



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

DoD Inspector General Report

FEB 28 2007

Report No. D-2007-064

(Project No. D2006-D000LQ-0165.000)

SUBJECT: Implementation of the Commanders' Emergency Response Program in Afghanistan

Objective(s). The overall objectives of the audit were to evaluate management's administration of the Commanders' Emergency Response Program (CERP), and determine whether the internal controls set up for the CERP in the Afghanistan area of responsibility protect DoD assets.

Scope and Methodology. We conducted audit work from April through October 2006 with fieldwork accomplished in Afghanistan. Audit work included reviewing the project and contractor selection processes, fund controls, cash controls, and selected CERP project files from components of the Combined Forces Command – Afghanistan. We included completed projects as well as projects still in progress from FY 2005 and FY 2006 in our review. We conducted interviews with CERP administrators and staff from task forces and provincial reconstruction teams from Combined Joint Task Force-76, Political Military Integration, and Task Force Phoenix. We visited sites of 20 judgmentally selected CERP projects totaling \$3.9 million of the \$351 million allocated for FY 2005 and FY 2006. We selected those sites from command suggestions because we could not visit our original choice of sites because of the command's logistical and security concerns. In addition, we judgmentally selected and visited 16 of 70 pay agents responsible for \$3.7 million of the \$4.9 million under the control of the pay agents and conducted site visits to all five finance offices in Afghanistan.

The Combined Forces Command – Afghanistan deactivated in January 2007. The U.S. Army Central now administers the CERP in Afghanistan. Therefore, we are sending the recommendations to the Commanding General, Third Army/U.S. Army Central.

Results-In-Brief and Effect. The Commander, Combined Forces Command – Afghanistan established controls over the CERP; however, they were not effective in all cases. As a result:

- Of the 16 pay agents, 15 did not have appropriate physical security for storing cash, the sixteenth pay agent did not hold cash because she is collocated with a finance office. Of the 16 pay agents, 2 inappropriately disbursed cash.

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- Some of the projects we reviewed did not fully achieve the intent of the CERP.
- Weaknesses in administrative processes led to inconsistent program implementation, unnecessary requirements, and insufficient documentation.

Management Comments. We received comments from the Chief of Staff, U.S. Central Command, who stated that the U.S. Central Command plays a limited role in the administration of the CERP, and therefore, he had no comments on the report as written. The Director, Civil Military Affairs, Combined Forces Command – Afghanistan provided comments¹ to clarify some of the details in the report. However, he did not respond to the individual recommendations. Also, in January 2007, the Combined Forces Command – Afghanistan was deactivated, therefore, we have redirected all recommendations to the Commanding General, Third Army/U.S. Army Central as they advised. We request that the Commanding General provide comments on the findings and recommendations in this report by March 30, 2007.

Lastly, the Acting Deputy Chief Financial Officer forwarded a response from the Under Secretary of Defense (Comptroller) nonconcurring with the recommendation to revise DoD Regulation 7000.14-R, “DoD Financial Management Regulation.” After further review, we agreed with the USD (Comptroller) and revised and redirected the recommendation to the Commanding General, Third Army/U.S. Army Central. See Attachment 1 for the complete text of all comments.

¹Although comments were dated November 28, 2006, the DoD OIG did not receive them until January 19, 2007.

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Results and Effect on Operations

The Combined Forces Command – Afghanistan (CFC-A) Commander established controls over the CERP; however the controls were not effective in all cases. As a result:

- Weaknesses existed in controls over cash held by 15 of the 16 pay agents that we visited. Specifically, 15 of the 16 pay agents that we visited did not use appropriate containers for storing cash because the command did not provide adequate safes. The sixteenth pay agent did not store cash because she was collocated with a finance office. As a result, physical security did not comply with DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 3 “Keeping and Safeguarding Public Funds,” August 1999, or the Combined Joint Task Force-76 (CJTF-76) Standard Operating Procedure (SOP). Additionally, 2 of the 16 pay agents made six payments using exchange rates that differed from the exchange rate in effect at the time of the cash advance. Using a different exchange rate caused one pay agent to have cash for which he was not accountable and the other pay agent to be responsible for cash he did not have. Separately, one pay agent did not maintain adequate supporting documentation to perform cash reconciliation. These weaknesses occurred because training for pay agents was inadequate.
- Project approval did not fully achieve the intent of the CERP. Specifically, one of the projects was approved prematurely. In addition, six projects were approved despite belonging to the prohibited categories prescribed by DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 12, chapter 27, “Commanders’ Emergency Response Program (CERP),” September 2005. Finally, the command approved projects that did not meet the intent of the DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” which was to respond to urgent humanitarian relief and reconstruction requirements that would immediately assist the indigenous population. As a result, the CFC-A inappropriately used CERP funds totaling approximately \$1.5 million.
- We identified weaknesses in controls over administrative processes. Specifically:
 - A standard quality assurance program did not exist in the components administering CERP because management did not establish and enforce a program for all units. As a result, quality assurance for the CERP was inconsistently implemented and insufficiently documented.
 - The CJTF-76 SOP was not in accordance with the CERP fragmentary order because it had not been synchronized with the order. As a result, additional requirements were issued to CERP administrators.

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- The CERP fragmentary order and the CJTF-76 SOP require commanders to coordinate projects with appropriate agencies; however, those policies do not require documentation to confirm the coordination. As a result, there is no evidence that the required project coordination was completed.

The recommendations in this report, if implemented, will improve the administration of the CERP program.

Background

The CERP was designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and construction requirements within their area of responsibility by carrying out programs that would immediately assist the indigenous population. The CERP was initiated in Afghanistan in January 2004. During FYs 2005 and 2006, the CERP in Afghanistan was funded, obligated, and disbursed as shown in the following table.

FY 2005	
Allocated	\$136,000,000.00
Obligated (as of September 30, 2005)	\$136,000,000.00
Disbursed (as of September 30, 2005)	\$ 63,429,960.16
FY 2006	
Allocated	\$215,000,000.00
Obligated (as of August 31, 2006)	\$167,701,241.03
Disbursed (as of August 31, 2006)	\$ 35,871,330.43

Audit Results

Cash Controls. We examined internal controls over CERP cash at all five finance offices in Afghanistan and visited 16 of 70 pay agents who were responsible for \$3.7 of the \$4.9 million cash outstanding during the fieldwork. The following conditions require command attention.

- Cash held by 15 of the 16 pay agents that we visited was not safeguarded in accordance with DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 3, “Keeping and Safeguarding Public Funds,” August 1999, or the CJTF-76 SOP. Specifically, we found that none of the 15 pay agents who stored cash did so in approved safes.
- DoD Regulation 7000.14-R “DoD Financial Management Regulation,” volume 5, chapter 3, “Keeping and Safeguarding Public Funds,” August 1999, requires any outstanding DD 1081 “Statement of Agent Officer’s Account” to be cleared at least once each month. Travel difficulties prevented pay agents from consistently clearing outstanding DD 1081s each month.

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- When making payments, two of the 16 pay agents used an exchange rate that differed from the rate in which the cash was drawn from the finance office. This practice created overages of 21,496 Afghani (\$427.35 using an exchange rate of 50.3 Afghani per \$1) for one pay agent and a shortage of 13,750 Afghani (\$273.36 using an exchange rate of 50.3 Afghani per \$1) for the other pay agent.
- Cash on hand for one of the 16 pay agents did not balance with the finance office's report of cash outstanding for that pay agent. Specifically, the pay agent was liable to the finance office for \$30,000 and 249,150 Afghani (\$4,953.28 using an exchange rate of 50.3 Afghani per \$1) that he did not have on hand at the time of the cash count. At our request, the pay agent cleared his account with the finance office on September 30, 2006. The clearing confirmed that the difference of cash on hand versus the finance office's report of cash outstanding was caused by documentation errors rather than a physical loss of cash.

Program Intent. One project we reviewed was approved prematurely. In this project, CFC-A purchased four generators and related equipment costing \$1 million in CERP funds for an industrial park. Together, the generators had the capacity to provide electricity to 34 buildings. During the audit, we observed that the generators would be functional on approximately May 4, 2006; however, only one building was under construction in the industrial park. According to the unit Project Purchasing Officer, the construction of buildings in the industrial park is not a CERP project and there is no guarantee that more buildings will be constructed. As a result, purchasing all four generators initially was unnecessary based on the current need.

Six of the reviewed projects costing \$476,400 were approved even though the projects met the criteria for a prohibited project according to DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 12, chapter 27, "Commanders' Emergency Response Program (CERP)," September 2005. The projects included:

- Sorkh Parsa District Center (\$240,000). According to the unit Project Purchasing Officer, the building will house district officials, a court, and the Afghan National Police. The project is a prohibited use of funds because it is funding an operating cost of Afghan security forces.
- Supplies for Earthquake Relief to Pakistan (\$100,000). The project included replenishing supplies sent for the Pakistan relief effort. This project is a prohibited use of funds because the CERP funds are appropriated for Afghanistan.
- Khowst Provincial Coordination Center (\$95,000). The project was to create a permanent structure for a joint operation and emergency response cell with representatives from the Afghan National Army, Afghan National Police, National Directorate for Security, and the United Nations to implement a more timely exchange of

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information and intelligence among all representatives. The project was a prohibited use of funds because it provides goods to national armies, police, and other security forces.

- Repair of Afghanistan National Police Vehicles (\$10,000). The project was to provide funding to enhance the mechanical and repair capabilities of the Afghan National Police vehicles. The project was a prohibited use of CERP funds because it provided services to the police.
- Oruzgan Afghan National Police Building Prep (\$9,600). The project was to clean up and prepare the site for the future Afghan National Police Station. The project was a prohibited use of CERP funds because it provided services to the police.
- Emergency Medical Technician Course (\$21,800). The course was offered only to the Afghanistan National Army and Afghanistan National Police. The project was prohibited because it provided services to the national army and police.

In addition, projects were completed that did not appear to comply with DoD Regulation 7000.14-R, "DoD Financial Management Regulation." For example:

- A guesthouse was constructed and furnished for visiting faculty and guests of the Ministry of Higher Education. The project disbursed \$82,915. The guesthouse was furnished with solid wood cabinetry, marble countertops, and new solid wood furniture. The intended purpose of the project was not to respond to urgent humanitarian relief for the immediate assistance of the indigenous population. Instead, it was to upgrade an existing structure. The desired impact of the project, as stated in the project nomination form, was to provide "the Ministry of Higher Education with a first class facility to lodge official guests...equivalent to a nice western style hotel." Such requirements and reasoning did not appear to meet the program's intended purpose.
- A computer, printer, and printer supplies were purchased for the Governor of Kapisa at a cost of \$21,000. This purchase was excessive and did not benefit the largest number of Afghans possible as required by the CFC-A Fragmentary Order 385, "COMCFC-A FY 06 CERP Guidance and Policy," October 19, 2005.

Nonstandard Quality Assurance and Quality Control. We concluded that the components administering the CERP had no standard quality assurance or quality control program because neither the CERP fragmentary order nor the CJTF-76 SOP required the standard quality assurance procedures to be issued. The lack of guidance led to inconsistent implementation and insufficient documentation of quality control procedures.

Many of the units authorized to expend CERP funds developed unit-level procedures for verifying project quality. As a result, quality assurance and quality control checks were not

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adequately documented or uniform throughout the CFC-A area of responsibility. Examples of three different quality assurance procedures used follow.

- One component, Task Force Spartan, documented site visits in its patrol debrief report, but its analysis was inadequate to determine the quality assurance procedures used during the visit;
- The Bagram Provincial Reconstruction Team completed formal writeups of quality assurance reviews; however, the reviews were completed by engineers assigned to the team from the Republic of Korea, and the notes from the site visits were in Korean. As such, control and evaluation procedures completed at the project sites are unverifiable, although the documentation contains pictures showing the progress made; and
- The Qalat Provincial Reconstruction Team conducted weekly site visits to construction projects; however, the Provincial Reconstruction Teams did not complete documentation describing the visits to assess the work performed.

Standard Operating Procedures. The CJTF-76 SOP contained guidance that was not in accordance with the CERP fragmentary order because the command did not synchronize the SOP with the CERP fragmentary order. As a result, the CJTF-76 issued additional requirements to CERP administrators. The additional requirements included:

- Completing a terms-of-use contract with project recipients before transferring the property to the local recipient. The terms-of-use contract was not a requirement in the CERP fragmentary order and its inclusion as a requirement created additional work without additional benefit. The Government would establish a terms-of-use contract in an attempt to hold a project recipient responsible for properly using and maintaining the project or risk losing future CERP funding. However, there is no requirement for the Government to provide additional projects under any condition.
- Completing a memorandum for the record to indicate approval for a project; however, no such requirement exists in the CERP fragmentary order. Furthermore, all projects required approval using a project nomination form signed by the appropriate approving authority.

Documentation of Project Coordination. The CERP fragmentary order and the CJTF-76 SOP require commanders to coordinate projects with appropriate agencies for constructing or refurbishing medical facilities, educational facilities, roads and bridges, multi-story building construction, and structural repair projects. However, the CERP fragmentary order and the CJTF-76 SOP do not require documentation to confirm accomplishment of the coordination. As a result, there would be no evidence showing that the coordination was completed prior to project approval.

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Management Comments on the Finding and Audit Response

The U.S. Central Command did not comment on the report as written; however, the Chief of Staff did state that the U.S. Central Command recognizes the operational and foreign good-will benefits that accrue from CERP and regards its proper management as vital to its interest.

The Director, Civil Military Affairs, Combined Forces Command –Afghanistan (CFC-A) provided the following comments on the draft report’s finding.

1. Cash Controls. The CFC-A stated that commercial off-the-shelf safes currently in use are secured to the structure and located in offices that are continuously manned. In addition, 500 pound safes were ordered more than a year ago but none had arrived in theater.

2. Program Intent. The CFC-A commented on the finding for (1) the four generators and related equipment purchased with CERP funds, (2) the Sorkh Parsa District Center that we concluded did not meet the criteria for CERP project funding, and (3) a guest house that was constructed and furnished for visiting faculty and guests of the Ministry of Higher Education that we concluded did not meet the intent of CERP to benefit the largest number of Afghans possible. The CFC-A stated that the local public power infrastructure is inadequate to support the intended effort, and purchase of the four generators was necessary to make sufficient power available for the intended purpose of attracting investors to the site. While there was no certainty that all 34 sites in the project would be developed by investors, there is no provision under CERP rules for incrementally funding a project; that is, purchasing the generators only as the buildings are completed. CFC-A said that it needed to fully fund the project or not fund it at all. The CFC-A also stated that the District Center buildings constructed with CERP funds are strictly for Government officials’ use and not for the Afghan National Police (ANP). In addition, in this particular case, the ANP will not use those facilities because the complex is to be used only as an office building and local communications hub. Lastly, CFC-A stated that the draft report refers to CFC-A Fragmentary Order 385, COMCFC-A FY06 CERP Guidance and Policy, dated October 19, 2005, which contains guidance to “provide an immediate positive impact on the largest number of Afghans possible.” CFC-A stated that the guest house project was approved in February 2005, 8 months before the cited policy was issued. At the time of project approval, the CFC-A stated that the guidance did not contain any reference to “largest number of Afghans possible.”

3. Nonstandard Quality Assurances and Quality Control. The CFC-A commented that the sporadic nature of some CERP projects make it difficult to set hard and fast dates to conduct inspections but that the recent linking of the CERP and CMO databases on the

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Digital Battle Captain (an electronic reporting mechanism within CJTF-76), both the CJ7 and the CJ9 are able to more accurately track active projects, which should improve the tracking of quality assurance and quality control efforts. Additional engineers were sent to each provincial reconstruction team to assist in improving design and contracting as well as quality assurance and quality control.

4. Standard Operating Procedures. The CFC-A stated that our reference to “unnecessary requirements have been issued to CERP administrators” likely refers to the requirement that an additional memo signed by the Task Force commander should accompany new project submissions that will cost more than \$200,000. The CFC-A stated that the additional requirement will allow a Task Force Commander to know what his units are submitting to the CG.

5. Documentation of Project Coordination. The CFC-A stated that no set format exists to document coordination with the Afghan Government ministries, but CFC-A stated that a new form can be designed and its use made mandatory in the next version of the SOP.

Audit Response. We appreciate the comments of the Director, Civil Military Affairs – Combined Forces Command –Afghanistan (CFC-A) and changed the finding section of the final report where appropriate.

1. Cash Controls. We do not agree that commercial off-the-shelf safes currently in use are secured to the structure and located in offices that are continuously manned. We identified that approximately 50-percent of the 16 paying agents visited had not secured their cash containers to structures or immovable objects and had not stored their cash containers in continually manned offices. We also identified that five did not place physical barriers between the cash container and normal business traffic. We appreciate that secure safes have been on order for more than a year, but additional measures should be taken to comply with DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 3, “Keeping and Safeguarding Public Funds.”

2. Program Intent. The CERP policies did not require CFC-A to approve, purchase, and install all four of the generators at one time or install none at all. The CERP policies also did not restrict approving additional generators as the demand for electrical power in the industrial complex increased. The project approval could have stipulated that funds were to be committed, but not obligated or expended until a need arose. In response to CFC-A comments on the Sorkh Parsa District Center, the approved project nomination form and comments by the unit Project Purchasing Officer substantiate that the building will house a court and be used by district officials and Afghan security forces for security reasons. In addition, the stated “Measures of Effectiveness” on the project nomination form also described the original intent of the project as the “security forces will have a central location where security issues will be addressed.” Therefore, we made no changes to our position on the purchase of the four generators. Lastly, based on CFC-A

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comments that the project approval for the cited guesthouse for visiting faculty and guests of the Ministry of Higher Education was made approximately 8 months before the criteria cited in our draft report, we clarified our position that the project was approved for purposes outside the scope of the CERP. In conclusion, our position remains that the three projects described above did not meet the intent of the CERP.

3. Nonstandard Quality Assurances and Quality Control. We concur with the CFC-A comments on the Nonstandard Quality Assurances and Quality Control that the efforts described will improve project tracking and improve oversight. However, the CERP in Afghanistan also needs to issue guidance with standardized procedures in its CERP directives to eliminate the inconsistent implementation and insufficient documentation of quality control actions.

4. Standard Operating Procedures and Documentation of Project Coordination. The CFC-A comments on Standard Operating Procedures and Documentation of Project Coordination were applicable. As such, we have changed the wording of the final report to read that the guidance was “additional” instead of unnecessary. However, our original assertion remains that all additional guidance should be synchronized in the CERP fragmentary order.

5. Documentation of Project Coordination. We concur with the CFC-A comments that documenting coordination with the Afghanistan Government ministries should be made mandatory in the next version of the SOP.

Recommendations, Management Comments and Audit Response

The comments from the Director, Civil Military Affairs, Combined Forces Command – Afghanistan (CFC-A) on the finding section of the report did not answer each recommendation or identify the action planned or taken to implement the recommendation. With the deactivation of CFC-A in January 2007, we redirected Recommendation A. to the Commanding General, Third Army/U.S. Army Central. We also received comments from the Acting Deputy Chief Financial Officer on behalf of the Under Secretary of Defense (Comptroller). Based on the comments provided, we revised and redirected Recommendation B. to the Commanding General, Third Army/U.S. Army Central. We request that the Commanding General, Third Army/U.S. Army Central provide comments to the findings and recommendations in this report by March 30, 2007. All comments received are included in Attachment 1 of this report.

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A. We recommend that the Commanding General, Third Army/U.S. Army Central:

1. Develop and implement procedures so that projects meet the intent of the Commanders' Emergency Response Program to comply with DoD Regulation 7000.14-R "DoD Financial Management Regulation," volume 12, chapter 27 "Commanders' Emergency Response Program (CERP)."

2. Develop and implement a standardized quality assurance and quality control program for all subordinate units and organizations administering CERP projects.

3. Synchronize all subordinate units' standard operating procedures to align with the CFC-A Fragmentary Order 385 "COMCFC-A FY06 CERP Guidance and Policy," October 19, 2005.

4. Comply with DoD Regulation 7000.14-R "DoD Financial Management Regulation," volume 5, chapter 3, "Keeping and Safeguarding Public Funds," Section 030302.A. and 030305.A., August 1999 for safeguarding cash in a burglary resistant safe or vault carrying at least an Underwriters' Laboratories classification of Tool-Resistant Safe, TL-30 and having a Group 1R combination lock.

5. Using unit Commanders' Emergency Response Program Managers, provide additional training for pay agents that include at a minimum:

(i) procedures for safeguarding cash in accordance with DoD Regulation 7000.14-R "DoD Financial Management Regulation," volume 5, chapter 3 "Keeping and Safeguarding Public Funds," August 1999; and

(ii) procedures for completing the SF 44 properly, including the exchange rate in effect when the cash was drawn.

B. Request a waiver from DoD Regulation 7000.14-R "DoD Financial Management Regulation" volume 5, chapter 3, "Keeping and Safeguarding Public Funds," August 1999. The waiver should restrict the finance commanders to approving only a 1-month extension on a case-by-case basis for each individual cash withdrawal.

Under Secretary of Defense (Comptroller) Comments. The Deputy Chief Financial Officer of the USD (C) nonconcurred with the recommendation to revise the DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 3. The Deputy Chief Financial Officer stated that chapter 2 of the FMR includes a provision for commanders to request a waiver for deviating from the DoD FMR policies, in exceptional circumstances, on a case-by-case basis.

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Audit Response. We considered the Deputy Chief Financial Officer's comments and, given the extenuating circumstances in the Afghanistan combat environment, we revised the recommendation to recommend that the Commanding General, Third Army/U.S. Army Central request a waiver from the specified financial policy.

Action Required

We are providing this final report for review, comment, and use. We considered management comments on a draft of this report when preparing the final report.

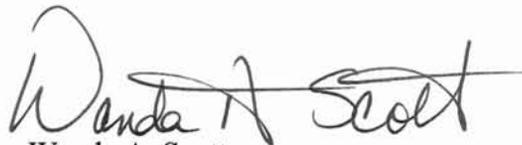
DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Director, Civil Military Affairs – Combined Forces Command – Afghanistan (CFC-A) provided comments on the draft report finding and not the recommendations. Because the Combined Force Command – Afghanistan was deactivated in January 2007, we request that the Commanding General, Third Army/U.S. Army Central review and provide comments on Recommendation A. and B. that conform to the requirements of DoD Directive 7650.3.

According to DoD Directive 7650.3, management comments should indicate concurrence or nonconcurrence with the finding and each applicable recommendation. Comments should describe actions taken or planned in response to agreed-upon recommendations and provide the completion dates of the actions. State specific reasons for any nonconcurrence and propose alternative actions, if appropriate. We request that comments be submitted by March 30, 2007.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to michael.barnes@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct your questions to me at (703) 604-8866, DSN 312-664-8866 or to Mr. Michael J. Barnes at (703) 604-9068 or DSN 312-664-9068. See Attachment 2 for the report distribution.

By direction of the Deputy Inspector General for Auditing:



Wanda A. Scott

Assistant Inspector General

Readiness and Operations Support

U.S. Central Command Comments

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

CCJ8 29 Nov 06

MEMORANDUM FOR DODIG-AUD\ROS\LA, ATTN: Donald Bloomer,
Room 550, 400 Army Navy Drive, Arlington,
VA 22202

SUBJECT: DOD Inspector General Draft Report, Audit of the
Implementation of the Commanders' Emergency Response Program
(CERP) in Afghanistan

1. We were pleased to have the opportunity to review the subject draft. Under DODI 7000.14-R, USCENTCOM plays a limited role in the administration of CERP - essentially, we recommend an allocation of CERP funding between Iraq and Afghanistan. Because this audit addresses functions and controls which fall under the U.S. Army's purview as the program's Executive Agent, we have no comments on the report as written.
2. We do, however, recognize the operational and foreign goodwill benefits that accrue from CERP, and regard its proper management as vital to our interests. Accordingly, we have forwarded the draft report to CFC-A and CJTF-76 for their use, to include developing general and specific responses to the report's findings for submission through Army Executive Agent channels. We stand ready to assist as required.
3. HQ USCENTCOM functional POC is COL Cleary, CCJ8 (FWD), DSN 318-432-8020. CCIG POC is Lt Col Miranda, DSN 651-6661.



TIMOTHY F. GHORMLEY
Major General, USMC

Combined Forces Command – Afghanistan Comments



REPLY TO
ATTENTION OF:

DEPARTMENT OF DEFENSE
COMBINED FORCES COMMAND – AFGHANISTAN
OPERATION ENDURING FREEDOM
KABUL, AFGHANISTAN
APO AE 09356

28 NOV 2006

CFC-A CMA

MEMORANDUM FOR DOD INSPECTOR GENERAL

SUBJECT: Draft Report - Audit of the Implementation of the Commanders' Emergency Response Program in Afghanistan (Project D2006-D000LQ-0165.000)

1. CFC-A has reviewed the Draft Report, and appreciates the thoroughness of the audit, the detailed findings and recommendations, and the opportunity to review and provide comment. We offer the following management comments to clarify some of the details contained in your report.
2. In order to facilitate cross-reference to the draft report, excerpts and page numbers are provided.
 - a. Cash Controls. *Cash held by 15 of the 16 pay agents that we visited was not safeguarded in accordance with DoD Regulation 7000.14-R "DoD Financial Management Regulation," volume 5, chapter 3 "Keeping and Safeguarding Public Funds," August 1999 or the CJTF-76 SOP. Specifically, we found that none of the 15 pay agents who store cash did so in approved safes. Draft Audit Report (page 4)*
 - Management Comment: Commercial off-the-shelf safes currently in use are secured to the structure as well as located in offices that are continuously manned. Five hundred pound safes have been on order for over a year with none yet arriving in theater.
 - b. Program Intent. *One project we reviewed was approved prematurely given the current conditions. In this project, CFC-A purchased four generators and related equipment costing \$1,000,000 for an industrial park using CERP funds. Together, the generators have the capacity to provide electricity to 34 buildings. During the audit, we observed that the generators would be functional on approximately May 4, 2006; however, only one building was under construction in the industrial park. According to the unit Project Purchasing Officer, the construction of the buildings in the industrial park is not a CERP project and there is no guarantee that more buildings will be constructed. As a result, purchasing all four generators initially was unnecessary based on the current need. Draft Audit Report (page 4)*
 - Management Comment: This project is intended to provide the necessary infrastructure to support a modern, strategically located, well-managed, regulated and attractive industrial park which provides a developed site for investors in small to medium sized enterprises. The local public power infrastructure is inadequate to support the intended effort, and purchase of the four generators was necessary to ensure that sufficient power was available for the intended purpose in order to attract investors to the site. While there was no certainty that all 34 sites in the project would be developed by investors, there is no provision under CERP rules for incrementally funding a project, i.e., only purchasing the generators as the buildings are completed. We needed to fully fund the project or not fund it at all.

c. Program Intent. Sorkh Parsa District Center (\$240,000). According to the unit Project Purchasing Officer, the building will house district officials, a court, and the Afghan National Police. The project is a prohibited use of funds because it is funding an operating cost of Afghan security forces. Draft Audit Report (page 4)

- Management Comment: District Centers are multi-use facilities, which provide office space and communications hubs for sub-national government. The District Center buildings constructed with CERP funds are strictly for government officials' use, and not for the Afghan National Police. Within a District Center compound, you may find government buildings may be constructed with CERP, while ANP buildings are constructed with Title 22 funds through the Afghan National Security Forces assistance programs. We are very careful to ensure that the funding streams are not co-mingled or used contrary to their legal purpose. In this particular case, the ANP will not use these facilities, as the complex is only to be used as an office building and local communications hub.

d. Program Intent. In addition, projects we reviewed were completed that did not appear to benefit the largest number of Afghans possible, as required in the CERP fragmentary order. For example:

- A guest house was constructed and furnished for visiting faculty and guests of the Ministry of Higher Education. The project disbursed \$82,915. The guest house was furnished with solid wood cabinetry, marble countertops, and new solid wood furniture. This project only benefits a small minority of Afghans and is not in accordance with the CERP fragmentary order to "provide an immediate positive impact on the largest number of Afghans possible." Draft Audit Report (page 5)
- Management Comment: There is timing issue with the guidance cited in the draft. The report refers to CFC-A Fragmentary Order 385, COMCFC-A FY06 CERP Guidance and Policy, dated October 19, 2005, which contains guidance to "provide an immediate positive impact on the largest number of Afghans possible". This particular project was an FY05 CERP project approved in February 2005, eight months before the cited policy was issued. At the time of project approval, the CERP policy guidance, CJTF76 FRAGO 242 to Operations Order 04-05/FY05 CERP Guidance, February 25, 2005, did not contain any reference to "largest number of Afghans possible".

e. Nonstandard Quality Assurance and Quality Control. Draft Audit Report (page 5)

- Management Comment: While the CJTF-76 CJ7 has had the PRT engineers entering project data into the Digital Battle Captain (DBC – an electronic reporting mechanism within CJTF-76), the sporadic nature of some CERP projects makes it difficult to set hard and fast dates to when QA/QC inspections should be conducted. Reports are typically filed when a project milestone is reached (25% complete, ribbon cutting, etc.). By the recent linking of the CERP and CMO databases on the DBC, both the CJ7 and CJ9 are able to more accurately track active projects. This should improve the tracking of QA/QC efforts. Additional engineers have been sent to each PRT to assist in improving both design and contracting as well as QA/QC.

f. Standard Operating Procedures. The CJTF-76 SOP contained guidance that was not in accordance with the CERP fragmentary order because the command did not synchronize the SOP with CERP fragmentary order. As a result, the CJTF-76 issued unnecessary requirements to CERP administrators. Draft Audit Report (page 6)

Change p. 6

Change p. 7

- **Management Comment:** The reference to 'unnecessary requirements have been issued to CERP administrators' likely refers to the requirement that an additional memo signed by the TF commander should accompany new project submissions with a cost greater than \$200K. This additional requirement ensures that a TF commander has visibility on his unit's submissions to the CG. With some of the TF commander's giving their CERP managers signature authority on PNFs, it is technically possible for a multimillion dollar project to be requested without the O-6 TF commander having ever set eyes upon their own request.

*g. **Documentation of Project Coordination.** The CERP fragmentary order and the CJTF-76 SOP required commander to coordinate projects with appropriate agencies for constructing or refurbishing medical facilities, educational facilities, roads and bridges, multi-story building construction, and structural repair projects. However, the CERP fragmentary order and the CJTF-76 SOP do not require documentation to confirm accomplishment of the coordination. As a result, there would be no evidence showing that the coordination was completed prior to project approval. Draft Audit Report (pages 6/7)*

- **Management Comment:** GoA ministries must be consulted for certain projects. The SOP states that coordination must take place. The PNF asks both if coordination is needed and if it has been obtained. Currently no set format for such coordination is being utilized. [Note: A new form can be designed and its use made mandatory in the next version of the SOP.]

3. CFC-A POC is CAPT CJ Kalb, USN, Director, Civil Military Affairs, kalbc@cfc-a.centcom.mil, DSN 318-237-3443.


CJ KALB, Captain, USN
Director, Civil Military Affairs
Combined Forces Command - Afghanistan

Date: February 28, 2007
Report No.: D-2007-0064
(Project No.: D2006-D000LQ-0165.000)

Attachment 1
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Under Secretary of Defense (Comptroller) Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

NOV 28 2006

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL
AUDITING SERVICE, OFFICE OF THE
INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Response to Draft Audit Report, entitled "Implementation of the
Commanders' Emergency Response Program (CERP) in Afghanistan,"
Office of the Inspector General, Department of Defense (DoD)

This memorandum forwards the Under Secretary of Defense (Comptroller)
response to the subject draft DoD Inspector General report, dated November 1, 2006.
A copy of the response is attached.

We appreciate the opportunity to respond to your draft audit report. My point of
contact is Ms. Audrey Clark, who can be contacted by telephone at (703) 695-9437 or
e-mail at audrey.clark@osd.mil.


Robert P. McNamara
Acting Deputy Chief Financial Officer

Attachment:
As stated

DODIG DRAFT REPORT DATED NOVEMBER 1, 2006
D-2006-XXX (D2006-D000LQ-0165.000)

**"IMPLEMENTATION OF THE COMMANDERS' EMERGENCY
RESPONSE PROGRAM (CERP) IN AFGHANISTAN"**

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD)(C)
COMMENTS TO THE DODIG RECOMMENDATION**

RECOMMENDATION B: We recommend that the Under Secretary of Defense (Comptroller) (USD(C)) revise the "Department of Defense Financial Management Regulation" ("DoDFMR"), Volume 5, Chapter 3, "Keeping and Safeguarding Public Funds," August 1999, to allow commanders in combat zones the flexibility to grant extensions to the requirement that DD Form 1081 (Statement of Agent Officer's Account) turn-ins should be made once each month. The revision should allow an extension of up to 1 month and specify that finance commanders must only grant an extension on an as-needed basis for each individual cash draw.

USD(C) RESPONSE: Nonconcur. The "DoDFMR" is designed to cover all of DoD. The purpose of the monthly balancing requirement is to detect any shortage or overage of funds in a timely manner, allowing irregularities to be reported immediately and corrective actions taken to prevent recurrence. Further, the "DoDFMR," Volume 5, Chapter 2, paragraph 021003, currently includes a provision for commanders to request a waiver for deviations from "DoDFMR" policies, based on exceptional circumstances, on a case-by-case basis.

Change p. 11

Attachment

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Commander, Air Force Joint Personnel Recovery Agency
Commander, 452nd Civil Engineers, Air Force Reserve Command, March Air Reserve
Base

Date: February 28, 2007
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Combatant Commands

Command, Central Command
Inspector General, U.S. Joint Forces Command

Other Defense Organization

Washington Headquarters Service

Non-Defense Federal Organizations

Office of Management and Budget
Government Accountability Office

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
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House Committee on Appropriations
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