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U.S. HOUSE OF REPRESENTATIVES

JOINT STATEMENT OF

MR. ALAN F. ESTEVEZ
ASSISTANT SECRETARY OF DEFENSE
FOR LOGISTICS AND MATERIEL READINESS

AND

LIEUTENANT GENERAL BROOKS BASH
DIRECTOR FOR LOGISTICS
JOINT STAFF

BEFORE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE, AND
FOREIGN OPERATIONS

INTERIM REPORT ON AFGHAN NATIONAL ARMY PETROLEUM, OIL, AND
LUBRICANTS

September 20, 2012

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Chairman Chaffetz, Ranking Member Tierney, and distinguished members of the Committee, thank you for the opportunity to appear before you to review the findings in the Interim Report entitled “Afghan National Army, Petroleum, Oil, and Lubricants” issued by the Special Inspector General for Afghanistan Reconstruction (SIGAR) on September 12, 2012.

Before addressing the issues raised by the report, it is important to put our actions with regard to Afghan forces in context. It is critically important that we build Afghan National Security Force (ANSF) capability and capacity. This is the key to a stable, secure Afghanistan, an Afghanistan that is not a safe haven for extremists, like Al Qaeda, that threaten this Nation. As part of the process to build ANSF capability, we must also build ANSF sustainment capabilities. This POL program is a critical part of that process.

The SIGAR report identified many important areas in which we can improve our processes for administering the petroleum, oil and lubricant (POL) program for the Afghan National Army (ANA). We welcome the opportunity to report to you on our efforts to (1) improve the accountability of ANA fuel purchases, deliveries and consumption, and (2) improve forecasting of ANA fuel requirements. Additionally, we will address in this statement the issue SIGAR identified in its interim report regarding the accountability of records. Developing the capability within the ANA to procure, track, deliver, and account for fuel and other petroleum products is an important step towards the ultimate goal of enabling the Afghan government to provide for its own security. The Department is committed to ensuring the close stewardship of resources provided by this Congress in the performance of this critical mission.

SIGAR Concerns with ANA Fuel Purchased, Delivered, and Consumed

The SIGAR addressed concerns with Combined Security Transition Command-Afghanistan’s (CSTC-A) ability to fully account for POL provided to the ANA, stating that “officials shredded all ANA POL financial records related to payments totaling nearly \$475 million from October 2006 to February 2011.¹” To the best of our knowledge, no documents have been shredded and records have been appropriately maintained. We continue to provide SIGAR with all documents relevant to this audit as

¹ Special Inspector General for Afghanistan Reconstruction, *Interim Report on Afghan National Army Petroleum, Oil, and Lubricants* (SIGAR 12-14) dtd. 10 September 2012.

we accomplish our on-going mission in theater. To date, 97% of the documents SIGAR requested have been collected. Included in the documents that have been archived are scanned copies of delivery tickets, invoices, and DD Forms 250 dating back to 2006.

Logistics training for the ANA is ongoing, to include developing within the ANA the proper procedures for fuel ordering, receipt of fuel, and the verification of the quantity and quality of fuel delivered. In order to requisition fuel, ANA units (to include power plants), are required to submit the appropriate requisition and consumption forms. Without provision of these forms, ANA fuel orders are refused. At the Material Management Center, ANA personnel working under the guidance of coalition advisors process fuel order documents by verifying the quantity of fuel authorized and comparing it with fuel received to ensure that allocations are not exceeded.

The quantity and quality of fuel delivered to ANA sites is verified through the reconciliation of the requisition and consumption forms. Once these forms are verified, the NATO Training Mission Class III fuel office places orders to the vendor and records the order information into a database. Once the fuel delivery is complete, the vendor provides the delivery ticket and invoice to the Class III Office where they are verified for payment.

Forecasting Afghan National Army Fuel Requirements:

In its report, the SIGAR auditors address concerns over the method by which NATO Training Mission- Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) estimates ANA fuel requirements: SIGAR auditors found that CSTC-A does not know the actual fuel funding levels needed to meet ANA requirements, and that CSTC-A's current method for estimating the amount of fuel the ANA requires lacks basic information, such as: the actual number and holding capacity of ANA fuel storage locations; the inventories of vehicles and generators in use; and fuel consumption at each ANA location.

The NATO Training Mission has refined its method for estimating fuel funding levels for fiscal years 2014-2018. NTM-A used consumption data from August 2011 to July 2012 to establish an annual requirement baseline. From the baseline, using simple trend analysis, and taking into account ANA operational tempo increases, planned

equipment fieldings, and seasonal weather factors, NTM-A developed future year fuel requirements.

To improve accountability of supplies NTM-A/CSTC-A issued a memorandum on April 22, 2011, prior to the SIGAR audit, to the Afghan Ministry of Defense noting that it would begin to apportion fuel based on vehicles that were properly accounted for by the ministry and coalition forces rather than by the absolute number of vehicles issued. The NATO Training Mission also issued a fragmentary order in May 2012, directing ANA sites to report the fuel storage capacity at all 46 ANA fixed-location fuel storage sites. This data allows the NATO Training Mission to compare quantity of fuel requested with capacity of potential storage in either fixed storage fuel tanks or mobile fuel transportation assets.

Ongoing efforts to improve accountability of fuel and provide for closer oversight include consolidating the number of ANA fuel delivery sites. In the past, deliveries of fuel were associated with units not locations resulting in deliveries to 754 sites. The number of delivery locations has been reduced to 191 (46 ANA fixed-location fuel storage sites and 145 unit locations) with plans to further reduce to 68 primary “enduring” sites. Furthermore, NTM-A has fielded 50 fuel meters and fuel test kits for use at these 68 enduring sites, with a follow-on purchase request for additional fuel meters. These enhancements will allow ANA units to verify the quantity and quality of fuel received from commercial vendors.

TRANSITION:

The SIGAR interim report states that the ANA is not prepared to accept the responsibility for the procurement, tracking, delivery and accounting of fuel and other petroleum products. In accordance with overall campaign objectives, the NATO Training Mission is currently working with its Afghanistan partners in the Ministry of Defense to transition fuel management responsibilities in a controlled, phased, conditions-based approach. Next year, the NATO Training Mission will transfer the responsibility for only one-third of the estimated 2013 fuel budget to the ANA. The remaining fuel budget will remain under the control of NTM-A. This will allow the ANA to execute a process and demonstrate that it is able to manage the fuel program.

Throughout the transition process NTM-A will mentor, monitor and provide oversight. Additionally, to mitigate any financial risk, disbursements of funds for future ANA fuel orders will occur quarterly and will be subject to the outcome of quarterly financial audits to ensure responsible use of funds. If the transfer of the 2013 budget is properly handled, the entire budget will be transferred in 2014.

Next Steps

The Department recognizes the SIGAR's findings and recommendations in this report, and we are working to address them in order to affect a smooth transition of this program to the ANA. In addition to the specific actions mentioned above, the NATO Training Mission is instituting a number of initiatives to strengthen the ANA fuel and POL program. First, NTM-A has formed an Assistant Minister-level Bulk Fuel Transfer Executive Committee with members from NTM-A/CSTC-A as well as Afghan Ministries of Defense, Finance, Commerce and Industries. The purpose of this committee is to develop a Memorandum of Understanding that clearly defines roles and responsibilities, synchronizes the efforts among coalition advisors with their Afghan counterparts, and de-conflicts potential disputes that may arise during the implementation and transition process. Second, NTM-A with the assistance of U.S. Central Command-Joint Theater Support Contracting Command will advise Ministry of Defense acquisition personnel in the development of enforceable contracting procedures. Finally, NTM-A has requested Defense Logistics Agency (DLA) to provide experts to review NTM-A procedures and provide feedback to the DCOM-SPO on how it can improve its operation.

Closing

We want to thank the SIGAR for its work. Ultimately the aim of the collective effort is to ensure that ANA POL operations are implemented properly while judiciously managing taxpayer's dollars. We have worked hard to improve our oversight and management of this very critical area and have no intention of losing focus. Much has been accomplished, but of course challenges remain.