



# *U.S. Army Audit Agency*

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## **Cost Sharing: Logistics Support, Services, and Supplies**

**U.S. Forces–Afghanistan**

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**Audit Report: A-2013-0110-MTE**

**13 June 2013**

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# Executive Summary

Audit Report A-2013-0110-MTE  
13 June 2013



## Cost Sharing: Logistics Support, Services, and Supplies

U.S. Forces–Afghanistan

### Results

We performed the audit at the request of the former Deputy Commanding General–Support, U.S. Forces–Afghanistan (USFOR-A). The Deputy asked us to verify that sufficient agreements, processes, and procedures were in place to equitably allocate costs and recoup funds from coalition partners for logistics support, services, and supplies (LSSS). We focused the audit on Logistics Civil Augmentation Program (LOGCAP)-provided services and costs.

Our review showed that USFOR-A and regional commands didn't have sufficient processes and procedures in place to identify and equitably allocate costs of LSSS shared with coalition partners. Regional command personnel and USFOR-A acquisition and cross-servicing agreement (ACSA) coordinators didn't prepare CC-35 transaction reports to capture the cost of services provided to coalition partners. In addition, for the CC-35 transaction reports that were prepared, many didn't arrive at the Defense Finance and Accounting Service (DFAS) for billing to coalition partners

This occurred because:

- The LOGCAP contractor didn't—in accordance with contract requirements—track, maintain, and report cost data for each coalition partner.
- Responsible personnel weren't provided sufficient training and were assigned as ACSA coordinators as an “additional duty.”
- Responsible personnel didn't use the automated ACSA Global Tracking and Accounting System (AGATRS) to prepare and monitor CC-35 transaction reports.

As a result, for the period July 2010 through September 2012, we estimate that the Army paid for LSSS valued at about \$706.7 million that could have been billed to coalition partners. In addition, there were 178 CC-35 transaction reports (valued at about \$27.2 million) prepared by regional commands that had not been received and processed by DFAS.

Further, once sound procedures are in place and operating, we estimate that through USFOR-A, U.S. Army Central should be able to recoup about \$384.4 million from coalition partners for LSSS for calendar years 2013 and 2014.

### Key Recommendations

We recommended that the Deputy Commanding General–Support, USFOR-A:

- Coordinate with the Defense Contract Management Agency to enforce the LOGCAP IV contract requirement to provide data needed to allocate costs to coalition partners.
- Develop a comprehensive training program for ACSA coordinators.
- Direct the use of AGATRS.
- Use the Under Secretary of Defense (Comptroller)-promulgated flat rate for subsistence and sustainment to allocate costs to coalition partners until adoption of an alternate method.
- Process the 178 transaction reports (valued at about \$27.2 million) not forwarded to DFAS for payment.

USFOR-A agreed with the conclusion, recommendations, and potential monetary benefits; its agreement represents the official command position.



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13 June 2013

Deputy Commanding General for Support, U.S. Forces–Afghanistan

This is our report on the audit of cost sharing: logistics support, services, and supplies. At the request of the former Deputy, we reviewed the agreements, processes, and procedures used to identify and equitably allocate costs to coalition partners for shared services.

We conducted the audit in accordance with generally accepted government auditing standards.

The report addresses six recommendations to your command. If U.S. Forces–Afghanistan carries out the recommendations, there could be monetary benefits of about \$411.6 million based on the estimates we could reasonably make at the time of the audit.

Command comments and the official position are in Annex D. For additional information about this report, contact the Expeditionary Support Audits Division at 586-282-6903.

I appreciate the courtesies and cooperation extended to us during the audit.

FOR THE AUDITOR GENERAL:

A handwritten signature in black ink, reading "David Figueroa", is positioned above the typed name.

DAVID FIGUEROA  
Program Director  
Expeditionary Support Audits

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# INTRODUCTION

## WHAT WE AUDITED

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We performed the audit at the request of the former Deputy Commanding General–Support, U.S. Forces–Afghanistan. We focused on the logistics support, services, and supplies (LSSS) provided by Logistics Civil Augmentation Program (LOGCAP) IV contractors to coalition partners.

## BACKGROUND

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### Guidance

The North Atlantic Treaty Organization (NATO) Mutual Support Act of 1979 permits DOD to enter into acquisition and cross-servicing agreements (ACSAs), allowing DOD to receive and provide logistics support to partner countries. ACSA statutory authorities provide combatant commanders and service components the means to acquire and provide mutual logistics support.

Title 10 U.S. Code Sections 2341-2350 (Cooperative Agreements With NATO Allies and Other Countries) provide the authority to enter into ACSAs, which are legal instruments that authorize military forces to provide LSSS on a reciprocal basis. ACSAs are used during operations, exercises, training deployments, or for unforeseen circumstances. The agreements allow coalition partners to reimburse the United States through payments in cash, replacement-in-kind, or through an exchange of supplies or services of equal value.

Combatant commands negotiate ACSAs; and service components, which maintain the ACSA transactions, execute ACSAs. Combatant commands serve as the DOD executive agent for ACSAs with countries and organizations within their area of responsibility (AOR). The combatant command's ACSA responsibilities are delineated in DOD Directive 2010.9 (Acquisition and Cross Servicing Agreements, dated 28 April 2003) and Chairman Joint Chiefs of Staff Instruction 2120.01B (Acquisition and Cross Servicing Agreements, dated 20 September 2010). The combatant commands negotiate and conclude ACSAs and implementing arrangements per DOD Directive 5530.3 (International Agreements, dated 11 June 1987). In this capacity, the combatant commands are responsible for establishing policies and procedures governing the use of ACSAs for

which they are the executive agent and for managing the overall ACSA program within the AOR.

As the combatant commander in Southwest Asia, U.S. Central Command (CENTCOM) issued guidance related to ACSAs:

- CENTCOM Regulation 700-1 (Multi-National Logistics Support Between the United States and Governments of Countries Within the USCENTCOM Area of Responsibility, dated 19 April 2006) provides overview guidance of multinational logistics, implements DOD guidance, and establishes policy guidance for the acquisition and transfer of LSSS between the United States and eligible countries within CENTCOM's AOR.
- CENTCOM Memo (Acquisition Cross Servicing Agreement Pricing Guidance, dated 1 June 2007) states that service components establish costs in accordance with the reciprocal pricing principles established in the ACSA.
- CENTCOM Memo (Acquisition Cross Servicing Agreement Use and Procedures in the CENTCOM AOR, dated 13 October 2009) provides basic information to conduct ACSA transactions with coalition partners. The memo states that the CENTCOM CCJ4 is the AOR's program manager. CCJ4 Multi-National Logistics maintains all agreements, provides theater training, and writes policy and guidance governing the use of ACSAs. CENTCOM Form CC-35 (Standard Order/Receipt for Reimbursable International Support Transactions), referred to as transaction report, is used to document LSSS transactions.

The Secretary of the Army issued Army Directive 2012-12 (Interim Army Acquisition and Cross Servicing Agreements, Lift and Sustain, and Foreign Assistance Act Authorities, dated 30 April 2012), which implements the authorities and provides guidance to the Army service component commands. U.S. Army Central (ARCENT) is the service component command for CENTCOM.

The Defense Contract Management Agency (DCMA) provides contract administration and oversight for the LOGCAP IV contracts and contractors that provide support to forces within Afghanistan. DCMA-Afghanistan supports the LOGCAP Program Office-Afghanistan.

The Defense Finance and Accounting Service (DFAS) receives and processes the CC-35 transaction reports and bills the coalition nations. Guidance includes DOD 7000.14-R, Financial Management Regulation Volume 11A, Chapter 8, "International Acquisition and Cross-Servicing Agreements," dated July 2010; Sections 0803 (Accounting for Reimbursable Logistical Support, Supplies, and Services), 0804 (Acquisition and Cross-

Servicing Reports), 0805 (Other Requirements), and 0806 (Pricing Reimbursement Transactions).

## **Logistics Support, Services, and Supplies**

Title 10 U.S.C. Section 2350 establishes the definition of LSSS. Under ACSAs, the general categories of LSSS are:

Food
Petroleum, Oils, and Lubricants
Transportation
Port Services
Medical Services
Base Operations Support
Use of Facilities
Spare Parts/Components
Billeting
Storage Services
Communications Services
Ammunition
Training Services
Repair and Maintenance
Clothing

LSSS also includes the temporary use of general-purpose vehicles and other nonlethal items of military equipment, which are not designated as significant military equipment on the U.S. munitions list.

## **Logistics Civil Augmentation Program**

LOGCAP provides contingency support to U.S. Forces using private companies. LOGCAP may provide direct support/general support, field services, and other services as needed. The extent of LOGCAP support generally coincides with troop buildup and redeployment. Under the current LOGCAP contract, "LOGCAP IV," the Army awarded task orders to DynCorp and Fluor for logistics support in Afghanistan. DynCorp provides support to southern Afghanistan and Fluor provides support to northern Afghanistan. At the peak of logistics support, in 2011, LOGCAP contractors supported 133 bases: 65 bases in the south and 68 bases in the north. As of 3 April 2013, LOGCAP contractors supported 78 bases: 35 bases in the south and 43 bases in the north.

## NOTEWORTHY ACTIONS

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### Regional Command–Capital

Regional Command–Capital, Task Force Hydra, initiated effective actions to increase the accountability of LSSS provided to coalition partners within Regional Command–Capital, specifically, the Kabul Base Cluster. Task Force personnel:

- Developed a methodology to identify, allocate, and bill costs for LSSS provided to coalition partners. The comprehensive automated process was called the “CC-35 Calculator.” Task Force Hydra personnel also identified that cost allocation issues in Regional Command–Capital could be widespread and initiated the request for this audit.
- Coordinated with U.S. Forces–Afghanistan (USFOR-A) and LOGCAP managers concerning the contractor’s noncompliance with the performance work statement.

### Guidance

USFOR-A updated guidance related to LSSS. Specifically, USFOR-A developed USFOR-A J4 Multi-National Logistics Cell Policies on Support with Coalition Forces, 13 September 2012 (draft), which provides additional guidance on the ACSA program, the use of the ACSA Global Automated Tracking and Reporting System (AGATRS), and procedures to process invoices and payments. Further, it directs the ACSA coordinators to use the “CC-35 calculator,” as a way to improve the allocation of costs, and the accuracy and timeliness of CC-35 transaction reports. The cost allocation method generates monthly invoices for reimbursement by coalition forces.

## OTHER MATTERS

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The conditions for the allocation and reimbursement of costs discussed in this report have been a longstanding problem for the Army.

### Prior Audit Reports

In 2010–11, we conducted the audit of Bulk Fuel Accountability in Afghanistan–Phase II, Report A-2012-0146-MTE. The Deputy Commanding General–Support, USFOR-A



requested the audit of nine sites in regional commands south, southwest, and west. We reported that:

- Established policies, processes, and fuel accountability procedures were generally in place and working. However, the submission of proper reimbursement documentation for fuel issued to non-Army entities (coalition partners) wasn't processed in accordance with applicable guidance, and military and government personnel didn't maintain oversight during fuel downloads at contractor-operated fuel sites.
- The Army lost the opportunity for about \$30 million in financial reimbursements from coalition partners during FY 11. Additionally, we developed a conservative estimate of over \$89 million in financial reimbursements that the Army could realize during FYs 12-14 at the same fuel sites visited during our audit.

In 2010, we conducted audits on issuing ammunition to coalition partners, as requested by the Army Deputy Chief of Staff, G-3/5/7, and identified similar conditions. We performed the audit in two phases and issued the following reports with overall conclusions:

- Audit of Issuing Ammunition to Coalition Forces: Reporting Procedures, U.S. Army Central Command (Project Number: A-2010-ALR-0564.000), Report: A-2011-0197-ALS, dated 2 September 2011. We concluded that Army organizations weren't fully aware of transactions involving ARCENT issuing ammunition to coalition forces.
- Audit of Issuing Ammunition to Coalition Forces: Controls over Transactions, (Project Number: A-2010-ALR-0564.000), Report: A-2012-0002-ALS, dated 6 October 2011. We concluded that the Army didn't have sufficient controls in place over ammunition transactions to coalition partners.

## **Non-LOGCAP Contracted Support**

Besides LOGCAP contractors, other (non-LOGCAP) contractors also provide LSSS. We discuss aspects of the ACSA program and specifically address LOGCAP support in this report. However, the lessons learned from this audit should also be applied to non-LOGCAP contracted LSSS and costs. For the non-LOGCAP bases supported by either other contractors or military personnel, LSSS includes base support operations; food; dining facilities; laundry services; security; working dogs; building leases; power generation; water distribution; sewage and solid waste removal; morale, welfare, and recreation support; and facilities maintenance.

# COST SHARING

## OBJECTIVE

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To verify that sufficient agreements, processes, and procedures were in place to equitably allocate costs and recoup funds from coalition partners for shared logistics support, services, and supplies.

## CONCLUSION

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ACSAs were in place with coalition partners operating in the Combined Joint Operating Area–Afghanistan. However, management and oversight of the processes and procedures for managing ACSAs needed improvement to ensure costs were identified, equitably allocated, and reimbursed to the United States for shared LSSS.

Regional commands and ACSA coordinators frequently didn't prepare and/or properly process CENTCOM Form CC-35 (Standard Order/Receipt for Reimbursable International Support Transactions) transaction reports to identify and allocate costs to coalition partners. In addition, many of the CC-35 transaction reports that regional commands prepared weren't processed through ARCENT to DFAS to prepare a bill and seek reimbursement.

These conditions occurred because:

- The LOGCAP IV contractors didn't provide the detailed cost data required by the contract data requirements list, making it difficult for ACSA coordinators to identify and allocate costs to coalition partners.
- ACSA coordinators weren't provided sufficient training on the ACSA program and performed the function as an additional duty on a part-time basis.
- Regional commands didn't use the mandated AGATRS to prepare, process, and track CC-35 transactions.

As a result, USFOR-A and the Army paid for LSSS that should have been reimbursed by coalition partners. We estimated that about \$706.7 million (out of \$7.6 billion) of LSSS provided by the LOGCAP IV contractors – since the start of LOGCAP IV task orders 4 and 5 in July 2010 – could have been allocated to coalition partners. In

addition, 178 CC-35 transaction reports, valued at about \$27.2 million, weren't processed through to DFAS for reimbursement.

We estimate that USFOR-A has the opportunity to allocate about \$384.4 million to coalition partners in calendar years 2013 and 2014 by using the flat rate for subsistence and sustainment sanctioned by the Under Secretary of Defense (Comptroller).

Our recommendations to correct these conditions begin on Page 15.

## **DISCUSSION**

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In this section, we discuss five areas:

- Agreements.
- Preparing CC-35 transaction reports.
- Processing CC-35 transaction reports.
- Process enhancements.
- Impact

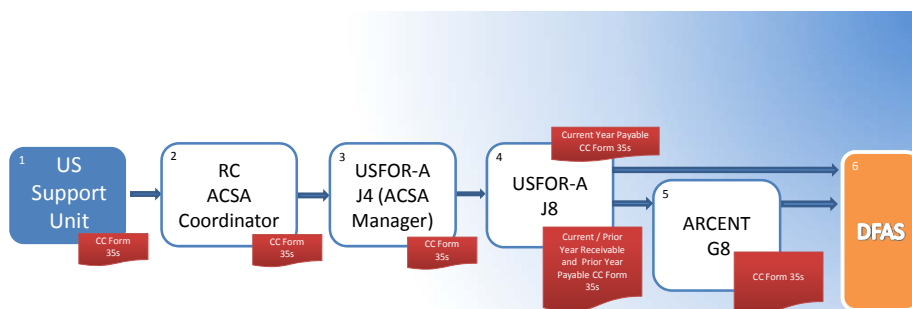
### **Agreements**

The Army was a party to acquisition and cross-servicing agreements to provide or receive LSSS in accordance with statutory requirements and DOD guidance. The agreements established procedures for the reciprocal provision of LSSS between armed forces of both countries. The agreements establish basic terms, conditions, and procedures to facilitate the reimbursement of LSSS.

Combatant commanders conclude formal agreements with countries within their AOR. Since the beginning of the Operation Enduring Freedom Campaign in 2001, the number of countries that have received or provided LSSS has varied. In October 2012, USFOR-A identified 24 countries with agreements with the United States to provide or receive LSSS. The designated countries deployed troops to support the International Security Assistance Force (ISAF)-led efforts in Afghanistan.

## Preparing CC-35 Transaction Reports

Regional command personnel and ACSA coordinators didn't identify, document, or report LSSS provided to coalition partners on CC-35 transaction reports. The following chart depicts the process and general responsibilities for preparing and processing the CC-35 transaction reports:



1. Prepares CC-35 transaction reports and forwards to regional command ACSA coordinator.
2. Prepares and/or reviews transactions, assigns the standard document number, maintains supporting documents, and submits to USFOR-A J4.
3. Validates and forwards transactions to USFOR-A J8 Reachback.
4. Reviews and forwards:
  - i. prior year payables, and current /prior year receivables to ARCENT.
  - ii. current year payables to DFAS.
5. Reviews transactions and forwards to DFAS.
6. Bill/pay coalition nation for cost of LSSS using CC-35 transaction reports.

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We reviewed CC-35 transaction reports received by DFAS for LSSS during the 27-month period (1 July 2010 through 30 September 2012) of LOGCAP IV. Our review showed that DFAS received 4,242 CC-35 transaction reports valued at about \$70.1 million.

Using a troop population ratio, we allocated the total LOGCAP IV costs of \$7.6 billion for the 27-month period. Based on our analysis of LOGCAP IV costs and coalition partners on LOGCAP-supported bases, we estimated that about \$706.7 million could have been equitably allocated to coalition partners and processed by DFAS for reimbursement.

Calculation of Coalition Portion of LOGCAP IV	
LOGCAP IV Total Costs	\$7,629,847,762.00
Percentage of Coalition Troops	14.12
Subtotal	\$1,077,334,504.00
Percentage Subject to an ACSA	72.1
Subtotal	\$776,758,177.00
Billed to Coalition by DFAS during LOGCAP IV	(\$70,100,728.00)
Unbilled to Coalition during LOGCAP IV	\$706,657,449.00

In addition, we found that CC-35 transaction reports were frequently not complete or accurate. Our review of 1,749 transaction reports obtained from the seven ACSA coordinators showed the following errors:

CC-35 Data Element	Accuracy	
	Missing or Incomplete	Percentage Noncompliance
Agreement Number	271	15
Implementing Number	985	56
Send Bill to	1,691	97
Send Payment to	1,570	90

## Processing CC-35 Transaction Reports

Transaction reports that command activities prepared were frequently not processed through the steps depicted in the process chart (page 9) and delivered to DFAS for final processing and reimbursement. We gathered and analyzed 1,749 CC-35 transaction reports from four regional commands and two task forces.

Our analysis showed that 178 of the 1,749 CC-35 transaction reports (valued at \$27.2 million) weren't recorded in the USFOR-A J4 CC-35 tracking system. In addition, DFAS hadn't received the CC-35 transaction reports to bill the coalition partners. We provided a list of CC-35 transaction report numbers to the USFOR-A staff. Key personnel planned to take action to ensure the CC-35 transaction reports are processed.

We show examples of the CC-35 transaction reports not received and processed by DFAS in the following table:

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CC-35 Transaction Reports Not Processed by DFAS

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Date	Document Number	Country	Description	Amount (in US dollars)
17 July 2012	A2FRCPTL199001	France	Meals, fuel, laundry, and life support	\$382,716.92
4 July 2010	A0KSEAST181004	Korea	Food	\$42,278.14
16 December 2010	A1FREAST183004	France	Food	\$152,865.29

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USFOR-A J4 needs to finalize the processing of the 178 CC-35 transaction reports, valued at \$27.2 million, to ensure reimbursement to the United States for services provided.

### Process Enhancements

Enhancements to the processes and procedures for managing ACSAs would help ensure coalition partners reimburse the United States for shared LSSS. Specifically, the conditions we discuss previously were primarily due to:

- Nonavailability of data needed to identify and allocate the costs of LSSS provided to coalition partners. While the LOGCAP IV contract required the contractors to provide the data, the DCMA didn't enforce provision 01.16 in the contract data requirements list.
- ACSA coordinators weren't provided training on the ACSA program and performed the function as an additional duty.
- USFOR-A and regional commands didn't use the mandated AGATRS to prepare, process, and track CC-35 transaction reports.

### Contractor-Provided Data

The LOGCAP IV contract data requirements list, 01.16 Acquisition Cross-Servicing Agreements, states:

The contractor shall track and maintain accountability for services provided to each national command element and/or coalition partner utilizing ACSAs. The contractor shall record and maintain ACSA cost data. The Contractor shall report cost data to the designated Government representative.

The availability of this data to the country level at each base would greatly enable the preparation of accurate and timely CC-35 transaction reports and serve as credible support for review by coalition partners. Such data would allow the ACSA coordinators to accurately identify and equitably allocate costs to properly bill coalition partners.

Our review showed that the contractors (Fluor and DynCorp) were not providing the data and that no government representatives were enforcing performance by the contractors. USFOR-A should coordinate with DCMA contract administrators to ensure that the contractors provide required data in compliance with provision 01.16 and take subsequent actions, as necessary, to obtain the information.

Our recommended corrective actions are in Recommendation 1.

## **Training**

USFOR-A needed to provide more robust and detailed training to the regional command ACSA coordinators and establish a dedicated workforce to manage and execute the ACSA program.

Chairman of the Joint Chiefs of Staff, Instruction 2120.01B (Acquisition and Cross-Servicing Agreements) mandates that personnel assigned responsibility for administering and implementing ACSAs shall have the requisite knowledge and experience to carry out ACSA transactions in accordance with the applicable law and DOD acquisition and financial management policy. According to the USFOR-A Fragmentary Order 10-15, dated 10 May 2010, USFOR-A coordinators will train ACSA points of contact so they can properly supervise the execution of the programs within their task forces or AOR. The USFOR-A coordinator should provide oversight and guidance to all ACSA points of contact to ensure proper execution of the programs. The USFOR-A Campaign Support Plan Coalition Support Annex states that the regional command senior U.S. commander shall train appointed sponsor-unit ACSA coordinators regarding responsibilities and processes.

We interviewed seven ACSA coordinators at six locations and only three coordinators had received training from USFOR-A ACSA personnel. Coordinators weren't aware of the ACSA program prior to their assignments and had little to no training. Each of the three coordinators stated they needed additional training to fully understand the program and processes. Areas cited as needing additional instruction included: completion of CC-35 transaction reports, cost allocation methods, and general overview of the ACSA program.

Further, our interviews with the regional command ACSA coordinators showed that on average they spent 18 percent of their duty time on ACSA responsibilities. Further, none of the coordinators had heard of AGATRS as the official system of record. Given the magnitude of funds expended supporting coalition partners and the complexity of the cost-sharing process, we believe dedicated, fully trained personnel would increase success of the ACSA cost-sharing program.

Our recommended actions to improve training and assignments are in Recommendations 2 and 3.

### **Automated Tracking**

USFOR-A personnel and ACSA coordinators didn't use AGATRS to prepare, manage, and track CC-35 transaction reports.

Joint Chiefs of Staff Instruction 2120.01 mandates AGATRS as the system of record for the Office of the Secretary of Defense, Joint Staff, combatant commands, and services to manage ACSA transactions for LSSS. AGATRS serves as the worldwide, automated solution supporting the Joint Staff (J4), combatant command, and Office of the Secretary of Defense to manage a cradle-to-grave tracking of ACSAs.

Our review at USFOR-A and four regional commands showed that USFOR-A personnel and ACSA coordinators weren't using AGATRS to manage the ACSA program. Use of the system would ensure that CC-35 transaction reports are visible to program managers and are processed timely. Further, using AGATRS would improve many of the conditions we discuss in previous sections.

Our recommended actions are in Recommendation 4.

### **Impact**

As a result of the conditions we previously discussed – costs not being allocated and/or billed to coalition partners – USFOR-A and the Army paid for LSSS that should have been reimbursed by coalition partners. We estimate that about \$706.7 million of LSSS provided by the LOGCAP IV contractors could have been allocated and billed to coalition partners. In addition, 178 transaction reports (valued at about \$27.2 million) weren't proceeded through ARCENT to DFAS for reimbursement from coalition partners.



Going forward, we believe that USFOR-A and the Army could seek reimbursement of about \$384.4 million from coalition partners in 2013 and 2014 by adopting use of the Under Secretary of Defense (Comptroller)-promulgated flat rate for sustainment and subsistence.

## Historical

For LOGCAP-supported bases, for the 27-month period (1 July 2010 through 30 September 2012), we applied the ratio of aggregate troop populations of the United States to coalition forces, to the LOGCAP IV costs of \$7.6 billion. As shown in the table on page 10, we believe a reasonable estimate of the LSSS costs that should have been billed to coalition countries is about \$706.7 million.

## Going Forward

We believe that USFOR-A has the opportunity to improve the ACSA program within Afghanistan and increase reimbursements from coalition partners.

We identified a flat rate used to reimburse DOD components for lift and sustain support provided to qualified coalition forces; the Office of the Under Secretary of Defense (Comptroller) published the rate in Guidance for Providing Lift and Sustain Support in Iraq and Afghanistan, dated 9 March 2010. The guidance discussed allowable support and provided a prevailing flat rate of \$3,004.54 per Soldier per month, broken out as \$1,957.57 sustainment and \$1,046.97 subsistence. We believe it would be appropriate to use this rate to allocate costs to coalition partners in Afghanistan.

Until USFOR-A develops a plan to improve processes to identify and equitably distribute shared costs, we believe that it is reasonable under the ACSA program, to apply the same rates for subsistence and sustainment to coalition forces that reside on LOGCAP-supported bases.

Based on our estimates of coalition troop populations residing on LOGCAP-supported bases in 2013 and 2014, and use of the flat rate for LSSS, we calculated that USFOR-A and ARCENT could seek reimbursement for about \$384.4 million from coalition partners for the calendar years 2013 and 2014 (FYs 13, 14, and 15).

USFOR-A should adopt the use of the Under Secretary of Defense (Comptroller)-promulgated flat rate for subsistence and sustainment as the standard methodology for allocating costs to coalition partners that receive LSSS until an alternate cost allocation method is developed.

Our recommended actions to improve methodologies to standardize and allocate costs are in Recommendations 5 and 6.

## **RECOMMENDATIONS AND COMMENTS**

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This section has specific recommendations and a summary of command comments for each recommendation. The official command position and verbatim command comments are in Annex D.

### **For the Deputy Commanding General–Support, US Forces–Afghanistan**

#### **Recommendation 1**

Coordinate with the Defense Contract Management Agency and seek enforcement of the Logistics Civil Augmentation Program IV contract data requirement list element 01.16, which requires the contractor to track and maintain accountability for services provided to each national command and/or coalition partner utilizing Acquisition and Cross-Servicing Agreements. Further, develop a process to ensure Acquisition and Cross-Servicing Agreement coordinators have access to the data.

#### **Command Comments**

USFOR-A agreed and stated that the improvement of cost sharing is a key USFOR-A J8 initiative. One method of supporting the cost-sharing initiative is to ensure the USFOR-A J4 has data that allows it to accurately bill coalition partners. In addition, the USFOR-A stated that the USFOR-A J4 coordinated with the LOGCAP liaison officer to direct both LOGCAP contractors (Fluor and DynCorp) to comply with contract requirements. Fluor and DynCorp began to provide the required information in August 2012 and December 2012, respectively.

#### **Agency Evaluation of Command Comments**

The actions taken by USFOR-A meet the intent of the recommendation. We consider the recommendation implemented.

## **Recommendation 2**

Develop a comprehensive training program for Acquisition and Cross-Servicing Agreement coordinators and other command personnel involved in managing the Acquisition and Cross-Servicing Agreement process. Have coordinators complete the training program before assuming the coordinator position. The training program should cover, at a minimum:

- Methodologies to allocate logistics support, services, and supplies costs.
- CC-35 transaction report layout and data requirements.
- Legal and regulatory basis of the Acquisition and Cross-Servicing Agreement program.
- Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.

### **Command Comments**

USFOR-A agreed and stated that its Coalition Support Cell and CENTCOM have taken steps to ensure ACSA coordinators receive both initial and continuing training. CENTCOM updated its ACSA Web site and in October 2012, the USFOR-A Coalition Support Cell hired civilian ACSA coordinators at part of the Coalition Support Teams for each of the six regional commands. The Coalition Support Cell:

- Held a 3-day training event for each newly hired ACSA coordinator.
- Provided training that includes ACSA authorities, roles and responsibilities, and processes and procedures for operational needs statements, CC-35 transaction reports, and battle loss/battle damaged equipment.
- Conducted periodic continuing education training, or “road shows,” and annual training with key personnel at each regional command.
- Added a new “New Sponsor” folder, which included ACSA guidelines, procedures, and good-to-know information on the USFOR-A SharePoint site.

### **Agency Evaluation of Command Comments**

The actions taken by USFOR-A meet the intent of the recommendation and we consider the recommendation implemented.

### **Recommendation 3**

Assign a number of Acquisition and Cross-Servicing Agreement coordinators to regional commands commensurate with the workload and magnitude of potential reimbursements. To the maximum extent practicable, limit additional duties of Acquisition and Cross-Servicing Agreement coordinators.

#### **Command Comments**

USFOR-A agreed with the recommendation and stated it requested and received authorization to hire DOD civilians for the newly established ACSA coordinator positions as part of the coalition support teams at each of the six regional commands; USFOR-A hired six dedicated ACSA coordinators in October 2012. USFOR-A reports that since hiring, training, and putting the ACSA coordinators in place, it has identified, allocated, and sought reimbursement for \$43 million for LSSS.

#### **Agency Evaluation of Command Comments**

The actions taken by USFOR-A meet the intent of the recommendation and we consider the recommendation implemented.

### **Recommendation 4**

Require Acquisition and Cross-Servicing Agreement coordinators and key Acquisition and Cross-Servicing Agreement managers to use the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System to prepare, manage, and track CC-35 transaction reports.

#### **Command Comments**

USFOR-A agreed with the recommendation and stated it supports the initiative to create a link between AGATRS and DFAS. The long-term goal is to incorporate the ACSA process into the General Fund Enterprise Business System as a separate module. Such integration would satisfy the Army's goal of consolidating financial systems.

USFOR-A attempted, in October 2012, to provide training in preparation for the use of AGATRS but encountered several challenges:

- The AGATRS Direct Connection Online training session was insufficient to provide the necessary training and skills to use the program.

- With the support of CENTCOM in December 2012, an AGATRS specialist deployed to Afghanistan to provide training; however, the trainer didn't have the required security clearance to access the DOD network.
- USFOR-A J8 personnel at Task Force Reachback (located in Qatar) were not AGATRS trained.

In the interim, CENTCOM directed the USFOR-A Coalition Support Cell to continue using Access databases to process CC-35 transaction reports. CENTCOM will consider the way ahead for the use of AGATRS in Afghanistan.

### **Agency Evaluation of Command Comments**

We agree the utility of using AGATRS in Afghanistan is time-sensitive. USFOR-A's attempts to use AGATRS meet the intent of the recommendation. While the use of AGATRS is certainly the long-term solution to efficiently manage ACSAs (and continues to be assessed by CENTCOM) the accelerated drawdown in Afghanistan does not allow time to work out systemic and process challenges. In the interim, we agree use of the Access database as a tool to process and manage requests for reimbursement is the second best option. We believe CENTCOM should continue to work out the issues and design a way forward to institutionalize the use of AGATRS. For the purposes of using AGATRS in Afghanistan, we consider the recommendation implemented.

### **Recommendation 5**

Use the Under Secretary of Defense (Comptroller) flat rate for subsistence and sustainment to allocate shared logistics support, services, and supplies costs and bill coalition partners until Recommendation 1 is implemented and used to distribute costs to coalition partners.

### **Command Comments**

USFOR-A agreed with the recommendation and stated that its estimate of life support costs is about \$4,014 per person, versus the DOD flat rate of about \$3,005; therefore it projects collecting more than the \$384.4 million that we estimated could be recouped in calendar years 2013 and 2014. The estimated implementation date for use of the flat rate is 30 September 2013 (provided via e-mail communication on 28 May 2013).

## **Recommendation 6**

Complete the processing of the 178 CC-35 transaction reports prepared by regional commands (valued at about \$27.2 million) but not received by Defense Finance and Accounting Service.

### **Command Comments**

USFOR-A agreed with the recommendation and generally agreed with the potential monetary benefits. The Coalition Support Cell provided a copy of the list of 178 CC-35 transaction reports to the regional command ACSA coordinators, USFOR-A Task Force Reachback, and DFAS. The Coalition Support Cell asked Task Force Reachback and DFAS Rome to review the CC-35 transaction reports, determine the status of each one, and process each one, if possible. Command personnel stated that it might not be possible to process all of the 178 transaction reports, as the data may no longer exist to accurately complete and process the transaction reports; or document numbers may not correspond to actual CC-35 transaction reports.

The USFOR-A J8 and J4 Coalition Support Cell meet weekly to discuss the progress and challenges with the 178 outstanding CC-35 transaction reports. A tracking system has been implemented to maintain the status of each open CC-35 transaction report. Each CC-35 transaction report with appropriate documentation and signatures will be processed and those that lack signatures or supporting documentation will not be processed. The potential monetary benefits of \$27.2 million may be reduced by the CC-35 transaction reports that cannot be processed.

The goal is to process all supportable CC-35 transaction reports and note the root causes for the incomplete reports. Through discussion, the previous root causes were due to lack of oversight, which has since been corrected with the implementation of the ACSA coordinators at regional commands.

Command estimated it would determine the appropriate disposition decision for each of the 178 transactions by 15 May 2013.

### **Agency Evaluation of Command Comments**

USFOR-A initiated actions to process the 178 CC-35 transaction reports. Command implemented a tracking system to determine the status of each open CC-35 transaction report. Such a tracking system is a good procedure and control to ensure that the 178 are tracked and resolved.

The 178 CC-35 transaction reports are broken out by year in the following table.

Year	Number of CC-35 Transaction Reports
2009	1
2010	29
2011	58
2012	90
Total	178

We provided copies of the CC-35 transaction reports to responsible USFOR-A personnel. Some of the document numbers may be in error, but not unrecoverable. For example, a character may be missing for the fiscal year or country. However, the error can be determined and corrected by reviewing the rest of the transaction report, such as the signature block to determine command and country.

We believe that the 178 CC-35 transaction reports going back to 2009 should be processed and that our estimate of potential reimbursement of \$27.2 million remains reasonable.

#### **Additional Comments Provided by Command**

Besides establishing the ACSA Working Group and developing cost allocation methods, USFOR-A J8 plans to add the ACSA program and reimbursement to the USFOR-A Management Internal Control Program. The ACSA functional area will be assessed throughout the year and if considered a material weakness, be included in the USFOR-A commander's annual assurance statement. Finally, the USFOR-A J8 will rewrite the ACSA section in the Money-as-a-Weapons System-Afghanistan (MAAWS-A) guidance to be published in early 2014. The revision will include the process for billing coalition partners, clarification on payment-in-kind and equal value exchanges for expired fiscal years, and the process to request services through an established ACAS. USFOR-A J8 and J4 will continue to work together to consolidate guidance and release fragmentary orders (FRAGOs) related to the ACSA program for Afghanistan.

#### **Official Command Position**

The comments provided by USFOR-A represent the official command position.

## A – GENERAL AUDIT INFORMATION

### SCOPE AND METHODOLOGY

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We conducted the audit under project A-2012-MTE-0377.000. The audit included the ACSAs, processes, and transactions throughout the Combined Joint Operations Area–Afghanistan.

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 finding and conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

During the audit, we visited various commands and sites throughout Afghanistan and selected commands in Kuwait and in CONUS. (See Annex B.)

We relied on computer-processed data to identify agreements with coalition partners in Afghanistan. We also used CC-35 transaction reports from local computers at the regional commands and the U.S. Forces–Afghanistan SharePoint, which had transactions that were uploaded and processed. We tested the information’s completeness and consistency by examining the existence and composition of the recorded transactions. We performed a limited test of the information’s accuracy by comparing source documents to those values recorded on the CC-35 transaction reports. We concluded the information, when available, was sufficiently accurate and reliable for the purposes we used it.

The audit covered transactions representing operations current at the time of the audit. To answer our objective, we:

- Obtained a listing of coalition partners from USFOR-A to identify countries receiving or providing logistics support, services, and supplies (LSSS).
- Reviewed [www.intelink.gov](http://www.intelink.gov) to determine countries with formal agreements documenting that they’re eligible to receive U.S. Forces support.
- Reviewed applicable laws, directives, policies, and standing operating procedures from various commands.
- Interviewed key personnel involved in preparing and processing of CC-35 transaction reports.



- Evaluated reimbursement processes and procedures for CC-35 transaction reports and determined if CC-35 transaction reports maintained at the regional command level were properly processed.
- Analyzed various methodologies to allocate costs for LSSS provided to coalition partners in Afghanistan.
- Evaluated CC-35 transaction reports for completeness, accuracy, and consistency.
- Evaluated ACSA training material from CENTCOM and USFOR-A, USFOR-A “road shows,” and the USFOR-A Web site provided to ACSA coordinators.
- Reviewed applicable guidance for AGATRS training, types of transactions, personnel actions, and required usage.
- Interviewed ACSA managers/coordinators and key personnel at USFOR-A, and selected regional commands about their usage of AGATRS and training received.
- Interviewed the Program Manager, AGATRS.
- Accessed and assessed selected aspects of AGATRS.

## RESPONSIBILITIES

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The International Security Assistance Force mission, led by NATO, in Afghanistan is to support the Government of the Islamic Republic of Afghanistan. Specifically, ISAF:

- Conducts operations in Afghanistan to reduce the capability and will of the insurgency.
- Supports the growth in capacity and capability of the Afghan National Security Forces.
- Facilitates improvements in governance and socio-economic development to provide a secure environment for sustainable stability that is observable to the population.

ISAF subordinate commands include ISAF Joint Command (IJC) and its six regional commands (capital, north, south, southwest, east, and west), and NATO Training Mission–Afghanistan Combined Security Transition Command–Afghanistan.

The Chairman of the Joint Chiefs of Staff:

- Negotiates and concludes cross-servicing agreements when authorized by the Office of the Secretary of Defense.

- Delegates to the combatant commanders or other lead agents the authority to negotiate and conclude cross-servicing agreements
- Approves ACSAs and implementing agreements that provide for the transfer or use of specific subcategories of military communications, equipment, systems, procedures, and other support. A complete list of such items and services is contained in references.
- Provides ACSA implementation guidance to the combatant commands.

The Joint Staff, combatant commands, and their service component or sub-unified commands (supported by the Military Departments) will each develop and maintain appropriate training programs for all personnel involved in developing or executing cross-servicing agreements or using acquisition-only authority. This applies to DOD personnel designated specifically as ACSA focal points in cross-servicing agreements and to personnel providing legal, contracting, logistics, or financial management support to ACSA transactions.

U.S. Central Command provides policy and command-level multinational logistics guidance and direction. It has the primary responsibility for coordinating multinational logistics requirements and issues with the Joint Staff, DOD, subordinate component commands, other coalition nations, and host nations within its AOR. It establishes policy guidance and area responsibility for the acquisition and transfer of logistics support, supplies, and services between the United States and eligible countries or organizations within its AOR.

As a combatant command, CENTCOM is responsible for providing guidance on the permitted type and volume of ACSA transactions to service components or sub-unified commands; developing and maintaining training programs for all combatant command personnel involved in managing or executing cross-servicing agreements; ensuring training program uniformity (including AGATRS) among the service components and sub-unified commands; and maintaining and updating the AGATRS database with all ACSA transactions and documentation. CENTCOM J-4 is the AOR's ACSA program manager. Its multinational logistics division maintains all ACSA agreements or access to them, provides in-theater training, writes policy governing the use of the ACSA, and provides guidance on implementing the use of these agreements.

U.S. Army Central is the Army service component command within the CENTCOM theater of operations and has Title 10 responsibility for logistics supplies and services provided to coalition nations. ARCENT is responsible for complying with CENTCOM policy and guidance while providing logistical support and services to coalition forces, component commands, and ACSA member countries. ARCENT coordinates multinational logistics support requirements for other coalition nations and host nations within the CENTCOM AOR. ARCENT is responsible for ensuring proper reimbursement or payment for all services provided to coalition forces.

Additionally, ARCENT is responsible for acquiring and transferring LSSS under acquisition-only or cross-servicing authority (in accordance with applicable guidance); determining the source and value of reimbursement for LSSS; and developing, maintaining, and providing reports from financial and program records of all ACSA transactions to support ACSA reporting requirements. Further ARCENT is responsible for developing and maintaining component-specific training programs for all command personnel managing or executing cross-servicing agreements or using acquisition-only authority. ARCENT maintains and updates the AGATRS database with all ACSA transactions and documentation. ARCENT is responsible for any ACSA matters within its respective command and will appoint an ACSA manager to:

- Implement ACSAs in accordance with Army Service Component Command and DOD guidance.
- Ensure compliance with applicable directives and instructions.
- Delegate, when appropriate, ACSA transaction authority to subordinate units, within the parameters of applicable implementing arrangements.
- Provide guidance to the field.
- Provide ACSA awareness training to staff and functional area managers.
- Provide ACSA training and related materials to subordinate ACSA managers, as required.

U.S. Forces–Afghanistan (USFOR-A) has Title 10 authority over U.S. Forces in Afghanistan. USFOR-A provides program oversight for U.S. Forces and supports units in the Combined Joint Operation Area–Afghanistan. USFOR-A is responsible for multinational logistics, which includes the ACSA program. USFOR-A supports the planning and policy, operations, and finance aspects of multinational logistics. USFOR-A provides LSSS training to ACSA coordinators and other key personnel at the regional commands within Afghanistan; and reviews, processes, and forwards CC-35 transaction reports to ARCENT or DFAS for processing. U.S. Forces–Afghanistan provides program oversight for U.S. Forces and supports units in the Combined Joint Operations Area–Afghanistan; provides LSSS training for ACSA coordinators in Afghanistan; and reviews, processes, and forwards CC-35 transaction reports to ARCENT or DFAS.

The U.S. Army Deputy Chief of Staff, G-4 is the office of primary responsibility for Army ACSA matters. The G-4 has an appointed ACSA manager, which will act as the single focal point for Army guidance and resolve disputes regarding its implementation; chair the Army ACSA Working Group, and discuss and resolve cross-functional issues (supply, maintenance, financial, legal, etc.), as required.

The Defense Contract Management Agency is the DOD component that works directly with defense suppliers to help ensure that DOD, Federal, and allied government supplies and services are delivered on time, and at projected cost. DCMA has the delegated contract administration responsibility for the LOGCAP contracts in Afghanistan. After contract award, DCMA monitors contract performance and management systems to ensure that cost, product performance, and delivery schedules comply with the terms and conditions of the contracts. DCMA-Afghanistan supports the LOGCAP Program Office-Afghanistan and the LOGCAP Program Office at Rock Island.

Defense Finance and Accounting Service provides centralized accounting and billing support for most ACSA transactions. DFAS collects and consolidates data and information related to the status of billings for all reimbursable (cash) ACSA transactions as part of the monthly status of contingency operations report provided to all DOD components. In addition, DFAS pursues timely collection of ACSA invoices owed to the U.S. Government and facilitates timely payments of ACSA invoices owed to foreign countries or international organizations.

## ACKNOWLEDGMENTS

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These personnel contributed to the report: Robert Dodson (Audit Manager); James Setlock (Auditor-in-Charge); Don Kinsey, John Johnson, Joshua Niblack, and Graham Somerset (Auditors); and Catherine Raymond (Editor).

## DISTRIBUTION

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We will send copies of the final report to the:

Under Secretary of Defense (Comptroller)  
 Assistant Secretary of the Army (Acquisition, Logistics and Technology)  
 Assistant Secretary of the Army (Financial Management and Comptroller)  
 Deputy Chief of Staff, G-4  
 Deputy Chief of Staff, G-8  
 Director, Army Budget Office  
 Commander, International Security Assistance Force  
 Commander, U.S. Central Command  
 Commanding General, U.S. Army Central  
 Commanding General, U.S. Forces-Afghanistan  
 Commanding General, U.S. Army Sustainment Command  
 Commanding General, U.S. Army Materiel Command

Commander, U.S. Army Contracting Command  
Director, Defense Contract Management Agency  
Director, Defense Finance and Accounting Service  
Director, Defense Logistics Agency

We will also make copies available to others upon request.

## B – ACTIVITIES INCLUDED IN THE AUDIT

### Office of the Under Secretary of Defense (Comptroller)

#### Headquarters, DA

Assistant Secretary of the Army (Acquisition, Logistics and Technology)  
 Assistant Secretary of the Army (Financial Management and Comptroller)  
 Army Budget Office  
 Army Deputy Chief of Staff, G-4

### Commander, International Security Assistance Force

#### ISAF Joint Command

##### Regional Commands

##### Capital

648th Maneuver Enhanced Brigade (Task Force Hydra)-Kabul Base Cluster  
 136th Maneuver Enhanced Brigade (Task Force Centurion)-Kabul Base Cluster

##### East

##### North

37th Infantry Brigade Combat Team

##### Southwest

### NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan

#### U.S. Central Command

##### Headquarters

##### Joint Theater Support Contracting Command

##### Senior Contracting Official-Afghanistan

Regional Contracting Center-Bagram (East)  
 Regional Contracting Center-Marmal (North)  
 Regional Contracting Center-Phoenix (Capital)  
 Regional Contracting Center-Southwest (Southwest)

#### U.S. Army Materiel Command

#### U.S. Army Contracting Command

#### U.S. Army Sustainment Command

U.S. Army Central Command  
Headquarters, South Carolina  
Forward, Kuwait

U.S. Forces–Afghanistan  
Headquarters, Kabul  
Kabul Base Cluster  
Detachment - East  
Detachment - North  
Detachment - Southwest

Task Force Medical–Afghanistan  
Headquarters, Bagram  
Task Force Med - East

Defense Contract Management Agency–Afghanistan

Defense Finance and Accounting Service  
Rome, New York

Defense Logistics Agency  
Program Manager, Acquisition and Cross-Servicing Agreement (ACSA) Global Automated  
Tracking and Reporting System (AGATRS)

## C – ABBREVIATIONS USED IN THIS REPORT

ACSA	Acquisition and Cross-Servicing Agreement
AGATRS	ACSA Global Automated Tracking and Reporting System
AOR	Area of Responsibility
ARCENT	U.S. Army Central
CENTCOM	U.S. Central Command
DCMA	Defense Contract Management Agency
DFAS	Defense Finance and Accounting Service
ISAF	International Security Assistance Force
LSSS	Logistics Support, Services, and Supplies
LOGCAP	Logistics Civil Augmentation Program
NATO	North Atlantic Treaty Organization
USFOR-A	U.S. Forces–Afghanistan



## D – OFFICIAL ARMY POSITION AND VERBATIM COMMENTS BY COMMAND



REPLY TO  
ATTENTION OF

**HEADQUARTERS**  
**UNITED STATES FORCES-AFGHANISTAN**  
**KABUL, AFGHANISTAN**  
**APO AE 09356**

USFOR-A J8  
2013

13 May

MEMORANDUM FOR USFOR-A IG

SUBJECT: Response to AAA, Draft Report - "Cost Sharing: Logistics Support, Services, and Supplies"

1. PURPOSE: To provide J8's responses and recommendations to the 6 recommendations listed in the AAA Cost Sharing Report

2. Recommendations

a. Recommendation 1: Coordinate with the Defense Contract Management Agency and seek enforcement of the LOGCAP IV contract data requirement list element 01.16, which requires the contractor to track and maintain accountability for services provided to each national command and/or coalition partner utilizing ACSAs. Further, develop a process to ensure ACSA coordinators have access to the data.

(1) Response: Concur

(a) Improving the cost sharing for support services is a key USFOR-A J8 initiative. One method of supporting the cost sharing initiatives is to provide the J4 Coalition Support Cell with data that allows them to accurately bill our coalition partners. J8 concurs that DCMA should coordinate with LOGCAP IV contractors to ensure that accountability for services provided is enforced. This will contribute to accurate billing. The other portion of billing is the services and amount to bill. Through the J8's internal review, the method for capturing service costs for LOGCAP contracts is functioning properly. An internal weakness we have identified is the absence of a process to aid in the billing for service contracts that do not fall under LOGCAP. A weekly working group has been established to synergize these efforts. To date, a process to aid the J4 Coalition Support Cell bill for non-LOGCAP service contracts is being developed.

b. Recommendation 2: Develop a comprehensive training program for ACSA coordinators and other command personnel involved in managing the ACSA process. Have coordinators complete the training program before assuming the coordinator position.

(1) Response: Concur

USFOR-A J8

SUBJECT: Continuation of a Memorandum

(a) In addition to the training the J4 is creating for all ACSA coordinators, J8 and C-JTSCC is developing a training course for coordinators to receive training on fiscal law, contracting, and MAAWS-A policies that affect ACSA transactions.

c. Recommendation 3: Assign a number of ACSA coordinators to regional commands commensurate with the workload and magnitude of potential reimbursements. To the maximum extent practicable, limit additional duties of ACSA coordinators.

(1) Response: Concur

(a) To date, J4 has established a J4 Coalition Support Cell at each region. The regional ACSA coordinators interface with J8 to process transactions and request support. These regional coordinators are also invited to the weekly USFOR-A ACSA working group.

d. Recommendation 4: Require ACSA coordinators and key ACSA managers to use the ACSA Global Automated Tracking and Reporting System to prepare, manage, and track CC-35 transaction reports.

(1) Response: Concur

(a) J8 concurs with the recommendation to use AGATRS and supports the initiative to create a link between AGATRS and DFAS. The long term goal is for the ACSA process to be incorporated in GFEBS as a separate module. This will fall in line with the Army's goals of consolidating the financial systems.

e. Recommendation 5: Use the Under Secretary of Defense (Comptroller) flat rate for subsistence and sustainment to allocate shared LSSS costs and bill coalition partners until Recommendation 1 is implemented and used to distribute costs to coalition partners

(1) Response: Partially Concur

(a) The Under Secretary of Defense (Comptroller) flat rate for subsistence and sustainment in 2010 was \$3,004.54. Applying the Joint Inflation calculator for OMA, weighted index, and base year of 2010, the 2013 rate is equivalent to \$3,233.79. The USFOR-A basic life support cost estimate as of 22 April 2013 is \$4,014.17. USFOR-A can use the USD flat rate when applicable; otherwise, the USFOR-A rate will be used in the absence of actual cost data. Assuming the other variables stay constant, USFOR-A J8 projects that the USFOR-A rate holds the potential of collecting more than the \$384.4 million potential monetary benefit from the USD Comptroller flat rate. As mentioned earlier, rates will be used in absence of actual cost data since the majority of our coalition partners require the actual expenditures that USFOR-A incurred before they will sign and approve a CC-35.

f. Recommendation 6: Complete the processing of the 178 CC-35 transaction reports prepared by regional commands (valued at about \$27.2 million) but not received by DFAS.

USFOR-A J8  
SUBJECT: Continuation of a Memorandum

(1) Response: Concur

(a) J8 and the J4 Coalition Support Cell have been meeting weekly to discuss the progress and challenges with the 178 open transactions. A tracking system has been implemented to maintain the status of each open item, and the CC35s with the appropriate documentation and signatures will be processed. A challenge that remains is that some of the open transactions lack the appropriate signatures and/or documentation for processing. This will affect the amount that can be collected from the 178 CC-35 transactions valued at \$27.2 million. A reconciliation of the 178 transactions is showing that a percentage cannot be processed due to lack of signatures and back up documentation. A final figure will be available once the reconciliation is completed. The goal is to process all supportable transactions and note the root cause for the incomplete transactions. Through discussion, the previous roots causes were due to lack of oversight, which has since been corrected with the implementation of the regional ACSA coordinators.

g. Potential Monetary Benefits: The Cost Sharing Report estimates \$706.7 million could have been equitably allocated to coalition partners and processed by DFAS for reimbursement

(1) Response: Partially Concur

(a) In fiscal years 10, 11, and 12 USFOR-A executed \$9.3 billion in LOGCAP contracts. USFOR-A is projected to execute \$2.6 billion in LOGCAP for FY13. J8 concurs that the ACSA program has a significant potential to allocate costs to coalition partners, but J8 partially concurs with the \$706.7 million estimate since the methodology use the percentage of coalition troops and the percent that is covered with an ACSA to determine the unbilled amount. A majority of coalition forces reside on NATO bases where the base support is run by NSPA (not funded by Title X OMA). USFOR-A J8 and J4 are currently conducting an analysis through all LOGCAP and non LOGCAP funded services and orders to determine the exact amount of potential costs that can be allocated to our coalition partners.

3. Some of USFOR-A J8's key contributions in support of the coalition cost sharing initiative are the stand-up of the weekly ACSA working group and the current development of the service contract cost report. Both initiatives have provided instant results with increased collaboration.

4. For future improvements, USFOR-A J8 will add ACSA reimbursements to the MICP checklist and under the Execution Assessable Unit Manager. Finally, the ACSA section in the MAAWS-A will be rewritten to be included in the 2014 publication. The rewrite will include the process for billing our coalition partners, clarification on payment-in-kind and equal value exchanges for expired fiscal years, and requesting services through an established ACSA. J8 will coordinate with J4 for all consolidated guidance and FRAGO releases.

USFOR-A J8  
SUBJECT: Continuation of a Memorandum

5. POINT OF CONTACT: Further information regarding this memorandum may be forward to Capt Michael E. Chua, Chief Strategic Plans, via DSN: 318-449-4547 or email to [Michael.e.chua@afghan.swa.army.mil](mailto:Michael.e.chua@afghan.swa.army.mil).



ARJE McSHERRY  
COL, GS  
Director, J8  
United States Forces-Afghanistan

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HEADQUARTERS  
NATIONAL SUPPORT ELEMENT-AFGHANISTAN  
KABUL, AFGHANISTAN  
APO AE 09356

NSF-A J4

09 May 2013

MEMORANDUM FOR U.S. Army Audit Agency, Office of the Deputy Auditor General,  
Acquisition and Logistics Audits, 3101 Park Center Drive, Alexandria, VA 22302-1596

SUBJECT: AAA Draft Report – Audit of Acquisition and Cross Servicing Agreements-  
Afghanistan (Project A-2012-MTE-0377.00)

1. The U.S. Army Audit Agency conducted an AAA Audit of the Acquisition and Cross Servicing Agreements (ACSA) - Afghanistan (Project A-2012-MTE-0377.00). Detailed Audit results were provided to USFOR-A/NSE-A J4 with recommendations that address the causes of several findings in paragraph 6 of the report.
2. USFOR-A/NSF-A J4 has reviewed and agrees to the reported conclusions and recommendations from the AAA Audit of the Acquisition and Cross Servicing Agreements (ACSA) - Afghanistan (Project A-2012-MTE-0377.00)
3. Enclosed are responses to recommendations 1-6 addressed in the subject report.

Encl  
Recommendation Responses



CHERI A. PROVANCHA  
Colonel, GS  
Director of Logistics, J4  
Joint Operational Corps Headquarters

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Enclosure 1 to  
USFOR-NSE-A J4  
SUBJECT: AAA Draft Report – Audit of Acquisition and Cross Servicing Agreements-  
Afghanistan (Project A-2012-MTE-0377.00)

9 May 2013

**USAAA Recommendation 1**

Coordinate with the Defense Contract Management Agency and seek enforcement of the LOGCAP IV contract data requirement list element 01.16, which requires the contractor to track and maintain accountability for services provided to each national command and/or coalition partner utilizing ACSAs\*. Further, develop a process to ensure ACSA coordinators have access to the data.

**RESPONSE:**

In July 2012, the Coalition Support Cell conducted numerous meetings and VTCs with Mr. Michael Ridgway (LOGCAP PMO LNO to USFOR-A) to coordinate a solution to this issue. Mr. Ridgway directed both FLUOR and DYNCORP to provide the required data. FLUOR started providing the contract required information in August 2012 while DYNCORP started the data flow in December 2012. Currently FLUOR and DYNCORP provide data on 33 shared cost expenses to Mr. Ridgway who then shares this information with the Coalition Support Cell. The Coalition Support Cell then reviews the data and forwards the information to the Regional Command ACSA coordinators to ensure the costs are correctly dispersed to the countries that benefitted from the supplied services. Attachment 1 contains FLUOR's 01-31 Mar 13 report.

In addition, the Coalition Support Cell is working with USFOR-A/J8 Resource Management, Captain Michael Chua, to capture, record, and report non-LOGCAP contact cost and work orders. USFOR-A/J8 started to work on this product in April 13 and the expected completion data is Jul 13.

**USAAA Recommendation 2**

Develop a comprehensive training program for ACSA coordinators and other command personnel involved in managing the ACSA process. Have coordinators complete the training

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 USFOR-NSE-A J4 9 May 2013  
 SUBJECT: AAA Draft Report – Audit of Acquisition and Cross Servicing Agreements-  
 Afghanistan (Project A-2012-MTE-0377.00)

program before assuming the coordinator position. The training program should cover, at a minimum:

- Methodologies to allocate L55S costs.
- CC-35 transaction report layout and data requirements.
- Legal and regulatory basis of the ACSA program.
- ACSA Global Automated Tracking and Reporting System.

**RESPONSE:**

The Coalition Support Cell and CENTCOM have taken many steps to ensure the ACSA coordinators receive both initial and continuing training on ACSA. CENTCOM updated their ACSA web link; [https://www.intelink.gov/wiki/Acquisition\\_and\\_Cross-Servicing\\_Agreements\\_%28ACSA%29](https://www.intelink.gov/wiki/Acquisition_and_Cross-Servicing_Agreements_%28ACSA%29) to include information on ACSA guidelines, procedures, and processes. This website is available 24/7 to all ACSA coordinators and individuals hired to be ACSA coordinators.

In order to better serve the ACSA program and ensure personnel are fully trained prior to assuming the ACSA coordinators duties, the Coalition Support Cell received authorization to hire civilian ACSA coordinators. The Coalition Support Cell hired 6 DoD Civilians in Oct 12 to man the Regional Command (RC) ACSA coordinator positions. Currently, each RC has 1 civilian ACSA coordinator assigned to it and ACSA is their primary duty. Prior to assuming their duties in a RC, an ACSA coordinator is required to attend a 3 day training event provided by the Coalition Support Cell at NKAlA. Training topics covered include ACSA authorities, categories of support authorized, 1202 authorities, roles and responsibilities of the offices and individuals involved in the ACSA program, and the processes and procedures for Coalition Operational Needs Statements (CONS), CENTCOM FORM 35 (CC35s), battle loss/battle damaged equipment, and munitions requests.

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The Coalition Support Cell also conducts annual Continuing Education Training (CET) events with each RC ACSA coordinator, their supervisors, and the unit sponsors. The Coalition

Support Cell travels to each RC and conducts these CETs or “Road Shows” and provides annual training on:

- Primary Authorities & Guidance for Coalition Support
- Lift and Sustain
- Command and Control
- Sponsor Responsibilities
- ACSA/1202
- CONS Request and Documenting Support
- Battle Damage/Battle Loss
- Retrograde Challenges
- Way Ahead
- Practical Application

Currently, the Coalition Support Cell conducted annual CET events in RC-SW, RC-S, and RC-C. The Coalition Support will conduct RC-E's, RC-W's and RC-N's annual CET events in the summer of 2013. Finally, the Coalition Support Cell continues to make adjustments to our processes. The newest adjustment includes a link to the USFOR-A SharePoint site as part of our Multi-National Logistics personnel's' email signature blocks.

SIPR:<http://portal.usfora.oneteam.centcom.smil.mil/sites/j5site/CoalitionSupport/Shared%20Documents/Forms/Standard.aspx?RootFolder=%2fsites%2fj5site%2fCoalitionSupport%2>

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Enclosure 1 to

USFOR-NSE-A J4

9 May 2013

SUBJECT: AAA Draft Report – Audit of Acquisition and Cross Servicing Agreements-Afghanistan (Project A-2012-MTE-0377.00)

fShared%20Documents%2fNew%20Person%20%2d%20References%20%2d%20Presentations%20%2d%20T  
raining&FolderCTID=&View=%7b0811EDCF%2d76A2%2d4A98%2dAF81%2d840BFCEB9CC0%7d

The SharePoint sites contains much information on the Coalition Support Program including a newly generated a “New Sponsor” folder which includes ACSA guidelines, procedures, and good-to-know information.

**USAAA Recommendation 3**

Assign a number of ACSA coordinators to regional commands commensurate with the workload and magnitude of potential reimbursements. To the maximum extent practicable, limit additional duties of ACSA coordinators.

**RESPONSE:**

The Coalition Support Cell received authorization to hire 6 DoD civilians to fill the role of RC ACSA coordinators. Each RC now has a dedicated ACSA coordinator whose primary duty is ACSA and they have limited or no additional duties. Since hired, the 6 ACSA coordinators have more than paid for themselves. Prior to the DoD civilian assuming the ACSA coordinator duties, the ACSA program collected approximately \$5M in reimbursable expenses for Sep 12. The 6 ACSA coordinators assumed their duties during the first quarter of FY13 and were able to amass approximately \$20M in reimbursement for the first quarter of FY13. As the ACSA coordinators continued to refine their processes and make the personal relationships with the Coalition Partners, the amount of reimbursable expenses collected has continued to increase. The ACSA coordinators collected approximately \$23M in reimbursement expenses in Mar 13 alone.

**USAAA Recommendation 4**

Require ACSA coordinators and key ACSA managers to use the ACSA Global Automated Tracking and Reporting System (AGATRs) to prepare, manage, and track CC-35 transaction reports.

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**RESPONSE:**

The Coalition Support Cell attempted to implement this program in Oct 12 and ran into many hurdles with it. An AGATRs Direct Connection Online (DCO) training session failed to provide the necessary training and skills required to use the program. Soon after the failed DCO training session, the Coalition Support Cell coordinated with CENTCOM to have an AGATRS trainer come to Afghanistan to provide the necessary training. The AGATRS specialist arrived in theater on or about Dec 12, but did not have a SECRET clearance which delayed the training since the individual was not able to access any of the DoD networks. When the specialist was able to access the DoD systems to use AGATRs, the data he inputted was useless as TF REACHBACK (located in Qatar) was not trained in AGATRs and was unable to use the system to process the CC35s. At this time it is unknown if TF REACHBACK ever received AGATRS training. CENTCOM directed the Coalition Support Cell to continue using the ACCESS Database to process the CC35s while they discussed the way ahead for AGATRs. Currently, CENTCOM is still debating the mandatory use of AGATRs. The Coalition Support Cell is prepared to use AGATRs once CENTCOM provides the necessary training to all interested and required partners and mandates its use.

**USAAA Recommendation 5**

Use the Under Secretary of Defense (Comptroller) flat rate for subsistence and sustainment to allocate shared LSSS costs and bill coalition partners until Recommendation 1 is implemented and used to distribute costs to coalition part.

**RESPONSE:**

Currently, CC35 charges for subsistence and sustainment vary from RC to RC and location to location in each RC. Throughout the CJOA, US run bases/camps that use LOGCAP contracted Dining Facilities employ the Basic Daily Food Allowance (BDFA) to compute subsistence costs. The BDFA provides the cost for each month per meal based upon the Fort Lee's Quartermaster website. For sustainment costs, US run bases throughout the CJOA use the LOGCAP CDRL

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expenses for daily services and charge Coalition Partners based upon this rate. For bases run by Coalition Partners, the Coalition Partner's contracting means determines the cost of subsistence and sustainment. The decision to employ the Under Secretary of Defense (Comptroller) flat rate for subsistence and sustainment to allocate shared LSSS costs needs be implemented at the National Command Element level or higher. If implemented, the Coalition Support Cell will make the required changes to ensure the flat rate for subsistence and sustainment is properly assessed during the CC35 process.

**USAAA Recommendation 6**

Complete the processing of the 178 CC-35 transaction reports prepared by regional commands (valued at about \$27.2 million) but not received by DFAS.

**RESPONSE:**

The Coalition Support Cell provided a copy of the 178 CC35s to the RC ACSA coordinators as well as TF REACHBACK and DFAS-ROME. The Coalition Support Cell tasked the RC ACSA coordinators to research the 178 CC35s and either process them or response with a status by 15 May 13. The Coalition Support Cell also asked TF REACHBACK and DFAS-ROME to review the 178 CC35s, find the status of them, and re-process (if possible).

It must be noted that it may not be possible to process all of these 178 CC35s. Some of the CC35s go back to 2001 and the data may no longer exist to be able to accurately complete and process the CC35; in other cases, it may be impossible to find the CC35 even though the list provide by the Army Audit Agency has a document number; and finally it is feasible that the list provide may contain document numbers that do not correspond to actual CC35s.

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**DEPARTMENT OF THE ARMY**  
 HEADQUARTERS, TASK FORCE CENTURION  
 KABUL BASE CLUSTER  
 UNITED STATES FORCES AFGHANISTAN  
 CAMP PHOENIX, AFGHANISTAN  
 APO AE 09320

May 13, 2013

MEMORANDUM FOR MAJ Leslie DeSander, USFOR-A Deputy Inspector General

SUBJECT: TF Centurion Response to AAA Audit of Acquisition Cross Servicing Agreements-Afghanistan

1. PURPOSE. To provide information from the tactical level regarding the results and recommendations from the aforementioned audit (project A-20120MTE-0377.000.)

2. DISCUSSION.

a. The scope of the audit was focused on the LOGCAP provided logistical support, services and supplies (LSSS) allocation and recoupment of costs from our coalition partners. This remains only a fraction of the ACSA effort as LSSS is also provided through large theater contracts, leases and regional contracting centers.

b. Recommendations from the audit which are significant at this level include:

(1) Recommendation one- Concur. Coordinate with DCMA to have LOGCAP contractor track and maintain accountability for services provided.

(a) After significant coordination through the LOGCAP LSO, DCMA and the contractor, some of the requirements (meals, laundry, etc.) were refined and provided on disks monthly in a suitable format for consumption. Since this was not a standardized process in place prior to TF Centurion, an assumption can be made that this type of data may not be standardized and uniformly provided for other ACSA coordination offices.

(b) Due to opaque LOGCAP processes, data remains unavailable at this level to enable billing or implement management controls on work for coalition partners performed through TMRs, change or work orders.

(2) Recommendation two- Concur. Training program for ACSA coordinators and other command personnel involved in the ACSA process.

(a) The weekly VTCs by the USFOR-J8 are a recent and beneficial forum which should not be considered training but should be continued in order to provide updates and other information concerning the program. Additional personnel who might benefit from involvement in the training program include CJTSCC for coordinating billing and reconciliation efforts and also USACE for application to land leases.

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SUBJECT: TF Centurion Response to AAA Audit of Acquisition Cross Servicing Agreements-Afghanistan

(b) Clarification on what constitutes billable LSSS under an ACSA is a necessary component for the training. TF Centurion incorporated several previously unaccounted for non-LOGCAP contracts into the ACSA billing which included items like security contracts.

(3) Recommendation three- Concur. Assignment of ACSA coordinators to regional commands. Currently, several cumbersome systems are being used to try to capture the status of contract expenditures on a monthly basis in order to bill our coalition partners. These systems include EDA, ODS, GFEBS, ACOP, etc. and require time, access and familiarization training in addition to the labor intensive effort each month to document each requirement, produce the CC35s by country and obtain the sometimes elusive signatures from coalition partners.

(4) Recommendation four- Concur. Require USFOR-A ACSA personnel to use AGATRS. If unable to use AGATRS, the use of a uniform CC35 calculator and tracking system should be standardized through out all of the regional commands.

(5) Recommendation five- Concur. Use of the flat rate for subsistence and sustainment to allocate shared LSSS costs. Concur.

(a) This would probably have the biggest impact in deploying a consistent and repeatable program. It could be accomplished above the regional command level for agreed upon LSSS rates as boots on ground and cost data availability could be easily coordinated.

(b) The services, commodities, leases and contracts issued from the regional command levels could then be accounted for by the regional ACSA coordinators.

c. One item that needs to be addressed immediately is any intent for retroactive reimbursement of support provided to our coalition partners which has not previously been billed. As our partners engage in retrograde activities and responsibly attempt to close out financial operations, a determination needs to be made as to what will be billed and for how many years back. These decisions and their cascading effects will need to be considered at levels well above this task force, but these questions are already being asked by some of our partners.

3. POC for this action is the TF Centurion Director of Resource Management, LTC Tyra J. Swanson at 318-449-8118 or [tyra.swanson@afghan.swa.army.mil](mailto:tyra.swanson@afghan.swa.army.mil).

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GEORGE S. CONWILL  
COL, AR  
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