 | \$19,991.00 |
| 14 | CERP8LKBTFP375 | 20080810074518 | \$38,200.00 | \$38,200.00 |
| 15 | CERP8MKBTFP393 | Could not find in CIDNE | \$21,815.00 | \$21,815.00 |
| 16 | CERP8MKBTFP395 | Could not find in CIDNE | \$200,000.00 | \$100,000.00 |
| 17 | CERPBAF8B00125 | PANJSHER-DARA-7196-20125 | \$4,364,500.00 | \$735,627.25 |
| 18 | CERPBAF8B00128 | Could not find in CIDNE | \$10,000.00 | \$10,000.00 |
| 19 | cerpbat8f00293 | Could not find in CIDNE | \$93,589.56 | \$93,589.56 |
| 20 | CERPBAF8F00294 | 20080520115907 | \$308,490.00 | \$238,107.80 |
| 21 | CERPBAF8F00297 | Could not find in CIDNE | \$37,070.95 | \$21,456.06 |
| 22 | CERPBAF8J00369 | Bamyan-Panjab 7241-20247 | \$1,226,200.00 | \$326,200.00 |
| 23 | CERPBAF8K00499 | 20080517094922 | \$350,782.30 | \$210,469.39 |
| 24 | CERPBAF8K00500 | PANJSHER-ANABA-7199-20196 | \$256,645.50 | \$38,496.83 |
| 25 | CERPBAF8K00502 | 20080510050727-02 | \$874,060.00 | \$131,774.25 |
| 26 | CERPBAF8K00536 | 20080609070807 | \$191,100.00 | \$81,161.31 |
| 27 | CERPBAF8K00589 | Could not find in CIDNE | \$792,530.00 | \$118,879.51 |
| 28 | CERPBAF8K00631 | Parwan-Beg 8085-22118 | \$312,000.00 | \$156,000.00 |
| 29 | CERPBAF8L00590 | 8034-22113 | \$208,000.00 | \$187,212.00 |
| 30 | CERPBAF8L00625 | KAPISA-NIJRAB-8034-22112 | \$208,000.00 | \$126,917.00 |
| 31 | CERPBAF8L00628 | KAPISA-HESA AWAL KOHISTAN-8032-22091 | \$312,000.00 | \$62,393.09 |
| 32 | CERPBAF8L00629 | Parwan-Kohe Safi 8085-22125 | \$208,000.00 | \$110,951.07 |

Attachment 2

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|------------------------------------|-------------------------|--------------------------------|
| 33 | CERPJAF8A00005 | 7154-5058 | \$8,450,000.00 | \$5,360,062.50 |
| 34 | CERPJAF8A00028 | 7181-5062 | \$3,025,000.00 | \$996,875.00 |
| 35 | CERPJAF8C00115 | NURISTAN-BARGI MATAL-7258-20834 | \$22,000.00 | \$14,630.00 |
| 36 | CERPJAF8E00184 | Could not find in CIDNE | \$40,000.00 | \$4,000.00 |
| 37 | CERPJAF8E00192 | Could not find in CIDNE | \$120,000.00 | \$60,000.00 |
| 38 | CERPJAF8G00257 | NURISTAN-PARUN-8036- 22145 | \$2,400,000.00 | \$1,726,151.50 |
| 39 | CERPJAF8K00370 | NURISTAN-BARGI MATAL-8059-22331 | \$190,000.00 | \$152,000.00 |
| 40 | CERPJAF8L00419 | Kunar-Chapa Dara 8073- 22465 | \$4,235,000.00 | \$3,599,750.00 |
| 41 | CERPJAF8L00468 | 20080628060031 | \$771,463.45 | \$231,439.03 |
| 42 | CERPJAF8M00464 | 20080721055054 | \$1,750,000.00 | \$175,000.00 |
| 43 | CERPKAF8C00052 | FARAH-FARAH-7341- 21685 | \$19,965.00 | \$9,982.50 |
| 44 | CERPKAF8C00053 | FARAH-FARAH-7341- 21686 | \$24,000.00 | \$12,000.00 |
| 45 | CERPKAF8F00092 | MAH080010 | \$5,000.00 | \$5,000.00 |
| 46 | CERPKAF8I00124 | FARAH-FARAH-8068- 22393 | \$40,000.00 | \$40,000.00 |
| 47 | CERPKAF8J00149 | 20080620055908 | \$64,000.00 | \$15,987.89 |
| 48 | CERPKAF8L00226 | NA(Bulk Funds) | \$9,999.00 | \$9,499.20 |
| 49 | CERPSAF8B00083 | PAKTYA-SAYED KARAM-7207-20354 | \$328,810.00 | \$164,405.50 |
| 50 | CERPSAF8C00208 | Could not find in CIDNE | \$339,000.00 | \$30,150.06 |
| 51 | CERPSAF8E00292 | Could not find in CIDNE | \$2,000.00 | \$2,000.00 |
| 52 | CERPSAF8E00318 | Could not find in CIDNE | \$43,319.00 | \$5,774.39 |
| 53 | CERPSAF8F00339 | GHAZNI-DEH YAK-7223- 20091 | \$190,000.00 | \$152,000.00 |
| 54 | CERPSAF8F00404 | Could not find in CIDNE | \$13,100.00 | \$13,100.00 |
| 55 | CERPSAF8G00438 | Could not find in CIDNE | \$17,500.00 | \$2,500.00 |
| 56 | CERPSAF8H00513 | 20080527020148 | \$4,020.00 | \$2,010.00 |
| 57 | cerpsaf8k00613 | Could not find in CIDNE | \$167,461.98 | \$170,786.00 |
| 58 | CERPSAF8K00629 | 20080614125743 | \$681,197.00 | \$105,541.74 |
| 59 | CERPSAF8K00650 | 20080617053329 | \$374,182.00 | \$215,453.74 |
| 60 | CERPSAF8K00666 | 20080503094047 | \$150,000.00 | \$93,750.00 |
| 61 | CERPSAF8L00672 | 20080518070114 | \$5,615,120.00 | \$3,369,072.00 |
| 62 | CERPSAF8M00766 | Could not find in CIDNE | \$31,200.00 | \$9,360.00 |

CERP Projects From FYs 2007-2009 with Outstanding Obligations and a Long Period of Inactivity

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|-----------------------------|-------------------------|--------------------------------|
| 63 | CERP8AF8M00783 | Could not find in CIDNE | \$4,591.00 | \$4,591.00 |
| 64 | CERP8AF8M00784 | 20080509080047 | \$225,000.00 | \$193,750.00 |
| 65 | CERP8AF8M00791 | 2008061862231 | \$253,578.00 | \$121,337.00 |
| 66 | CERP8AF8M00795 | 20080824103729 | \$326,611.70 | \$244,958.78 |
| 67 | CERP9IKBTTP162 | 20090524061659 | \$124,615.00 | \$62,307.51 |
| 68 | CERPBAF9E00232 | 20090201090829 | \$124,465.00 | \$31,248.50 |
| 69 | CERPBAF9E00258 | 20090116093001 | \$136,191.00 | \$6,809.55 |
| 70 | CERPBAF9F00349 | 20090104041844 | \$58,968.00 | \$9,828.00 |
| 71 | CERPBAF9F00376 | 20080716084853 | \$10,235.29 | \$10,000.00 |
| 72 | CERPJAF9J00447 | 20090425084937 | \$170,183.00 | \$170,183.00 |
| 73 | CERPJAF9J00459 | 20090517110517 | \$263,145.00 | \$263,145.00 |
| 74 | CERPJAF9J00509 | 20090530093002 | \$75,000.00 | \$12,750.00 |
| 75 | CERPJAF9J00521 | 20090116055930 | \$597,929.03 | \$597,929.03 |
| 76 | CERPJAF9K00557 | 20090403045419 | \$174,154.00 | \$4,111.00 |
| 77 | CERP8AF9A00025 | Could not find in CIDNE | \$10,000.00 | \$10,000.00 |
| 78 | CERP8AF9B00041 | Could not find in CIDNE | \$10,000.00 | \$10,000.00 |
| 79 | CERP8AF9B00042 | Could not find in CIDNE | \$10,000.00 | \$10,000.00 |
| 80 | CERP8AF9C00067 | ZABUL-13558 | \$100,000.00 | \$1,654.49 |
| 81 | CERP8AF9D00081 | 39880 | \$9,000.00 | \$9,000.00 |
| 82 | CERP8AF9E00136 | PPO-003EJ | \$9,500.00 | \$9,500.00 |
| 83 | CERP8AF9G00180 | 0011TDY | \$10,000.00 | \$10,000.00 |
| 84 | CERP8AF9G00187 | 002SB | \$10,000.00 | \$10,000.00 |
| 85 | CERP8AF9H00199 | Could not find in CIDNE | \$10,000.00 | \$10,000.00 |
| 86 | CERP8AF9H00200 | Could not find in CIDNE | \$10,000.00 | \$10,000.00 |
| 87 | CERP8AF9J00252 | Could not find in CIDNE | \$5,000.00 | \$5,000.00 |
| 88 | CERP8AF9L00349 | Could not find in CIDNE | \$5,000.00 | \$5,000.00 |
| 89 | CERP8AF9L00350 | Could not find in CIDNE | \$9,000.00 | \$7,850.11 |
| 90 | CERP8AF9L00352 | Could not find in CIDNE | \$5,000.00 | \$4,958.94 |
| 91 | CERP8AF9D00132 | 20090112151644 | \$33,000.00 | \$23,350.00 |

Attachment 2

| | Document Reference Number | CIDNE Project Number | Amount Obligated | Unliquidated Obligation |
|----|----------------------------------|-----------------------------|-------------------------|--------------------------------|
| 92 | CERPSAF9E00187 | 20081102195442 | \$174,000.00 | \$111,500.00 |
| 93 | CERPSAF9F00236 | 20090312093733 | \$22,726.00 | \$5,229.00 |
| 94 | CERPSAF9F00247 | 20090218083047 | \$542,704.00 | \$35,630.00 |
| 95 | CERPSAF9G00286 | 20090216104031 | \$14,900.00 | \$7,450.00 |
| 96 | CERPSAF9G00302 | 20090105061721 | \$144,024.00 | \$36,006.00 |
| 97 | CERPSAF9L00578 | 20090112114907 | \$49,100.00 | \$24,550.00 |
| 98 | CERPSAF9L00590 | 20090211072038 | \$31,555.70 | \$7,888.91 |
| 99 | W80UUU92720100 | Could not find in CIDNE | \$8,446.16 | \$8,446.16 |
| | Total: 99 Projects | | \$43,513,451.99 | \$21,730,351.32 |

CERP Projects With Potential Duplicate Payments

| | Document Reference Number | Vouchers Involved | Obligated | Disbursed | Negative Unliquidated Obligation |
|----|----------------------------------|--|-----------------------|-----------------------|---|
| 1 | CERPSAF8M00776 | 132489 & 260161 | \$608,000.00 | \$380,000.00 | \$228,000.00 |
| 2 | CERPSAF8L00709 | 262312, 262414, 260289, 150384, & 132489 | \$215,000.00 | \$172,000.00 | \$43,000.00 |
| 3 | CERPSAF8L00701 | 260720 & 260310 | \$1,288,000.00 | \$736,000.00 | \$368,000.00 |
| 4 | CERPSAF8K00645 | 132489 & 260291 | \$36,099.00 | \$24,066.00 | \$12,033.00 |
| 5 | CERPJAF8K00381 | 120058 & 250137 | \$1,793,020.60 | \$1,823,845.30 | \$796,903.60 |
| 6 | CERPJAF8E00174 | 129627 & 122133 | \$25,814.00 | \$12,907.00 | \$12,907.00 |
| 7 | CERPJAF8F00228 | 131581 | \$2,902,775.55 | \$2,842,291.67 | \$60,483.88 |
| 8 | CERP8KKBTFP243 | 127800, 144032, 147327 | \$29,184.54 | \$21,924.54 | \$7,260.00 |
| 9 | CERP8KKBTFP245 | 127800, 144032, 147327 | \$29,176.56 | \$21,916.56 | \$7,260.00 |
| 10 | CERP8KKBTFP259 | 138470 & 146407 | \$68,850.00 | \$34,425.00 | \$34,425.00 |
| 11 | CERP8KKBTFP268 | 240384 & 130528 | \$185,781.20 | \$153,000.00 | \$31,781.20 |
| 12 | CERP8KKBTFP276 | 240498 & 139579 | \$221,653.78 | \$176,122.78 | \$45,531.00 |
| 13 | CERP8KKBTFP287 | 144032 & 240500 | \$249,881.19 | \$179,914.00 | \$49,976.19 |
| | Total: 13 Projects | | \$7,653,236.42 | \$6,578,412.85 | \$1,697,560.87 |



UNITED STATES CENTRAL COMMAND
OFFICE OF THE CHIEF OF STAFF
7115 SOUTH BOUNDARY BOULEVARD
MACDILL AIR FORCE BASE, FLORIDA 33621-5101

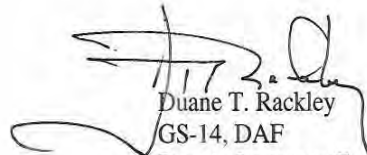
28 February 2011

TO: DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: DODIG Audit of Controls Over the Reporting and Propriety of Commander's Emergency Response Program (CERP) Payments in Afghanistan (Project No. D2010-D000FL-0276.000)

1. DoDIG identified 109 CERP projects in a terminated or completed status with outstanding obligations of \$18.7 million, 99 CERP projects with outstanding obligations of \$21.7 million that have long periods of inactivity or could not be located in the Combined Information Data Network Exchange (CIDNE), and 13 CERP projects with potential duplicate payments of \$1.7 million. Most of these projects were from 2008 and 2009. USFOR-A completed a thorough review of the projects and found the following:
 - a. Of the 109 terminated or completed projects, 59 had already been reconciled to a \$0 balance due to normal project activity between the time the audit was completed and when USFOR-A received the RFI, one was found to be ongoing, and 49 projects were closed and sent to ARCENT G8 to be deobligated (\$665,290.29).
 - b. Of the 99 inactive or not located projects, 30 had already been reconciled to a \$0 balance due to normal project activity between the time the audit was completed and when USFOR-A received the RFI, 22 were found to be ongoing, and 47 projects were closed and sent to ARCENT G8 to be deobligated (\$404,931.84).
 - c. Of the 13 potential duplicate payments, 10 had already been reconciled to a \$0 balance due to normal project activity between the time the audit was completed and when USFOR-A received the RFI, and three projects were closed and sent to ARCENT G8 to be deobligated (\$120,602.71).
2. USFOR-A has established a new monthly report to track all nominated, open and active, and closed CERP projects. This report is due by the 5th day of every month and will be submitted by all Regional and Non-Battle Space Owning Command CERP Program Managers. This report will provide USFOR-A better visibility on all projects in the CJOA-A. This report will hold CERP Program Managers responsible for ensuring projects are progressing and completely and correctly closed in CIDNE and all financial systems.

3. Point of Contact regarding this matter is Duane T. Rackley,
USCENTCOM Deputy Inspector General, [REDACTED].



Duane T. Rackley
GS-14, DAF
Deputy Inspector General

Appendix G. Foreign Currency Fluctuation Memorandum and Management Response



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

NOV 10 2010

MEMORANDUM FOR COMMANDING GENERAL, UNITED STATES CENTRAL
COMMAND
COMMANDING GENERAL, UNITED STATES FORCES –
AFGHANISTAN

SUBJECT: Concerns with Foreign Currency Exchange Rate Fluctuations Identified During Fieldwork for the Audit of Controls Over the Reporting and Propriety of Commander's Emergency Response Program Payments in Afghanistan (Project No. D2010-D000FL-0276.000)

During our review of the Controls Over the Reporting and Propriety of Commander's Emergency Response Program (CERP) Payments in Afghanistan (Project No. D2010-D000FL-0276.000), we identified a control weakness with respect to CERP contracts the Army awarded in U.S. dollars but paid in Afghani. Specifically, fluctuating currency exchange rates provided opportunities for the disbursing officer and paying agents to draw the contract payment from the finance office at one exchange rate but pay the contractor using a different exchange rate. This increases fraud risk because the disbursing and paying agents could withdraw funds using an exchange rate higher than the rate listed in the contract, but then pay the contractor in accordance with the lower contract exchange rate. Awarding contracts in the same foreign currency that the contract will be paid would mitigate this risk.

On August 2, 2010, Joint Theater Support Contracting Command U.S. Central Command (CENTCOM)¹ updated their Acquisition Instruction to require that Afghan vendors be awarded contracts in Afghani. This alleviates our concerns over fraud risk associated with CERP contracts written to Afghan vendors. However, the Acquisition Instruction does not require that contracts written to third-party vendors be written in the same currency in which the vendor will be paid, so the fraud risk remains high for those payments. The Acquisition Instruction also does not address contracts issued prior to August 2010 that have yet to be paid.

To further reduce the fraud risk and the opportunity to improperly pay vendors, the Joint Theater Support Contracting Command CENTCOM should consider revising its Acquisition Instruction to require that all contracts be written in the currency in which they will be paid, to include those awarded to non-Afghan vendors. CENTCOM should also consider reviewing contracts written under the new policy and ensuring they are written in the local currency. To mitigate the risks of overpaying or underpaying vendors over contracts that were written prior to August 2010, Joint Theater Support Contracting Command CENTCOM should also either pay contracts in the currency specified in the contract or modify existing contracts to establish the local currency amount that the vendor will be paid.

¹ Joint Theater Support Contracting Command CENTCOM issues the CENTCOM Contracting Command Acquisition Instruction and issues policy memorandums that affect contracting activities in its area of responsibility.

Commander's Emergency Response Program

CERP enables commanders to respond to urgent humanitarian relief and reconstruction requirements by carrying out programs that will immediately assist the population in areas such as education, agriculture, food, water, sanitation, electricity, and healthcare. Commanders use CERP funds to provide rapid response and stabilization capability and consider it vital for improving security and implementing counterinsurgency operations. When establishing projects using CERP funds, Commanders are encouraged to follow the Afghan First policy, writing contracts with Afghan companies to build local economic capacity. As of February 2010, approximately \$1.6 billion in CERP funding has been obligated and nearly \$1.1 billion has been disbursed in Afghanistan.

Most CERP contract payments in Afghanistan are cash payments. Before Joint Theater Support Contracting Command CENTCOM issued its revised Acquisition Instruction, CERP contracts were typically written in U.S. dollars. However, the contracts included a statement that payments would be made in Afghani at the exchange rate in effect on the dates that the payments were drawn from the finance office. This created opportunities for cash to be drawn from finance offices at exchange rates that are different from what the contractors expect. Although we identified this issue with CERP contracts, the problem is systemic to all types of contracts written and awarded in Afghanistan.

Guidance on Contracting Using Foreign Currency

Federal guidance concerning the use of foreign currency in contracting is contained in the FAR, but that guidance is limited to the use of foreign currency valuation in the solicitation process; it does not address payments. DOD guidance concerning the use of foreign currency for contracting in Afghanistan is contained in the CENTCOM Contracting Command Acquisition Instruction, August 2, 2010. In addition to stating that CENTCOM will follow FAR 25.1002 in its entirety, the instruction also requires that contracts awarded to Afghan vendors be awarded in Afghani. For contracts awarded in Afghani, the payments are made via cash drawn from Army finance offices or Electronic Funds Transfer to an Afghanistan banking institution.

Control Weaknesses Over Payments Made to Afghan Vendors

During our review of 15,459 cash payments, totaling \$255 million,² made to Afghan vendors from November 2008 through January 2010, we identified a control weakness with respect to contracts that the Army awarded in U.S. dollars but paid in Afghani. Contracts frequently stipulated that the "exchange rate to be used will be the current exchange rate at the time the money is drawn for payment." This provision allowed disbursing officers and paying agents to draw from the finance office an amount different than the contract amount. Specifically, they could draw the contract payment at one exchange rate but pay the contractor using a different exchange rate. For example, one of the contracts stated that the contractor would be paid the Afghani equivalent of US\$1 million and had an exchange rate of 50 Afghani to US\$1 stated in the contract. However, the paying agent withdrew the payment using an exchange rate of 52.5 Afghani to US\$1, the exchange rate in effect on the date of withdrawal. This created an opportunity to either overpay the vendor by 2.5 million Afghani (equivalent to US\$50,000) or to embezzle the 2.5 million Afghani and pay the vendor the contract amount of 50 million Afghani.

² 2,420 cash payments, totaling \$65.5 million, were payments for CERP projects.

This also increased opportunity for kickbacks, as a paying agent could draw cash from the finance office at a higher exchange rate, use the higher exchange rate to pay the vendor more than the contract price, and receive a kickback from the vendor for part of the exchange rate difference.

The foreign currency fluctuation risk related to contracts awarded in U.S. dollars but paid in Afghani is not limited to cash payments made by paying agents. A company could wait for a favorable exchange rate before submitting invoices for payment. For example, we identified a 584 million Afghani (US\$11 million) electronic funds transfer contract payment that was paid in January 2009. Because of the favorable exchange rate at the time of payment in January 2009, the Army paid the Afghan vendor 24 million Afghani (US\$487,000)³ more than the original terms of the contract. According to the DOD Financial Management Regulation, when the exchange rate fluctuation caused a difference between the obligation amount and the liquidation (payment) amount, the difference should have been recorded in a foreign currency fluctuation account and not paid to the vendor.

The issue of a foreign currency fluctuation can also have the reverse effect if the foreign currency exchange rate is less favorable. For example, U.S. Army Finance Command has received numerous complaints from Afghan vendors that the Army underpaid them according to the original terms of the contract. Some contracts stipulate that the approximate value of the contract is based on a 50 Afghani to US\$1 exchange rate. This could create the expectation that the Afghan vendor will receive that exchange rate at the time of payment.

Additional Guidance Needed Over Foreign Currency Payments

As stated previously, FAR guidance concerning the use of foreign currency in contracting is limited to the use of foreign currency valuation in the solicitation process; it does not address payments in foreign currency. Although the CENTCOM Contracting Command Acquisition Instruction states contracts should be written and paid in Afghani for Afghan vendors, it does not apply to non-Afghan vendors. For the time period we reviewed, all contract payments made in foreign currency were based on contracts written in U.S. dollars.

Risk of Contract Overpayment, Underpayment, or Fraud

As a result of the lack of Federal or DOD guidance over foreign currency payments impacted by fluctuating exchange rates, there is a much greater risk of embezzlement of funds by disbursing officials, kickbacks, and overpayments to the Afghan vendors. There is also a greater risk of underpayment to the Afghan vendors which could result in a negative image of Coalition Forces. In a country where citizens view their government and associated entities as corrupt, it is important to award contracts and pay those contracts at a price set in the vendor's local currency to avoid overpaying or underpaying vendors who do business with Coalition Forces.

To further reduce fraud risk and opportunities to improperly pay vendors, we request that:

- Joint Theater Support Contracting Command CENTCOM revise the Acquisition Instruction to require that contracting personnel write contracts in the currency in which the vendors will receive payment.

³ This Afghani-US\$ exchange is based on the foreign currency exchange rate when the obligation originated.

- CENTCOM ensure compliance with the recent CENTCOM Contracting Command Acquisition Instruction policy updates by reviewing contracts written under the new policy and verify whether the contracts are written in the local currency.
- CENTCOM mitigate the risks of overpaying or underpaying vendors on contracts written before the latest policy by either paying contracts in the currency specified in the contract or modifying existing contracts to establish the local currency amount that the vendor will be paid.

In addition, the FAR should be revised to require that contracting personnel write contracts in the currency in which the vendor will receive payment. Because the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) will need to request this revision of the FAR, we will defer this recommendation to our summary report on Controls Over the Reporting and Propriety of Commander's Emergency Response Program Payments in Afghanistan (Project No. D2010-D000FL-0276.000).

We appreciate your immediate action and request comments on the actions taken or to be taken by November 24, 2010. Please address those comments to me at [REDACTED]

[REDACTED]



Carol N. Gorman
Director
Joint and Southwest Asia Operations



HEADQUARTERS
CENTCOM CONTRACTING COMMAND
BAGHDAD, IRAQ
APO AE 09342



C³-J3

29 November 2010

MEMORANDUM FOR RECORD

SUBJECT: CENTCOM TASKER 20101115-002 – Concerns with Foreign Currency Exchange Rate Fluctuations

1. This memorandum is in response to CENTCOM TASKER (20101115-002) involving concerns identified in Project No. D2010-D00OFL-0276.000(report dated Nov 10, 2010), regarding currency fluctuations and how they affected Commanders Emergency Response Program (CERP) Payments in Afghanistan.

2. CENTCOM has requested that CENTCOM Contracting Command (C³) provide responses to the recommendations listed in the DODIG memorandum.

3. Detailed responses to the Recommendations posed by the DODIG are as follows:

Recommendation 1: C³ revise the Acquisition Instruction to require that contracting personnel write contracts in the currency in which vendors will receive payment.

C³ Response to Recommendation 1: CONCUR

The instruction to pay in host nation currency was added in July 2010 edition of C³ Acquisition Instruction (AI). This was further defined in Policy Memorandums 10-7 and 10-8 also issued in July 2010. The July 2010 edition defined Host Nation business which mandated payment in host nation currency. Afghanistan was updated in Oct 2010 in IPD 11-01, subsequently incorporated in Nov 2010 edition of the AI. Therefore our current policy reflects this recommendation.

Recommendation 2: CENTCOM ensure compliance with the recent C³ Acquisition Instruction policy updates by reviewing contracts written under the new policy and verify whether the contracts are written in the local currency.

C³ Response to Recommendation 2: CONCUR

All CERP Contracts over \$500K pass through business clearance and peer review, and are subject to Procurement Management Review programs with an emphasis on clause applicability and agency regulation compliance.

Recommendation 3: CENTCOM mitigate the risks of overpaying or underpaying vendors on contracts written before the latest policy by either paying contracts in the currency specified in the contract or modifying existing contracts to establish the local currency amount that the vendor will be paid.

C³ Response to Recommendation 3: CONCUR

CERP Contract over \$500K (our CERP Threshold) awarded by C³ SCO-A prior to the current policy specify invoice and payment terms and conditions. These contracts are paid by DFAS Rome IAW contract terms and conditions. CERP Contracts below \$500K are not awarded or administered by C³.

4. POC is [REDACTED]

WILLIAM A. ELLIS
Col, USAF
Director of Operations

Appendix H. CERP Roles and Responsibilities

USFOR-A J-8 (Resource Management) – Oversees resource management, fund certification, associated recordkeeping, and CERP reporting. USFOR-A J-8 provides financial oversight for CERP. USFOR-A J-8 develops annual CERP funding requirements based on the theater task forces' input and the USFOR-A Commander's guidance. USFOR-A J-8 allocates funds and monitors theater task force commitments, obligations, and disbursements.

USFOR-A J-9 (Civil-Military Operations) – Is the overall program coordinator. USFOR-A J-9 supports the interagency review board for CERP projects as well as CERP information management in CIDNE. USFOR-A J-9's primary responsibilities are to ensure consistency between functional program managers, identify timelines for program updates, and act as a liaison with other humanitarian assistance agencies to ensure coordination of effort. USFOR-A J-9 will ensure Commanders and program managers develop tangible performance metrics to measure effectiveness of projects. Additionally, they will develop theater-wide guidance on how to appropriately manage CERP projects from initiation to completion and transfer to the Afghanistan government. Finally, USFOR-A J-9 is responsible for ensuring that project limitations are adhered to.

Project Managers – Manage CERP projects from project design, validation, and execution through completion and sustainment. Management of CERP projects is their primary duty. Every CERP project has an assigned project manager and each project manager can have only 10 active projects at one time. A project manager functions as a contracting officer's representative to oversee the project and ensure contracting requirements are met. Theater-level guidance requires commanders to identify and nominate contracting officer's representatives prior to contract award. The contracting officer's representatives must be the rank of E-7 (a sergeant first class in the Army) or above (or civilian equivalent). This role was created by USFOR-A.

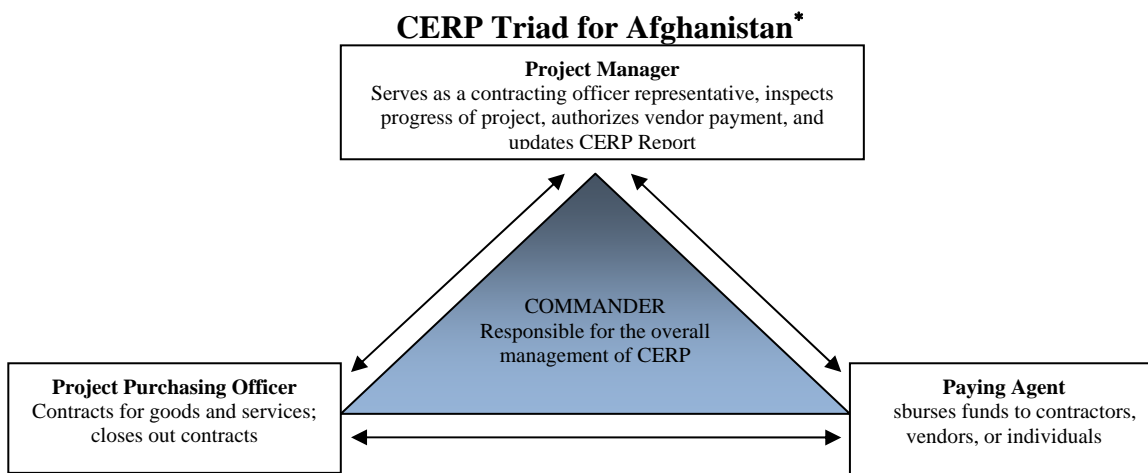
Project Purchasing Officers (PPOs) – Procure goods and services in support of CERP operations less than \$500,000. The PPOs in Afghanistan may not have more than 20 active projects at one time. For small-scale, non-construction projects (less than \$25,000), the PPO can act as the project manager and perform the project manager's responsibilities. The PPO must be the rank of an E-6 (staff sergeant in the Army) or above (or the civilian equivalent). PPO's receive delegated contracting authority from a contracting officer.

Paying Agents (PA) – Make payments to vendors for goods received or services rendered at the approval of the project manager or PPO. They are the only personnel authorized to disburse cash funds. The PAs are only required when cash payments are being made. When electronic funds transfer is feasible, the PPO obtains the banking information necessary for the unit's Finance Office to complete the electronic funds transfer payment. The cash payment process is separate and distinct from the personnel who award a contract, thus decreasing chances of fraud and abuse. The PAs must be the rank of an

E-7 or above (or civilian equivalent). This responsibility can be delegated down to an E-6 by the Joint Sustainment Command-Afghanistan Commander or Chief of Staff.

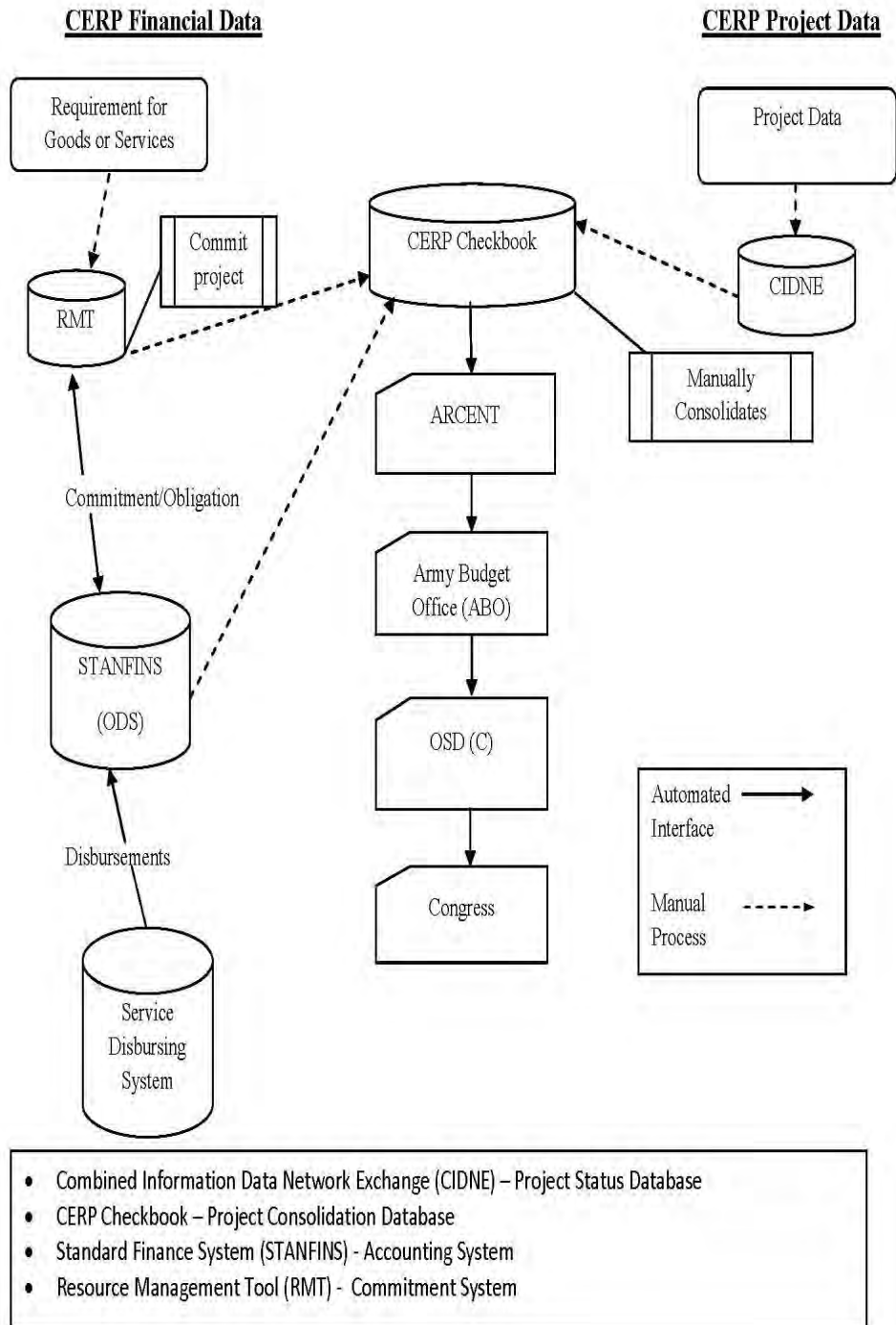
Resource Manager (RM) – Certifies the availability of funds, ensures proper resource management and fiscal controls, and monitors unliquidated obligations to ensure 100-percent disbursement and the deobligation of unexecuted funds in order to maintain an accurate accounting system. The RM also tracks all CERP projects via the CERP Checkbook and updates the project’s status as changes occur. RMs must also ensure that proper documentation is maintained for all funded CERP projects.

CERP Program Manager – A program manager is required for every O-5-level U.S. Commander and above who is executing CERP funds. The program managers manage the CERP program for their respective unit, ensure regulations and policies are adhered to, and review all projects prior to approval to ensure they are accurate, complete, measurable, and meet the Commander’s intent. The CERP project manager or the purchasing officer is responsible for inputting new CERP projects into CIDNE and updating the status of these projects as changes occur, or at least monthly. The CERP program manager is responsible for ensuring all data inputted into CIDNE are accurate and complete prior to processing the project for approval. Additionally, the program manager ensures that the CERP project is in accordance with and not in violation of the CERP guidelines outlined in DoD FMR 7000.14-R, volume 12, chapter 27. The program manager coordinates CERP requirements through the unit’s functional staff and with higher level command and manages the unit’s CERP budget and the CERP Checkbook. The CERP program manager ensures that the unit’s commitments and obligations do not exceed allocated funds and validates that the funds committed and obligated are only for the project for which they were approved. Additionally, the program manager conducts CERP refresher training semiannually for all appointed project managers, purchasing officers, and paying agents. Finally, the CERP program manager is the liaison between the subordinate units and higher headquarters in relation to all CERP projects executed under their Commander’s authority.



* From DoD Review of the Commander’s Emergency Response Program Report to Congress.

Appendix I. CERP Reporting Diagram



*OSD(C) stands for Office of the Under Secretary of Defense (Comptroller).

Appendix J. Summary of Potential Monetary Benefits

| Recommendation | Type of Benefit | Amount of Benefit | Account |
|----------------------------|--|-------------------|---------------------------------|
| Corrective action underway | Economy and Efficiency. The Government could better use these funds for needed projects. | \$16.7 million | Operation and Maintenance, Army |
| Corrective action underway | Economy and Efficiency. The Government could better use these funds for needed projects. | \$1.7 million | Operation and Maintenance, Army |

U.S. Central Command and U.S. Forces-Afghanistan Comments



UNITED STATES CENTRAL COMMAND
OFFICE OF THE INSPECTOR GENERAL
7115 SOUTH BOUNDARY BOULEVARD
MACDILL AIR FORCE BASE, FLORIDA 33621-5101

23 August 2011

TO: DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: DoDIG Draft Report on Management Improvements Needed for Afghanistan
Commander's Emergency Response Program (CERP), Project No. D2010-
D000FL-0276.000

1. USCENTCOM, USFOR-A and C-JTSCC have reviewed the draft report. Attached is a consolidated response to the concerns identified by the DODIG assessment of this sensitive and critical program.

2. My Point of Contact regarding this matter is [REDACTED], USCENTCOM Assistant Inspector General, [REDACTED]; [REDACTED];


DUANE T. RACKLEY
GS-15, DAF
Executive Director

Attachment:

TAB A: Consolidated USCENTCOM/USFOR-A/C-JTSCC Response

A.1 Recommendation - Establish independent quality control checks to verify that Commanders, program managers, project managers, resource managers, and project purchasing officers follow the U.S. Forces-Afghanistan Publication 1-06 (Money As A Weapon System Afghanistan) guidance for recording and reconciling Commanders Emergency Response Program data.

USFOR-A response to finding A.1

USFOR-A concurs with this recommendation. We have taken two steps that will alleviate the requirement to reconcile financial data in CIDNE with the CERP Checkbook. First, we have developed and will implement a financial tab in CIDNE that will allow Project Managers (PMs) and Resource Managers (RMs) to view and track financial data. We have also executed a separate initiative with Intelligent Software Solutions (ISS) to import financial data directly from the Operational Data Storage (ODS) financial system into the CIDNE financial tab eliminating the need for reconciliation. Additionally, we are working to implement a quality assurance methodology that will execute periodic sampling of CIDNE data. For non-financial data, we once again worked with ISS to make substantial modifications to the Web-enabled Temporal Analysis System (WebTAS) tool. WebTAS now provides us with an automated process that allows us to consolidate project and financial data. As a result, we have the capability to retrieve the required information for the CERP Checkbook, identify missing data, and notify responsible units to take corrective actions. Since the process is now automated to combined CERP Checkbook and CIDNE data, there is no need to reconcile.

A.2 Recommendation - Perform monthly reconciliations of project and financial data in Combined Information Data Network Exchange for all open Commanders Emergency Response Program projects to Commanders Emergency Response Program Checkbook and source documentation to ensure accuracy, completeness, and consistency of data elements. Revise U.S. Forces-Afghanistan Publication 1-06 (Money As A Weapon System Afghanistan) to require monthly reconciliations for open Commanders Emergency Response Program Projects.

USFOR-A response to finding A.2

USFOR-A is currently staffing recommendations for additional modifications to the MAAWS-A CERP SOP to improve data quality in the CIDNE database, implement an improved CRB process to increase scrutiny of proposed projects, and institute a quality assurance methodology that will execute periodic samplings of CIDNE data. Response to recommendation #1 also applies to this recommendation.

DoDIG Follow-on Question A.2 - What is the target date for when the changes to the MAAWS-A CERP SOP will become effective?

USFOR-A Response to follow-on question regarding finding A.2

Current target date is 1 October 2011

A.3 Recommendation - Certify completion of monthly reconciliations of project and financial data in Combined Information Data Network Exchange for all open Commanders Emergency Response Program projects to Commanders Emergency Response Program Checkbook and source documentation. The certification should include the corrective actions taken on all inconsistencies found during the reconciliation process. Revise U.S. Forces-Afghanistan Publication 1-06 (Money As A Weapon System Afghanistan) to require certification of the monthly reconciliations and corrective actions.

USFOR-A Response to finding A.3

USFOR-A concurs with this recommendation. We have taken two steps that will alleviate the requirement to reconcile financial data in CIDNE with the CERP Checkbook. First, we have developed and will implement a financial tab in CIDNE that will allow Project Managers (PMs) and Resource Managers (RMs) to view and track financial data. We have also executed a separate initiative with Intelligent Software Solutions (ISS) to import financial data directly from the Operational Data Storage (ODS) financial system into the CIDNE financial tab eliminating the need for reconciliation. Additionally, we are working to implement a quality assurance methodology that will execute periodic sampling of CIDNE data. This process will allow us to provide periodic QA/QC reports to commanders notifying them of CINDE data inconsistencies discovered during data sampling. Current target date for implementation is 1 October 2011. For non-financial data, we once again worked with ISS to make substantial modifications to the Web-enabled Temporal Analysis System (WebTAS) tool. WebTAS now provides us with an automated process that allows us to consolidate project and financial data. **Since the process is now automated to combined CERP Checkbook and CIDNE data, there is no need to reconcile.**

A.4 Recommendation - Certify the completion of training for all program managers, project managers, project purchasing officers, Civil Military Operations personnel, and resource managers on recording Commanders Emergency Response Program project data, including all necessary project updates, the project close out process, and reconciling the Commanders Emergency Response Program project and financial data.

USFOR-A Response to finding A.4

USFOR-A J8 and J9 performed a collaborative training initiative across the CJOA-A (Combined Joint Operational Area-Afghanistan) from January 2011 to June 2011 to educate CERP and RM personnel on the automated CERP Checkbook process emphasizing the importance of complete, accurate and reliable data entry required in the CIDNE database. Focus areas included the overall CERP curriculum, Resource Management requirements for the Checkbook, and an in-

depth review of the CERP form in CIDNE, which all touched on project updates, proper close out procedures, and reconciliation of project and financial data. CERP and RM CIDNE User Guides were also created and distributed to the field for assistance in the proper entry of project and financial data. USFOR-A will confirm compliance through the QA/QC target sampling concept (previously mentioned) and the automated CERP Checkbook process, which will be utilized to identify data discrepancies. USFOR-A has an aggressive training program that uses Mobile Training Teams (MTT) and leverages technology to conduct weekly Adobe Connect Online training sessions as well as bi-weekly video teleconference calls will all the commands.

B.1 Recommendation - Prioritize the proposed initiative to develop a Financial Tab in the Combined Information Data Network Exchange which would allow Resource Managers to view, control, and reconcile financial data related to Commander's Emergency Response Program projects.

USFOR-A Response to finding B.1

All of the necessary development steps for implementation have been completed. The tab is currently undergoing a new assurance and validation process required to ensure compatibility with the NATO and ISAF Afghanistan Mission Network (AMN). USFOR-A will continue to express the urgency of this requirement and the separate initiative (which is dependent on the implementation of the new financial tab) to import financial data into CIDNE.

B.2 Recommendation - Identify certifying personnel who violate contracting terms and conditions of payment location and, if warranted, hold them liable for the improper payments in accordance with Section 3528, title 31, United States Code.

USFOR-A Response to finding B.2

USFOR-A concurs with this recommendation. Our QA/QC program will allow us to analyze and compare data in a manner similar to what the auditors did for this report. For example, by inserting ODS financial data into CIDNE we will be able to identify projects designated as "terminated" or "completed" and determine whether the projects had funding available that should be deobligated. We will also identify projects designated as "open" to identify those that have limited financial activity for an extended period. We will review the new data fields (pending implementation) in CIDNE for projects that have negative unliquidated obligations to identify improper payments.

DoDIG Follow-on Question B.2 - What is the implementation date for QC program?

USFOR-A Response to follow-on question regarding finding B.2

Current target date for implementation is 1 October 2011

B. 3 Recommendation - Coordinate with the Defense Finance and Accounting Service to develop guidance to discontinue transferring contractor debt with Afghanistan vendors from accountable Disbursing Officers to the Defense Finance and Accounting Service.

USFOR-A Response to finding B.3

USFOR-A concurs with this recommendation and will coordinate with CENTCOM-Joint Theater Support Contracting Command and comply in accordance with the guidance they provide on transferring contractor debt with Afghan vendors.

C.1 Recommendation - Ensure compliance with U.S. Forces-Afghanistan Publication 1-06, Money As A Weapon System-Afghanistan, by establishing a quality control oversight program to identify training opportunities and to detect and prevent the use of advance payments on Commander's Emergency Response Program contracts.

USFOR-A Response to finding C.1

USFOR-A will coordinate with CENTCOM-Joint Theater Support Contracting Command and comply in accordance with the guidance they provide on advance payments. The QA/QC process under development will assist with this requirement and help identify trends in deficiencies that can be addressed with additional training.

C-JTSCC Response to finding C.1

C-JTSCC agrees that a quality control oversight program is warranted to reduce the use of advance payments and to identify training opportunities; however, compliance monitoring is a collaborative effort with J9, J8, and DFAS. C-JTSCC has purview over contracts over \$500K issues by contracting officers and USFOR-A J8 and J9 tracks CERP purchases by PPOs under \$500K. Recommend that USFOR-A include advance payments into their aggressive training program (MTTs, Adobe connect on-line training, and biweekly VTCs). In addition, USFOR-A J8 and J9 should review all monthly reconciliations of project and financial data in CIDNE for advance payments to ensure compliance with MAAWS-A and notify all parties involved if a violation occurs.

DoDIG Follow-on Question C.1 - What is C-JTSCC's due date for the QC program's implementation?

USFOR-A Response to follow-on question regarding finding C.1

Current target date for implementation is 1 October 2011. The QC program referenced in this response is a USFOR-A J-9 initiative. This process will help to identify potential advance payments, CIDNE data deficiencies, and indicators of programs that may need additional training or staff assistance visits. The process is not aimed to address contracting issues.

Revised

C-JTSCC Response to follow-on question regarding finding C.1

The current target date for the USFOR-A J-9's Quality Control (QC) program implementation is 1 Oct 2011. C-JTSCC does QC of Commander's Emergency Response Program (CERP) contracts over \$500K with C-JTSCC's Procurement Management Review (PMR) in accordance with AFARS (Appendix CC Part 4).

C.2 Recommendation - Initiate a review of the contracting officials' actions related to CERP contracts that inappropriately included advance payment language and determine whether administrative action is warranted.

C-JTSCC Response to follow-on question regarding finding C.1

C-JTSCC plans to review all CERP contract actions over \$500K within the next 90 days to ensure compliance and determine any appropriate action. Recommend USFOR-A review all CERP contract actions under \$500K to determine compliance. If contracts under \$500K are not in compliance C-JTSCC will assist USFOR-A J8 and J9 in developing an action plan in coordination with DFAS.

DoDIG Follow-on Question C.2 - Is USFOR-A going to review all CERP contracts less than \$500,000 (as C-JTSCC recommends)? If yes, what is the due date for completing the review?

USFOR-A Response to finding C.2

After consultation between USFOR-A and C-JTSCC, C-JTSCC and USFOR-A agree that the best course of action is for USFOR-A to reinforce training in this area to ensure future compliance with the MAAWS-A.

USFOR-A defers to C-JTSCC's SMEs to address specifics on contracting. Of concern, is that for FY11 over 17,000 projects have been executed. Many of these projects have contracts less than \$500K; therefore, the expectation for USFOR-A to review all CERP contracts less than \$500,000 is not feasible.

D.1. We recommend that the CENTCOM-Joint Theater Support Contracting Command revise CENTCOM Contracting Command Acquisition Instruction to require that contracting personnel write contracts in the currency in which the vendors will receive payment for contracts over and under \$500,000.

C-JTSCC Response to finding D.1

In November 2010, the C-JTSCC Acquisition Instruction (AI) was revised to include the requirement to write contracts in the currency in which the vendors will receive payment for contracts over and under \$500K. Furthermore, CERP training was revised to require contracting personnel (including PPOs) to write and pay contracts in host nation currency.

DoDIG Follow-on Question D.1 - Where in the Nov 10 2010 AI does it say that contracts must be written in the same currency in which the vendors are to receive payment? In the report (page 28) we specifically state that the Nov 2010 AI requires payment in host nation currency, but “still does not require that contracts be written and paid in different currencies and can result in overpaying or underpaying contracts.”

C-JTSCC Response to follow-on question regarding finding D.1

The 5 Nov 2010 Acquisition Instruction (AI), Part 32, Subpart 32.1106(b) states – “All contracts and purchase orders awarded to host nation (Afghan) vendors shall be awarded and paid in Afghani...”

D.2 We recommend the Commanding General, U.S. Central Command, establish procedures to review new and existing contracts to ensure that they are written and paid in the same currency, to include Commander’s Emergency Response Program contracts under \$500,000.

USCENTCOM Response to finding D.2

While USCENTCOM agrees in principle to recommendation D.2 in that the absence of a requirement to write all contracts in the currency in which the vendors will receive payment creates a high risk of embezzlement of funds by disbursing officials, kickbacks, and overpayments as well as the risk of underpayment to the foreign vendors, the recommendation misidentifies USCENTCOM as the appropriate organization to take corrective action. As stated in the Roles and Responsibilities section of the draft report, the Secretary of the Army has been designated as the executive agent for CERP and would therefore be better positioned to take the corrective actions identified in recommendation D.2.



Inspector General Department of Defense