

FOLLOWING THE TRAIL OF U.S. TAXPAYERS' DOLLARS ABROAD: ON-BUDGET ASSISTANCE IN AFGHANISTAN

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY

OF THE

COMMITTEE ON OVERSIGHT

AND GOVERNMENT REFORM

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CONTENTS

Hearing held on April 29, 2015	Page 1
WITNESS	
The Hon. John F. Sopko, Special Inspector General for Afghanistan Recon- struction	
Oral Statement	4
Written Statement	7

FOLLOWING THE TRAIL OF U.S. TAXPAYERS' DOLLARS ABROAD: ON-BUDGET ASSIST- ANCE IN AFGHANISTAN

Wednesday, April 29, 2015

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON NATIONAL SECURITY,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2154, Rayburn House Office Building, the Honorable Ron DeSantis (chairman of the subcommittee) presiding.

Present: Representatives DeSantis, Mica, Hice, Lynch, and Lawrence.

Mr. DESANTIS. The Subcommittee on National Security will come to order.

Without objection, the chair is authorized to declare a recess at any time.

Since 2002, the United States has appropriated more than \$107 billion for relief and reconstruction in Afghanistan. These funds are provided to assist once Afghanistan in building its national security forces, promoting good governance, conduct development assist, and engage in counter-narcotics and anti-corruption efforts.

For Fiscal Year 2016, the President has requested more than \$5.3 billion in additional reconstruction funding for Afghanistan, consisting of over \$1.5 billion for State U.S. Agency for International Development, USAID efforts and \$3.8 billion for the DOD to train, equip, and sustain the Afghan National Security Forces, which include the Afghan army and police.

Congress created the Office of Special Inspector General for Afghanistan Reconstruction, SIGAR, to provide independent and objective oversight of Afghanistan reconstruction projects and activities. Two recent reports from SIGAR on personnel and payroll data have called into question how efficiently U.S. funds have been spent on the Afghan National Security Forces and how effective that funding has been. In a January 2015 report, SIGAR found that the process used by the Afghan National Police for collecting attendance data, which forms the basis of all Afghan National Police personnel and payroll data, has “weak controls and limited oversight.”

To ensure that attendance data is correct, Afghan Police personnel are supposed to sign in and out on a roster daily. According to SIGAR, though, even these rudimentary safeguards are not followed. Instead, it was found that commanding officers have been

recording and reporting patrolman attendance manually as part of daily food provision requirements. Because personnel receive a cash stipend to purchase food for each day they work, a lack of oversight controls could incentivize commanding officers to falsify officers' attendance to obtain this stipend.

SIGAR found no examples of direct oversight during attendance data collection and reporting to ensure that such malfeasance did not occur, and police personnel could therefore collect pay for days that they did not work. Moreover, SIGAR determined that data systems used to store, access, transfer and use police personnel and payroll data contained incomplete and incorrect data and weak internal controls. Finally, not even the unique identification number issued to each member of the force is being used consistently or effectively to track attendance and to pay salaries.

Similar issues were identified in a report SIGAR issued yesterday on payroll and personnel issues in the Afghan National Army. In that report, SIGAR found that the only control in place at the unit level to ensure accurate attendance reporting on a day-to-day basis, a roster that individual army and air force personnel sign daily, was not consistently used across Afghan National Army locations.

Specifically, although two of the three units that SIGAR visited presented signed roster books, the third roster book did not contain such signatures. Rather, attendance was verified by checkmarks apparently entered by a single individual. Even where rosters were used as intended, Government officials did not observe the signing of the rosters, review the rosters for verification purposes, or reconcile them against other personnel or payroll data.

SIGAR found that these weaknesses in Afghan National Army attendance data collection process could result in personnel being paid for days that they did not work. Further, it found that as U.S. and coalition forces draw down in Afghanistan, the U.S. Government will become even more dependent on the ability of the Afghan Ministry of Defense to verify the accuracy of the personnel and payroll data it collects. Unless and until the Ministry develops the capability to ensure and verify the accuracy of this data, SIGAR determined, "there is a significant risk that U.S. funding for Afghan National Army salaries will be wasted or abused."

The payroll and attendance data collected by the Afghan National Security Forces has two purposes. First, it is collected to ensure that officers are paid for the days they work and are not paid for the days they don't. In addition to ensuring against corruption, accurate payroll data helps protect the American public's money by making it more likely that U.S. aid is spent appropriately.

Of equal importance is the fact that the data is collected to assist the Afghan National Security Forces in assessing whether they have the manpower that they need to carry out their crucial mission of protecting the Afghani people and, by extension, American interests. SIGAR's findings call into question how effectively U.S. taxpayer dollars are being spent in Afghanistan and whether a different scheme for U.S. funding to the Afghan National Security Forces is needed to achieve the dual goals of protecting the Afghani people and advancing U.S. security interests in Afghanistan.

The subcommittee will address these two issues with Mr. Sopko today.

I now recognize the gentleman from Massachusetts, Mr. Lynch, the ranking member, for his opening Statement.

Mr. LYNCH. Thank you, Mr. Chairman. I would like to, first of all, thank you for holding this hearing to examine the recent audit reports issued by the Special Inspector General for Afghan Reconstruction on the accuracy of the Afghan National Security Forces data, and I would also like to thank Inspector General Sopko for helping the subcommittee with its work.

As announced by President Obama on December 28, 2014, the U.S.-led international security assistance forces combat mission in Afghanistan has not only concluded after over 13 years from its inception. During Afghan President Ashraf Ghani's recent visit to the U.S. last month, President Obama announced that the number of U.S. forces in Afghanistan will now remain at approximately 10,000 through the end of the fiscal year.

The President noted that the majority of these U.S. forces are currently deployed in a training and advisory capacity in furtherance of the NATO-led mission, Resolute Support, that began on January 1st, 2015, approximately 1,000 U.S. special ops personnel supporting regional counter-terrorism operations as well.

Given that additional training of Afghan National Security Forces is now our primary mission in Afghanistan, it is absolutely critical that the Afghan government provide the U.S. and our NATO partners with reliable and accurate data regarding the size and strength of the Afghan National Police and the Afghan National Army.

As noted by Inspector General Sopko in his April 2015 quarterly report to Congress, "Numbers matter. In Afghanistan, some numbers have a life and death weight to them. Without reliable data on Afghan National Security Forces strength, the United States cannot determine whether the billions of dollars it has spent on recruiting, training, equipping, and sustaining the Afghan National Security Forces since Fiscal Year 2002 has been spent properly or accurately calculate what additional funding may be needed."

Precise data is essential to our determinations of the Afghan government's ability to provide adequate security for its citizens against the Taliban insurgency and attacks by Al Qaeda and other terrorist groups. Accurate data also provides a basis for U.S. and Coalition decisions on the pace of withdrawal and the scope of our counter-terrorism missions.

Regrettably, the two recent audits conducted by Inspector General Sopko of personnel and payroll records provide good reason to doubt the accuracy of Afghan data. In particular, in January 2015, audit reports on the Afghan National Police found that there is no documentation that unit commanders are accurately reporting personnel attendance or that police personnel are receiving their full share of their salaries. Officials appointed by the Ministry of Interior could be taking as much as half of a policeman's salary.

According to an audit report on the Afghan National Army released by the Inspector General just today, a daily sign-in roster is the only mechanism in place to collect National Army attendance data, and it is not used across army posts nationwide. In addition,

the Ministry of Defense still calculates National Army salaries using a manual process that is highly susceptible to manipulation.

Furthermore, the audit highlights the irregular use of National Army-issued identification cards. This is particularly troubling given the incidents of green-on-blue attacks in Afghanistan, most recently, and regrettably, on April 9th, when U.S. Army Specialist John M. Dawson, of Whitinsville, Massachusetts, was killed by an Afghan soldier in Jalalabad, and my prayers and thoughts are with his family.

The absence of reliable data on the Afghan National Security Forces aggravates the potential for the waste, fraud, and abuse of U.S. taxpayer dollars. It also compromises the safety of our remaining U.S. and international troops in Afghanistan.

Mr. Chairman, I look forward to examining the inspector general's various recommendations in his report on how to enhance the reliability of the critical data and yield the balance of my time.

Mr. DESANTIS. Thank you.

I will hold the record open for five legislative days for any members who would like to submit a written Statement.

We will now recognize our witness this morning. I am pleased to welcome the Honorable John Sopko, Special Inspector General for Afghanistan Reconstruction.

Welcome, Mr. Sopko. Pursuant to committee rules, all witnesses will be sworn in before they testify. Please raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses responds in the affirmative.]

Mr. DESANTIS. The witness answered in the affirmative.

Thank you. Please be seated. In order to allow time for discussion, please limit your testimony to 5 minutes. Your entire written Statement will be made a part of the record. You are now recognized for 5 minutes.

STATEMENT OF THE HONORABLE JOHN F. SOPKO, SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

Mr. SOPKO. Thank you very much, Chairman DeSantis, Ranking Member Lynch, and members of the subcommittee. I am pleased to testify today about SIGAR's recent work on the Afghan National Security Forces personnel and payroll systems, and the Afghan government's capacity to manage and account for U.S. on-budget assistance.

Over the past 14 years, the United States has spent approximately \$1 trillion and has lost thousands of lives to build a secure and stable Afghanistan that will never again be a safe haven for terrorists. Of that amount, almost \$110 billion has been invested to create a capable and competent Afghan government that can provide security and basic services to its people. More importantly, the United States has committed to spend billions more over the years to come to sustain the Afghan government we helped create.

Properly overseeing these funds is essential to ensuring that this vast investment in Afghanistan does not go to waste. Every dollar we spend now on training, advising, and assisting the Afghans, as well as, and I would say more importantly, on oversight should be

viewed as insurance to protect our 14-year investment. We at SIGAR are concerned that managing and overseeing this massive ongoing effort is being left to a decreasing number of U.S. military and civilian personnel in Afghanistan.

With limited resources to conduct the reconstruction mission, transparency and oversight are more important than ever, especially now that we appear to have a willing partner in the new National Unity Government of President Ashraf Ghani and Chief Executive Officer Abdullah Abdullah.

Because of our draw-down, U.S. decisionmakers and implementing agencies have become more reliant on obtaining accurate and reliable data on the reconstruction effort produced by the Afghan government. This includes basic information on the numbering capacity of Afghan soldiers and police.

Unfortunately, as my written testimony highlights, neither the United States nor our Afghan allies truly know how many Afghan soldiers and police are available for duty or, by extension, the true nature of their operational capability. Such basic information is especially critical now, as we enter the 2015 fighting season with the Afghans being fully responsible for their own security.

The importance of accurate and reliable personnel data to the United States and Afghan governments cannot be overstated. Every professional standing army or police force begins each day by identifying how many personnel are present for duty and what their capabilities are. In Afghanistan, this data will also determine the overall amount of U.S. funding for the ANSF.

I think The New York Times story, that broke just before noon, about the Afghan military operations and U.S. military operations highlight the importance of knowing what is the capability of the Afghan forces.

As the United States continues to shift its reconstruction funding to on-budget assistance, it is also important that this assistance be based on accurate and reliable data, and that the Afghan government is able to manage and account for such funds. Again, SIGAR's work shows that the Afghan government still lacks the capacity to do so.

The withdrawal of U.S. military and civilian personnel, as I said, is making this even more challenging to manage and oversee the reconstruction effort. Likewise, audit and law enforcement agencies have substantially reduced the number of staff they have based in Afghanistan. For example, the other IGs in law enforcement agencies have reduced their in-country staff by 45 percent, and may reduce it further as the State Department seeks to "normalize" civilian personnel staffing in Afghanistan. By mid-summer 2015, four other U.S. investigative agencies have indicated they intend to completely leave Afghanistan.

Since I was appointed Special Inspector General almost 3 years ago, I believe SIGAR has conducted highly effective, productive, and independent oversight. But our ability to do so may now be at risk. Just this past week, the U.S. embassy in Kabul informed SIGAR that because of the State Department requirement to normalize or right-size the civilian presence in Afghanistan, SIGAR must reduce its staff by 40 percent, from 42 to 25 deployed positions by the summer of 2016. SIGAR was told just Monday, at a

senior leadership meeting at our embassy in Kabul, by a senior member of the embassy team, that that cut was non-negotiable. To be more precise, do not come back with an alternative number.

We were not consulted about this number, nor were we given any explanation for how this arbitrary number was determined.

Now, I am concerned about the impact these cuts will have on SIGAR's mission and on the U.S. reconstruction mission on a whole, because SIGAR is the largest oversight body in Afghanistan. While the U.S. reconstruction effort may have declined, compared to its highpoint, Afghanistan is still the largest single recipient of U.S. foreign assistance, and is projected to remain so for years to come. In other words, while our troops may be coming home, the checks will still be going over there for some time to come.

Thank you, Mr. Chairman, and I look forward to your questions.
[Prepared Statement of Mr. Sopko follows:]



SIGAR

Testimony

Before the Subcommittee on National Security,
Committee on Oversight and Government Reform
U.S. House of Representatives

**Why ANSF Numbers Matter:
Inaccurate and Unreliable Data,
and Limited Oversight of On-
Budget Assistance Put Millions of
U.S. Taxpayer Dollars at Risk**

Statement of John F. Sopko,
Special Inspector General
for Afghanistan Reconstruction
April 29, 2015

Chairman DeSantis, Ranking Member Lynch, and Members of the Subcommittee,

I am pleased to be here today to discuss SIGAR's recent work examining the processes for collecting and verifying the accuracy of Afghan National Security Forces (ANSF) personnel and payroll data, and the Afghan government's capacity to manage and account for U.S. on-budget assistance for ANSF salaries and other needs that is provided through direct assistance and multi-donor trust funds.¹

After 14 years, thousands of lost U.S. lives, hundreds of billions spent to support U.S. military operations, and almost \$110 billion appropriated for the largest reconstruction effort in U.S. history, the United States is at a crossroads in Afghanistan. Although many U.S. troops have come home and Congress has reduced annual appropriations for Afghanistan reconstruction, there was still approximately \$15 billion left to be spent for reconstruction as of March 31, 2015. Furthermore, the U.S. government has committed to spending billions more over the years to come until the Afghan government is able to sustain itself.

Managing and overseeing this massive, ongoing effort is being left to a decreasing number of U.S. military and civilian personnel in Afghanistan. With limited resources to conduct the reconstruction mission, transparency and oversight are more important than ever, especially now that we appear to have a willing partner in the new National Unity Government of President Ashraf Ghani and Chief Executive Officer (CEO) Abdullah Abdullah. Together, we must ensure that every dollar is spent as effectively and efficiently as possible and used as intended. Failing to do so decreases the chances that Afghanistan will become a secure and stable nation, thus risking all the United States, the Afghan government, and our allies have invested to date. Every dollar we spend now on training, advising, and assisting the Afghans, and on oversight must be viewed as insurance coverage to protect our nearly trillion dollar investment in Afghanistan since 2001.

In lieu of a large U.S. presence throughout Afghanistan, decision makers and implementing agencies, such as the Departments of Defense (DOD) and State, and the U.S. Agency for International Development (USAID), are becoming more and more reliant on accurate and reliable data on the reconstruction effort produced by the Afghan government and other international partners. This includes basic information on the number of ANSF personnel. However, SIGAR's recent audits highlight concerns that neither the United States nor its Afghan allies truly know how many Afghan soldiers and police are available for duty, or, by extension, the true nature of their operational capabilities. Such basic information is especially critical now as we enter the 2015 fighting season with the Afghans fully responsible for their own security. In addition, this data forms the basis for all U.S. assistance to the ANSF.

¹ The ANSF is also known as the "Afghan National Defense and Security Forces," or ANDSF. For consistency with our prior work, this statement refers to the ANSF.

As the United States continues to shift its funding for ANSF salaries and other needs to on-budget assistance, it is extremely important that this assistance be based on accurate and reliable data, and that the Afghan government is able to manage and account for such funds. However, as the two audits I will be discussing today and SIGAR's other work show, the Afghan government still lacks the capacity to adequately use and oversee U.S. on-budget assistance, exposing these funds to waste, fraud, and abuse.

Background

As of March 31, 2015, Congress has appropriated \$60.7 billion to equip, train, and sustain the ANSF, which consists of the Afghan National Army (ANA) and the Afghan National Police (ANP).² Of this, at least \$3.8 billion has been allocated to fund ANSF salaries, consisting of:

- \$2.3 billion to pay Afghan National Army (ANA) salaries since 2009, and
- more than \$1.5 billion to the Law and Order Trust Fund for Afghanistan (LOTFA) since 2002 to pay ANP salaries. LOTFA is administered by the United Nations Development Programme (UNDP).^{3,4}

For Afghan fiscal year 1394—December 21, 2014 through December 20, 2015—the Combined Security Transition Command-

Key Entities Involved in Tracking and Reporting ANSF Personnel and Payroll Data

U.S. Forces Afghanistan (USFOR-A): Oversees all U.S. military forces in Afghanistan

Combined Security Transition Command-Afghanistan (CSTC-A): Subordinate U.S. command of both NATO Resolute Support and USFOR-A that oversees U.S. funding to MOD and MOI

Essential Function 4: Subordinate of NATO Resolute Support that is responsible for developing ANSF personnel databases and reporting personnel numbers

United Nations Development Programme (UNDP): Manages and oversees LOTFA, which funds ANP salaries

Ministry of Defense (MOD): Afghan ministry responsible for managing and overseeing the ANA

Ministry of Interior (MOI): Afghan ministry responsible for managing and overseeing the ANP

Ministry of Finance (MOF): Afghan ministry responsible for financial operations of the Afghan government

²The Afghan transitional government created the ANA and ANP in 2002. The ANA is organized under the Ministry of Defense and consists of six regional corps, headquartered in Kabul, Balkh, Kandahar, Herat, Paktia, and Helmand provinces, and one capital division, located in Kabul. The Afghan Air Force, considered a branch of the ANA, consists of three air wings located in Kabul, Kandahar, and Herat provinces, and three air detachments located in Balkh, Herat, and Nangarhar provinces. The ANP is organized under the Ministry of Interior and consists of the Afghan Uniformed Police, the Afghan Border Police, the Afghan Anti-Crime Police, and the Afghan National Civil Order Police.

³Unless stated otherwise, "salaries" refers collectively to salary and incentives, which include, among others, hazard and specialty pay.

⁴In 2002, the United States, the Afghan government, and other international partners established LOTFA to fund ANP salaries and other payroll costs. As of September 2014, the international community had contributed \$3.8 billion to LOTFA, with the United States contributing more than \$1.5 billion, or about 39 percent, of the total. According to U.S. military officials, there is no data on funding provided by the U.S. government for ANA salaries prior to 2009.

Afghanistan (CSTC-A) projects it will provide \$1.6 billion in direct assistance to the Afghan Ministry of Defense (MOD) to fund ANA salaries and other needs.⁵ The command intends to provide \$553 million in direct assistance to the Afghan Ministry of Interior (MOI) along with an additional \$114.4 million to LOTFA for ANP salaries.

The ANA and ANP are authorized 195,000 and 157,000 personnel, respectively, for a total of 352,000 personnel. In April 2015, Essential Function 4 of the North Atlantic Treaty Organization (NATO) Resolute Support mission, the entity responsible for reporting ANSF personnel figures, reported 167,024 personnel assigned to the ANA and 154,685 assigned to the ANP as of February 2015.^{6,7}

ANSF Personnel Data Is Critical for Determining the Forces' Capabilities and the Level of Support Needed to Support Them

The importance of accurate and reliable ANA and ANP personnel data to the U.S. and Afghan governments, Resolute Support, UNDP, and donor nations supporting the ANSF cannot be overstated.⁸ Every professional standing military, security force, and police force begins each day by identifying how many personnel are present for duty and what abilities they have, such as trained infantry, patrolmen, medics, and mechanics. This data enables the commanders of those forces to determine their operational capabilities. In his testimony to Congress in February 2015, General John F. Campbell, Commander of Resolute Support and U.S. Forces-Afghanistan, noted that the ANSF still have capability gaps and shortfalls, and would benefit from sound leadership and strict accountability.⁹ Without a clear understanding each day of how many personnel, and with what skills, are present for duty, the capability gaps noted by General Campbell can be greatly exacerbated.

At the strategic level, ANSF personnel data has a range of uses. Data on the number of assigned personnel is one key indicator of the Afghan government's ability to defend the country against the Taliban insurgency, provide domestic security for the population, and

⁵ CSTC-A, a subordinate command of U.S. Forces-Afghanistan, is responsible for implementing the U.S. advisory and assistance mission to support the ANSF, and overseeing U.S. direct assistance funding for the ANSF.

⁶ Essential Function 4 assumed responsibilities for reporting on ANSF personnel on November 1, 2014, when the essential function structure was phased into operation in preparation for the NATO's transition from the International Security Assistance Force to Resolute Support. Prior to that, CSTC-A had responsibility for reporting the data. See appendix I for a list and description of the eight essential functions.

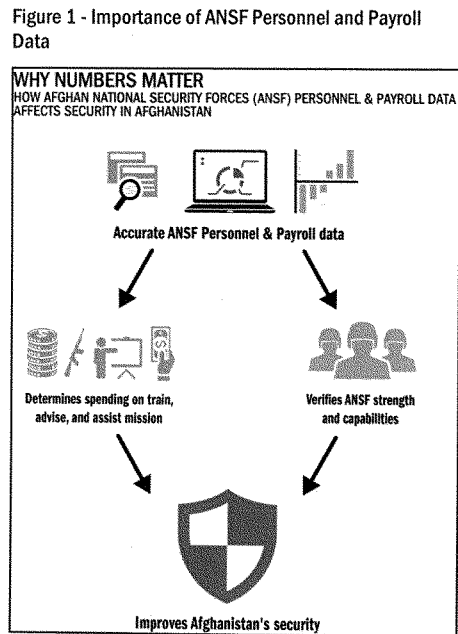
⁷ These assigned numbers do not include civilian personnel in the ANA and ANP.

⁸ Personnel data includes names, ranks, identification information, and duty locations, which identify both individual and the total number of personnel.

⁹ General John F. Campbell, *Statement of General John F. Campbell, USA, Commander U.S. Forces-Afghanistan, Before the Senate Armed Services Committee on the Situation in Afghanistan*, February 12, 2015.

prevent terrorist groups from staging new attacks from Afghan soil. In addition, this data is used as a basis for determining other requirements for the ANA and ANP, such as recruiting; facilities, training, and equipment needed; salaries; and medical care. Furthermore, data on assigned personnel help U.S. and coalition partners make decisions on the pace of their withdrawal of military personnel and capabilities while ensuring the ANSF is able to achieve its security objectives. Finally, until the Afghan government is able to fully fund and sustain its own security force, ANSF personnel data, combined with payroll data and other information, help the United States and coalition nations determine the overall amount of funding required to support the ANSF and make decisions on how much funding they will provide.¹⁰

Figure 1 illustrates why ANSF personnel and payroll data is so important to the security of Afghanistan.



Source: SIGAR analysis of DOD, Resolute Support, UNDP, and Afghan government documents

¹⁰ Payroll data includes daily attendance figures, base salary, and applicable financial incentives, all of which determine how much each individual will be paid.

Weaknesses in the Process for Collecting and Verifying ANSF Personnel and Payroll Data Limit Assurances that Data Is Accurate

Despite the importance of personnel and payroll data to supporting and assessing the ANSF, since 2006, SIGAR, the DOD Inspector General (DODIG), the Department of State (State) Inspector General (IG), and the Government Accountability Office (GAO) have identified numerous weaknesses in fundamental ANSF practices. These weaknesses include limited U.S. and Afghan oversight of data collection processes, little or no physical verification of ANSF personnel existence and daily attendance, and lack of controls over payroll processes. For example:

- In November 2006, DODIG and State IG reported that CSTC-A reports on ANP personnel totals were unreliable, stating that the personnel numbers were “inflated and that there is no personnel accounting system in place.”¹¹
- In June 2008, GAO reported on personnel accountability problems within the ANA. GAO cited DOD officials’ statements that numbers on ANA personnel present-for-duty may differ from trained and assigned personnel numbers because of attrition, absenteeism, and casualties, and that roughly 20 percent of ANA combat personnel were not present for duty as of February 2008.¹²
- During 2011 audit of ANP personnel systems, SIGAR found that various sources of personnel data showed total reported numbers of ANP personnel ranging from 111,774 to 125,218, a discrepancy of 13,444 personnel.¹³ SIGAR also noted that CSTC-A, UNDP, and MOI faced difficulties verifying ANP personnel and payroll data accuracy. Furthermore, SIGAR found that CSTC-A and MOI were experiencing difficulty implementing an electronic human resources system.
- In February 2012, DODIG found a lack of visibility into ANA data at the local levels, reporting that CSTC-A finance officials only visited and audited payroll data for each of the six corps twice a year and rarely performed site visits below the corps level.¹⁴ DODIG also reported that ANA brigade-level personnel identified by CSTC-A’s Finance Management Oversight office had altered deposit reports to shift money into colluders’ accounts, and noted difficulties CSTC-A finance officials faced in obtaining bank records in order to verify salary payments.

¹¹ State Inspector General and DODIG, *Interagency Assessment of Police Training and Readiness*, Department of State Report No ISP-IQO-07-07/Department of Defense Report No. IE-2007-001, November 2006.

¹² GAO, *Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of A Detailed Plan to Develop and Sustain Capable Afghan National Security Forces*, GAO-08-661, June 18, 2008.

¹³ SIGAR Audit-11-10, *Despite Improvements in MOI’s Personnel Systems, Additional Actions Are Needed to Completely Verify ANP Payroll Costs and Workforce Strength*, April 25, 2011.

¹⁴ DODIG, *Assessment of U.S. Efforts to Develop the Afghan National Security Forces Command, Control and Coordination System*, DODIG-2013-058, March 22, 2013.

SIGAR's 2015 Audits Highlight Continued Problems

In SIGAR's January and April 2015 audit reports on the processes used to collect and verify the accuracy of ANSF personnel and payroll data, SIGAR found that despite 13 years and several billion dollars spent on salary assistance, there is still no assurance that the data is accurate.¹⁵ Although all entities involved in tracking and reporting this data—specifically, CSTC-A, Essential Function 4, UNDP, and the Afghan government—have been working to develop effective personnel and payroll processes for both the ANA and ANP, those processes continue to exhibit extensive internal control deficiencies. This is due to:

- Weak controls and limited oversight over the ANA's and ANP's daily unit-level attendance collection processes;
- Weaknesses in personnel and payroll data systems; and
- A lack of documented procedures for verifying and reconciling ANA and ANP personnel and payroll data.¹⁶

How the Processes Used to Collect and Report ANA and ANP Personnel and Payroll Data, and Paying Salaries Are Intended to Work

Before describing these weaknesses, it is important to understand how the processes used to collect and report ANA and ANP personnel and payroll data, and paying salaries are intended to work. ANA and ANP units are supposed to collect attendance data on their personnel daily. This attendance data forms the basis of all personnel and payroll data that MOD and MOI report. The units are supposed to report attendance data through their chains of command to the respective headquarters, which then aggregate, summarize, and provide the data to MOD for the ANA and to MOI for the ANP, as well as MOF. MOF then uses the data to calculate lump sum salary payments to be disbursed to local Afghan banks. The banks pay individuals' salaries to the appropriate bank accounts according to data they receive from the ANA and ANP. While most ANA and ANP salaries are paid directly into bank accounts electronically, approximately 20 percent of ANP personnel and an estimated 5 percent of ANA personnel receive salaries in cash from a "trusted agent," an individual appointed by MOD or MOI to hand deliver salaries to soldiers and police who do not have access to a bank.

¹⁵ SIGAR Audit 15-54-AR, *Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data*, April 23, 2015; and SIGAR Audit 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015

¹⁶ See appendix II for a list of the specific weaknesses SIGAR identified in the processes for collecting and verifying the accuracy of ANSF personnel and payroll data. Appendix III lists the entities involved in collecting, verifying, and reporting ANSF personnel and payroll data, and describes their roles and responsibilities.

Weak Controls and Limited Oversight over the ANA's and ANP's Daily Unit-Level Attendance Collection Processes

CSTC-A, Essential Function 4, and UNDP rely on the ANA and ANP to collect their own data with oversight from MOD and MOI, respectively. However, SIGAR identified problems with the collection and oversight of ANA and ANP attendance data, which forms the basis of all ANSF personnel and payroll data.¹⁷ The only control in place at the unit level to ensure accurate attendance reporting on a day-to-day basis—a roster individual ANA and ANP personnel sign daily—was not consistently used across locations. For example, officers used the rosters, but enlisted personnel did not.

In addition, there is no direct oversight—either consistent or ad-hoc—of the attendance processes. CSTC-A, Essential Function 4, UNDP, MOD, and MOI officials do not observe the completion of the daily rosters, do not review all rosters, and do not reconcile the rosters against other personnel or payroll data. Senior ANA and ANP officials who could provide direct oversight are not generally co-located with the unit-level officer responsible for collecting attendance data, and SIGAR found no evidence that daily attendance procedures are supervised beyond the unit-level commander.

CSTC-A officials noted that they lack sufficient staff to be present during ANA and ANP attendance data collection, and therefore must rely on ANA and ANP officials to collect and report accurate information. This lack of controls over attendance processes and oversight by the Afghan government, CSTC-A, and other international personnel could result in inaccurate reporting on personnel attendance and personnel being paid for days not worked.

Weaknesses in ANSF Personnel and Payroll Data Systems

SIGAR identified deficiencies and limitations—such as inconsistent use, incomplete or incorrect data, lack of system integration, and weak internal controls—in each of the data systems CSTC-A, Essential Function 4, UNDP, and the Afghan government use to store, access, transfer, and use ANA and ANP personnel and payroll data.¹⁸ These weaknesses limit assurances that the data is accurate and that personnel receive accurate salaries.

ANSF personnel data systems are not used or do not function as intended. For example, despite requirements for using ANA- or ANP-issued identification cards, the cards are not used consistently or effectively for identification at ANA and ANP locations, to track attendance, to pay salaries, or to access electronic personnel records. In addition, the Afghanistan Human Resource Information System (AHRIMS), which has been under

¹⁷ See appendix IV for a more detailed description of the ANA and ANP personnel and payroll data collection processes.

¹⁸ See appendix V for a list of the personnel and payroll data processes and systems, and a summary of the weaknesses we identified with each of them.

development since 2010, lacks key functions, such as the ability to produce reports on ANA personnel, track ANA or ANP personnel by the authorized position, and distinguish between active and inactive personnel. Because AHRIMS cannot identify all active ANA and ANP personnel, MOD and MOI use separate and fully manual processes to compile personnel totals from daily attendance records for its monthly submission to Essential Function 4.

With respect to ANSF payroll systems, MOD does not have an electronic system for determining ANA personnel salaries and calculates salaries using an entirely manual process that could be subject to error and manipulation. Although the ANP has an electronic payroll system—the Electronic Payroll System (EPS), which is administered by UNDP—that system is not fully functional in all provincial headquarters, has few controls to ensure the accuracy of data entered into it, and is not integrated with AHRIMS, the human resources system.

Lack of Documented Procedures for Verifying and Reconciling ANA and ANP Personnel and Payroll Data

Despite their internal requirements for ensuring the accuracy of ANA and ANP personnel data, MOD and MOI do not have documented or transparent procedures for verifying this data. In lieu of formal procedures, the MOD chief of personnel stated MOD's process for verifying this data consists of informal visits once or twice per year to the corps level but not below, while MOI officials confirmed that any internal data verification processes that they conduct is informal.¹⁹

CSTC-A has limited insight into MOD's and MOI's verification efforts. For example, although MOD and MOI do conduct personnel asset inventories, which involve physical counts of ANSF personnel, to maintain accountability, it is unclear how frequently these inventories take place and the extent to which the ministries share the results with CSTC-A.²⁰ In addition, CSTC-A advisors told SIGAR they have no access to MOD and MOI IG reports, which would provide information on the level of internal oversight the two entities are providing.

Neither CSTC-A nor Essential Function 4 has written procedures documenting its verification and reconciliation process. The two standard operating procedures that CSTC-A provided as guidance for this process only describe steps to format personnel numbers into a reporting template and to analyze changes in ANA and ANP personnel totals from month to month.²¹ The procedures do not explain how Essential Function 4 or CSTC-A ensures that the numbers it receives are correct. In lieu of written procedures for verifying ANSF personnel

¹⁹ An ANA corps consists of roughly 15,000 troops and is the equivalent of a U.S Army division.

²⁰ During a personnel asset inventory, MOD and MOI physically counts and records data for ANA and ANP personnel, respectively.

²¹ The two standard operating procedures provided by CSTC-A are the command's assessments standard operating procedures and the ANP personnel statistics standard operating procedure.

data, CSCT-A officials used ad hoc procedures that consisted of using their own familiarity with the size of various units to identify potentially erroneous figures in MOD's and MOI's reporting.

UNDP contracted with Joshi & Bhandary, an independent monitoring agent, to conduct regular verification of ANP payroll data and LOTFA expenditures. However, SIGAR found that Joshi & Bhandary's plan for sampling and physically verifying personnel was not sufficiently detailed or documented, or consistently applied. This inconsistent approach may have artificially inflated the percentage of verified personnel from 59 percent to as much as 84 percent. In addition, Joshi & Bhandary's reports did not explain inconsistencies in its work or discuss whether needed follow-up activities had been completed. For example, a March 2013 monitoring agent report notes that individuals not available on site during Joshi & Bhandary's visit will be verified during later months. Later reports, however, do not state whether Joshi & Bhandary conducted this follow-up.²²

The Afghan Government Continues to Lack the Capacity to Fully Manage and Account for On-Budget Assistance for ANSF Salaries and Other Needs

SIGAR continues to have concerns about the risk to U.S. funds provided to the Afghan government in the form of on-budget assistance. The United States provides on-budget assistance to the Afghan government primarily through direct assistance to Afghan ministries and contributions to multi-donor trust funds.²³ Since 2002, the United States has provided nearly \$8.5 billion in on-budget assistance. This includes about \$4.4 billion to Afghan ministries and nearly \$4.1 billion to three multi-donor trust funds, including LOTFA, which pays ANP salaries. For Afghan fiscal year 1394–December 21, 2014 through December 20, 2015—CSTC-A, which is responsible for managing and overseeing U.S. direct assistance funding for the ANSF, expects to provide approximately \$1.6 billion in direct assistance to MOD to support the ANA, and \$553 million in direct assistance to MOI to support the ANP, plus an additional \$114.4 million through LOTFA. Through its annual commitment letters with MOD and MOI, CSTC-A places requirements on the use of those funds and actions the ministries are to take to manage and account for the funds.

CSTC-A provides funding for ANA personnel salaries directly to MOF on a quarterly basis. MOF then disburses the funding to pay ANA personnel, primarily to a bank, which

²² UNDP conducted a desk audit of its oversight of the LOTFA monitoring agent. In this review, UNDP found that it had provided unsatisfactory oversight of the monitoring agent (see UNDP Office of Audit and Investigations, *Desk Review of UNDP Afghanistan Oversight of the Monitoring Agent of the Law and Order Trust Fund for Afghanistan*, Report No. 1310, October 9, 2014).

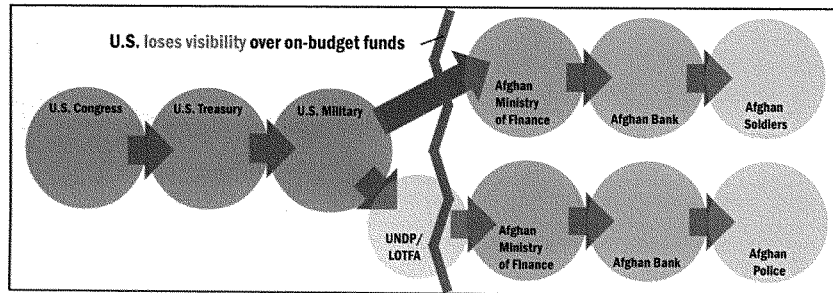
²³ The major multi-donor trust funds for Afghanistan are the Afghanistan Reconstruction Trust Fund, managed by the World Bank (\$2.4 billion in cumulative U.S. contributions); the Afghanistan Infrastructure Trust Fund, managed by the Asian Development Bank (\$105 million in cumulative U.S. contributions); and LOTFA, managed by UNDP (\$1.5 billion in U.S. contributions).

electronically transfers salaries directly to individual bank accounts. The process for the ANP is similar except that CSTC-A provides funding for salaries to the UNDP-administered LOTFA, and UNDP then disburses the funding to MOF monthly.²⁴ Once funds for both the ANA and ANP reach MOF, CSTC-A loses almost all direct visibility over them, making it critical for the Afghan government to be able to effectively manage and account for those funds.

Likewise, it needs to be emphasized that oversight agencies, such as SIGAR, also lose criminal jurisdiction over those U.S. taxpayer funds at the point they are disbursed to MOF. As will be described later in my testimony, up to now, when SIGAR and other U.S. law enforcement agencies have developed criminal cases of the theft or diversion of salaries or contracts funded by the U.S. taxpayer through direct assistance, our main recourse has been to rely upon the Afghan Attorney General's office to prosecute those cases under Afghan law and in Afghan courts. This has been challenging to say the least in light of the state of corruption in the Afghan criminal justice system. That is why SIGAR and CSTC-A are cautiously optimistic with the new, more aggressive response of the new national unity government under President Ghani and CEO Abdullah to a number of criminal allegations brought by SIGAR and CSTC-A against Afghan officials and contractors for bribery, price-fixing, and corruption.

Figure 2 illustrates the flow of on-budget assistance for ANSF salaries.

Figure 2 - Flow of U.S. On-Budget Assistance for ANSF Salaries



Source: SIGAR analysis of CSTC-A, UNDP, and Afghan government documents

Despite efforts to develop its ability to manage and account for on-budget assistance, the Afghan government still does not have the capacity to adequately manage and account for such funding for the ANSF, including direct assistance and LOTFA funding for salaries. In addition to weaknesses in ANSF personnel and payroll systems, SIGAR and other oversight

²⁴ See appendix IV for more details on the ANA's and ANP's salary payment processes.

agencies have found numerous problems with the Afghan government's financial management systems, internal control structures, and procurement processes.

For example, a January 2014 SIGAR audit found that USAID's assessments of seven Afghan ministries receiving direct assistance from the U.S. government found that none of the ministries would be capable of effectively managing and accounting for those funds unless they implemented a series of required risk mitigation measures developed by USAID.²⁵ In addition, I have testified several times to Congress, including to this subcommittee, on the risks associated with providing on-budget assistance to the Afghan government. SIGAR's first High-Risk List, issued in December 2014, identifies on-budget assistance as one of seven program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse.²⁶ Failing to address and mitigate the challenges associated with on-budget assistance will increase the risks to the U.S. mission in Afghanistan.

SIGAR and DODIG Have Found Numerous Weaknesses in MOD's, MOI's, and MOF's Capacity to Manage and Account for On-Budget Assistance

In a December 2013 review, SIGAR found that although CSTC-A had not conducted a comprehensive risk assessment of MOD's, MOI's, and MOF's capacity to manage and account for on-budget assistance, the command identified some financial management and internal control challenges within MOD and MOI, such as weak accounting practices and ineffective training on accounting systems, as well as systemic literacy gaps throughout the ministries.²⁷ CSTC-A officials told SIGAR that accounting practices within MOF have impacted transparency and controls over the funds. For example, MOF's treasury office uses a different set of accounting codes than its budgeting office. This practice of utilizing different accounting codes complicates financial planning and reconciliation of expenditures between the two departments. CSTC-A officials also noted that MOF's resistance to using more detailed accounting codes, which are intended to provide greater visibility over the use of U.S. on-budget funds, has reduced the transparency over the use of these funds. SIGAR's report prompted the House Armed Services Committee to direct DODIG to assess MOD's and MOI's capacity to manage and account for U.S. on-budget funds.

More recent reports suggest that MOD, MOI, and MOF have made only limited progress in enhancing their capacity to manage and account for on-budget funds. An August 2014 DODIG report highlighted the Afghan government's lack of accountability and transparency

²⁵ SIGAR Audit 14-32-AR, *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Concerns Remain*, January 30, 2014.

²⁶ SIGAR, *High-Risk List*, December 2014.

²⁷ SIGAR Special Project 14-12-SP, *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of over \$4 Billion in Direct Assistance Funding*, December 3, 2013.

over Afghanistan Security Forces Fund direct assistance payments.²⁸ DODIG found MOD and MOI did not have adequate controls in place to ensure that they used CSTC-A contributions as intended and paid ANSF salaries appropriately. DODIG stated that these conditions in the Afghan government existed because CSTC-A has not held the Afghan government financially accountable for failures to implement controls and properly handle direct contribution funds. DODIG also found that MOI processed 4,579 potentially improper salary payments totaling \$40 million due to the ministry's lack of procedures to identify improper payments, such as duplicate payments, and MOI officials did not follow payroll procedures and modified payroll documents after the documents had been approved and signed. Further, DODIG reported that MOF could not confirm its cash balance of CSTC-A contributions.

In February 2015, DODIG reported that MOD and MOI did not have effective controls over the contract management process for U.S. on-budget funding provided to sustain the ANSF.²⁹ Specifically, the ministries did not adequately develop, award, execute, or monitor individual contracts funded with U.S. direct assistance. MOF did not sufficiently oversee MOD's and MOI's planning, accounting, and expenditure of U.S. on-budget funding, and MOD and MOI did not develop internal compliance functions within the ministries to ensure adherence to the Afghan procurement law and their commitment letters with CSTC-A. In addition, the MOD and MOI IGs did not adequately oversee the contract management process.

In its January and April 2015 reports on ANSF personnel and payroll data, SIGAR found that MOD and MOI continue to pay salaries for some ANA and ANP personnel in cash using a ministry-appointed "trusted agent," a process that lacks documentation and oversight. CSTC-A estimated in February 2015 that 5 percent of ANA personnel are paid this way but provided no additional details. Nearly 20 percent of ANP personnel receive their salaries from trusted agents. In response to a separate SIGAR inquiry, CSTC-A reported that corrupt practices within the trusted agent system of salary payments "could take as much as 50 [percent] of a policeman's salary."³⁰ In an attempt to decrease the number of ANP personnel receiving salaries from trusted agents, UNDP and MOI piloted the M-Paisa mobile money method for salary transfer, which allows ANP personnel to access their money using a code they receive via text message. However, the M-Paisa pilot was not expanded, reportedly due to the cost charged per transaction, and covered less than one percent of ANP personnel.

²⁸ DODIG, *Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency over Direct Contributions*, DODIG-2014-102, August 29, 2014.

²⁹ DODIG, *The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement*, DODIG-2015-082, February 26, 2015.

³⁰ CSTC-A response to SIGAR Special Project 14-50-SP, *ANP Mobile Money Pilot Program Inquiry Letter*, May 3, 2014.

In addition, SIGAR identified multiple weaknesses within the Afghanistan Financial Management Information System (AFMIS), the electronic system MOF uses to track the Afghan government's expenditures. Specifically, AFMIS only contains aggregated ANA salary expenditures; it does not record individual salary payments. As a result, CSTC-A is only able to obtain summary-level data on ANA salary expenditures, limiting its ability to review individual salary payments and reconcile them against other data sources. In addition, provincial MOF officials enter data into AFMIS manually, which increases the risk that errors will occur in the data entry process. Further, AFMIS data is ultimately based entirely on unit-level attendance data, which, as previously discussed, lacks necessary controls and oversight. These weaknesses coupled with CSTCA's and UNDP's limited oversight of AFMIS data limit assurances that ANA and ANP salary payments are accurate.

Recent UNDP Report Highlights MOI Internal Control Weaknesses

A recent report commissioned by the United Nations found that the MOI IG office suppressed complaints of corruption within the ANP.³¹ Specifically, the report notes that in 2014, MOI's "119" call centers referred more than 2,000 cases to the Anti-Corruption and Anti-Bribery Directorate within MOI IG.³² Of these, MOI IG only processed 907 corruption cases, and it is unclear how the remaining cases were disposed. Of the 907 cases investigated, only 9 were referred for prosecution. Of these nine, no actual judicial prosecutions took place.

The report attributes this to weak internal controls within the process for processing the complaints as well as a failure of MOI IG leadership, noting that, "Systemic corruption is endemic to [MOI IG] because the leadership has not only tolerated corruption, they have facilitated it and, in many instances, participated in it." The report concludes that the MOI IG and his senior staff were ignoring or blocking complaints. This raises broader concerns about the IG's ability and willingness to provide much needed and effective oversight over MOI as a whole, including its management and use of on-budget funds.

Future of LOTFA Remains Unclear due to Ongoing Concerns about UNDP's Management of the Fund and MOI's Ability to Manage and Account for Direct Assistance Funds

In December 2014, Afghan President Ghani called for the dissolution of LOTFA and for international funding for ANP salaries to be disbursed directly to the Afghan government. Despite concerns about UNDP's oversight of LOTFA, the United States and other donors

³¹ Jeffrey Coonjohn (commissioned by the United Nations), *Assessment—Corruption Complaints Process, Afghan Ministry of Interior*, Interim Final Report, January 23, 2015.

³² According to the report, the first 119 call center was established in Kabul in 2007. Since then, MOI has established call centers in Mazar-e-Sharif, Balkh province, Lashkar Gah, Helmand province; Kandahar; and Jalalabad, Nangarhar province. The mission of the call centers is to receive and process reports of corruption and official misconduct within MOI and the ANP. The centers operate 24 hours per day, 7 days per week, 365 days per year. Currently, there are 75 total authorized positions for the call centers.

have balked at the prospect of providing funding for ANP directly to the Afghan government, citing ongoing capacity issues and corruption within MOI, though they recognize the need to continue funding ANP salaries. As a result, instead of starting Phase VII of LOTFA on January 1, 2015, Phase VI was extended by 6 months, through June 2015, to allow for further negotiation between CSTC-A, UNDP, the Afghan government, and other donors. In addition, UNDP has not yet signed its draft commitment letter with CSTC-A for 2015. To date, no decision has been reached about the future of LOTFA or any alternative method for funding ANP salaries.

However, because the underlying problems identified by SIGAR's audits clearly reside with the poor operations and lack of capacity of MOI, MOD, and other Afghan ministries, SIGAR does not support the direct disbursement of ANP salary funding to the Afghan government. That said, in light of UNDP's poor performance of and its almost complete abdication of oversight and management of donor funds, SIGAR would encourage either finding another suitable, independent international agent to handle this process or a total rewriting of the LOTFA agreement to require credible management and oversight of the fund.

CSTC-A and the Afghan National Unity Government Are Taking Steps to Improve Processes for Collecting and Verifying ANSF Personnel and Payroll Data, and Oversight of On-Budget Assistance

CSTC-A and the new Afghan National Unity Government appear to be taking serious action to address weaknesses in ANSF personnel and payroll data processes, and improve MOD's, MOF's, and MOI's ability to manage and account for U.S. on-budget assistance for the ANSF.

CSTC-A generally concurred with the nine recommendations in SIGAR's two recent audit report and is taking steps to implement them.³³ For example, CSTC-A advisors are assisting MOD in updating and enforcing a plan for verifying ANA attendance data, and the command has required MOD to load all ANA personnel records into AHRIMS and track all assigned personnel against an authorized position by June 1, 2015. CSTC-A's also required MOI to do the same for ANP personnel records, and assessed a 1 percent penalty on its operation and maintenance funding disbursements to MOI because the ministry did not meet the March 1, 2015, deadline. CSTC-A is also working with MOI to expand the use of bank-facilitated payments where possible.

CSTC-A is also taking numerous steps to improve oversight and management of U.S. on-budget assistance for the ANSF, and the Afghan government's ability to manage such funds. For example, CSTC-A's commitment letter with MOI also requires the ministry to use EPS to track salary payments and stipulates that LOTFA funding will be withheld from employees not authorized for EPS payments by April 1, 2015. In addition, in response to DODIG's

³³ See appendix VI for a complete list of our recommendations.

August 2014 report, CSTC-A included requirements in its commitment letters with MOD and MOI for Afghan fiscal year 1394—December 21, 2014 through December 20, 2015—requiring MOF to account for U.S. direct assistance funds in a separate treasury account and to provide CSTC-A with monthly bank statements displaying the balances of the accounts.

According to CSTC-A, due to fundamental problems within the Afghan government's procurement system, the command is transferring on-budget funding for 15 contracts for goods and services, such as uniforms and individual equipment, off-budget for CSTC-A to directly administer and manage. Those 15 contracts have a value of approximately \$922 million. An additional 11 contracts, valued at \$85 million, that were due to transfer to the Afghan government are on hold pending an evaluation of the government's procurement system. CSTC-A continues to assist Afghan ministries, primarily MOD and MOI, in developing effective procurement processes and systems. SIGAR is most encouraged that CSTC-A, under the leadership of Major General Todd T. Semonite is also working closely with SIGAR in reviewing a number of other suspicious direct assistance contracts, as well as in developing fraud awareness and other training for the Afghan ministries.

Unlike its predecessor, the Afghan national unity government is undertaking several efforts to improve ANSF personnel and payroll data processes and systems, and accountability for direct assistance funds. During my February 2015 trip to Afghanistan, President Ashraf Ghani voiced his support for conditionality on assistance provided to the Afghan government, adding that he plans to use conditionality to keep his government focused on meeting performance targets and prioritizing its key tasks.³⁴ In addition, he informed me that he is using the results of SIGAR's audit on ANP personnel and payroll data to push for major changes in the ANP's salary program, and using other SIGAR audits to improve the efficiency of his government ministries.

Furthermore, as a result of SIGAR's recent investigation into bid rigging on MOD's approximately \$1 billion contract to deliver fuel to ANA sites throughout Afghanistan and other contracts, President Ghani has fired numerous officials, opened his own investigation, and introduced much needed procurement reforms, demonstrating his commitment to combating corruption within the Afghan government. It is encouraging that President Ghani and CEO Abdullah have devoted time and attention to the direct oversight of government contracting and are sending a clear signal that past practices will no longer be tolerated.

SIGAR is pleased with CSTC-A's and the national unity government's positive response to its work, and commends them for taking steps to address the weaknesses identified in the

³⁴ SIGAR Testimony 15-36-TY, John F. Sopko, *Special Inspector General for Afghanistan Reconstruction, Statement for the Record for the Senate Committee on Appropriations, Subcommittee on the Department of State, Foreign Operations, and Related Programs: Improving the Effectiveness of U.S. Reconstruction Efforts in Afghanistan by Enhancing Oversight and Addressing Key Areas of High Risk*, February 24, 2015.

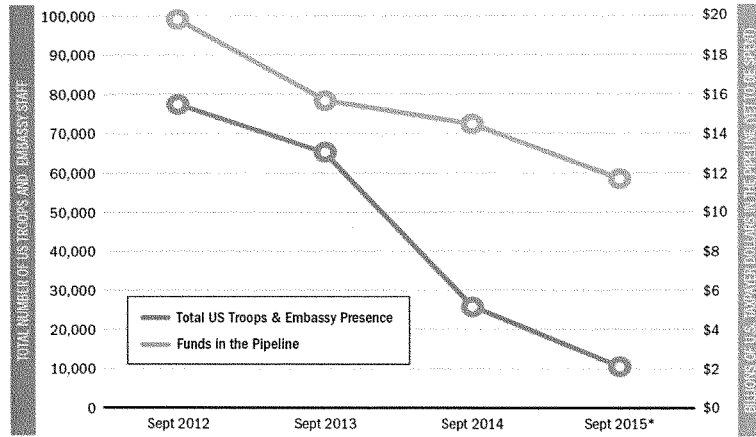
audits and MOD's and MOI's abilities to manage on-budget assistance. SIGAR will continue to monitor progress made in these efforts.

Oversight of Efforts to Develop the ANSF Remain Mission Critical, Even as the U.S. Presence in Afghanistan Decreases

In the interest of national security, the United States has spent 14 years and approximately \$1 trillion, and lost thousands of lives to build a secure and stable Afghanistan that will never again be a safe haven for terrorist groups. Of that \$1 trillion, almost \$110 billion has been invested in attempting to create a capable ANSF that can secure the country and a competent Afghan government that can provide much needed services to its people. Since 2013 Congress has been reducing annual appropriations for the reconstruction effort. Still, almost \$15 billion remains unspent as of March 31, 2015, and the United States has committed to spending billions more over the years to come. Properly overseeing these funds is essential to ensuring that this vast investment in Afghanistan since 2001 does not go to waste.

While billions are still being spent on reconstruction, the withdrawal of U.S. military and civilian personnel is making it even more challenging to manage and oversee the reconstruction effort. Both the U.S. military and Department of State (State) are considering further personnel cuts through the end of 2015 and into 2016. Figure 3 shows the amount of reconstruction funds left to be spent and the number of U.S. personnel in country. It should be noted that this does not include the billions that will be spent on the reconstruction in future years and the additional funding required to sustain U.S. military and civilian operations.

Figure 3 - Unspent Reconstruction Funds Compared to the U.S. Presence in Afghanistan from September 2012 through September 2015



Source: SIGAR analysis of DOD, State, U.S. Agency for International Development, and SIGAR's internal data
 Note: Data for September 2015 reflects funding and staffing projection estimates.

As a Result of the Military Drawdown, Resolute Support and CSTC-A Have Shifted Their Focus from Front-Line Units to the Ministerial and Regional Levels of the ANSF

As the U.S. role continues to undergo a fundamental change through the end of 2016, Afghanistan remains a fragile nation, albeit one with a new government that has thus far demonstrated its commitment to making much needed reforms to improve ministerial capacity. President Ghani and CEO Abdullah have taken visible actions to strengthen accountability, improve transparency, and combat corruption. However, with increasingly limited U.S. resources to conduct the reconstruction mission, transparency and oversight are now more important than ever to ensuring that every dollar is spent as effectively and efficiently as possible and used as intended.

With the drawdown and establishment of Resolute Support's eight Essential Functions and the Train, Advise, and Assist Commands, U.S. and coalition forces are now limited to advising at the regional levels of the ANA and ANP, MOD, and MOI, and have no direct visibility over lower-level units that would benefit the most from direct oversight and advising.³⁵

³⁵ See appendix VI for more information on Resolute Support's train, advise, and assist mission.

CSTC-A has noted its concerns about limited staffing since at least 2013. In our December 2013 report on CSTC-A's assessments of MOD's and MOI's capacity to manage and account for on-budget assistance, officials told SIGAR the command was understaffed relative to its financial management oversight mission. Our observations support this. In SIGAR's more recent reports on the processes used to collect and verify the accuracy of ANSF personnel and payroll data, CSTC-A officials echoed those concerns, specifically noting that the command has limited personnel to conduct needed ANA and ANP payroll audits.

SIGAR recognizes the challenges CSTC-A faces in assisting MOD and MOI with improving their personnel and payroll data processes, and overseeing U.S. on-budget assistance for the ANSF, particularly due to limitations in staff. Because of this, I am encouraged that in its comments on the ANA personnel and payroll data report, the Office of the Under Secretary of Defense for Policy committed to working closely with Major General Semonite and CSTC-A to ensure he receives the support he needs from DOD to achieve the level of accountability necessary to contribute to the security of Afghanistan and the protection of U.S. taxpayer funds. This support will be all the more important if CSTC-A is to successfully implement its' plan to return critical contracting functions to the ANSF after the current fighting season. Without improvements in both capability and accountability on the part of MOD and MOI, these plans may be at risk.

SIGAR will continue to monitor the resources provided to CSTC-A and Resolute Support. Now more than ever, we must carefully assess the level of support required to best ensure the success of the U.S. mission in Afghanistan, particularly since we have a cooperative and proactive partner in the new Afghan national unity government. Too precipitous a drop in U.S. and Coalition resources to manage and oversee our 14-year investment in Afghanistan could be disastrous for a country that can barely sustain its hard gained improvements in security, rule of law, and development.

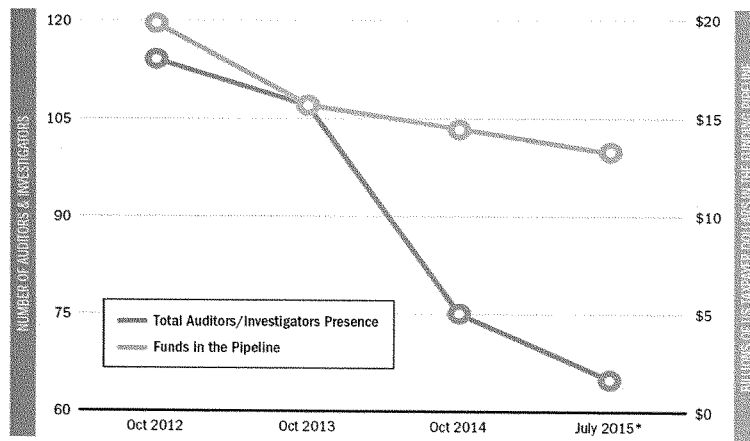
Audit and Law Enforcement Agencies Are Reducing Their Presence in Afghanistan

As funding for the reconstruction effort has been decreasing, audit and law enforcement agencies have substantially reduced the number of staff they have based in Afghanistan. For example, DODIG, GAO, State IG, and USAID IG, have reduced their in-country staff by 45 percent and may reduce further as State seeks to "normalize" civilian personnel staffing levels in Afghanistan. By mid-summer 2015, four investigative agencies—the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, the Federal Bureau of Investigation and the Defense Criminal Investigative Service—have indicated they intend to remove their staff from Afghanistan. These agencies, which have heretofore served in a partnership within the International Joint Contract Corruption Task Force, will no longer have an oversight presence in Afghanistan.

The impact of this reduction is larger than just the loss of experienced investigators on the ground in Afghanistan. The resources that these federal law enforcement agencies bring to the oversight effort are enhanced by supporting personnel at their agency headquarters and access to a unique array of capabilities, such as unique information systems, and a cadre of established law enforcement and security relationships of the parent organization. In addition, time and experience in Afghanistan increases the investigations staff potential and probability of successfully achieving the mission. The overall synergy of bringing a host of federal law enforcement agencies to Afghanistan and dealing with challenges of oversight will be lost and gone forever.

Figure 4 shows the amount of reconstruction funds left to be spent and the U.S. audit and law enforcement presence in Afghanistan.

Figure 4 - Unspent Reconstruction Funds Compared to the U.S. IG and Law Enforcement Presence in Afghanistan from October 2012 through July 2015



Source: SIGAR analysis of DOD, State, U.S. Agency for International Development, and SIGAR's internal data

Note: Data for July 2015 reflects staffing projection estimates.

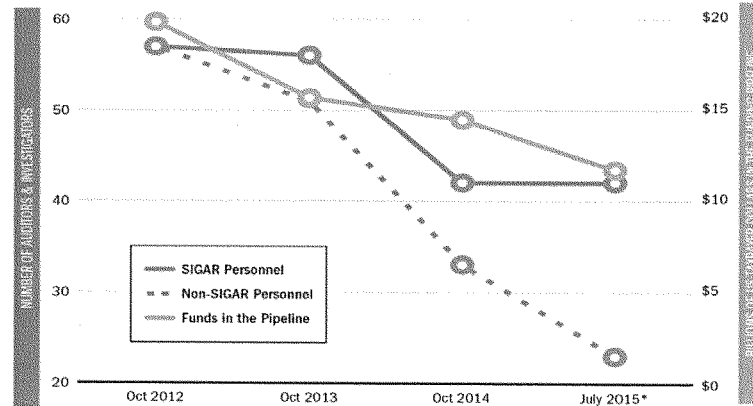
SIGAR Currently Has the Largest Oversight Presence in Afghanistan

SIGAR continues to have more auditors, analysts, and investigators based in country than any other agency. SIGAR's staff of 42 deployed personnel—consisting of 18 Audits and Inspections staff, 20 Investigations staff, and 4 Management and Support staff—are currently located at U.S. Embassy Kabul, Bagram Airfield, and Kandahar Airfield. SIGAR plans to maintain this staffing level through fiscal year 2015. Figure 5 shows the amount of

reconstruction funds left to be spent as well as SIGAR and other audit and law enforcement agencies' staffing in Afghanistan.

Figure 5 - Unspent Reconstruction Funds Compared to the U.S. Audit and Law Enforcement Presence in Afghanistan from October 2012 through July 2015

DIMINISHING OVERSIGHT STAFFING (SIGAR/NON-SIGAR)



Source: SIGAR analysis of DOD, State, U.S. Agency for International Development, and SIGAR data
 Note: Data for July 2015 reflects staffing projection estimates. For SIGAR, the projection is for 42 personnel.

SIGAR is uniquely positioned to provide oversight of the reconstruction effort in Afghanistan. SIGAR is the only oversight agency that focuses solely on the reconstruction mission in Afghanistan mission and, unlike other inspectors general, has the authority to audit, inspect, and investigate the activities of all U.S. government agencies and international organizations that receive U.S. funding for Afghanistan reconstruction. Most of SIGAR's deployed staff serve at least 2 years in country, limiting the amount of annual turnover compared to other agencies and providing a stable knowledge base within the U.S. government's presence in Afghanistan. Some SIGAR personnel have returned to Afghanistan for second and even third tours. SIGAR has also hired a small team of local Afghan engineers and analysts. To supplement the deployed and local staff, SIGAR personnel located at the agency's headquarters in Arlington, Virginia, frequently travel to Afghanistan on a temporary duty basis for 2 to 8 weeks to conduct audit, inspection, and investigative work.

State Department Plans to Further Reduce Chief of Mission Staffing in Afghanistan, Including Staffing for SIGAR and Other Oversight Agencies

Since I was appointed Special Inspector General, I believe SIGAR has conducted highly effective, productive, and independent oversight. Nevertheless, within the past week, the U.S. Embassy in Kabul informed SIGAR that, because of a State Department requirement to “normalize” or “rightsized” the Chief of Mission presence in Afghanistan, we must reduce our staff by 40 percent, from 42 to 25 deployed positions, by summer 2016. SIGAR was told that this 40 percent cut is non-negotiable. This arbitrary number was developed without SIGAR’s input, and embassy officials did not provide any explanation for how they determined these cuts.

I am extremely concerned about the impact these personnel cuts will have on SIGAR’s mission and on the U.S. reconstruction mission as a whole. While the U.S. reconstruction effort may have declined compared to its high point, Afghanistan is still the largest single recipient of U.S. foreign assistance, and is projected to remain the largest single recipient for years to come. In other words, while the troops may be coming home, the checks are still going over there.

Under both SIGAR’s authorizing statute and the Inspector General Act of 1978, Congress gave SIGAR independent hiring authority and required the Departments of Defense and State to provide resources that are adequate for SIGAR to carry out its mission in Afghanistan.³⁶ This principle has been recognized in the past by the U.S. Embassy in Kabul, which when deciding to reduce Mission numbers in the past, has informed SIGAR that our staffing levels were not included within the Mission cap. I will continue to work with State, Embassy Kabul, and Congress to ensure that SIGAR has the appropriate number of staff in Afghanistan to accomplish its mandated oversight responsibilities.

Beyond SIGAR, I am also concerned about the impact these staffing cuts will have on the U.S. reconstruction mission as a whole, as other agencies will also be mandated to reduce their presence in Afghanistan. As previously stated, oversight of the reconstruction effort remains critical to ensuring that the billions in U.S. taxpayer dollars already spent and the billions that remain to be spent are used as intended and protected from waste, fraud, and abuse.

Conclusion

The U.S. government has allocated at least \$3.6 billion to ANSF salaries since 2002. However, despite U.S. and coalition efforts to develop effective ANSF personnel and payroll processes, those processes continue to exhibit extensive weaknesses, including

³⁶ See National Defense Authorization Act, 2008, Public Law No. 110-181, § 1229(h)(1) and (4); Inspector General Act of 1978, as amended, § 6(b) and (c).

inconsistent use, incomplete or incorrect data, lack of integration between systems, and minimal oversight. As a result, there is limited assurance that ANSF personnel and payroll data is accurate.

With the continuing drawdown of U.S. and Coalition forces, and the responsibility for providing security now transferred to the Afghan National Security Forces, the United States and its coalition partners will continue to be almost fully reliant on data provided by MOD and MOI, even though neither ministry has procedures to verify that data. Given that the U.S. government and the international community plan to continue funding ANA and ANP salaries for the foreseeable future, it is crucial that MOD and MOI improve their ability to verify the accuracy of ANA and ANP personnel numbers and salary disbursements, and that Essential Function 4 and CSTC-A have the human and financial resources they need to develop methods to verify the data and oversee on-budget assistance. Further, as the U.S. continues to shift its funding for the ANSF to on-budget assistance, the Afghan government—specifically, MOD, MOI, and MOF—must develop the capability needed to fully manage and account for those funds, thus providing assurance to the United States that the funds will be used for their intended purposes.

With the drawdown of personnel from other audit and investigative agencies, SIGAR's role becomes even more important. SIGAR will monitor the U.S. and Afghan government's progress in implementing better controls over ANSF personnel and payroll processes, enhancing procedures for verifying this data, and improving oversight of U.S. on-budget assistance for ANSF salaries and other needs. SIGAR will also continue to work with DOD and Congress as it continues to oversee the critical work the United States and its coalition partners are undertaking in Afghanistan.

Thank you for the opportunity to testify today. I look forward to answering your questions.

Appendix I - NATO Resolute Support's Eight Essential Functions

The North Atlantic Treaty Organization's Resolute Support mission is organized along eight essential functions deemed critical for the Afghan National Security Forces (ANSF) to become a self-sustaining force that is capable of securing Afghanistan. The eight essential functions, their descriptions, and lead organizations are listed in table 1.

Table 1 - Resolute Support's Eight Essential Functions

Essential Function	Description	Lead Organization
EF1: Multi-Year Budgeting and Execution of Programs	ANSF is able to conduct multi-year programming that meets sustainment requirements; align the budget with programs; and execute program within available resources	CSTC-A
EF2: Transparency, Accountability, and Oversight	Afghan government establishes a transparent and accountable fiscal stewardship posture, demonstrates the political will to fight corruption; and investigates and prosecutes suspected offenders within ANSF in accordance with international standards and Afghan law.	CSTC-A
EF3: Civilian Governance of the ANSF	ANSF operates in accordance with Afghanistan's constitution, domestic laws, and international obligations via the integration of civilian control of the security forces	CSTC-A
EF4: Force Generation	ANSF recruits, trains, and retains sufficient qualified personnel to meet current and future requirements, while managing their employment along career paths through merit-based selection.	Operations/ Support
EF5: Sustainment	ANSF develops demand-based systems that are responsive to end-user operational and strategic needs (facilities management; medical; maintenance; and logistics).	Support
EF6: Strategy, and Policy Planning, Resourcing, and Execution	ANSF is capable of planning, synchronizing, conducting and sustaining joint and combined arms operations in accordance with the current year budget, future year programming, strategic priorities, and executable resource limitations.	Operations
EF7: Intelligence	ANSF is able to plan and execute operations using Afghan derived intelligence.	Intelligence
EF8: Strategic Communication	ANSF effectively communicates internally, with the Afghan population, and with the international community.	Communications

Source: SIGAR analysis of Resolute Support documents

Notes: EF stands for essential function. CSTC-A stands for Combined Security Transition Command-Afghanistan.

Appendix II - Weaknesses in the Processes for Collecting and Verifying ANSF Personnel And Payroll Data

Table 2 lists the weaknesses SIGAR identified in the Afghan National Army's (ANA) and Afghan National Police's (ANP) daily unit-level attendance collection processes.

Table 2 - Weaknesses in ANA and ANP Attendance Collection Processes

Applicable Force (ANA/ANP)	Weaknesses Identified
ANA and ANP	Only control in place at the unit level to ensure accurate attendance reporting on a day-to-day basis—a roster individual personnel sign daily—was not consistently used across locations.
ANA and ANP	No direct oversight—either consistent or ad-hoc—from CSTC-A, MOD, MOI, higher level ANA and ANP, or UNDP officials during attendance data collection and reporting
ANA and ANP	CSTC-A, MOD, MOI, and UNDP officials do not review all rosters for verification purposes, or reconcile them against other personnel or payroll data
ANP	For units posted far from their provincial headquarters and for those units whose provincial headquarters lack internet connectivity, attendance data is sent by radio through the chain of command

Source: SIGAR Audit 15-54-AR, *Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data*, April 23, 2015; and SIGAR Audit 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015.

Note: CSTC-A stand for Combined Security Transition Command-Afghanistan; MOD stands for Ministry of Defense; MOI stands for Ministry of Interior; and UNDP stands for United Nations Development Programme.

Table 3 lists the weaknesses SIGAR identified in the ANA's and ANP's personnel and payroll data systems.

Table 3 - Weaknesses in ANA and ANP Personnel and Payroll Data Systems

Applicable Force (ANA/ANP)	Weaknesses Identified
ANA and ANP	ANA- and ANP-issued identification numbers are not consistently or effectively used for identification at duty locations, to track attendance, to pay salaries, or to access electronic personnel records in the Afghanistan Human Resource Information System (AHRIMS).
ANP	MOI does not reclaim identification cards from inactive ANP personnel.
ANA and ANP	AHRIMS is unable to differentiate between active and inactive personnel, or track personnel by their position and identification number.

ANA and ANP	AHRIMS served as an electronic filing system and lacked the capability to produce automated reports.
ANA	MOD does not have an electronic payroll system and, instead, calculates salary payments manually.
ANP	<p>The Electronic Payroll System (EPS) contains few controls to ensure the accuracy of data entered into it. Specifically:</p> <ul style="list-style-type: none"> As of July 2014, 9 out of 34 provincial headquarters, which oversee 51 percent of all ANP personnel, did not have internet connectivity and, as a result, could not enter attendance data into web-based EPS. Instead, ANP officials had to physically transport the data via compact disc so that MOI officials could upload the data into the web-based system. Delays and inconsistencies in uploading data to EPS can prevent UNDP from reviewing data for over half of the ANP's personnel until months after salary payments are made. Attendance data recorded and compiled below the provincial level is not subject to an official or documented quality control review before it is entered into EPS. EPS relies on manually-entered data and does not record where or when changes were made, who approved the changes, or why the changes were necessary. There is a lack of controls to ensure new recruits are entered into EPS at their authorized pay rate, or to identify and correct errors when they occur.
ANP	<p>AHRIMS and EPS are not integrated and, therefore, cannot communicate with each other. As a result:</p> <ul style="list-style-type: none"> There are no controls to ensure that ANP personnel are receiving proper incentive payments. EPS generates payroll lists at the provincial level, but it does not contain the approved staffing levels for each unit and province.
ANA and ANP	<p>Weaknesses in the Afghanistan Financial Management Information System (AFMIS), the electronic system the MOF uses to track the Afghan government's expenditures, include:</p> <ul style="list-style-type: none"> Provincial Ministry of Finance officials enter data into the system manually. Data in the system is ultimately based entirely on unit-level attendance data, which lacks necessary controls and oversight.
ANA and ANP	An estimated 5 percent of ANA personnel and nearly 20 percent of ANP personnel receive their salaries in cash from through a MOD- or MOI-appointed "trusted agent," a process that lacks documentation and accountability.

Source: SIGAR Audit 15-54-AR, *Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data*, April 23, 2015; and SIGAR Audit 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015.

Note: CSTC-A stand for Combined Security Transition Command-Afghanistan; MOD stands for Ministry of Defense; MOI stands for Ministry of Interior; and UNDP stands for United Nations Development Programme.

Table 4 lists the weaknesses SIGAR identified in procedures for verifying and reconciling ANA and ANP personnel and payroll data.

Table 4 - Weaknesses in Verification and Reconciliation Procedures

Applicable Force (ANA/ANP)	Weaknesses Identified
ANA and ANP	MOD and MOI do not have documented or transparent procedures for verifying personnel data for the ANA and ANP, respectively, that they report to CSTC-A and Essential Function 4. Instead, the ministries rely largely on informal verification efforts. For example, MOD's processes for verifying ANA data consist of informal visits once or twice per year to the corps level but not below.
ANA and ANP	MOD and MOI are responsible for conducting personnel asset inventories, which involve physical counts of ANA and ANP personnel. From 2013 through 2014, MOD may have conducted only one inventory based on documentation CSTC-A provided to SIGAR, and as of 2014, MOI had reportedly not conducted any such inventories "recently."
ANA and ANP	CSTC-A has limited insight into MOD's and MOI's verification efforts, and does not have access to MOD and MOI Inspector General reports.
ANA and ANP	Neither CSTC-A nor Essential Function 4 has written, standardized procedures documenting their verification and reconciliation processes, resulting in the use of ad-hoc, informal procedures that might not be effective or replicable.
ANA	As a result of the drawdown, fewer coalition advisors are embedded with the ANA. Those who remain have limited interactions with lower-level units, limiting their ability to physically confirm personnel numbers in the locations that likely receive the least oversight.
ANA and ANP	<p>CSTC-A relies on payroll data provided by MOD and MOI, and does not undertake all required actions to verify and reconcile this data. Specifically:</p> <ul style="list-style-type: none"> • Because data in the Afghanistan Financial Management Information System is aggregated, CSTC-A is only able to obtain summary-level data from AFMIS on salary expenditures, rather than data on individual salary payments. • CSTC-A does not receive confirmations of salary payments from MOD, MOI, MOF, or the bank depositing the funds; documentation of reconciliations conducted by the banks; or copies of monthly payroll reports provided to MOF. • CSTC-A stopped receiving MOF documentation after its Financial Management Oversight office had two key payroll positions eliminated.
ANA	From 2013 through 2014, CSTC-A's released just two audits of the ANA payroll system—one in February 2013 and one in May 2014—reportedly because its audit division was not fully staffed until late January 2014.
ANP	CSTC-A conducted one audit of ANP payroll data in 2013.
ANP	CSTC-A does not compare or reconcile its ANP personnel totals against UNDP figures.
ANP	UNDP relies on MOI data due to limited LOTFA program resources and insecurity, which affect its ability to physically confirm personnel attendance at outlying locations.

ANP	UNDP is unable to verify ANP payroll data before releasing salary funding allotments. Instead, the monitoring agent uses Electronic Payment System data to retroactively verify select ANP salary payments.
ANP	<p>UNDP's contracted monitoring agent for LOTFA—Joshi & Bhandary— conducted monitoring efforts that were unsound and not sufficiently documented. Specifically:</p> <ul style="list-style-type: none"> • The methodology plan for sampling and physically verifying personnel, included in the LOTFA Monitoring Agent Audit Plan, was not sufficiently detailed or documented. • The plan includes a verification form for the monitoring agent's team to use during physical verification efforts, but the form includes a section intended to be filled out by ANP personnel. This assumes a level of literacy that over half of the ANP reportedly lack. • Joshi & Bhandary inconsistently implemented and reported on its sampling methodology. • Joshi & Bhandary's reports for 2013 did not explain other inconsistencies in the monitoring agent's work or discuss whether needed follow-up activities had been completed.
ANP	Neither CSTC-A nor UNDP has taken responsibility for verifying ANP personnel or payroll data. As a result, neither of these stakeholders has taken the lead to ensure that full verification procedures are conducted.

Source: SIGAR Audit 15-54-AR, *Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data*, April 23, 2015; and SIGAR Audit 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015.

Note: CSTC-A stand for Combined Security Transition Command-Afghanistan; MOD stands for Ministry of Defense; MOI stands for Ministry of Interior; MOF stand for Ministry of Finance; UNDP stands for United Nations Development Programme; and LOTFA stands for Law and Order Trust Fund for Afghanistan.

Appendix III - Entities Involved in Collecting, Verifying, and Reporting ANSF Personnel and Payroll Data

Table 5 lists the entities involved in collecting, verifying, and reporting Afghan National Security Forces personnel and payroll data; those entities roles and responsibilities; and issues SIGAR identified with their efforts.

Table 5 - Key Players Involved in ANA and ANP Personnel and Payroll Data Processes

	Entity	Responsibility	Issues Identified
Coalition Forces (including U.S. Military)	Combined Security Transition Command-Afghanistan (CSTC-A)	Oversight of direct assistance funding to the MOD and MOI, including drafting of the annual commitment letter describing its own responsibilities and those of the Afghan government	<ul style="list-style-type: none"> • Did not fully follow its own requirements in acquiring and reconciling payroll documentation • Lacks procedures for verifying and reconciling payroll data • Had conducted a limited number of payroll audits, citing lack of staff
	Essential Function 4 (Resolute Support)	"Force Sustainment" for the Afghan National Security Forces, including reporting personnel totals and management of the electronic human resource system, Afghanistan Human Resource Information System (AHRIMS)	<ul style="list-style-type: none"> • Lacks procedures for conducting verifications of personnel numbers to ensure accuracy • AHRIMS is not fully functional, is not used for attendance tracking or personnel totals reporting, and cannot identify active personnel
United Nations	United Nations Development Programme/Law and Order Trust Fund for Afghanistan (UNDP/LOTFA)	Oversight of Afghan National Police payroll data and salary funding and distribution, including the Electronic Payroll System (EPS)	<ul style="list-style-type: none"> • Lacked procedures for reconciling payroll data • EPS is not fully functional in all locations and does not contain final payroll data • Conducts limited oversight of monitoring agent; monitoring agent procedures and performance insufficient to ensure payroll oversight
Afghan Government	Ministry of Defense (MOD)	Afghan National Police (ANA)	<ul style="list-style-type: none"> • Does not have controls to ensure ANA salary payments are accurate • Does not have an auditable payroll system • Does not provide CSTC-A with all documents required by commitment letter

	Ministry of Interior (MOI)	Afghan National Police (ANP)	<ul style="list-style-type: none"> • Does not have controls to ensure ANP attendance data and salary payments are accurate • Lacks integrated systems for tracking and paying ANP personnel • Does not provide CSTC-A with all documents required by commitment letter • Uses minimally controlled "trusted agent" cash payments for one in five ANP personnel
	Ministry of Finance	Controls all funding disbursed to the MOD and MOI, as well as the Afghan government finance system, the Afghanistan Financial Management Information System (AFMIS)	<ul style="list-style-type: none"> • Does not provide CSTC-A with all documents required by commitment letter • AFMIS does not contain sufficient detail to ensure salary payments to Afghan personnel are accurate

Source: SIGAR analysis of CSTC-A, UNDP, and MOI documents; and SIGAR interviews with CSTC-A, UNDP, and ANP personnel

Appendix IV - Processes for Collecting, Transferring, and Storing ANSF Personnel and Payroll Data

The Ministries of Defense (MOD) and Interior (MOI) require the Afghan National Army (ANA) and Afghan National Police (ANP), respectively, to record personnel attendance—present and not present-for-duty—on a daily basis. Unit level commanders accomplish this through the use of daily attendance reports with check-in and check-out signatures from each individual under their command. Unit-level ANA and ANP officials pass this attendance data to their corps or provincials headquarters by hand or email on a monthly basis. This attendance data serves two purposes: (1) personnel totals, ranks, skills, and locations are used to facilitate planning and reporting for human resources needs, and (2) personnel salary levels, incentive and deduction amounts, and attendance data are used to calculate salary payments.

ANA corps and ANP provincial headquarters officials also report personnel totals to MOD and MOI, respectively. The ministries which aggregate this data and report the totals monthly by province or corps to Resolute Support's Essential Function 4, previously the Combined Security Transition Command-Afghanistan (CSTC-A), which uses them, among other things, to develop its submission for the Department of Defense's semiannual *Report on Progress Toward Security and Stability in Afghanistan*.

ANA Personnel and Payroll Data Collection Processes

Once ANA personnel and payroll data is collected, it is entered into a series of data systems using manual entry and transfer processes. ANA Recruitment Center and Kabul Military Training Center officials collect new recruit data and create a personnel record for each recruit in Afghanistan Human Resource Information Management System (AHRIMS), which is used to store human resources information.³⁷ Human resource officials at the ANA corps headquarters are responsible for updating AHRIMS records to reflect changes in status, including rank, duty location, and training.

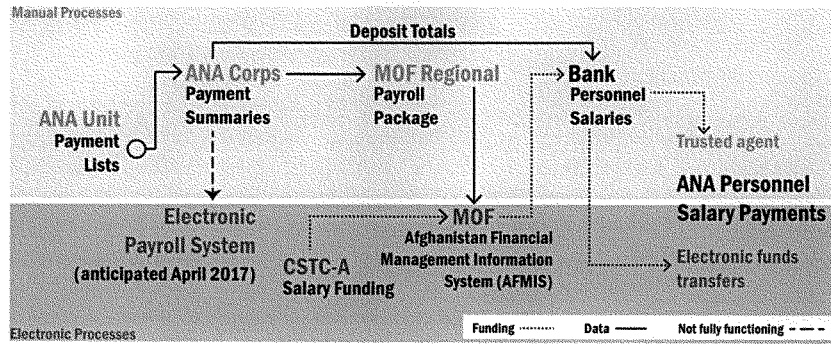
Battalion-level ANA officials summarize each individual's monthly attendance and applicable incentives into a spreadsheet that they send to corps headquarters by hand or email. Corps headquarters officials manually calculate personnel salaries, deducting for absences, and create salary payment requests for personnel. These officials then pass the salary payment requests, along with payment summaries and bank transfer forms, to provincial-level representatives of the Ministry of Finance (MOF). This MOF staff subsequently enters payroll data into the Afghanistan Financial Management Information System (AFMIS), the Afghan government's accounting system, determines the total salary amount to be sent to each ANA

³⁷ During our audit work, corps headquarters officials were in the process of scanning hard copy ANA personnel records into AHRIMS. As of October 2014, corps officials had scanned approximately 180,000 personnel records into AHRIMS, and about 12,000 personnel records remained to be entered into the system.

location, and disburses funds monthly to one of four banks or to a “trusted agent.”³⁸ The banks then electronically transfer salaries directly to individual bank accounts, while the trusted agent pays the salaries directly to the recipients in cash.

Figure 6 shows the systems used for ANA personnel and payroll data, the weaknesses in those systems, and the key players involved in the flow of ANA data.

Figure 6 - ANA Personnel and Payroll Data: Key Players, Systems and Weaknesses, and Data Flow



Source: SIGAR analysis of CSTC-A and MOD documents

ANP Personnel and Payroll Data Collection Processes

Like ANA personnel and payroll data, ANP personnel and payroll data is also entered into a series of data systems using a various manual entry and transfer processes. Data for new recruits, including each individual’s ANP identification number, is collected during training at regional centers and added to recruits’ records in the Electronic Payroll System (EPS) and AHRIMS.³⁹ Provincial headquarters staff enters each individual’s monthly attendance data into EPS, the ANP’s payroll system administered by United Nations Development Programme (UNDP), and updates personnel records in AHRIMS to reflect changes in status, including rank, duty location, and training.

MOI submits a payroll summary to MOF, which administers AFMIS, the country’s government-wide accounting system. Because AFMIS and EPS are not linked, MOF

³⁸ MOF disburses funding for ANA salaries to four banks authorized to handle Afghan government payrolls. These banks are the New Kabul Bank and three commercial banks—Azizi Bank, the Afghan United Bank, and Maiwand Bank.

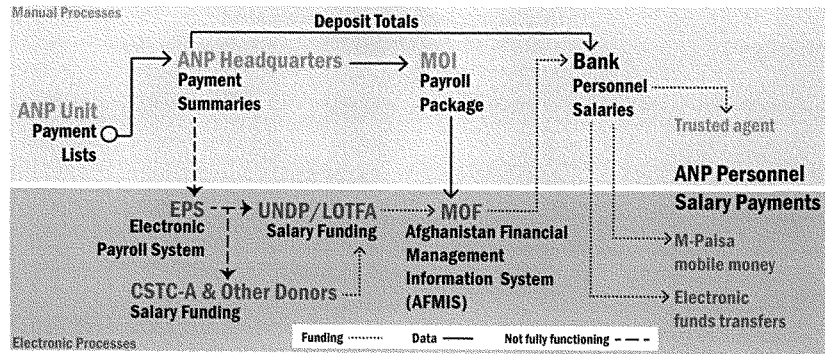
³⁹ Not all ANP recruits are immediately sent to a training center. Some personnel go straight to their assigned unit in the field after being recruited locally.

provincial-level staff enters data from the MOI-provided payroll summaries into AFMIS and uses the data to determine final ANP personnel salary payments.

Once MOF receives ANP salary funding from UNDP and payment requests from provincial level MOI representatives, it disburses funds monthly to one of four banks. The banks pay personnel salaries using one of two electronic systems: (1) electronic funds transfer directly to individual bank accounts, or (2) electronic funds transfer to an individual's bank account with subsequent transfer to a mobile phone using a text message system called M-Paisa.⁴⁰ In the areas without banks, provincial MOF officials transfer monthly salary payments to a trusted agent's bank account. This agent is charged with personally delivering those funds to the recipients in cash.

Figure 7 shows the systems used for ANP personnel and payroll data as well as the key players and systems involved in the flow of ANP data.

Figure 7 - ANP Personnel and Payroll Data: Key Players, Systems and Weaknesses, and Data Flow



Source: SIGAR analysis of CSTC-A, UNDP, and MOI documents; and SIGAR interviews with CSTC-A, UNDP, and ANP personnel

⁴⁰ M-Paisa, or "Mobile Money," is a means of transferring funds via mobile phone. It is unclear whether this payment program is still operating.

Appendix V - Process and Systems Used to Store, Access, Transfer, and Use ANSF Personnel and Payroll Data

The Combined Security Transition Command-Afghanistan (CSTC-A), Resolute Support Essential Function 4, the United Nations Development Programme (UNDP), and the Afghan government—specifically the Ministry of Defense (MOD), Interior (MOI), and Finance (MOF)—use both manual processes and electronic data systems to store, access, transfer, and use Afghan National Army (ANA) and Afghan National Police (ANP) personnel and payroll data. SIGAR identified problems with each of these process and systems, including inconsistent use, incomplete or incorrect data, lack of system integration, and weak internal controls. Table 6 lists the personnel and payroll data processes and systems, and a summary of the weaknesses SIGAR identified with each of them.

Table 6 - Data Systems Used to Store and Access ANP Personnel and Payroll Data

Data System	Administrator	Purpose	Identified Weaknesses
ANA Identification System	Resolute Support (under a contract with Netlinks)	Contains a list of the unique ANA-issued identification numbers for each member of the force	<ul style="list-style-type: none"> Lack of regular use of ANA-issued identification cards within the force
ANP Identification System	MOI (formerly DynCorp under a contract with CSTC-A)	Contains a list of the unique ANP-issued identification number for each member of the force	<ul style="list-style-type: none"> Lack of regular use of ANP-issued identification cards within the force Long delays in obtaining or replacing identification cards Reportedly as many as double the number of identification cards in circulation as there are active ANP personnel
Afghanistan Human Resource Information Management System (AHRIMS)	MOD and MOI (under a CSTC-A-funded contract and managed by Resolute Support)	Storage system for data on ANA and ANP personnel education level, training, equipment, medical status, incentive pay levels, and other information	<ul style="list-style-type: none"> Not linked with other systems Not fully functional at all corps headquarters or provinces Contains many incomplete records and data fields that need to be re-entered or verified Unable to differentiate between active and inactive personnel Contains at least 50,000 ANP entries that cannot be matched to EPS records due to incorrect identification numbers
ANA Payroll System	MOD	Series of forms for calculating and reporting ANA personnel salaries	<ul style="list-style-type: none"> Consists of 160,000 pages of handwritten payroll records Not linked with other systems All data manually entered, processed, and transferred, which can be slow and untimely Limited U.S. visibility into the system

Electronic Payroll System (EPS)	UNDP	Contains ANP attendance data collected through the manual attendance collection process and uses this data to calculate monthly salary payments	<ul style="list-style-type: none"> • Not linked with other systems • Not fully functional in all provinces • Doesn't always keep an automatic record of system users, dates of data entry, or changes made • Limited controls over manually-entered attendance data • Taxes and incentive pay calculated manually • ANP salaries are not paid directly using EPS data • As of May 2014, 43 percent of records lacked bank account numbers and 60 percent lacked identification numbers in the correct formats
Afghanistan Financial Management Information System (AFMIS)	MOF	Contains Afghan government expenditure data across all ministries	<ul style="list-style-type: none"> • Not linked with other systems • All data manually entered • Limited number of line items makes oversight of detailed expenditures and tracking of funding throughout the payroll process difficult

Source: SIGAR analysis of CSTC-A, MOD, and MOI documents

Appendix VI - SIGAR Recommendations on ANSF Personnel and Payroll Data

In its two audit reports examining the reliability of Afghan National Security Forces personnel and payroll data, SIGAR made nine recommendations to U.S. Forces-Afghanistan (USFOR-A), the command that oversees the Combined Security Transition Command-Afghanistan (CSTC-A), to improve oversight of Afghan National Army (ANA) and Afghan National Police (ANP) personnel and payroll data collection processes and to improve the accuracy and reliability of the data.⁴¹ CSTC-A concurred with six of the recommendations and partially concurred with the remaining three recommendations. The recommendations, with CSTC-A's response, are listed below by report.

SIGAR 15-54-AR, Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data

To improve oversight of the ANA's personnel and payroll data collection processes and to improve the accuracy and reliability of that data, SIGAR recommends that the Commanding General, USFOR-A, in coordination with the North Atlantic Treaty Organization (NATO) Resolute Support mission and the Ministry of Defense (MOD), as appropriate:

1. Implement additional controls on the daily, unit-level attendance process, such as mandating that all ANA personnel sign in and out daily, requiring the use of identification numbers in the attendance process, and having oversight personnel present to observe and verify the this process by December 2015. **(CSTC-A response: Partially concur.)**
2. Ensure that, by April 2017, the MOD is using a fully operational electronic system(s) to track and report all ANA personnel and payroll data at the corps level and above, and calculate ANA salaries, and ensure that these systems have controls in place to prevent internal errors, external inconsistencies, and manipulation. **(CSTC-A response: Partially concur.)**
3. Develop and implement, by July 31, 2015, a verification plan that details procedures by which the MOD will verify ANA personnel and payroll data. **(CSTC-A response: Partially concur.)**

To improve CSTC-A's and Essential Function 4's processes for verifying and reconciling ANA personnel and payroll data, and to increase oversight of funds provided to the Afghan government for ANA salaries, SIGAR recommends that the Commanding General, U.S. Forces-Afghanistan, in coordination with the NATO Resolute Support mission:

4. Develop written procedures to document required steps for verifying ANA data by July 1, 2015. This documentation should include:

⁴¹ See SIGAR Audit 15-54-AR, *Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data*, April 23, 2015; SIGAR Audit 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015.

- a. risk-based procedures for conducting physical verification activities at ANA locations, and
- b. procedures for reconciling all available ANA data after each disbursement, including attendance, personnel, and payment data, and salary payment confirmations. **(CSTC-A response: Concur.)**

SIGAR 15-26-AR, Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data

To improve oversight of ANP personnel and payroll data, provide greater assurance to U.S. and international stakeholders of the data's accuracy, and ensure accountability of funds, SIGAR recommends that the Commander, USFOR-A, in coordination with the United Nations Development Programme (UNDP), the Ministry of Interior (MOI), and the Ministry of Finance (MOF), as appropriate:

1. Implement mandatory controls, and training as needed, on the daily, unit-level attendance process, such as a personnel sign-in process, the use of ANP identification numbers and cards, and the presence of oversight officials. **(CSTC-A response: Concur.)**
2. Take immediate action to achieve fully operational and integrated electronic systems by January 2016, to track and report all ANP personnel and payroll data, and ensure those systems have controls in place to prevent, to the extent possible, internal errors, external inconsistencies, and manipulation, including:
 - a. Ensuring that sources of ANP personnel numbers are linked to authorized positions to prevent reporting or payment of more personnel than authorized; and
 - b. Expanding the web-based Electronic Payroll System to at least 30 provincial headquarters, as called for in the UNDP and European Union's Police Pay Action Plan. **(CSTC-A response: Concur.)**
3. Develop and implement a joint data verification plan by January 2015, detailing procedures by which USFOR-A, UNDP, and the MOI will coordinate to regularly and systematically verify the accuracy of ANP personnel, payroll, and Afghanistan Financial Management Information System (AFMIS) data. The joint plan should include:
 - a. Descriptions of each organization's roles and responsibilities in the verification process;
 - b. Procedures by which UNDP will effectively carry out its fiduciary responsibility to administer Law and Order Trust Fund for Afghanistan (LOTFA) funding to the ANP.
 - c. Requirements to reconcile ANP data—including daily attendance, payment request, payment summary, EPS, and AFMIS data, as well as salary payment reports and bank account numbers—on a monthly basis;
 - d. Risk-based procedures by which coalition or UNDP personnel conduct regular spot checks to physically verify MOI-reported ANP personnel; and

- e. Procedures by which issues identified during verification—including unverified personnel, inaccurate data, and fund overpayments to the ANP—are mitigated or resolved, and similar occurrences in the future are prevented. **(CSTC-A response: Concur.)**
- 4. Implement a process to ensure that ANP personnel currently obtaining their salaries via a trusted agent receive full, accurate payments. **(CSTC-A response: Concur.)**

To further improve oversight of U.S. and other donor funding for the ANP provided through LOTFA, SIGAR recommends that the Commander, USFOR-A, in coordination with UNDP and other donors:

- 5. Review LOTFA independent monitoring agent terms of reference, monitoring plans, and monitoring reports monthly or as appropriate to:
 - a. Ensure the monitoring agent develops, documents, implements, and fully reports a sound and consistently-applied methodology for personnel physical verification activities. Such methodology should incorporate contingency procedures to respond to disruptions in monitoring activities due, for example, to insecurity, weather, or remote locations.
 - b. Mitigate or resolve, and help prevent future occurrences of, specific problems, including reporting errors and inaccurate salary calculations, identified through monitoring. **(CSTC-A response: Concur.)**

Appendix VII - Relevant Reports on ANSF Personnel and Payroll Data, and Direct Assistance

SIGAR

1. SIGAR Audit 15-54-AR, *Afghan National Army: Millions of Dollars At Risk Due to Minimal Oversight of Personnel and Payroll Data*, April 23, 2015.
2. SIGAR Testimony 15-36-TY, *John F. Sopko, Special Inspector General for Afghanistan Reconstruction, Statement for the Record for the Senate Committee on Appropriations, Subcommittee on the Department of State, Foreign Operations, and Related Programs: Improving the Effectiveness of U.S. Reconstruction Efforts in Afghanistan by Enhancing Oversight and Addressing Key Areas of High Risk*, February 24, 2015.
3. SIGAR Audit 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015.
4. SIGAR, *High-Risk List*, December 2014.
5. SIGAR Special Project 15-14-SP, *Direct Assistance: Review of Processes and Controls Used by CSTC-A, State, and USAID*, October 23, 2014.
6. CSTC-A response to SIGAR Special Project 14-50-SP, *ANP Mobile Money Pilot Program Inquiry Letter*, May 3, 2014.
7. SIGAR Special Project 14-50-SP, *ANP Mobile Money Pilot Program Inquiry Letter*, April 16, 2014.
8. SIGAR Special Project 14-12-SP, *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of over \$4 Billion in Direct Assistance Funding*, December 3, 2013.
9. SIGAR Audit-11-10, *Despite Improvements in MOI's Personnel Systems, Additional Actions Are Needed to Completely Verify ANP Payroll Costs and Workforce Strength*, April 25, 2011.

Department of Defense Inspector General (DODIG)

1. DODIG, *The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement*, DODIG-2015-082, February 26, 2015.
2. DODIG, *Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency over Direct Contributions*, DODIG-2014-102, August 29, 2014.
3. DODIG, *Assessment of U.S. Efforts to Develop the Afghan National Security Forces Command, Control and Coordination System*, DODIG-2013-058, March 22, 2013.

Others

1. General John F. Campbell, *Statement of General John F Campbell, USA, Commander U.S. Forces—Afghanistan, Before the Senate Armed Services Committee on the Situation in Afghanistan*, February 12, 2015.
2. Jeffrey Coonjohn (commissioned by the United Nations), *Assessment—Corruption Complaints Process, Afghan Ministry of Interior, Interim Final Report*, January 23, 2015.
3. United Nations Development Programme Office of Audit and Investigations, *Desk Review of UNDP Afghanistan Oversight of the Monitoring Agent of the Law and Order Trust Fund for Afghanistan*, Report No. 1310, October 9, 2014.
4. General Accountability Office, *Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of A Detailed Plan to Develop and Sustain Capable Afghan National Security Forces*, GAO-08-661, June 18, 2008.
5. Department of State Inspector General and DODIG, *Interagency Assessment of Police Training and Readiness*, Department of State Report No ISP-IQO-07-07/Department of Defense Report No. IE-2007-001, November 2006.

Mr. DESANTIS. Thank you, Mr. Sopko.

The chair now recognizes himself for 5 minutes.

To what extent does the U.S. Government have oversight over the U.S. funding that is paid to the Afghan National Security Force personnel?

Mr. SOPKO. Well, our oversight is the two audits report, and I would highlight that the appendices at the end that actually lists every U.S. agency and international agency and their weaknesses is very limited. We have no visibility, really, below what they call the core level.

So at the brigade, the kandak, and the company, we have no visibility; and we have limited visibility even at the corps level. I think we are trying as hard as we can. I think General Campbell and General Semonite and his team and CSTC-A are trying, but they have very limited resources and they have indicated to us they don't have enough people.

Mr. DESANTIS. So at least for those subordinate units, the U.S. Government, we are basically entirely relying on the government of Afghanistan to oversee the accuracy and reliability of the payments?

Mr. SOPKO. Accuracy, reliability, and the capabilities of the troops. We don't have any visibility at the company level, the kandak level, brigade level; and the last time I was in Afghanistan I was told by some of the CSTC-A officials that they are actually being told don't even look down there.

Mr. DESANTIS. So no U.S. personnel involved in taking attendance, overseeing any payments?

Mr. SOPKO. No. No, sir.

Mr. DESANTIS. Does the U.S. military in Afghanistan have the resources it needs to help the Ministry of Interior and the Ministry of Defense improve their personnel and payroll systems, and to better account for on-budget assistance funding?

Mr. SOPKO. I would say based upon our body of work, and based upon my observations, and based upon Statements made to me by senior military officials and others, they do not have enough resources. Now, this doesn't mean you have to change the number of troops on the ground; you just have to think out of the box. Maybe bring in people on TDY, maybe utilize better resources. But as of now they don't.

Mr. DESANTIS. With the pending cuts to your staff due to the "right-sizing" that you alluded to, what do you estimate will be the impact on your ability to conduct oversight?

Mr. SOPKO. It will be adversely impacted, particularly now, when we have a willing party in the palace. We are bringing cases, working very closely with General Semonite, bringing fraud cases to the attention of the president of Afghanistan and the CEO. They are willing to work with us, and now our resources will be limited. I can't say how many audits will be lost or how many investigations, but the on-the-ground truth is now we have an opportunity to work with a willing partner, and for some reason we have a decision being made to make Afghanistan embassy normal.

Now, sir, I know you have been to Afghanistan; I know some of the other members. And this is not meant as being derogatory. Afghanistan is not normal. This isn't Norway. This isn't Germany.

This isn't Brazil. This is a country where there is a war going on; we have an active insurgency; we have troops' as well as American civilians' lives being put on the line. But we have a willing partner who wants to help and needs our help. So that is my concern right now with this normalization of the chief mission, that this may not be a wise decision. Very risky.

Mr. DESANTIS. When we had the Afghan president address the joint session, some of my constituents would ask, well, is this a lot better than Karzai. So in your experience, at least in terms of the ability to have accountability, you do think that there is a significant improvement?

Mr. SOPKO. I do, sir. And I am not Pollyanna-ish about this. I follow the lines of President Reagan: trust but verify. But this president, when we uncovered a billion dollar contract in which \$200 million was being stolen on direct assistance because of fraud and because of bribery and because of actually tampering with the contracting, we brought the CSTC-A.

CSTC-A, which is the military command, we went in and the president demanded a meeting, a briefing, and he personally got briefed on it. He fired generals; he ordered a new commission to look at it. But more importantly, he ordered a commission to look at changing the entire way they do contracting. This is good news. I am cautiously optimistic because of the new unity government.

And the same thing applied to Abdullah Abdullah, who, the last time I was there, he asked to be briefed by me and my staff. My staff are working very closely with the new government. We had a very little relationship, very small relationship with the prior government.

Mr. DESANTIS. Great. Well, thank you for that.

My time is expired and I will now recognize the ranking member, Mr. Lynch, for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to thank you again, Inspector General Sopko. You are doing some great work here. Although I have to say it is very troubling to read your reports, the lack of accountability here. According to your report, and I believe it is correct, we have spent over \$60 billion training and equipping and maintaining national Afghan security forces since we went into Afghanistan. Is that correct?

Mr. SOPKO. That is correct, sir, approximately \$60 billion.

Mr. LYNCH. OK. Now, let's start with the Afghan National Army first. Can you tell me how many Afghan National Army personnel we have trained?

Mr. SOPKO. I can't. We don't know. There is no way to give you that number.

Mr. LYNCH. How about Afghan National Police?

Mr. SOPKO. We don't know. There is no way to give the number because the records are so bad. We can tell you what the top level numbers are; it is 167,000 for the ANA, which is the National Army, and 155,000, approximately, for the police.

Mr. LYNCH. That is standing right now?

Mr. SOPKO. Well, that is what the plan is that is standing right now, but we have no idea how many have been trained.

Mr. LYNCH. Well, we have been doing this for 13 years, so can you tell me the attrition rate? For instance, in Iraq, because we get a quarterly report and we track this, we know that we have spent \$25 billion in Iraq and we have trained up 938,000 Iraqis for border patrol, police, and military. Now, you spent more than twice that in Afghanistan. Different circumstances, obviously, but you cannot tell me how many people we have trained?

Mr. SOPKO. Sir, let me just qualify. I didn't spend that.

Mr. LYNCH. Oh, no, no, no. Of course you didn't.

Mr. SOPKO. I wish I had a budget that big.

Mr. LYNCH. No, no, no. I apologize. I apologize. Our Country has spent over \$60 billion in taxpayer money doing all this training and equipping and maintaining them. And you are telling me today, because of the way we account for things over there, you can't tell me how many folks we have trained?

Mr. SOPKO. I will check with my auditors, who are smarter than I am, but I think that number is beyond our capability.

[Pause.]

Mr. SOPKO. No, we can't.

Mr. LYNCH. OK. All right. That is sad. That is sad. But that is the way it is. I don't doubt your answer, I don't. And on top of this, I know that a number of weeks ago we had a little bit of a situs with General Campbell in Afghanistan because he wanted to keep some of the reports classified. We had been getting these reports on the amount of money spent and number of people trained up, and we had been getting those regularly from Iraq and fairly regularly from you as well, and your predecessor as well, and then General Campbell didn't want to give us that information anymore. That is No. 1.

I know we had a back and forth, and now they realize they made a bad decision and they have reversed that, and now they are going to supposedly continue to give us this information. He said the reason I wanted to keep it classified and not tell us or the American people was that he thought the enemy might get ahold of it, how much money we are spending over there, and that would weaken security. So now he has agreed that he is going to give us that information.

But, in addition to that, now he is reducing the number of personnel with your group, from 40 to 25, is that correct?

Mr. SOPKO. It is not General Campbell; this is coming from the State Department, because we actually fall under Chief of Mission rules when we are in State. So, no, it is not General Campbell.

Mr. LYNCH. OK.

Mr. SOPKO. We are working very closely with his team.

Mr. LYNCH. But there will be less people tracking this information for us, doing oversight?

Mr. SOPKO. That is correct, sir.

Mr. LYNCH. And just so you know, Congress is also subject to limitations getting in there now, as well, so we are doing less oversight because of the limitations of assets there, we are told. So we can't do that oversight anymore. That is a troubling development. With the amount of money we are spending over there, it is a disgrace that we don't have an accountable system. I think a lot of this money is being stolen.

We are having a fight in Congress right now over the budget about how much money our overseas contingency operations should get, and here is all this money being stolen. I commend you on your work. We just have to figure out a way to stop this. Maybe it is coming to a point where we just stop all the funding going over there, and that is the way we solve this.

I yield back.

Mr. SOPKO. Could I respond, Mr. Chairman?

Mr. HICE [presiding]. Yes, sir, please.

Mr. LYNCH. Please.

Mr. SOPKO. Mr. Lynch, my only concern about that, and I can understand your frustration, the reality of the situation on the ground is, if we stop funding, probably the Afghan National Security Forces will collapse, the Afghan government will collapse, and the entire \$1 trillion investment will be lost. So I caution you, sir, on that.

Mr. LYNCH. We will visit that again, but thank you. I appreciate that.

Mr. HICE. The gentleman yields back.

The chair will now recognize himself for 5 minutes.

Along these lines of the attendance records that you have referenced a few times, this certainly goes far beyond just mismanagement of taxpayer dollars. There is obviously a lot at stake in all of this figuring. When the U.S. and Afghan officials are planning offensive or defensive military operations and they have inaccurate numbers with which they are working with in terms of personnel and whatever location they are, what are the national security implications?

Mr. SOPKO. Well, the most serious implication would be that a corps or a kandak or brigade would be a hollow brigade that doesn't really exist. And I can only allude to, although it is not a totally exact comparison, but to what happened in Iraq, where it was discovered that those were hollow brigades and that a lot of the troops were ghost, they didn't exist; they were created out of thin air so that the officers could steal the salary and steal everything else. So I assume that is the biggest concern that we would have and you would have, and General Campbell would have.

The other concern is if we don't know who is showing up, we don't know what their qualifications are. Are they medics? Are they trained medics? Are they literate? Are they weapons specialists and all that? They may just not exist.

And you know as well as I do, if you are in the military, you have a roll call every morning. Well, we don't have basic roll call. We don't know who shows up at that roll call. And the same applies to the police.

I know we have incidents right now in Baltimore. I am certain every morning in Baltimore there is a roll call in every one of those precincts so the chief of the police, the station precinct knows who is there. We don't know in Afghanistan.

Mr. HICE. Well, obviously, the results of that could be enormous, and you referenced the trillion dollar investment. How is the Afghan National Security Forces operating right now, in this season, without U.S. military support, are they holding?

Mr. SOPKO. I am probably not the best person to answer that, but on my latest meetings over in Afghanistan we had positive responses from General Campbell on their operations. But I am not an expert and we don't have the capability to actually do that assessment.

But apparently they had a very good or pretty good operation in Helmut. They now are up north in, I believe, the Kunduz Valley and doing an operation. I don't know how well they are doing, I can't really tell you. There was some newspaper articles recently about that from the local press which gave you mixed results. And I think The New York Times article actually talked about that we may be coming back in to help the Afghans.

This is an important year, sir. I can just say that.

Mr. HICE. I would certainly agree with you. You mentioned also fraud and bribery. Just how deep is the corruption?

Mr. SOPKO. Oh, I think the corruption is endemic in the country. I think President Ashraf Ghani recognizes it, and the CEO, and they are trying to do something about it, and that is why it is so critical now to be working with that government. We actually have a willing partner for a change, so we are hopeful that more can be done. But it is an overwhelming task.

Mr. HICE. So with the corruption, though, that is there, although there appears to be attempts to correct some of it, can they be trusted to conduct oversight of salary payments, attendance, that type of thing?

Mr. SOPKO. Well, that is why we are encouraged that General Semonite and his team are trying to design a system that will protect the money and protect the contracts, and that is why we are encouraged that we are working with General Semonite on our team with the palace on trying to design contracts and design a system that can make a difference.

Mr. HICE. Are we talking an electronic system?

Mr. SOPKO. Electronic systems where we can—I was very encouraged. Yesterday my staff received a 4-hour briefing from a member of the Pentagon. They finally decided they have heard us and they are bringing in experts who know how to design H.R. systems. They have never done that before.

Basically, General Semonite and his team have been doing the best they can, but they are war fighters. We finally have convinced the Pentagon to devote the resources to design an H.R. system. This should have been done years ago. They didn't. Well, now we have an opportunity and a willing government to respond, so I am encouraged by that.

Mr. HICE. Well, you would think as long as the U.S. is making so many of the payments for personnel and so forth, that, with the money flow going in, they would want that relationship to be healthy and that they would want to address some of the abuse, the fraud, and that type of thing. Is that an accurate assessment?

Mr. SOPKO. Yes. The new government is interested in that, and they have not only spoken on it, but actually carried out some deeds that we are impressed with. So, again, trust but verify. But at least with the National Unity Government we have somebody who is very willing to change the way things have worked in Afghanistan for a number of years.

Mr. HICE. All right, sir, thank you. My time has expired.

The chair will now recognize the representative from Michigan, Mrs. Lawrence, for 5 minutes.

Mrs. LAWRENCE. Thank you, Mr. Chair.

Thank you, Mr. Sopko, for being here today. Ensuring that the daily attendance of Afghan police and military personnel is collected and recorded in an accurate manner is essential. I do want to say about your Statement that an H.R. system is put into place, my career prior to coming here to Congress involved almost 30 years in HR. So I find it unacceptable and hard to understand how we are paying people without having an H.R. system that validates who we are paying.

But with that being said, we know we can't have an effective personnel and payroll system if we don't know who showed up for work, simple roll call, and how often they were there. You agree, you made that Statement. So let's look at the ANA signature reporting for a moment.

In the report being released today, SIGAR found that the only control in place at the unit level to ensure accurate reporting on a day-to-day basis was a sign-in roster. Do I have that correct?

Mr. SOPKO. That is correct, ma'am.

Mrs. LAWRENCE. But this roster was not used by everyone. As I understand it, officers used it, but enlisted personnel did not.

Mr. SOPKO. That is correct.

Mrs. LAWRENCE. OK. I also understand that SIGAR found that the ANA-issued identification numbers are not consistently used to track attendance. Is that correct?

Mr. SOPKO. That is correct also, ma'am.

Mrs. LAWRENCE. But is it a fact that all of the personnel are actually issued an identification number?

Mr. SOPKO. We don't know for sure.

Mrs. LAWRENCE. OK. So I know that SIGAR visited two military units and reviewed their roster books. I understand what you found regarding the lack of oversight and weakness in data collection was concerning, and you have kind of outlined it. These weaknesses in attendance data collection process could result in personnel being paid our Federal tax dollars, being paid for days, for work that didn't happen either without knowledge of a supervisory personnel.

Make me understand and State again how can we pay someone and the supervisory personnel is not connected with that payment. Can you explain that to me?

Mr. SOPKO. Well, there are multiple payroll systems; there are multiple electronic systems that don't talk to each other. We assume if you are an employee you have an ID card.

Mrs. LAWRENCE. Yes.

Mr. SOPKO. Well, it turns out that they are not all issued cards; the cards aren't always put into the system. It also turned out that they have never collected any of the cards of the people who have left. And that is serious not from a security point of view, which I think the chairman alluded to, but you have people walking around with ANA Army ID cards and police ID cards in the country, meaning you can sign them up and collect.

It is hard to explain how messed up this system is. If you look at the appendices, we listed—I am not trying to defend the system. This is something that has been identified going back years by the GAO, DOD IG, State Department IG, we have done it three times. Finally I think we have gotten their attention. By we, I think the Afghans want to fix it because I think they are concerned. I can't speak for the president, but I believe he is concerned that he doesn't know how many soldiers he has out in such a province.

Mrs. LAWRENCE. Now, I have only a few minutes, so can you please tell me how the recommendations that are being made with the subcommittee would improve things? Can you tell me your sense of expectation?

Mr. SOPKO. Essentially all of our recommendations to DOD have been accepted and they are moving on them, so we are encouraged by that. Our recommendations to you and the committee is to keep watching DOD, and bring us back and bring them in, if necessary, to see if they are implemented. They have promised to do this. Trust but verify. Let's see if they do it.

Importantly, I think you have to look at the staffing and capabilities of our military in Afghanistan and whether they have adequate resources to do this. When we did our audits, we talked to our military, and they basically told us they don't have the bodies to do adequate oversight. That is why we are doubly concerned that the largest oversight body of the U.S. Government is being cut by 45 percent in Afghanistan, by the State Department, without consultation.

And the other issue is we are an independent inspector general. Since 1978, independent inspectors general determined their staffing level and where they are located. Now we get an edict from the State Department that basically says this is your number, live with it.

Mrs. LAWRENCE. I want to tell you thank you so much for your testimony, and you have my commitment that I will join with the members of this subcommittee to keep an eye on it. Thank you.

I yield back my time, Mr. Chairman.

Mr. HICE. Thank you. The gentlelady's time has expired.

The chair will now recognize the ranking member from Massachusetts, Mr. Lynch, for five more minutes.

Mr. LYNCH. Thank you, Mr. Chairman.

Maybe in this overseas contingency operation we can put an amendment in that would maintain the current level of oversight by the Special Inspector General in Afghanistan. We could try to do something like that.

Mr. SOPKO. We would appreciate any help you can provide us, sir. And I am certain my other brethren and the other IGs would appreciate that help too.

Mr. LYNCH. OK. Absolutely.

The \$61 billion that the American taxpayer has paid so far, and that is as of March 31, 2015, does that include the \$900 million that was stolen out of Kabul Bank? That was also for paying personnel; that was salaries.

Mr. SOPKO. Well, technically, that money was generated by the Afghans.

Mr. LYNCH. That is the third version I have heard. I actually went to a classified briefing in Afghanistan. I have been there 14 times, I think, but one of my earliest ones after they robbed the bank, this is the president's brother and the vice president's brother, this is when the \$900 million went missing, I was told at a classified briefing then that none of that was U.S. money. Then, a couple years later, I was told all of it was U.S. money. So maybe you can enlighten me a little bit on whose money was that.

Mr. SOPKO. Well, the best way to explain it is in one of our charts we talk about how we lose visibility over—

Mr. LYNCH. Yes. I only have 3 minutes.

Mr. SOPKO. OK. I will do it quickly. Once the money goes to salaries, it is the Ministry of Finance, it is no longer U.S. money.

Mr. LYNCH. They are not getting it from tax money; they are getting it from donors.

Mr. SOPKO. I agree totally with you, sir. They only raised \$2 billion, and it cost \$8 to \$10 billion to keep that country afloat. So it is mainly being supported by us.

Mr. LYNCH. OK.

Mr. SOPKO. That is why it is so critical. And I know I don't want to take your time, Mr. Lynch.

Mr. LYNCH. You already have, my friend.

Mr. SOPKO. OK.

Mr. LYNCH. Look, look, here is my problem. When we did this in Iraq, we did the exact same thing and we were having folks walk away with weapons, sell their weapons to militant groups. We came up with a system in Taji, the weapons depot, where we took a picture of the soldier when they came out of training, we did a retina scan so they couldn't fool us. We had a good ID. We had the number of his weapon assigned to that; we had an ID card that we had. And we knew who these folks were.

Why did we get away from that in Afghanistan?

Mr. SOPKO. I don't have an answer, sir, but we don't have that visibility anymore.

Mr. LYNCH. It would seem to me that it would be pretty easy to measure the scale of robbery in Afghanistan of U.S. taxpayer money by just taking four or six units. You have the payrolls that are coming in, so just pick six or eight of them, go in there and do actual ID on them and watch where the checks go. And once you realize that there are a whole lot more checks being paid out in relation to how many people are actually on the job, you will know how much you are being ripped off.

I think we did one pilot program a while back. I don't know why we haven't continued that, but it is pretty depressing that we are losing good Americans like the young man that got killed a couple weeks ago from Massachusetts, Mr. Dawson, and others. We are trying to do the right thing here and we are being robbed blind, as far as I can tell from the reports that you have provided.

Do you have any suggestions on what we can do? I mean, I know you don't want to cutoff funding, but it would seem that if we are paying all this money, the American taxpayer, we have a little bit of leverage here. In other words, we are not going to pay the money unless we have an accountable system where we can actually track where the money goes, because I think a lot of these—look, you are

absolutely right when you tell me that corruption is endemic. It is absolutely the rule, it is the rule in Afghanistan. It is the rule. Corruption from top to bottom, inside out, backward forwards. Total corruption.

We have to try to operate within that system, but not be robbed blind. We have to be a little bit more responsible, I think. And CSTC-A, as far as I am concerned, they are complicit in this because they haven't put in place a system where we can catch these people, or at least discourage the level of theft that is going on. It is extremely discouraging, to say the least.

Mr. SOPKO. Well, Mr. Lynch, can I respond, and can I take time from somebody else to respond? Because I have been stealing his time already, Mr. Chairman.

I think you are directly on point. But the thing we can do is conditionality. We can condition. You are right, we have the piggy bank. I have been harping on conditionality for 3 years. I was originally told we could never do that, but CSTC-A is now, we have a new team in there which is doing conditionality. And when I met with the president of Afghanistan, he said he believes in conditionality; he will go along with conditionality. So the reality on the ground has changed a little bit, and that is why I am cautiously optimistic.

I am usually Dr. Doom, but I am cautiously optimistic. That is why it is counterintuitive to now cut oversight, to cut our resources to the bone in the State Department, at AID, as well as with the military, who have to oversee all this money.

The Secretary of Defense just announced he wants to increase our support for the military in Afghanistan by 50 percent, a 50 percent military increase. Well, that means more money, more guns, more contracts. You are not increasing CSTC-A at all. So that is the disconnect.

You know, we can't do programs by press release, and that is the problem here.

Mr. LYNCH. Mr. Chairman, you have been very generous and indulgent, and I appreciate that. Thank you.

Mr. HICE. Thank you very much.

Votes have been called, so we are going to need to hurry up. I do have another couple of quick questions, if you could be quick on your responses.

Are you familiar with the new embassy construction project?

Mr. SOPKO. Yes.

Mr. HICE. OK. From what I understand, there are ballooning costs taking place. There are a thousand desks, for instance, in that embassy, according to the GAO's briefing last year. And yet you described a moment ago 40 percent cuts. How do we equalize this? Is there a way to?

Mr. SOPKO. There is a way to equalize it, but I think you have to do it smartly. I think putting a number out of the air and dictating it is not the way you do this. That is not the way you would do it in business. I don't know why we are doing it in Afghanistan, by pulling a number, not just for me, but for everybody else, and saying design a program around it. We should look at what our program needs are and then design the number of bodies to fit that.

Mr. HICE. How does this fit with our oversight over our direct assistance?

Mr. SOPKO. The building, sir?

Mr. HICE. Yes, the whole complex.

Mr. SOPKO. Oh, the complex? I will be honest with you. That complex is something we haven't looked at; that is a State Department inspector general's job to look at that. I think he is actually reviewing the construction there, but I don't know.

Mr. HICE. OK. Well, I know that you are an oversight body, but what type of mechanisms would you recommend to have stricter control with what is happening here? Do you have recommendations?

Mr. SOPKO. I am happy to provide them to you. Stricter controls for the State Department?

Mr. HICE. U.S. dollars that are provided for direct assistance.

Mr. SOPKO. Well, for direct assistance, sir, I think we have to use conditionality. We have to design the programs realizing we are dealing with a corrupt regime, so we have to have people in place to review them. If we don't get access to records, we don't get access to facilities, then I think seriously we should consider cutting the program. And I think that is what CSTC-A is starting to do; if they don't see the Afghans living up to it, they are cutting some of the money. I think that is critical to do.

But you have to have somebody there to see and verify whether they are doing what they are doing. So if you cut all the oversight staff, or gut them, or gut all the CSTC-A staff, or gut the AID and State staff, then how are you going to know if you are getting the money stolen or not?

Mr. HICE. OK, very good. Well, listen, I want to thank you for your witness today and for appearing before us. If there is no other business, without objection, the subcommittee stands adjourned.

[Whereupon, at 3:25 p.m., the subcommittee was adjourned.]

