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Statement of  
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Department of Defense Office of Inspector General

before the

Committee on Oversight and Government Reform

on

“U.S. Foreign Assistance: What Oversight Mechanisms are in  
Place to Ensure Accountability?”

Chairman Issa, Ranking Member Cummings, and distinguished members of the Committee on Oversight and Government Reform: Good morning and thank you for the opportunity to appear before you to discuss DoD Direct Assistance to Afghanistan and our oversight efforts. I would also like to take this opportunity to thank the full Committee for convening a number of hearings to focus attention on the importance of maintaining strong and effective oversight of overseas contingency operations.

### **DoD IG Oversight in Afghanistan**

The DoD IG has provided a substantial body of oversight work on DoD efforts in Afghanistan, particularly focusing on the \$51 billion appropriated since 2006 to the Afghan Security Force Fund (ASFF) for DoD to train and equip an Afghan National Security Force (ANSF) of 352,000 personnel. For FY 2012, Congress authorized \$10.2 billion for ASFF and \$5.12 billion for FY 2013. This reduced funding request may reflect the shift in emphasis from building the Afghan security forces, largely accomplished, towards professionalizing and sustaining them.

### **Inter-agency Oversight Coordination for Southwest Asia**

DoD IG and other DoD military service and agency audits, inspections and assessments, along with those of the Department of State, the U.S. Agency for International Development (USAID) and the Special Inspector General for Afghanistan Reconstruction (SIGAR), are reviewed quarterly by the Southwest Asia Joint Planning Group (SWA JPG), led by DoD IG. This is the inter-agency coordinating body for U.S. government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. It meets quarterly to coordinate and de-conflict oversight activities and ensure that projected oversight coverage is complete.

In July 2012, the SWA JPG developed and issued the first Joint Strategic Oversight Plan for Afghanistan Reconstruction. The plan takes into consideration:

- U.S. and Afghan government strategic goals, objectives, initiatives and priorities related to reconstruction.
- The amount of funding requested, appropriated, obligated, and spent in various reconstruction sectors and programs.
- Congressional and other stakeholder concerns about reconstruction efforts.
- The risks the SWA JPG foresees in the next FY related to Afghanistan's reconstruction.

Signed by the inspectors general of DoD, Department of State, USAID and SIGAR, the FY13 plan identifies 22 strategic areas for oversight, of which 13 address reconstruction issues, to include the development of the ANSF. The plan specifically cites "Providing Stewardship of Direct Assistance Funds" as a strategic area.

The intention of the strategic plan is to guide the development of audits, inspections, and assessments to ensure comprehensive oversight for the U.S. Government's major reconstruction programs in the current and coming fiscal year. The plan enables the oversight community to better leverage its collective resources and capabilities to address issues most critical to Afghanistan reconstruction, and to provide Congress, U.S. implementing agencies, and the American people focused oversight that improves critical reconstruction programs and mitigates fraud, waste and abuse.

The inspectors general of DoD, Department of State, USAID, and SIGAR have initiated a strategic review to update the plan for FY14 and capture oversight community commitments for that year, including ASFF expenditures for equipment, contracting and direct contributions to the Government of the Islamic Republic of Afghanistan (GIROA).

### **Countering Fraud, Waste, and Abuse, and Corruption**

The DoD IG oversight emphasis has been to provide recommendations that would enable the NATO Training Mission – Afghanistan / Combined Security Transition Command – Afghanistan (NTM-A/CSTC-A) to strengthen its own internal systems for accountability and

control with respect to its oversight of ASFF-funded training, equipment purchases and services contracting. Starting from a small fiscal base several years ago, NTM-A/CSTC-A has increasingly provided direct funding support to GIROA for ANSF development. NTM-A/CSTC-A has increased its emphasis on training, advising and assisting the Ministries of Defense (MoD) and Interior (MoI) in the development of their respective financial and supply management systems to prevent fraud, waste, and abuse, and related corruption.

Additionally, when allegations of the misuse of U.S. funding or supplies were reported to DoD IG, our Defense Criminal Investigation Service engaged on-the-ground with its deployed agents who conducted the appropriate criminal and civil investigations. Including Iraq and Kuwait, their work has led to 153 criminal indictments, filing of 122 criminal informations and 225 convictions of primarily corruption and procurement-related violations by U.S., host nation and third country personnel, along with 216 debarments and 307 suspensions of DoD contractors, subcontractors and contracting personnel. Currently, there are 31 open investigations still being pursued related to DoD operations in Afghanistan.

DoD IG has fully participated in Command and inter-agency anti-corruption task forces, the most prominent being the International Contract Corruption Task Force (ICCTF) and Task Force 2010. The ICCTF is a multi-agency coordination and de-confliction initiative designed to maximize U.S. law enforcement resources in SWA in order to aggressively investigate and prosecute DoD contract fraud. Task Force 2010 is a U.S. Forces - Afghanistan led endeavor aimed at essentially cutting off funding streams to the enemy.

In addition to the work of the investigative component of DoD IG, the DoD-supported Afghanistan Threat Finance Cell (ATFC) was formed to identify and disrupt insurgent and terrorist financial and material support networks in Afghanistan<sup>1</sup>. It has also focused on the development of an independent and sustainable Afghan financial investigative capability. The ATFC has reportedly identified and disrupted sources of insurgent funding throughout the country.

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<sup>1</sup> "Report on Progress Toward Security and Stability in Afghanistan," released by the Department of Defense in December 2012.

## **Direct Contributions to the Ministries of Defense and Interior**

For several years, NTM-A/CSTC-A has directly financed MoD and MoI expenditures from the ASFF to support local procurement of ANSF requirements, beginning with uniforms and food. NTM-A/CSTC-A's intention has been to progressively develop the fiscal resource management capacity of these ministries.

From March 2012 – December 2012, NTM-A/CSTC-A allocated \$798.1M in direct contributions to the Afghan MoD to enable the MoD to procure items in its operations and acquisition accounts. The MoD executed \$471.2 M of direct contributions over these seven months to pay for salaries, goods and services, and procurement solely through Afghan financial systems, procurement systems, and its requirements process.

During the same time frame, NTM-A/CSTC-A also allocated \$380.8M in direct contributions to the MoI to expand its ability to procure items in its operations and acquisitions accounts. The MoI executed \$41.1M in direct contributions over seven months for payment of Afghan Local Police salaries, goods and services, and procurements solely through Afghan financial systems, procurement systems, and requirements process.

For U.S. calendar years 2013 and 2014, NTM-A/CSTC-A projects a further increase of direct funding contributions to MoD and MoI. Direct contributions to the MoD are planned to increase from \$798.1M in 2012, to \$1.26B in 2013, rising to \$1.54B by 2014. For the MoI, direct contributions are planned to increase from \$380.8M in 2012, to \$692.4M in 2013, rising to \$787.7M by 2014<sup>2</sup>.

## **NTM-A/CSTC-A Initiatives to Build Ministerial Resource Management Capacity**

NTM-A/CSTC-A has taken a number of initiatives to further build MoD and MoI capacity to effectively and responsibly manage fiscal resources provided by the U.S. and other international partners.

On October 7, 2012, NTM-A/CSTC-A signed and issued standard operating procedures (SOP) for its “governance, documentation and oversight of Afghanistan Security forces Fund

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<sup>2</sup> Afghanistan Security Forces Fund Program Management Review, March 2013.

direct contributions donated by NTM-A/CSTC-A directly to the Ministries of Interior and Defense in support of the transfer of ISAF's security responsibility to GIRoA." The SOP lays out U.S. military and Afghan government responsibilities in an effort to ensure accountability and oversight of U.S. direct contributions, and the establishment of appropriate Afghan policy to maintain adequate fiscal controls and auditable records of all disbursements, including supporting documentation.

In October 2012, NTM-A/CSTC-A assigned personnel to establish Contracting Advise and Assist Teams (CAAT) composed of military and contracting personnel to build a requirements / acquisition / procurement / contracting capability within the five regional commands at the ANA Corps level and below, and ANP regional zone and provincial levels. In addition, the CAATs provide NTM-A/CSTC-A advisory oversight capability to develop transparent and accountable fiscal accounting and contracting processes. The CAATs also train ANA personnel to perform functions as Contracting Officers Representatives for those contracts under ANSF oversight responsibility.

NTM-A/CSTC-A has focused specifically on supporting ministerial capacity within the MoD and MoI in the area of resource accountability - especially in the development of Planning, Programming, Budgeting, and Execution (PPBE) systems - critical functional capabilities. The PPBE process is fundamental to the ability of the MoD and MoI to allocate, track, and account for financial resources, and to efficiently link military strategy and policies with available financial resources. In this regard, development of this MoD and MoI capacity has been recognized by DoD IG oversight as essential to ANSF development as an independent, sustainable force - a key objective of U.S. policy.

Previous DoD IG oversight on U.S. military and Coalition efforts to develop this capability includes an October 2008 report issued on the development of the Afghan MoI<sup>3</sup>. This assessment revealed a lack of training programs for developing a cadre of Afghan logistics and acquisition specialists and that the MoI was hindered in its ability to develop a self-sustaining logistics and acquisition system without formal specialty training.

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<sup>3</sup> "Assessment of Arms, Ammunition, and Explosives Control and Accountability; Security Assistance; and Sustainment for the Afghan National Security Forces," released October 24, 2008 (Report No. SPO-2009-001).

In December 2011, we reported on U.S. and Coalition efforts to develop the sustainment capability of the Afghan National Army (ANA)<sup>4</sup>. The report highlighted that due to immature MoD/ANA PPBE processes, MoD/ANA personnel were incapable of developing the budgeting requirements to identify and acquire the equipment/materials necessary to sustain ANA supply, maintenance, and logistics systems. This capability would be necessary to be able to progressively transition these functions from NTM-A/CSTC-A to the MoD/ANA. We recommended NTM-A/CSTC-A prioritize the importance of PPBE capability in its program of training and mentoring of MoD/ANA leaders and officers and enhance MoD commitment to developing these key functional skills.

The DoD IG has been tracking and reporting on NTM-A/CSTC-A metrics used to determine ministerial development with respect to the capability to make the transition to independent and sustainable Afghan government control by the end of 2014<sup>5</sup>. These metrics include development of the four phases of the PPBE process within the MoD/ANA and MoI/ANP. Although they indicate continued progress they also show that more still needs to be accomplished to address institutional weaknesses.

### **Direct Contributions to Law and Order Trust Fund**

Recently, the Financial Management Office of NTM-A indicated that it was making specific progress in regard to oversight and reporting of U.S. direct contributions to the multilateral Law and Order Trust Fund for Afghanistan (LOTFA), which is primarily provided for police remuneration<sup>6</sup>. The responsibility for LOTFA fiscal oversight is vested in the United Nations Development Program (UNDP), which has the international responsibility on behalf of international donors to ensure accountability for LOTFA funding and to conduct periodic audits.

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<sup>4</sup> "Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army," released December 9, 2011 (Report No. DoDIG-2012-028).

<sup>5</sup> "Assessment of Afghan National Security Forces Metrics." Five CONFIDENTIAL reports, alternating between the ANA and ANP, have been released within the last two years. The report number is DODIG-2012-034.

<sup>6</sup> "Report on Progress Toward Security and Stability in Afghanistan," released by the Department of Defense in December 2012.

Nonetheless, in 2011, in response to DoD guidance, CSTC-A established financial controls for its direct funding contributions made to the MoD and MoI, but also to LOTFA. The SOP the CSTC-A issued, which was updated and reissued in September 2012, covers the financial procedures to be followed in providing direct financial assistance. The first requirement is to perform a risk assessment. Also required are periodic financial reviews including for direct funding provided to LOTFA.

CSTC-A stated that it had identified inadvertent financial discrepancies in Ministry of Finance (MoF) accounting of LOTFA fiscal contributions, which led to the recovery of several millions of dollars of ASFF funding<sup>7</sup>.

### **Ministry of Finance**

NTM-A/CSTC-A has reported that it has begun to work more closely with the MoF given its increasing responsibility concerning the Afghan government's use of international funding. The MoF has significant influence over coordination and management of international financial assistance and, due to the significance of ministry's role in developing Afghan government resource management capability, NTM-A/CSTC-A has indicated that it will establish a liaison presence within the MoF to ensure better visibility over U.S. funded transactions.

Further, CSTC-A reports it has established the Afghan Financial Management and Information System (AFMIS), a web-based software system installed in 2011, that connects the MoF to the other ministries, notably MoD and MoI. AFMIS increases budget oversight and efficiency by enabling MoD and MoI and NTM-A/CSTC-A with the visibility to track financial transactions, including those based on direct contributions. NTM-A/CSTC-A financial management office has an AFMIS computer terminal that provides it visibility over all MoF transactions with the MoD and MoI.

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<sup>7</sup> "Report on Progress Toward Security and Stability in Afghanistan," released by the Department of Defense in December 2012.



As part of its controls, the MoF certifies ministries that are capable of executing large procurements independently. Currently, only eight of the 50 ministries are certified; MoD and MoI are not yet among them.

NTM-A/CSTC-A already has partnered with the MoF to provide professional training to MoD and MoI in the areas of planning, programming, budgeting and contracting. Reportedly, additional resource management and acquisition training is planned for June, 2013.

### **DoD IG Oversight in Monitoring Direct Assistance**

The DoD IG has issued several recent reports that provide perspective on U.S. direct assistance efforts and will focus on this issue in the FY 14 oversight strategic plan.

In February 2012, we issued a report that reviewed whether NTM-A/CSTC-A had adequate controls in place to ensure that it distributed DoD funds accurately and in a timely manner to the MoD for the ANA payroll<sup>8</sup>. DoD provides financial support for the ANA payroll through the Afghanistan Security Forces Fund (ASFF) appropriation. From July 2007 through January 2011, DoD provided \$467.4 million related to ANA payroll. We found that NTM-A/CSTC-A did not implement adequate controls to ensure that \$410.4 million of ANA payroll funds were properly advanced and reported to the MoD. In addition, we found that NTM-A/CSTC-A assigned only one part-time mentor, with no financial expertise, to visit the ANA Corps, and NTM-A/CSTC-A did not provide enough mentoring below the corps level.

In May 2012, another report reviewed whether the ANA pharmaceutical distribution process was effective, focusing especially on the Dawood National Military Hospital<sup>9</sup>. We evaluated ANA's processes for procuring, delivering, and taking inventory of a wide variety of pharmaceuticals. While the ANA's pharmaceutical distribution process had improved since a previous assessment in 2011, we found deficiencies in the procurement, delivery, and

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<sup>8</sup>"Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvements, released February 29, 2012 (Report No. DODIG-2012-058).

<sup>9</sup>"Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution," released May 7, 2012 (Report No. DODIG-2012-083).

inventory control processes for pharmaceuticals at ANA medical facilities and depots. For example, four of the six medical facilities and depots reviewed did not properly account for pharmaceuticals. In addition, two of the six medical facilities and depots did not have adequate inventory controls in place. For example, controlled pharmaceuticals were left unattended and unsecured. Systemic issues included NTM-A/CSTC-A not effectively training personnel implementing the new distribution process and not developing specific instructions for medical facilities.

A DoD IG team recently returned from Afghanistan where it assessed U.S. and Coalition plans to develop and transition critical operational enabling force capability to the ANA. The team observed that the security ministries and ANSF's ability to plan, program and forecast resourcing requirements remained limited. Further, Afghan contracting management and oversight capability remains a significant weakness while the reliance on contractors to support ANSF equipment, maintenance and repair increases.

### **Impact of Drawdown of U.S. and Coalition Forces**

U.S. and Coalition forces are conducting a phased withdrawal of personnel and equipment from Afghanistan. From a peak of roughly 100,000 U.S. personnel on-the-ground from 2009-2012, the U.S. military has withdrawn 34,000 troops to the current level of approximately 68,000. These personnel numbers will remain constant through the summer and fall of 2013 and then are projected to decline another 34,000 by February 2014, with the remaining U.S. combat troops leaving Afghanistan by the end of 2014.

Parallel to the withdrawal of military personnel is the complex withdrawal of DoD equipment. Approximately 35,000 vehicles, numerous helicopters and aircraft, and 95,000 shipping containers will have to be flown out by air or transported overland to seaports for return to the United States.

The withdrawal of U.S. forces and resulting base closures may impede the ability of U.S. Contracting Officer Representatives to visit project field sites to conduct oversight of service and construction contracts still being executed of ANSF facilities.

We also anticipate that conducting DoD IG oversight in Afghanistan will be challenging. Nonetheless, through the end of 2014, DoD IG intends to continue our oversight efforts consistent with the security posture of U.S. forces and the Command ability to provide support.

### **DoD Way Ahead - Post-2014**

President Obama, in his February 2013 State of the Union address, said, “Beyond 2014, America’s commitment to a unified and sovereign Afghanistan will endure, but the nature of our commitment will change. We are negotiating an agreement with the Afghan government that focuses on two missions: training and equipping Afghan forces so that the country does not again slip into chaos, and counter-terrorism efforts that allow us to pursue the remnants of al Qaeda and their affiliates.”

The NATO and DoD strategy for achieving success in building an independent and sustainable ANSF relies on the advise and assist role played by our combat forces, combined with a continuing flow of financial resources to support the Afghan security forces through both direct and indirect fiscal mechanisms.

NTM-A/CSTC-A has indicated a commitment to maintain a priority emphasis on building the resource management capacity of Afghanistan's security ministries and forces. Success in this initiative will be essential to ensure the ANSF can responsibly manage the financial support received from the U.S. and other international partners in order to conduct independent operations after our combat forces withdraw.

### **DoD IG Commitment**

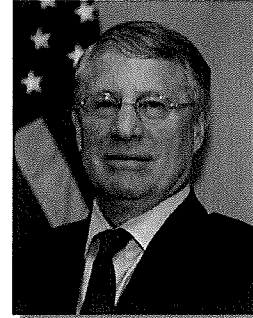
DoD IG plans to continue to conduct audits, assessments, and investigations beyond 2014 contingent upon the presence of U.S. military forces with a train, advise and assist mission and the ability of these forces to support our oversight.

In closing, I would like to thank you for this opportunity to speak to you today and would welcome any of your questions.

# Biographies



## **Ambassador Kenneth P. Moorefield Deputy Inspector General for Special Plans & Operations**



Before joining the Office of the Inspector General, Ambassador Moorefield served as senior State Department representative on the Iraq/Afghanistan Transition Planning Group, from December 2005 to June 2007.

Kenneth P. Moorefield was sworn in as Ambassador to the Republic of Gabon and the Democratic Republic of Sao Tome and Principe on April 2, 2002.

Prior to this appointment, Ambassador Moorefield had over 30 years of experience in the U.S. foreign, military, and civil services. During his overseas career with the Departments of State and Commerce, he has held political, economic, consular, and commercial officer positions at our Embassies in Vietnam, Peru, Venezuela, the United Kingdom, the U.S. Mission to the European Union, and France.

Ambassador Moorefield graduated from the Senior Seminar (1995) and the United States Military Academy at West Point (1965) and took graduate studies at the Georgetown University School of Foreign Service (1972). He has received various military and Foreign Service decorations including the Silver Star, Purple Heart, State Department Superior Honor Award, and two Presidential Meritorious Honor Awards.

He was born in Temple, Texas.

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