



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

DoD Inspector General Report

November 5, 2007
Report No. D-2008-012
Project No. D2007-D000LQ-0161.000

SUBJECT: Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund – Phase I

Objective. Our objective in this audit—the first in a planned series of three related audits—was to determine whether DoD distributed budget authority¹ for the Afghanistan Security Forces Fund (ASFF) in accordance with provisions in Public Laws 109-13, 109-234, and 109-289 and appropriation law.

Scope and Methodology. We conducted this performance audit 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.

Congress appropriated \$4.7 billion for ASFF in the three laws.² In this first phase of our audit, we examined how the Office of Management and Budget, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO), and the Office of the Assistant Secretary of the Army for Financial Management and Comptroller (ASA[FM&C]) distributed \$4.7 billion of budget authority for ASFF. We performed this phase of our audit from April through September 2007.

Results in Brief and Effect. USD(C)/CFO and ASA(FM&C) distributed \$4.7 billion of budget authority appropriated by Public Laws 109-13, 109-234, and 109-289 for ASFF in compliance with provisions of the three laws and appropriation law.

¹Attachment A provides definitions of Federal budget terms used in this report.

²Congress appropriated an additional \$5.9 billion for ASFF in Public Law 110-28, signed May 25, 2007. This was not included within the scope of our audit because DoD did not have sufficient time to program or distribute these funds. Additionally, the FY 2008 defense authorization bills (H.R. 1585 and S. 1547) both propose appropriating an additional \$2.7 billion to ASFF that would be available for obligation during FYs 2008 and 2009.

Results and Effect on Operations

USD(C)/CFO and ASA(FM&C) distributed \$4.7 billion of budget authority appropriated by Public Laws 109-13, 109-234, and 109-289 for ASFF in compliance with provisions of the three laws and appropriation law.

Background

Funds Appropriated to ASFF. Congress provided \$4.7 billion to ASFF in Public Laws 109-13, 109-234, and 109-289. With the concurrence of the Secretary of State, DoD distributed these funds to provide assistance to the security forces of Afghanistan—namely the Afghanistan National Army and the Afghanistan National Police. Attachment B provides the complete text of the provisions in the three laws that govern ASFF.

The three laws provide funding; equipment; supplies; services; training; and facility and infrastructure repair, renovation, and construction to the security forces of Afghanistan. Attachment C shows the distribution of budget authority for the funds appropriated to ASFF.

Financial and Activity Plans. Organizations that are assigned to the U.S. Central Command and that manage ASFF in Afghanistan initially prepare financial and activity plans for the use of funds appropriated for ASFF. The plans are prepared for each appropriation providing funds to ASFF and changed as the mission in Afghanistan dictates. DoD allocates funds to three budget activity groups: defense forces (Afghanistan National Army), interior forces (Afghanistan National Police), and detainee operations. DoD further allocates funds within each budget activity group to four subactivity groups for infrastructure, equipment/transportation, training, and sustainment. The completed financial and activity plans are coordinated with various DoD organizations and the Department of State for approval. The three laws require Secretary of State concurrence with the plans.

Secretary of the Army Responsibility. The Deputy Secretary of Defense assigned responsibility to the Secretary of the Army to provide ASFF distribution and accounting support through the Defense Security Cooperation Agency.

Objectives of the Audit. The overall objective of the three phases of the audit is to determine whether the funds provided in Public Laws 109-13, 109-234, and 109-289 to assist the security forces of Afghanistan were used for the intended purposes and complied with appropriation law. Our objective in this first phase was to determine whether distribution of ASFF budget authority was made in accordance with the three laws cited above as well as with appropriation law. In the second phase of the audit, we will determine whether recorded obligations of ASFF funds were made in accordance with the three laws cited above and appropriation law. In the last phase of the audit, we will determine whether obligating organizations properly accounted for goods and services purchased for the security forces of Afghanistan with ASFF funds, and whether the delivery of goods and services was properly made to the security forces of Afghanistan. The third phase of the audit will be performed in Afghanistan, and subsequent reports for the second and third phases of the audit will be issued for those phases of the audit.

Audit Results

We examined DoD compliance with the provisions in Public Laws 109-13, 109-234, and 109-289 as necessary. We discuss the results below by subject area.

General Provisions. In the three laws, Congress appropriated \$4.7 billion to ASFF and specified the dates these funds were available for obligation, as shown in Attachment B. The Office of Management and Budget apportioned the \$4.7 billion to the Army. However, actual distribution of these funds within DoD is controlled by USD(C)/CFO. USD(C)/CFO gave budget authority for ASFF to ASA(FM&C) in a series of memorandums. In turn, ASA(FM&C) transferred budget authority to the Defense Security Cooperation Agency using funding authorization documents that specified the purpose of the funds distributed. With this funding authority, the Defense Security Cooperation Agency could commit, obligate, expend, and distribute financial resources.

USD(C)/CFO and ASA(FM&C) distributed budget authority within DoD in accordance with DoD Directive 7200.1, "Administrative Control of Appropriations," November 21, 2003, which implements portions of the Antideficiency Act. We determined that USD(C)/CFO did not distribute budget authority for these funds before apportionments were received, did not exceed the amounts specified in the three laws, and did not distribute budget authority after the budget authority expired. We concluded that DoD has complied with the general provisions of the three laws. We plan to perform additional tests in the second phase of the audit to determine whether actual obligations were made in accordance with the three laws.

Distribution Provisions. These provisions cover distribution of budget authority and concurrence of the Secretary of State with the planned use of funds. We determined that ASFF budget authority was properly distributed within DoD. We also concluded that DoD coordinated with, and received concurrence from, officials in the Department of State for the planned use of ASFF funds.

Distribution of Budget Authority. We determined that ASFF budget authority was properly and fully distributed for the amounts specified in the three laws. We compared amounts appropriated in each public law with the budget authority apportioned by the Office of Management and Budget. We then traced these amounts through DoD, first in funding-release memorandums from USD(C)/CFO to ASA(FM&C), then in funding authorization documents to the Defense Security Cooperation Agency. We found no exceptions to the requirements of the three laws.

Secretary of State Concurrence. All three laws concerning ASFF state, "Such funds shall be available to the Secretary of Defense . . . to provide assistance, with the concurrence of the Secretary of State, to the security forces of Afghanistan." Congress intended that DoD and the Department of State agree on the distribution and use of ASFF funds to promote progress on U.S. security and foreign policy objectives.

Such coordination is also required by National Security Presidential Directive 44, "Management of Interagency Efforts Concerning Reconstruction and Stabilization," December 7, 2005. National Security Presidential Directive 44 states:

The Secretary of State shall coordinate and lead integrated United States Government efforts, involving all U.S. Departments and Agencies with relevant

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capabilities, to prepare, plan for, and conduct stabilization and reconstruction activities. The Secretary of State shall coordinate such efforts with the Secretary of Defense to ensure harmonization with any planned or ongoing U.S. military operations across the spectrum of conflict.

This coordination is also consistent with DoD policy, as prescribed in DoD Directive 3000.05, "Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations," November 28, 2005.

We asked USD(C)/CFO to provide documentation demonstrating that the Secretary of State had concurred with the planned use of all initial ASFF appropriations, the reprogramming of significant amounts of ASFF funds, and other aspects affecting the distribution of ASFF funds. We also requested similar documentation from the Department of State. Review of documentation provided by the Departments of Defense and State, when combined and taken as a whole, provided sufficient evidence for us to conclude with reasonable assurance that concurrence and coordination occurred. Therefore, we concluded that DoD complied with the distribution provisions.

Transfer Provisions. The three laws authorized the Secretary of Defense to transfer funds from ASFF to other appropriations for military personnel; operation and maintenance; overseas humanitarian, disaster, and civic aid; procurement; research, development, test, and evaluation; and defense working capital funds. If not fully used by other appropriations, the funds could also be transferred back to ASFF. Review of funding authorization documents showed that no transfers were made from ASFF to other appropriations.

Reimbursement Provision. Public Law 109-13 required the transfer of \$290 million from ASFF to the Army's operation and maintenance account for reimbursement of costs incurred to train, equip, and provide assistance to the security forces of Afghanistan. Review of the Office of Management and Budget (OMB) SF 132, Apportionment and Reapportionment Schedule, showed that this apportionment was made by OMB on July 29, 2005, to the Army. We concluded that DoD complied with the provision to reimburse the Army operation and maintenance account.

Contributions Provisions. The three laws authorized contributions from foreign governments, international organizations, and others to be added to ASFF and used for the purposes prescribed in the three laws. The Secretary of Defense was required to notify the congressional defense committees of any contributions and to identify the sources, amounts, and uses of the contributions. According to USD(C)/CFO officials, no contributions were made to ASFF. Therefore, no notifications were necessary, and none were made by DoD to congressional defense committees. We concluded that DoD complied with the contributions provisions.

Reporting Provisions. The three laws required the Secretary of Defense to notify the congressional defense committees of the details of any transfer from ASFF at least 5 days before making the transfer. In addition, the three laws required that quarterly reports summarizing transfers be submitted within 30 days of the end of each fiscal quarter. No transfers were made from ASFF. Therefore, no reports were required or made by DoD to the congressional defense committees. We concluded that DoD complied with the provisions for reporting transfers.

Emergency Requirement Provision. Public Laws 109-13 and 109-234 required the amounts provided to be designated as emergency requirements pursuant to congressional action. DoD

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was not required to perform any actions under the emergency requirement provisions. Therefore, no audit steps were performed by us regarding actions taken by DoD.

Conclusion

Based on a review of the evidence obtained, we concluded that USD(C)/CFO and ASA(FM&C) distributed \$4.7 billion of budget authority appropriated by Public Laws 109-13, 109-234, and 109-289 for ASFF in compliance with provisions of the three laws and appropriation law.

We are providing this report for your information and use. No written response to this report was required and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct your questions to Mr. Sean J. Keaney at (703) 604-9057 (DSN 664-9057) or Mr. Robert F. Prinzbach II at (703) 604-8907 (DSN 664-8907). See Attachment D for the report distribution.

By direction of the Deputy Inspector General for Auditing:


Robert F. Prinzbach II
Deputy Assistant Inspector General
Readiness and Operations Support

Definition of Federal Budget Terms Used in This Report

Term	Definition (in order of occurrence)
Appropriation	A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
Apportionment	A distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, programs, activities, projects, objects, or any combinations of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.
Budget Authority	The authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contracting authority, and spending authority from offsetting collections.
Obligation	A binding agreement that will result in outlays, immediately or in the future. When an order is placed, a contract signed, a grant awarded, a service purchased, or other actions taken that require the government to make payments to the public or from one government account to another, an obligation is incurred. Budgetary resources must be available before obligations can be incurred legally. It is a violation of the Antideficiency Act (31 U.S.C. 1341(a)) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law.
Outlay	A payment to liquidate an obligation (other than the repayment of debt principal). Outlays generally are equal to cash disbursements.
Transfer	To reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another by the same amount. A transfer cannot be made unless a law authorizes it. The law may specify a particular transfer or provide general transfer authority within specified limits.

Source: OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," June 2006.

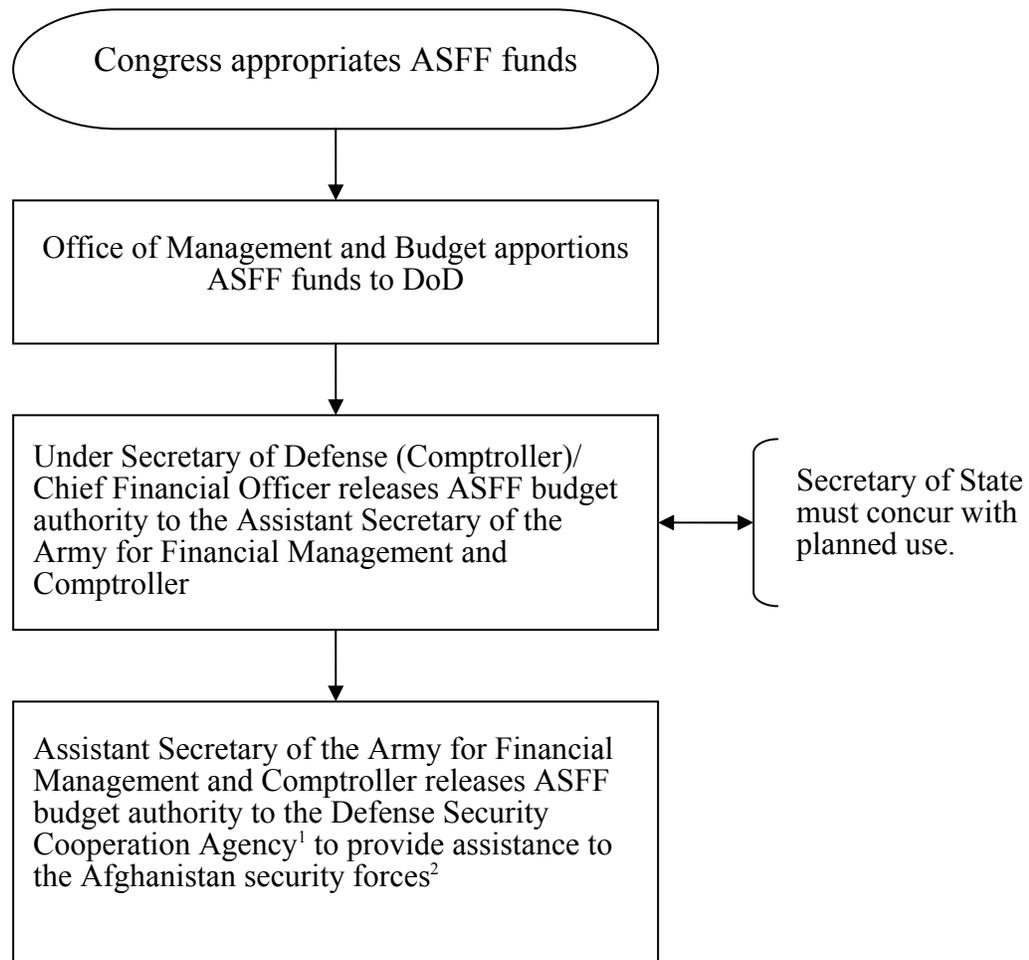
Text of Public Laws Governing the Afghanistan Security Forces Fund

Public Law 109-13	Public Law 109-234	Public Law 109-289
<i>Short Title of the Act and Date of Passage</i>		
Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005. Passed May 11, 2005.	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006. Passed June 15, 2006.	Department of Defense Appropriations Act, 2007. Passed September 29, 2006.
<i>General Provisions</i>		
For the "Afghanistan Security Forces Fund," \$1,285,000,000, to remain available until September 30, 2006:	For the "Afghanistan Security Forces Fund," \$1,908,133,000, to remain available until September 30, 2007:	For the "Afghanistan Security Forces Fund," \$1,500,000,000, to remain available until September 30, 2008:
<i>Distribution Provisions</i>		
<i>Provided</i> , That such funds shall be available to the Secretary of Defense, notwithstanding any other provision of law, for the purpose of allowing the Commander, Combined Forces Command-Afghanistan, or the Secretary's designee to provide assistance, with the concurrence of the Secretary of State, to the security forces of Afghanistan including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding:	<i>Provided</i> , That such funds shall be available to the Secretary of Defense, notwithstanding any other provision of law, for the purpose of allowing the Commander, Office of Security Cooperation-Afghanistan, or the Secretary's designee to provide assistance, with the concurrence of the Secretary of State, to the security forces of Afghanistan, including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding:	<i>Provided</i> , That such funds shall be available to the Secretary of Defense, notwithstanding any other provision of law, for the purpose of allowing the Commander, Office of Security Cooperation-Afghanistan, or the Secretary's designee, to provide assistance, with the concurrence of the Secretary of State, to the security forces of Afghanistan including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding:

<i>Transfer Provisions</i>		
<i>Provided further,</i> That the Secretary of Defense may transfer the funds provided herein to appropriations for military personnel; operation and maintenance; Overseas Humanitarian, Disaster, and Civic Aid; procurement; research, development, test and evaluation; and defense working capital funds to accomplish the purposes provided herein:	<i>Provided further,</i> That the Secretary of Defense may transfer such funds to appropriations for military personnel; operation and maintenance; Overseas Humanitarian, Disaster, and Civic Aid; procurement; research, development, test and evaluation; and defense working capital funds to accomplish the purposes provided herein:	<i>Provided further,</i> That the Secretary of Defense may transfer such funds to appropriations for military personnel; operation and maintenance; Overseas Humanitarian, Disaster, and Civic Aid; procurement; research, development, test and evaluation; and defense working capital funds to accomplish the purposes provided herein:
<i>Provided further,</i> That this transfer authority is in addition to any other transfer authority available to the Department of Defense:	<i>Provided further,</i> That this transfer authority is in addition to any other transfer authority available to the Department of Defense:	<i>Provided further,</i> That this transfer authority is in addition to any other transfer authority available to the Department of Defense:
<i>Provided further,</i> That upon a determination that all or part of the funds so transferred from this appropriation are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation:	<i>Provided further,</i> That upon a determination that all or part of the funds so transferred from this appropriation are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation:	<i>Provided further,</i> That upon a determination that all or part of the funds so transferred from this appropriation are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation:
<i>Reimbursement Provisions</i>		
<i>Provided further,</i> That the amounts provided under this heading, \$290,000,000 shall be transferred to “Operations and Maintenance, Army” to reimburse the Department of the Army for cost incurred to train, equip and provide related assistance to Afghan security forces:	[PL 109-234 did not contain a reimbursement provision.]	[PL 109-289 did not contain a reimbursement provision.]

<i>Contributions Provisions</i>		
<i>Provided further,</i> That contributions of funds for the purposes provided herein from any person, foreign government, or international organization may be credited to this Fund, and used for such purposes:	<i>Provided further,</i> That contributions of funds for the purposes provided herein from any person, foreign government, or international organization may be credited to this Fund, and used for such purposes:	<i>Provided further,</i> That contributions of funds for the purposes provided herein from any person, foreign government, or international organization may be credited to this Fund, and used for such purposes:
<i>Provided further,</i> That the Secretary shall notify the congressional defense committees in writing upon the receipt and upon the transfer of any contribution delineating the sources and amounts of the funds received and the specific use of such contributions:	<i>Provided further,</i> That the Secretary shall notify the congressional defense committees in writing upon the receipt and upon the transfer of any contribution delineating the sources and amounts of the funds received and the specific use of such contributions:	<i>Provided further,</i> That the Secretary shall notify the congressional defense committees in writing upon the receipt and upon the transfer of any contribution delineating the sources and the amounts of the funds received and the specific use of such contributions:
<i>Reporting Provisions</i>		
<i>Provided further,</i> That the Secretary of Defense shall, not fewer than 5 days prior to making transfers from this appropriation, notify the congressional defense committees in writing of the details of any such transfer	<i>Provided further,</i> That the Secretary of Defense shall, not fewer than 5 days prior to making transfers from this appropriation account, notify the congressional defense committees in writing of the details of any such transfer:	<i>Provided further,</i> That the Secretary of Defense shall, not fewer than 5 days prior to making transfers from this appropriation account, notify the congressional defense committees in writing of the details of any such transfer:
<i>Provided further,</i> That the Secretary shall submit a report no later than 30 days after the end of each fiscal quarter to the congressional defense committees summarizing the details of the transfer of funds from this appropriation:	<i>Provided further,</i> That the Secretary shall submit a report no later than 30 days after the end of each fiscal quarter to the congressional defense committees summarizing the details of the transfer of funds from this appropriation:	<i>Provided further,</i> That the Secretary shall submit a report no later than 30 days after the end of each fiscal quarter to the congressional defense committees summarizing the details of the transfer of funds from this appropriation.
<i>Emergency Provisions</i>		
<i>Provided further,</i> That the amount provided under this heading is designated as an emergency requirement pursuant to section 402 of the conference report to accompany S. Con. Res. 95 (108th Congress).	<i>Provided further,</i> That the amount provided under this heading is designated as an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress), the concurrent resolution on the budget for fiscal year 2006.	[PL 109-289 did not contain an emergency requirement provision.]

How Funds Appropriated to the Afghanistan Security Forces Fund Are Distributed



¹As prescribed by the Deputy Secretary of Defense, the Secretary of the Army is responsible for providing ASFF distribution and accounting support through the Defense Security Cooperation Agency.

²Subordinate organizations of the U.S. Central Command provide assistance.

Report Distribution

Under Secretary of Defense (Comptroller)/Chief Financial Officer
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